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DULUTH TEACHERS'

Retirement Fund

ASSOCIATION

**Comprehensive Annual
Financial Report
For The Year Ended
June 30, 1992**

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Pursuant to MS 356.20

**DULUTH TEACHERS' RETIREMENT FUND
ASSOCIATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 1992

Board of Trustees:

George Kovich, President	Elected Trustee
Paul Rigstad, Vice President	Elected Trustee
Margaret Morrison, Treasurer	Elected Trustee
Mickey Ferguson	School Board Representative
Betty High	Elected Trustee
John Moriarity	Elected Trustee
Dr. Reginald Nolin	Ex-officio, Superintendent
Sharon Strum	Elected Trustee
James Turchi	Elected Trustee

Staff:

J. Michael Stoffel	Executive Secretary
Carole Berg	Staff
Marie Chapinski	Staff
Susan Ellefson	Staff

Duluth Teachers' Retirement Fund Association
22 East First Street
Duluth, Minnesota 55802
(218) 722-2894

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OFFICIAL NOTICE OF THE REGULAR ANNUAL MEMBERSHIP MEETING

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
MONDAY - OCTOBER 26, 1992 - 4:15 p.m.
SOCIAL HOUR - 3:15 to 4:15 p.m.
ORDEAN MIDDLE SCHOOL AUDITORIUM
REFRESHMENTS WILL BE SERVED

Dear Member:

The 83rd Annual Meeting of the Membership will be held at Ordean Middle School auditorium at 4:15 p.m. on October 26, 1992 for the following purposes:

- 1) To approve the Acts and Proceedings of the Board of Trustees for the period of October 28, 1991, through October 26, 1992.
- 2) To consider and vote on any changes to the Association Articles of Incorporation or Bylaws.
- 3) To elect two Trustees for the expiring terms of active member Margaret Morrison and retired member John Moriarity. Nominations are from the floor and open to all members.
- 4) Our three investment advisors will review their investment styles, past performance and their outlook for the future.
- 5) Transact any other business which may legally come before the meeting.

BOARD OF TRUSTEES

June 30, 1992

Active Members

George Kovich, President
Paul Rigstad, Vice President
Margaret Morrison, Treasurer
James Turchi
Sharon Strum

School Board Member

Mickey Ferguson

Ex Officio - Superintendent

Dr. Reginald Nolin

Retired Members

John Moriarity
Betty High

Executive Secretary

J. Michael Stoffel

The Board of Trustees hopes you will take an hour on Monday, October 26th to meet with us at Ordean to express your goals for our retirement plan and our Tax Shelter programs.

MINUTES OF THE 82ND ANNUAL MEMBERSHIP MEETING

The Eighty-Second Annual Meeting of the membership of The Duluth Teachers' Retirement Fund Association was held in the auditorium of Ordean Junior High School on Monday October 28, 1991 at 4:15 p.m.. President George Kovich acted as Chairman of the meeting. The President ascertained that the number of members present was sufficient to constitute a quorum and transact business.

Trustees and special guests were introduced by the Chairman.

READING OF THE MINUTES

A motion was made, seconded and carried to approve and suspend the reading of the minutes of the Eighty-First Annual Meeting held October 29, 1990 because they were distributed in the Annual Report.

REPORT OF THE OFFICERS

Chairman Kovich stated the Officers' Reports had been printed and delivered to each member of record, therefore, they would not be read at this time.

Chairman Kovich introduced past presidents of the Association.

The Chairman read the names of members who were deceased during the year, and a moment of silence was given in their memory.

Chairman Kovich informed the membership that in the absence of an Executive Secretary, counsel would be available to all members of the Association from Gene Waschbusch, Executive Secretary of the St. Paul Teachers' Retirement Fund, Karen Kilberg, Executive Secretary of the Minneapolis Teachers' Retirement Fund and Bill Watters, the Association's attorney.

Vice-President Rigstad addressed the membership and reminded all members interested in participating in the 403(b) tax sheltered fund for the 1992 tax year to mail in their election forms by the end of November. Vice-President Rigstad assured the membership that any questions concerning enrolling in the tax shelter program would be answered by the office staff, Trustees or outside consultants.

Chairman Kovich introduced Gene Waschbusch, who then addressed the membership and reassured them that all business of the Fund was being conducted according to standard practices. Waschbusch went on to point out highlights of the annual report, and invited any questions concerning the contents of the report from members. Waschbusch reviewed the 1991 Legislative Session and the failure of the Governor to sign a bill which would have made the 13th Bonus Check a permanent provision. Waschbusch assured members the bill would be reintroduced in the next session, and that other cost of living adjustment mechanisms were being researched for possible implementation.

October 28, 1991
Page 2

Karen Kilberg, was introduced to the membership and proceeded to summarize the highlights of the three tax sheltered funds as recorded in the annual report.

A motion was then made, seconded and carried that the Report of the Officers, Acts and Proceedings of the Board of Trustees be approved for the period of October 29, 1990 through October 28, 1991.

AMENDMENT OF THE ARTICLES OF INCORPORATION

There were no amendments to the Articles of Incorporation or Bylaws.

ELECTION OF TRUSTEES

The Chairman declared nominations open for the expiring terms of active members George Kovich and Paul Rigstad. Both Kovich and Rigstad were nominated to succeed themselves, and there being no further nominations, both were declared winners.

The Chairman then declared nominations open for the expiring term of retired member Betty High. Betty High was nominated to succeed herself, and there being no further nominations, High was declared the winner.

REPORT OF COMMITTEES

Chairman Kovich introduced three guests to the membership. A. Lee Thurow, of Capital Supervisors, Inc., Lou Young of Renaissance Investment Management, and Joanna Migdahl of Oppenheimer Capital.

The three investment advisors addressed the membership, defining their style of investing, and imparting their predictions for the financial outlook of the Fund.

There being no further business, the meeting adjourned at 5:10 p.m.

Respectfully Submitted,

George Kovich
President, Board of Trustees

Duluth Teachers' Retirement Fund Association

22 EAST FIRST STREET • DULUTH, MINNESOTA 55802
PHONE (218) 722-2894 • FAX (218) 722-8208

J. Michael Stoffel, *Executive Secretary*

October 9, 1992

Dear Member,

On behalf of the Board of Trustees, I am pleased to present the 83rd annual financial report of the Duluth Teachers' Retirement Fund Association for the fiscal year ended June 30, 1992. The information included in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the Association. I trust you will find this report helpful in understanding your retirement Association.

The financial reporting entity of the Association includes the "Basic" retirement fund, into which the mandatory employee and employer contributions are invested, and the tax shelter annuity fund, qualified under Section 403(b) of the internal revenue code.

Revenues

The reserves needed to finance present and future benefits come from employee and employer contributions and from income on investments. During the fiscal year, as shown below, revenues totaled \$20,827,031 which represents a 20.1 percent increase over revenues in fiscal year 1991. The increase in revenues is due primarily to an increase in investment income. Realized investment income accounts for the largest share, approximately 70%, of total income. Contribution rates for employees and employers remained unchanged from the prior year.

<u>Revenue Source</u>	<u>Fiscal 1992</u>	<u>Fiscal 1991</u>	<u>% Change</u>
Member Contributions	\$ 3,809,256	\$ 3,685,924	3.3%
Employer Contributions	2,482,517	2,449,267	1.4%
Investment Income	14,505,951	11,200,548	29.5%
Other Income	<u>29,307</u>	<u>5,488</u>	-
Totals	\$20,827,031	\$17,341,227	20.1%

Expenses

Expenses of the Association include the payment of benefits to members and beneficiaries, the refund of contributions to former members and administrative costs. Expenses for fiscal year 1992 totaled \$7,276,908, an increase of 5.3% over fiscal year 1991 expenses, as shown below. The increase in benefit payments in fiscal year 1992 resulted from the increase in the number of benefit recipients and in higher average benefit payments.

<u>Expense Type</u>	<u>Fiscal 1992</u>	<u>Fiscal 1991</u>	<u>% Change</u>
Benefits	\$ 5,458,327	\$ 5,142,081	6.1%
Refunds & Transfers	1,128,204	1,221,445	(7.6%)
Administrative	<u>690,377</u>	<u>545,902</u>	<u>26.5%</u>
Total	\$ 7,276,908	\$ 6,909,428	5.3%

Investments

The investment outlook of the Association is very long-term. The portfolio is structured to take advantage of the favorable risk-return characteristics of the equity and fixed income markets. The portfolio is well diversified and is invested in high quality securities. The Association uses professional, active portfolio managers to implement the investment program. The investment portfolio mix at June 30, 1992 was 41% equities, 51% fixed income, 6% cash equivalents and 2% real estate. For the 12 month period ending June 30, 1992, the Association earned a time-weighted rate of return of 12.4% for the Basic Fund and 13.8% for the tax shelter annuity fund.

Funding

An important measure of the health of a pension fund is the level of funding. The better the level of funding, the larger the ratio of assets to accrued liabilities and the greater the level of investment income potential. Additionally, a better level of funding gives participants a higher degree of assurance that their pensions are secure. At the end of the previous fiscal year, the fund was 89.4% funded. The level of funding at June 30, 1992 was not available at the time of publication of this report, but we anticipate that it will remain the same or improve.

Legislation

During the 1992 legislative session, the Association was successful in its efforts to improve the cost-of-living-adjustment (COLA) mechanism, paid to eligible retirees and beneficiaries as a thirteenth check. Major accomplishments included removal of the 6.5% rate of return trigger before allowing payment of a COLA, and reducing the waiting period from three years from the date of retirement, to one year. The Board of Trustees will continue to search for ways to provide adequate benefits to all members on a fiscally sound basis.

Acknowledgements

The compilation of this report reflects the combined effort of the staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets contributed by the members and the Duluth School District.

The report is distributed to all members of the Association. Their involvement, suggestions and cooperation contributes significantly to the success of the Association.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to my staff, our advisors and consultants, and the many people who have worked so diligently to assure the successful operation and financial soundness of the Duluth Teachers' Retirement Fund Association.

Sincerely yours,



Michael Stoffel
Executive Secretary

Duluth Teachers' Retirement Fund Association
Combining Balance Sheet
June 30, 1992

	<u>Expendable Trust Funds</u>				<u>Total</u>
	<u>Basic Pension Trust Fund</u>	<u>Fixed Shelter Investment</u>	<u>Variable Investment</u>	<u>Money Market Investment</u>	
Assets					
Cash	\$ 431,980	\$ 36,646	\$ 41,606	\$ 47	\$ 510,279
Receivables:					
Member Contributions	226,410				226,410
Employer Contributions	291,641				291,641
Interest	666,614	75,739	990		743,343
Dividends	100,373		10,489		110,862
Investments:					
Cash Equivalents	4,926,795	567,509	369,375	1,629,977	7,493,656
U. S. Government Securities (Market value \$46,381,646)	39,134,053	4,695,898			43,829,951
Corporate Bonds and Notes (Market value \$21,624,220)	18,523,519	2,722,277			21,245,796
Common Stock (Market value \$57,752,432)	47,195,131		5,027,303		52,222,434
Mortgage Loans Secured by Real Estate	2,153,528				2,153,528
Fixed Assets (net of accumulated depreciation)	65,178				65,178
Prepaid Expenses	4,946				4,946
Total Assets	<u>\$ 113,720,168</u>	<u>\$ 8,098,069</u>	<u>\$ 5,449,763</u>	<u>\$ 1,630,024</u>	<u>\$ 128,898,024</u>
Liabilities					
Accounts Payable	48,160				48,160
Total Liabilities	<u>48,160</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48,160</u>
Net Assets Available for Benefits	<u>\$ 113,672,008</u>	<u>\$ 8,098,069</u>	<u>\$ 5,449,763</u>	<u>\$ 1,630,024</u>	<u>\$ 128,849,864</u>
Fund Balance					
Current Benefit Obligations:					
Beneficiaries Receiving Benefits	\$ *				\$
Deferred Vested & Inactive Members	*				
Accumulated Employee Contributions	*	<u>8,098,069</u>	<u>5,449,763</u>	<u>1,630,024</u>	
Total Current Benefit Obligations	*	8,098,069	5,449,763	1,630,024	
Unfunded Actuarial Present Value of Credited Projected Benefits	(*)				()
Total Fund Balance	<u>\$ 113,672,008</u>	<u>\$ 8,098,069</u>	<u>\$ 5,449,763</u>	<u>\$ 1,630,024</u>	<u>\$ 128,849,864</u>

* Information not available at time of publication

The accompanying notes are an integral part of these financial statements.

Duluth Teachers' Retirement Fund Association
Combining Statement of Revenues, Expenses
and Changes in Fund Balances
June 30, 1992

	<u>Expendable Trust Funds</u>				<u>Total</u>
	<u>Basic Pension Trust Fund</u>	<u>Fixed Shelter Investment</u>	<u>Variable Investment</u>	<u>Money Market Investment</u>	
Revenues					
Investment Income:					
Interest	\$ 4,571,246	\$ 579,547	\$ 15,514	\$ 72,054	\$ 5,238,361
Dividends	1,320,200		127,221		1,447,421
Gain on Sale of Investments	8,402,197	268,584	304,472		8,975,253
Loss on Sale of Investments	(1,441,613)	(11,242)	(131,306)		(1,584,161)
Market Value Adjustment		<u>164,878</u>	<u>264,199</u>		<u>429,077</u>
Total Investment Income	12,852,030	1,001,767	580,100	72,054	14,505,951
Contributions:					
Employer	2,482,517				2,482,517
Member Deposits and Transfers	<u>2,123,735</u>	<u>666,468</u>	<u>760,558</u>	<u>258,495</u>	<u>3,809,256</u>
Total Contributions	4,606,252	666,468	760,558	258,495	6,291,773
Other Income	<u>29,143</u>		<u>164</u>		<u>29,307</u>
Total Revenues	<u>17,487,425</u>	<u>1,668,235</u>	<u>1,340,822</u>	<u>330,549</u>	<u>20,827,031</u>
Expenses					
Retirement Benefits	5,114,368				5,114,368
Disability Benefits	93,996				93,996
Survivor Benefits	249,963				249,963
Contributions Refunded	93,840				93,840
Member Withdrawals & Transfers		<u>451,591</u>	<u>241,256</u>	<u>341,517</u>	<u>1,034,364</u>
Total Benefits, Refunds & Withdrawals	5,552,167	451,591	241,256	341,517	6,586,531
Administrative Expenses	<u>672,657</u>	<u>8,731</u>	<u>8,803</u>	<u>186</u>	<u>690,377</u>
Total Expenses	<u>6,224,824</u>	<u>460,322</u>	<u>250,059</u>	<u>341,703</u>	<u>7,276,908</u>
Net Fund Balance Additions	11,262,601	1,207,913	1,090,763	(11,154)	13,550,123
Fund Balance at Beginning of Year	<u>102,409,407</u>	<u>6,890,156</u>	<u>4,359,000</u>	<u>1,641,178</u>	<u>115,299,741</u>
Fund Balance at End of Year	<u>\$ 113,672,008</u>	<u>\$ 8,098,069</u>	<u>\$ 5,449,763</u>	<u>\$ 1,630,024</u>	<u>\$ 128,849,864</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1992

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Duluth Teachers' Retirement Fund Association was created to provide retirement and other specified benefits for its members pursuant to Minnesota Statutes, Chapters 354A and 356. The Association's membership consists of eligible employees of Independent School District 709, Duluth, and the employees of the Association. The Association is governed by a nine-member board of trustees.

A. Financial Reporting Entity

For financial reporting purposes, in conformity with generally accepted accounting principles, the Association's financial statements include all funds over which it exercises oversight responsibility. The Association is not included as a component unit of another financial reporting entity.

B. Fund Accounting

The resources of the Association are accounted for in four funds:

The Basic Pension Fund is a pension trust fund which accounts for the accumulation of resources to be used for future retirement annuity payments for eligible Association members, as described in Note 2.

The Fixed Shelter, Variable, and Money Market Investment Funds are expendable trust funds which were established to account for a voluntary tax sheltered annuity program for Association members which meets the requirements of section 403(b) of the Internal Revenue Code. The plan allows members to reduce their taxable current compensation by electing to have amounts withheld from their salaries within limits prescribed by the Internal Revenue Code. When the amounts withheld plus earnings are paid to the member, they become fully taxable. Benefits are determined based on the dollar value of the member's units at time of withdrawal. Member contributions can be made to any of the three funds. Each Fund has different investment objectives.

C. Basis of Accounting

The Fixed Shelter, Variable, and Money Market Investment Expendable Trust Funds follow the modified accrual basis of accounting. The Basic Pension Trust Fund follows the accrual basis of accounting. Member employee and employer contributions are recorded as revenues in the period in which member services are performed.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1992

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deposits and Investments

Deposits

Minnesota Statute, Section 118.005 authorizes the Association to deposit its cash and to invest in money market accounts and certificates of deposit in financial institutions designated by the Association's Board of Trustees. Minnesota statutes also require that all the Association's deposits be covered by insurance, surety bond, or collateral. At June 30, 1992, the Association had cash deposits totaling \$510,079. Deposits were covered by insurance, or collateralized with securities held by the Association or its agent in the Association's name totaling \$532,796.

Investments

For the Basic Pension Fund, investments are shown in the statement of net assets at cost, subject to adjustment for market value declines judged to be other than temporary. For the Fixed, Variable, and Money Market Investment Funds, investments are shown in the statement of net assets at market value, with gains or losses in value shown as a market value adjustment in the statement of changes in net assets. Gains and losses on sale of investments are computed as the difference between cost and the sale price.

Interest and dividend income is recognized when earned, except for zero coupon type investment instruments. Zero coupon investment instruments do not pay periodic interest but rather include interest earnings as part of the maturity value. Current market values do reflect these unpaid earnings. The Basic Pension Fund recognizes zero coupon investment earnings as gains on sale of investments upon sale or maturity of these investment types. The Investment Funds recognize zero coupon investment earnings annually as part of the market value adjustment to record changes in the market value of investments.

There are no investments in, loans to, or leases with parties related to the Association.

Minnesota Statute, Section 354A.08 designates the Association's Articles of Incorporation for authorized investment types and amounts. The Articles of Incorporation have adopted Minnesota Statute, Chapter 501, which specifies that investments are governed primarily

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

by an investment authority known as the "prudent person rule." The prudent person rule establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the system. The Articles of Incorporation also specify certain limitations for authorized investment types and amounts. Generally accepted accounting principles have determined three levels of credit risk for securities:

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

The investments in daily cash equivalent mutual funds cannot be categorized into the aforementioned levels of risk. All other investments held by the Association are included in risk category (a). Following is a summary of the carrying amounts, market value, and cost, of the Association's securities:

	<u>Carrying Amounts</u>	<u>Market Value</u>	<u>Cost</u>
Daily cash equivalent mutual funds	\$ 7,493,656	7,493,656	7,493,656
U.S. Government Securities	43,829,951	46,381,646	43,661,102
Corporate bonds	21,245,796	21,624,220	21,201,514
Stocks	52,222,434	57,752,432	51,645,047
Mortgage loan pools	<u>2,153,528</u>	<u>2,153,528</u>	<u>2,153,528</u>
Totals	<u>\$126,945,365</u>	<u>\$135,405,482</u>	<u>\$126,154,847</u>

E. Fixed Assets

Land, building, furniture, and fixtures are stated at cost. Depreciation is computed over the useful lives of the fixed assets using the straight-line method.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992**

NOTE 2 PENSION PLAN DESCRIPTION

The following brief description of the plan is provided for general information purposes only.

The plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

A. General

The Association administers a single-employer defined benefit pension plan covering all teachers and administrators in the Duluth Public School System and the employees of the Association. At June 30, 1992, membership consisted of:

Retirees and beneficiaries currently receiving benefits	723
Terminated employees entitled to benefits but not yet receiving them	604
Current employees:	
Vested	1,156
Nonvested	<u>400</u>
Total	<u>2,883</u>

B. Pension Benefits

Association members may be eligible for benefits under three different plans depending on year of hire. Members in all three plans are covered by Social Security.

Old Plan - Covers Association members hired prior to July 1, 1981. Normal retirement benefits are earned at age 60, or if age plus service totals 90. Retirement benefits vest after 10 years or age 60. The annual normal retirement benefit is equal to 1.25 percent of the member's high five-year average salary multiplied by the number of years of credited service. Early retirement benefits are available at age 55 with 10 or more years of credited service with a .25 percent per month early retirement deduction under age 60. Old plan members may elect Tier I or Tier II plans if they produce a higher annual retirement benefit.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992**

NOTE 2 PENSION PLAN DESCRIPTION (continued)

Tier I Plan - Covers Association members hired or rehired after June 30, 1981 and before July 1, 1989. Normal retirement benefits are earned at age 65 or with 30 plus years of service over age 62, or if age plus service totals 90. Retirement benefits vest after 3 years of service or at age 65. The annual retirement benefit is equal to 1.0 percent of the first ten years and 1.5 percent of the eleventh and higher years credited service multiplied by the high five successive average salary. Early retirement benefits are available at age 55 with three or more years of credited service or at any age with 30 or more years of credited service with a .25 percent per month early retirement deduction under the normal retirement age. Tier I Plan members may elect the Tier II Plan if it produces a higher annual retirement benefit.

Tier II Plan - Covers Association members hired or rehired after June 30, 1989. Normal retirement benefits currently are earned at age 65 and are tied to the Social Security normal retirement age. Retirement benefits vest after 3 years or age 65. The annual normal retirement benefit is equal to 1.5 percent for all years of credited service multiplied by the high five successive average salary. Early retirement benefits are available at age 55 with three or more years of credited service with an actuarial equivalence early retirement deduction under age 65.

Under all plans, members may elect to receive their pension benefits in the form of a joint or survivor annuity and have the option of electing Social Security actuarial income leveling. Also, members terminating employment with the School Board receive a refund with interest computed at 6 percent or may elect an augmented deferred retirement benefit if retirement benefits have vested.

C. Death and Disability Benefits

If active members die prior to the receipt of their first retirement allowance payment, death benefits are payable under each of the three plans.

Active members who have not reached normal retirement age and have at least three years of credited service shall receive a disability benefit upon becoming permanently disabled.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1992

NOTE 2 PENSION PLAN DESCRIPTION (continued)

D. Cost of Living Adjustment Mechanism

In addition to the above benefits, the plan provides for a yearly lump sum post retirement adjustment subject to approval by the Board of Trustees to all annuitants who have been receiving benefits for at least one year. This adjustment may be converted to a monthly annuity of an equivalent actuarial value at the request of the annuitant and with approval of the board of trustees. The amount of the aggregate adjustment may not exceed one percent (1%) of net asset value plus one-third of unrealized capital gains and losses of the Fund at the end of the preceding fiscal year. The October 1991 bonus payments of \$1,100,000 is included in the financial statements for the fiscal year ended June 30, 1992. No amount is accrued for the October 1992 payment of \$1,160,000 approved at the September 10, 1992, board meeting since the amount is determined after the year end.

E. Funding

For the fiscal year ended June 30, 1992, members were required to contribute 4.5 percent of their salaries to the Association. Employer contributions were 5.79 percent of the members' salaries.

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

NOTE 3 TEN-YEAR HISTORICAL TREND INFORMATION

Historical trend information designed to provide information about the Association's progress made in accumulating sufficient assets to pay benefits when due is presented here.

Ten-year historical trend information is required by Governmental Accounting Standards Board (GASB) Statement No. 5. The pension benefit obligation based on the standardized measure required by GASB Statement No. 5 was not calculated by the actuary for years prior to 1984; therefore, only nine years of the required supplementary disclosures are presented below. This information is intended to help users assess the Association's funding status on a going-concern basis, assess progress made in

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992**

NOTE 3 TEN-YEAR HISTORICAL TREND INFORMATION (continued)

accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Analysis of Funding Progress (Dollars in Thousands)

<u>Fiscal Year</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation (PBO)</u>	<u>Percent Funded</u>	<u>Unfunded PBO</u>	<u>Annual Covered Payroll</u>	<u>Unfunded PBO as a Percent of Payroll</u>
1984	\$ 47,070	\$ 69,716	67.5%	\$ 22,646	\$ 27,350	82.8%
1985	49,333	64,730	76.2	15,397	31,714	48.5
1986	56,152	70,954	79.1	14,802	33,632	44.0
1987	67,325	77,623	86.7	10,298	37,583	27.4
1988	72,626	82,694	87.8	10,068	37,569	26.8
1989	82,838	93,345	88.7	10,507	40,600	25.9
1990	94,481	97,305	97.1	2,824	40,572	7.0
1991	102,409	109,071	93.9	6,662	45,394	14.7
1992	113,672	*	*	*	*	*

* - information not available at time of publication

Analysis of the dollar value of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation may be misleading. Expressing net assets as a percentage of the pension benefit obligation provides one indication of the Association's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the fund. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Association's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the fund.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1992**

NOTE 3 TEN-YEAR HISTORICAL TREND INFORMATION (continued)

REVENUES BY SOURCE

<u>Fiscal Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other</u>	<u>Total</u>
1983	\$ 1,449,787	\$ 1,014,688	\$ 3,432,268	\$ 5,936	\$ 5,902,679
1984	1,230,755	1,684,448	3,778,585	6,149	6,699,937
1985	1,427,144	1,750,695	5,287,531	8,426	8,473,796
1986	1,513,460	1,896,795	7,244,260	8,695	10,663,210
1987	1,691,236	2,061,774	11,686,870	11,898	15,451,778
1988	1,690,621	2,092,515	6,494,420	9,497	10,287,053
1989	1,826,997	2,220,027	10,364,699	19,571	14,431,294
1990	1,825,742	2,222,498	13,093,770	39,166	17,181,176
1991	2,042,716	2,449,267	9,245,291	15,413	13,752,687
1992	2,123,735	2,482,517	12,852,030	29,143	17,487,425

EXPENSES BY TYPE

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Administrative</u>	<u>Refunds</u>	<u>Total</u>
1983	\$ 2,039,564	\$ 195,653	\$ 175,449	\$ 2,410,666
1984	2,180,007	214,050	143,406	2,537,463
1985	2,357,884	232,294	656,277	3,246,455
1986	3,383,721	269,385	191,356	3,844,462
1987	3,959,741	283,983	35,038	4,278,762
1988	4,534,861	341,351	109,545	4,985,757
1989	3,692,261	439,146	87,986	4,219,393
1990	4,903,348	524,673	110,660	5,538,681
1991	5,111,063	539,434	173,402	5,823,899
1992	5,458,327	672,657	93,840	6,224,824

DULUTH TEACHERS RETIREMENT FUND ASSOCIATION - BASIC FUND

EQUITY HOLDINGS RANKED ALPHABETICALLY

JUNE 30, 1992

<u>NO OF UNITS</u>	<u>DESCRIPTION</u>	<u>UNIT COST</u>	<u>MARKET PRICE</u>	<u>MARKET VALUE</u>	<u>% OF PORT</u>	<u>UNREALIZED GAIN (LOSS)</u>
5,200	Abbott Labs	20.91	29.75	154,700	1.36	45,968
6,200	Aetna Life	44.86	41.38	256,525	2.26	(21,609)
3,900	Aflac Inc	15.82	30.25	117,975	1.02	56,286
16,000	Air Products	27.38	42.50	680,000	2.32	241,872
1,600	Allied Signal	36.82	53.75	86,000	.76	27,088
25,000	American Barrick	26.13	27.75	693,750	2.37	40,475
14,325	American Cyanamid	60.50	55.63	796,828	1.90	(69,886)
5,400	American Express	19.20	23.25	125,550	1.11	21,897
7,795	American Int'l	85.39	88.63	690,832	6.00	25,223
2,500	Amp Inc	46.20	53.88	134,688	1.19	19,200
15,600	Anheuser Busch	49.21	55.50	865,800	1.90	98,098
2,600	Apple Computer	47.82	48.00	124,800	1.10	468
22,000	Archer Daniels	25.27	23.63	519,750	1.78	(36,138)
4,600	Atlantic Richfield	105.09	107.75	495,650	4.33	12,238
15,000	Automatic Data	39.37	42.75	641,250	2.19	50,775
10,500	Avon Prods	43.48	51.25	538,125	4.67	81,635
22,000	Banc One Corp	33.96	45.63	1,003,750	3.43	256,704
10,000	Bausch & Lomb	31.36	47.75	477,500	1.63	163,931
28,000	Baxter Intl	34.40	36.38	1,018,500	2.48	55,415
3,600	Becton Dickinson	65.62	74.50	268,200	2.33	31,968
20,000	Bemis Inc	22.27	24.38	487,500	1.66	42,012
2,300	Boeing Co	43.20	38.77	91,713	.81	(7,636)
2,550	Bristol Myers	56.55	65.88	167,981	1.48	23,771
29,700	British Stl	15.85	11.75	348,975	3.03	(121,899)
30,000	CBI Inds	25.77	33.50	1,005,000	3.43	231,952
7,400	Centel Corp	35.86	28.75	212,750	1.85	(52,596)
20,000	Central & SW	26.45	38.25	565,000	1.93	36,000
10,100	Coca Cola Co	20.01	40.00	404,000	3.56	201,915
3,800	Colgate	34.85	51.75	196,650	1.73	64,229
27,000	Coltec Inds	16.85	18.75	506,250	4.40	51,328
9,000	Cooper Inds	39.80	46.13	415,125	3.61	56,949
20,000	Cooper Inds (Pfd)	30.57	29.38	587,500		-23,900
9,900	Dole Food	33.74	29.00	287,100	2.49	(46,900)
1,800	Dow Chem Co	64.30	57.63	103,725	.91	(12,009)
15,000	Dreyfus Corp	41.25	37.75	566,250	1.93	(52,465)
5,400	Dun & Bradstreet	44.78	56.63	305,775	2.70	63,972
2,700	Eastman Kodak	43.00	40.13	108,338	.96	(7,764)
4,700	Emerson Elec	40.69	48.75	229,125	2.02	37,883
6,600	Enron Corp	29.04	41.88	276,375	2.44	84,744
21,550	Exxon Corp	57.64	61.88	1,333,406	5.74	91,122
3,100	Fed Nat'l Mtg	45.61	61.00	189,100	1.67	47,708
20,600	Freeport McMoran	19.15	19.75	406,850	3.53	12,390
18,018	General Elec	65.22	77.75	1,400,900	8.92	225,809
4,050	General Mls Inc	52.69	67.13	271,856	2.40	58,477
40,000	General Motors	16.55	28.00	1,120,000	3.82	458,138
2,000	Great Atlantic	52.05	27.00	54,000	.47	(50,099)
2,400	Hercules Inc	37.58	52.75	126,600	1.10	36,418
2,300	Hewlett Packard	50.57	68.88	158,413	1.40	42,102
12,000	Hilton Hotels	49.77	45.88	550,500	1.88	(46,728)
8,500	Honeywell Inc	54.81	70.00	595,000	5.20	129,119
7,650	Humana Inc	27.63	21.13	161,606	1.42	(49,751)
1,800	IBM	121.68	97.88	176,175	1.55	(42,850)
10,000	Illinois Tool	53.05	60.88	608,750	2.08	78,278
20,000	Ingersoll Rand	31.51	27.50	550,000	1.88	(80,200)
20,000	Ipalco Ent	26.21	35.00	700,000	2.39	175,800
4,500	ITT Corp	52.72	64.75	291,375	2.57	54,123
19,500	Jefferson Pilot	30.88	41.88	816,563	2.79	214,403
3,200	Johnson & Johnson	32.41	44.75	143,200	1.26	39,488
11,200	K Mart Corp	18.34	23.00	257,600	2.27	52,183
5,100	Kellogg Co	42.60	66.38	338,513	2.98	121,253

<u>NO OF UNITS</u>	<u>DESCRIPTION</u>	<u>UNIT COST</u>	<u>MARKET PRICE</u>	<u>MARKET VALUE</u>	<u>% OF PORT</u>	<u>UNREALIZED GAIN(LOSS)</u>
5,800	Kimberly Clark	46.09	58.50	339,300	2.99	71,960
12,000	Knight Ridder	63.25	58.38	700,500	2.39	(58,548)
9,800	Limited Inc	16.86	22.75	222,950	1.97	57,769
3,600	Louisiana Pac	43.70	46.25	166,500	1.47	9,198
4,600	Mapco Inc	47.58	54.13	248,975	2.16	30,128
13,400	May Dept Stores	54.71	55.38	742,025	3.53	8,909
8,000	McDonalds Corp	30.52	46.00	368,000	3.24	123,853
11,300	MCI Communications	26.39	32.13	363,013	3.15	64,763
9,500	Mead Corp	31.97	35.25	334,875	2.91	31,151
5,600	Melville Corp	41.54	45.50	254,800	2.25	22,170
5,550	Merck & Co	27.35	48.75	270,563	2.39	118,749
2,000	Monsanto Co	60.04	55.13	110,250	.97	(9,820)
10,000	Morton Int'l	62.08	54.38	543,750	1.86	(77,050)
3,100	Nationsbank	43.70	47.63	147,638	1.30	12,183
17,000	Newell Co	40.55	35.75	607,750	2.08	(81,570)
5,100	Occidental Pete	21.30	19.63	100,088	.88	(8,534)
8,200	Pepsico Inc	31.17	34.88	285,975	2.48	30,376
8,000	Pfizer Inc	65.21	73.00	584,000	1.99	62,360
4,300	Philip Morris	46.02	73.50	316,050	2.79	118,149
4,700	Phillips Pete	22.82	24.25	113,975	1.00	6,721
30,000	Pitney Bowes	31.24	28.88	866,250	2.96	(70,800)
2,500	PNC Financial	44.32	54.00	135,000	1.19	24,200
6,000	Policy Mgmt	52.47	63.00	378,000	1.29	63,210
2,600	Procter & Gamble	41.21	46.00	119,600	1.05	12,465
5,000	Progressive Corp	49.20	56.50	282,500	2.45	36,525
4,800	Ralston Purina	46.15	46.50	223,200	1.97	1,675
3,000	Raytheon Co	34.91	44.00	132,000	1.16	27,270
20,000	Readers Digest	37.15	46.25	925,000	3.16	182,000
2,800	Reebok Intl	35.07	24.13	67,550	.60	(30,646)
4,900	Rockwell Intl	26.54	23.13	113,313	1.00	(16,715)
11,600	Sandoz Ltd	35.02	41.50	481,400	4.18	75,150
11,900	Schlumberger	60.98	62.88	748,213	4.22	(17,090)
6,500	Sears Roebuck	41.78	39.75	258,375	2.28	(13,215)
30,000	Service Corp	16.60	17.08	512,499	1.75	14,359
40,000	Sherwin Williams	18.71	27.50	1,100,000	3.76	351,460
15,000	Sigma Aldrich	41.80	50.13	751,875	2.57	124,885
3,600	Smithkline	47.59	76.63	275,850	2.40	104,526
20,000	Southern Co	27.58	34.88	697,500	2.38	145,900
12,000	Southwest Aircls	38.63	42.88	514,500	1.76	50,987
11,200	Sprint Corp	24.30	21.75	243,600	2.12	(28,548)
1,900	St Paul Cos	59.70	80.13	152,238	1.34	38,817
10,000	Stride Rite Corp	28.57	20.68	206,250	.70	(79,430)
12,600	Sunstrand Corp	30.79	34.75	437,850	3.80	49,939
16,999	Suntrust Banks	35.36	40.50	688,500	2.35	87,359
2,500	Tandy Corp	43.55	24.50	61,250	.54	(47,622)
14,900	TeleCommunications	17.42	19.63	292,413	2.54	32,889
11,800	Texaco Inc	68.07	61.75	728,650	3.09	(64,414)
20,000	Texas Utilities	35.80	39.13	782,500	2.67	66,453
3,440	Time Warner	89.10	111.00	381,840	3.32	75,334
20,000	Toys R Us	35.80	34.50	414,000	1.41	(15,648)
7,280	TransAmerica Corp	32.96	44.38	323,050	2.81	83,125
1,730	UAL Corp	136.53	116.00	200,680	1.74	(35,514)
2,500	Union Pac	46.45	50.13	125,313	1.10	9,200
5,050	United Tech	51.10	52.25	263,863	2.33	5,791
11,000	Unitrin Inc	34.94	34.00	374,000	3.25	(10,384)
7,800	UST Inc	14.79	28.00	218,400	1.90	103,077
20,000	Wachovia Corp	48.81	61.63	1,232,500	4.21	256,338
10,000	WalMart Stores	41.36	53.75	537,500	1.84	123,879
15,000	Walgreen Co	36.59	33.88	508,125	1.74	(40,688)
11,200	Warnaco Group	21.45	30.38	340,200	2.95	99,938
9,200	Warner Lambert	66.46	61.00	561,200	4.87	(50,244)
2,000	Wells Fargo	54.95	74.63	149,250	1.32	39,360
15,000	Whirlpool Corp	42.95	37.25	558,750	1.92	(85,480)
27,900	Whitman Corp	13.45	13.38	373,163	3.24	(2,213)
7,100	York Int'l Corp	23.74	33.13	235,188	2.05	66,613
1,800	Xerox Corp	61.62	69.75	125,550	1.10	14,634
Total Common Stock				\$52,725,137		\$5,529,601

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION - BASIC FUND
BONDS - PORTFOLIO HOLDINGS

JUNE 30, 1992

<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>UNIT COST</u>	<u>MARKET PRICE</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>	<u>S&P RATE</u>	<u>ANNUAL INCOME</u>
	<u>US GOV'T & AGENCY BONDS</u>						
1,000,000	Certificates of Accrual 13.125% 5/15/2001	31.41	51.45	314,050	514,530		
2,000,000	Fed'l Home Loan Mtg 7.0% 1/15/2002	87.36	88.31	1,747,188	1,766,240	AAA	140,000
2,750,000	Fed'l Home Loan Mtg 6.5% 5/15/2001	99.75	100.66	2,743,125	2,768,040	AAA	178,750
300,000	Fed'l Home Loan Mtg 9.0% 11/15/2016	99.05	106.98	297,138	320,940	AAA	27,000
142,637	Fed'l Home Loan Mtg 10.25% 3/15/2009	70.34	103.53	100,332	147,672	AAA	14,620
400,000	Fed'l Nat'l Mtg Assn 8.0% 01/25/2005	104.09	103.13	416,375	412,500	AAA	32,000
1,000,000	Fed'l Nat'l Mtg Assn 8.25% 12/18/2000	103.31	106.71	1,033,125	1,067,100	AAA	82,500
47,992	GNMA Gtd Pass Thru 8.0% 9/15/2000	100.00	101.12	47,992	48,529	AAA	3,839
51,468	GNMA Gtd Pass Thru 7.50% 9/15/2005	100.00	98.40	51,468	50,644	AAA	3,860
134,985	GNMA Gtd Pass Thru 8.0% 7/15/2007	100.00	101.12	134,985	136,497	AAA	10,798
1,925,000	Tennessee Valley Auth 8.25% 4/15/2042	96.94	97.38	1,865,999	1,874,469	AAA	158,812
1,210,000	US Treas Bonds 10.375% 11/15/2012	120.39	124.31	1,456,719	1,504,187	AAA	125,537
400,000	US Treas Bonds 12.0% 8/15/2013	137.63	139.53	550,500	558,124	AAA	48,000
712,500	US Treas Bonds 0% 8/15/1993	32.56	95.40	231,975	679,725		
10,800,000	US Treas Notes 7.625% 4/30/1996	99.51	105.78	10,746,873	11,424,348	AAA	823,500
3,675,000	US Treas Notes 9.50% 11/15/1995	111.16	111.63	4,085,102	4,102,219	AAA	349,125
1,000,000	US Treas Notes 7.25% 11/15/1996	103.83	104.25	1,038,281	1,042,500	AAA	72,500
750,000	US Treas Notes 9.50% 10/15/1994	108.45	109.44	813,398	820,785	AAA	71,250
6,575,000	US Treas Notes 8.50% 11/15/2000	108.41	109.03	7,127,711	7,168,788	AAA	558,875

<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>UNIT COST</u>	<u>MARKET PRICE</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>	<u>S&P RATE</u>	<u>ANNUAL INCOME</u>
1,200,000	US Treas Notes 7.875% 1/15/1998	102.69	106.41	1,232,250	1,276,872	AAA	94,500
4,400,000	US Treas Sec 2/15/2000	57.53	58.00	2,531,232	2,552,000		
945,000	US Treas Sec 11/15/1995	21.24	82.84	200,756	782,838		
2,000,000	US Treas Sec 5/15/2006	18.37	33.31	367,480	666,20		
	Total Gov't & Agency Bonds			<u>\$39,134,054</u>	<u>\$41,685,747</u>		
	<u>Corporate Bonds</u>						
500,000	AT&T Cap Corp 5.76% 2/03/1995	100.00	100.36	500,000	501,775	AA	
1,000,000	Bankers TR NY Corp 7.50% 1/15/2002	96.86	100.78	968,620	1,007,810	AA-	75,000
1,000	Bay Houston Maritime 9.25% 3/31/2002	98.61	112.33	986	1,123	N/R	92
1,000,000	CIT Group Hldgs 8.875% 6/15/1996	98.00	107.48	979,990	1,074,840	A+	88,750
2,700,000	Commercial Credit 6.75% 1/15/1997	98.09	99.88	2,648,484	2,696,625	A	182,250
500,000	Conseco Coml Mtg 9.70% 10/15/2015	95.18	105.50	475,900	527,500	N/R	48,500
500,000	Drexel Burnham 8.55% 9/20/2015	99.38	104.41	496,875	522,030	N/R	42,750
2,350,000	Ford Mtr Credit 6.15% 1/15/1994	100.00	101.70	2,350,000	2,389,997	AA-	144,525
2,475,000	New Jersey Bell 8.0% 6/01/2022	97.41	97.56	2,410,873	2,414,660	AAA	198,000
1,625,000	Pacific Gas & Elec 8.75% 1/01/2001	103.45	105.88	1,680,998	1,720,469	A	142,187
1,875,000	Pacific Gas & Elec 7.875% 3/01/2002	99.79	101.14	1,871,100	1,896,375	A	147,656
2,000,000	Pepsico Inc 6.875 5/15/1997	99.27	100.56	1,985,400	2,011,240	A	137,500
2,000,000	Philip Morris 9.15% 2/16/1995	107.76	106.88	2,155,280	2,137,500	N/R	183,000
	Total Corporate Bonds			<u>\$18,524,506</u>	<u>\$18,901,944</u>		
	Total Bonds			<u>\$57,658,560</u>	<u>\$60,587,691</u>		

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION - VARIABLE FUND

EQUITY HOLDINGS RANKED ALPHABETICALLY
JUNE 30, 1992

NO OF UNITS	DESCRIPTION	UNIT COST	MARKET PRICE	MARKET VALUE	% OF PORT	UNREALIZED GAIN (LOSS)
824	Alfac Inc	15.81	30.25	24,926	.50%	11,899
950	Abbott Labs	21.04	29.75	28,263	.56	8,280
1,200	Aetna Life & Cas	43.76	41.38	49,650	.99	-2,867
550	Allied Signal	36.30	53.75	29,563	.59	9,596
675	American Cyanamid	54.57	55.63	37,547	.75	710
1,950	American Express	20.18	23.25	45,338	.90	5,985
1,714	American Int'l Grp	86.38	88.63	151,903	3.02	3,855
450	Amp Inc	45.51	53.88	24,244	.48	3,762
1,025	Anheuser Busch	40.66	55.50	56,888	1.13	15,208
450	Apple Computer	47.12	48.00	21,600	.43	398
967	Atlantic Richfield	104.69	107.75	104,194	2.07	2,958
2,309	Avon Products	43.55	51.25	118,336	2.35	17,769
1,675	Baxter Int'l	28.17	36.38	60,928	1.21	13,738
748	Becton Dickinson	65.61	74.50	55,726	1.11	6,652
425	Boeing Co	43.38	39.88	16,947	.34	-1,490
825	Bristol Myers	66.60	65.88	54,347	1.08	-601
6,536	British Stl Plc	15.58	11.75	76,798	1.53	-25,031
1,580	Centel Corp	35.92	28.75	45,425	.90	-11,321
1,800	Coca Cola Co	19.75	40.00	72,000	1.43	36,446
650	Colgate Palmolive	34.85	51.75	33,638	.67	10,987
6,000	Coltec Inds	16.83	18.75	112,500	2.24	11,532
1,995	Cooper Inds	41.27	46.13	92,019	1.83	9,691
2,200	Dole Food	33.73	29.00	63,800	1.27	-10,412
300	Dow Chemical	64.45	57.63	17,288	.34	-2,046
1,175	Dun & Bradstreet	46.82	56.63	66,534	1.32	11,518
475	Eastman Kodak	41.70	40.13	19,059	.38	-746
1,125	Emerson Elec	42.88	48.75	54,844	1.09	6,606
1,975	Enron Corp	31.49	41.88	82,703	1.65	20,516
925	Exxon Corp	54.76	61.88	57,234	1.14	6,576
1,100	Fed Natl Mtg Assn	47.57	61.00	67,100	1.33	14,773
4,394	Freeport McMoran	19.24	19.75	86,782	1.73	2,220
2,069	General Elec Co	59.80	77.75	160,865	3.20	37,146
800	General Mls Inc	52.77	67.13	53,700	1.07	11,483
503	Great Atlantic	51.23	27.00	13,581	.27	-12,187
515	Hercules Inc	37.54	52.75	27,166	.54	7,833
400	Hewlett Packard	50.60	68.88	27,550	.55	7,309
1,731	Honeywell Inc	56.79	70.00	121,170	2.41	22,875
1,987	Humana Inc	27.85	21.13	41,975	.83	-13,371
1,075	ITT Corp	52.55	64.75	69,606	1.38	13,113
375	IBM	123.90	97.88	36,703	.73	-9,759
600	Johnson & Johnson	32.41	44.75	26,850	.53	7,404
2,800	K Mart Corp	17.58	23.00	64,400	1.28	15,178
1,150	Kellogg Co	39.27	66.38	76,331	1.52	31,167
1,100	Kimberly Clark	46.52	58.50	64,350	1.28	13,183
2,200	Limited Inc	16.67	22.75	50,050	1.00	13,372
800	Louisiana Pac	43.70	46.25	37,000	.74	2,040
2,763	MCI Communications	27.72	32.13	88,761	1.77	12,160
940	Mapco Inc	47.84	54.13	50,878	1.01	5,907
755	May Dept Stores	46.60	55.38	41,808	.83	6,624
1,500	McDonalds Corp	30.34	46.00	69,000	1.37	23,486
1,994	Mead Corp	32.15	35.25	70,289	1.40	6,173
1,150	Melville Corp	42.23	45.50	52,325	1.04	3,760
1,500	Merck & Co	27.17	48.75	73,125	1.45	32,377
350	Monsanto Co	59.68	55.13	19,294	.38	-1,594
550	Nationsbank Corp	43.70	47.63	26,194	.52	2,162
950	Occidental Pete	21.30	19.63	18,644	.37	-1,589
425	PNC Finl Corp	44.28	54.00	22,950	.46	4,130
2,689	Pepsico Inc	30.77	34.88	93,779	1.87	11,044
800	Philip Morris	46.15	73.50	58,800	1.17	21,882
800	Phillips Pete	23.14	24.25	19,400	.39	891
500	Procter & Gamble	41.21	46.00	23,000	.46	2,397

<u>NO OF UNITS</u>	<u>DESCRIPTION</u>	<u>UNIT COST</u>	<u>MARKET PRICE</u>	<u>MARKET VALUE</u>	<u>% OF PORT</u>	<u>UNREALIZED GAIN (LOSS)</u>
1,200	Progressive Corp	49.20	56.50	67,800	1.35	8,766
1,200	Ralston Purina	48.69	46.50	55,800	1.11	-2,630
1,350	Raytheon Co	38.30	44.00	59,400	1.18	7,689
1,850	Reebok Intl	35.07	24.13	44,631	.89	-20,249
850	Rockwell Intl	26.54	23.13	19,656	.39	-2,900
350	St. Paul Cos	59.70	80.13	28,044	.56	7,151
2,550	Sandoz Ltd	35.04	41.50	105,825	2.11%	16,463
900	Schlumberger Ltd	62.32	62.88	56,588	1.13	500
1,525	Sears Roebuck	38.00	39.75	60,619	1.21	2,676
710	Smithkline	47.90	76.63	54,404	1.08	20,392
2,245	Sprint Corp	24.51	21.75	48,829	.97	-6,189
2,535	Sundstrand Corp	30.72	34.75	88,091	1.75	10,211
425	Tandy Corp	43.55	24.50	10,413	.21	-8,095
3,300	Tele Communications	17.41	19.63	64,763	1.29	7,325
800	Texaco Inc	62.32	61.75	49,400	.98	-489
730	Time Warner Inc	89.09	111.00	81,030	1.61	15,993
1,541	Transamerica	32.94	44.38	68,382	1.36	17,623
380	UAL Corp	136.21	116.00	44,080	.88	-7,679
1,600	UST Inc	14.79	28.00	44,800	.89	21,144
1,200	Union Pac Corp	47.20	50.13	60,151	1.20	3,516
900	United Tech	50.93	52.25	47,025	.94	1,190
2,417	Unitrin Inc	34.93	34.00	82,178	1.63	-2,247
2,250	Warnaco Grp	21.45	30.38	68,344	1.36	20,077
2,060	Warner Lambert	66.39	61.00	125,660	2.50	-11,107
350	Wells Fargo	54.95	74.63	26,119	.52	6,888
4,631	Whitman Corp	13.27	13.38	61,940	1.23	493
325	Xerox Corp	61.62	69.75	22,669	.45	2,642
1,600	York Intl Corp	24.09	33.13	53,000	1.04	14,450
	Total Equities			<u>\$5,027,309</u>		<u>\$577,391</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION - FIXED FUND
BONDS - PORTFOLIO HOLDINGS

JUNE 30, 1992

<u>Bonds</u>	<u>Yield to Maturity</u>	<u>Due Date</u>	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>
Certif. of Accrual	7.60	05/15/01	300,000	94,215	154,359
Fed Home Ln Mtg Corp	7.00	01/15/22	100,000	87,359	88,312
Fed Home Ln Mtg Corp		05/15/01	250,000	249,375	251,640
Fed Home Ln Mtg Corp	9.80	05/15/09	18,064	14,938	18,702
Fed Nat'l Mtg Assn	7.60	01/25/05	100,000	104,094	103,125
Fed Nat'l Mtg Assn	7.10	12/18/00	100,000	103,313	106,710
Tennessee Valley Auth	8.25	04/15/42	225,000	218,104	219,094
US Treasury Bonds	7.90	11/15/12	215,000	258,801	267,273
US Treasury Notes	5.90	04/30/96	1,100,000	1,094,903	1,163,591
US Treasury Notes	5.60	11/15/95	725,000	806,336	809,281
US Treasury Notes	6.10	11/15/96	100,000	103,828	104,250
US Treasury Notes	5.00	10/15/94	100,000	108,453	109,438
US Treasury Notes	7.00	11/15/00	350,000	379,422	381,609
US Treasury Notes	6.40	01/15/98	250,000	256,719	266,015
US Treas Securities	7.30	02/15/00	1,125,000	647,190	652,500
AT&T Cap Corp	5.60	02/03/95	200,000	200,000	200,710
CIT Group Holdings	6.60	06/15/96	100,000	97,999	107,484
Commercial Cr Group	6.70	01/15/97	250,000	245,230	249,688
Conseco Coml Mtg	9.20	10/15/15	100,000	95,180	105,500
Drexel Burnham	8.10	09/20/15	100,000	99,375	104,406
Ford Mtr Cr	7.80	01/14/94	250,000	250,000	254,255
General Mtrs Accep	6.30	06/23/95	350,000	350,000	350,000
New Jersey Bell	8.20	06/01/22	400,000	389,636	390,248
Pacific Gas & Elec	7.70	01/01/01	250,000	258,615	264,688
Pacific Gas & Elec	7.80	03/01/02	125,000	124,740	126,425
Pepsico Inc	6.70	05/15/97	300,000	297,810	301,686
Philip Morris Cos	8.60	02/16/95	250,000	269,410	267,188
Total Bonds			7,733,064	7,205,045	7,418,177

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

OLD PLAN

For Members Hired Before June 30, 1981

1) AGE AND SERVICE REQUIREMENTS

Full Formula retirement benefits are earned at age 60, or if age plus service totals 90 or more to 6-30-94.

Early Retirement - age 55 with 10 or more years service. An early retirement actuarial reduction of 1/4% per month between age 60 and age 55 is made.

2) FORMULA

Annual benefit = 1.25% for all years times High 5 average salary times years of service.

3) VESTING

Retirement benefits vest after 10 years or age 60.

4) DISABILITY

5 years service. Must be totally and permanently disabled from teaching.

5) SURVIVOR BENEFITS

A. Death before retirement - Refund of two times contributions plus 6% interest to surviving beneficiary.

B. Death while eligible to retire - If over age 55, a surviving spouse joint and last survivor annuity is available, or a refund of two times contributions plus 6% interest to surviving beneficiary.

C. Death after retirement - The optional annuity elected at retirement is payable. Options are - joint and last with pop-up and life with term certain.

6) REFUNDS

30 days after ceasing to render teaching service, a member may receive a refund of their contributions with 6% interest. Refunds may be rolled into an IRA to defer current taxation.

7) DEFERRED AUGMENTATION

If a vested member does not take a refund they are entitled to an annuity at age 55 or later. The annuity is based on their formula benefit augmented, (increased) by 3% per year between resignation and age 55 and augmented by 5% for each year receipt is deferred after age 55.

8) SOCIAL SECURITY

Social Security is in addition to the above benefits and can be anticipated before age 62 by use of an actuarial income leveling option.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

TIER I

CITIES OF THE FIRST CLASS COORDINATED PLAN SUMMARY

For Members Hired or Rehired after June 30, 1981 and before
July 1, 1989 and Old Plan Members Irrevocably Electing this Plan

1) AGE AND SERVICE REQUIREMENTS

Full Formula retirement benefits are earned at age 65 or with 30+ years of service over age 62, or if age plus service total 90 or more to 6-30-94.

Early Retirement - age 55 with 3 or more years service. An early retirement actuarial reduction of 1/4% per month between age 65 and retirement. Retirement may occur at any age with 30+ years of service and 1/4% per month discount.

2) FORMULA

Annual benefit = 1% for years 1-10 and 1.5% for years 11+ times High 5 successive average salary times years of service.

3) VESTING

Retirement benefits vest after 3 years or age 65. (see #7 below)

4) DISABILITY

10 years service or 5 years after age 50. Total and permanent definition is used.

5) SURVIVOR BENEFITS

A. Death before retirement - Refund of contributions plus 6% interest to surviving spouse.

B. Death while eligible to retire - If over age 55 with 20 years service, or any age with 30 years service, a surviving spouse joint and last survivor annuity is available.

C. Death after retirement - The optional annuity elected at retirement is payable - options are joint and last with pop-up and life with term certain.

6) REFUNDS

30 days after ceasing to render teaching service, a member may receive a refund of their contributions with 6% interest. Refunds may be rolled into an IRA to defer current taxation.

7) DEFERRED AUGMENTATION

If a vested member does not take a refund they are entitled to an annuity at age 55 or later. The annuity is based on their formula benefit augmented, (increased) by 3% per year between resignation and age 55 and augmented by 5% for each year receipt is deferred after age 55.

8) SOCIAL SECURITY

Social Security is in addition to the above benefits and can be anticipated before age 62 by use of an actuarial income leveling option.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

TIER II

CITIES OF THE FIRST CLASS COORDINATED PLAN SUMMARY

For Members Hired or Rehired after June 30, 1989 and Old Plan
or Tier I Members Irrevocably Electing this Plan

1) AGE AND SERVICE REQUIREMENTS

Full Formula retirement benefits are earned at age 65*.

Early Retirement - age 55 with 3 or more years of service. A true early retirement actuarial reduction between age 65 and 55 is made.

2) FORMULA

Annual benefit = 1.5% for all years service times High 5 successive average salary times years of service.

3) VESTING

Retirement benefits vest after 3 years or age 65.*

4) DISABILITY

10 years service or 5 years after age 50. Total and permanent definition is used.

5) SURVIVOR BENEFITS

A. Death before retirement - Refund of contributions plus 6% interest to surviving spouse.

B. Death while eligible to retire - If over age 55 with 20 years service, or any age with 30 years service, a surviving spouse joint and last survivor annuity is available.

C. Death after retirement - The optional annuity elected at retirement is payable - options one - joint and last with pop-up and life with term certain.

6) REFUNDS

30 days after ceasing to render teaching service, a member may receive a refund of their contributions with 6% interest. Refunds may be rolled into an IRA to defer current taxation.

7) DEFERRED AUGMENTATION

If a vested member does not take a refund they are entitled to an annuity at age 55 or later. The annuity is based on their formula benefit augmented, (increased) by 3% per year between resignation and age 55 and augmented by 5% for each year receipt is deferred after age 55.

8) SOCIAL SECURITY

Social Security is in addition to the above benefits and can be anticipated before age 62 by use of an actuarial income leveling option.

*Tied to Social Security Normal Retirement Age

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

Membership Notes

NEW RETIREMENTS

Hartley Anderson	06/05/92	Joseph McNamara	06/05/92
Ardelle Bloomquist	06/05/92*	Audrey Nelson	06/05/92**
Merlyn Bowker	06/05/92	Donald C. Olson	06/19/92
June Brieski	09/01/91	Pearl Olson	01/24/92
Carl Braafladt	06/05/92	A. Richard Roby	01/24/92
William Carlson	01/03/92	Wesley Rudd	06/05/92
Doyle Cossin	06/05/92	Alice Ryan	06/05/92
Diane Ellison	07/31/91	Robert Salmela	06/05/92
Leo Ellison	01/24/92	Louis Sega	04/01/92
Geraldine Erickson	06/01/92**	Larry Shenett	01/05/92
James Flis	08/31/91**	Vera J. Shoquist	06/01/92**
John Freeman	07/31/91	Geraldine Stalling	01/31/92
J. Earl Grano	04/20/92	F. Irwin St. John	06/05/92
Dorothy Gum	06/05/92	Lou Jane Strating	06/01/92**
Elizabeth Jewell	06/05/92	Vivian Swanson	07/31/91
Stanley Koski	06/12/92	Victor Storberg	01/31/92**
Wilbert Lammi	09/30/91**	William Thomas	06/12/92
Nancy Lee	11/30/91	Betty Thompson	06/15/92**
Duane Lemmerman	06/05/92	Joan Thompson	06/05/92
Wayne Little	05/22/92**	Robert Wallin	07/31/92**
Carol Marshall	06/12/92	Frances Weiss	03/31/92
		Catherine Wegner	06/05/92**

*Disability Retirement

**Combined Service Retirement

DEATHS

Bernice Anderson	09/18/92	Cecelia Manaski	12/07/91
Lempie Anderson	05/24/92	Judith McArton	12/03/91*
Frances Arthur	03/21/92	Mable McDougall	12/08/91
Clara Bahnsen	09/23/92	Curtis Miller	11/24/91
Jerome Benson	11/11/91	Helen Oien	03/12/92
Charlotte Bumgardner	09/21/92	Mary Palmer	05/08/92
Pansy Currier	02/25/92	Evelyn Powell	06/03/92
Jeanne Davis	04/13/92	Betty Rudeseal	02/13/92
Goldie Eldot	03/23/92	Emeline Steele	12/27/91
Edward Hanlon	02/20/92	Glen Torp	03/07/92
Clara Knudson	02/03/92	Martha Wallace	06/12/92
Reed Lamberson	11/20/91	Lorraine Westlund	02/20/92
Corrinne Lauterbach	10/28/91	Shirley Zaverl	04/21/92
Anne Madsen	12/15/91		

History of Significant Events of the Duluth Teachers' Retirement Fund Association

- 1909 - Minnesota Legislature authorizes formation of Teachers' Retirement Fund Associations.
- 1910 - Duluth Association incorporated, 4% interest paid on refunds.
- 1911 - First investments were in Municipal Bonds.
- 1919 - Fund is put on an actuarial reserve basis. Formula is $1/70 \times \text{years of service} \times \text{high 10 year average salary}$ payable for the 10 school months. Full formula was available at age 55.
- 1921 - First home mortgage was made.
- 1943 - First stock investment made.
- 1948 - Normal retirement age raised to age 60 over next 5 years.
- 1957 - Social Security was adopted for all Duluth educators.
 - Formula is $1/140 \times \text{high 10 years average salary} \times \text{years of service}$. Additional contributions allowed to build higher pension.
- 1964 - 403(b) Tax Sheltered Annuity program started and qualified by the Internal Revenue Service.
- 1965 - Last home mortgage issued directly by Association.
- 1966 - 10% post retirement adjustment.
- 1968 - 9% post retirement adjustment.
- 1969 - 4% post retirement adjustment.
- 1971 - Formula is $1.15\% \times \text{high 5 average} \times \text{years of service}$. Full formula available at age 60. 30% discount at age 55
 - 5% post retirement adjustment.
- 1973 - Tax Shelter Variable Fund started for equity investment.
- 1975 - 9.5% post retirement adjustment.
- 1976 - 3% post retirement adjustment.
- 1978 - Part time and hourly educators gained Social Security and pension coverage.
- 1981 - Formula is $1.25\% \times \text{high 5 average} \times \text{years of service}$.
 - 8.7% post retirement adjustment.
 - All new members after 7-1-81, formula is 1% for years 1-10 and 1.5% for years 11+ x years of service x high successive 5 year average.
- 1985 - 13th Bonus Check Unit Value = \$34.
 - 6% interest on refunds
- 1986 - 13th Bonus Check Unit Value = \$44.
- 1987 - 13th Bonus Check Unit Value = \$48.
- 1989 - Formula is $1.5\% \times \text{high 5 average} \times \text{years of service}$ for all new members.
 - 13th Bonus Check Unit Value = \$46.
- 1990 - 13th Bonus Check Unit Value = \$50.
- 1991 - 13th Bonus Check Unit Value = \$52.
- 1992 - 13th Bonus Check Unit Value = \$50.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

Historical Information

<u>Year</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liabilities</u>	<u>Percent Funded</u>	<u>Rate of Return</u>	<u>Membership</u>		<u>Annual Benefits</u>
					<u>Active</u>	<u>Retired</u>	
1992	\$116,492,000	(information unavailable)		12.4%	1,556	723	\$5,020,528
1991	105,087,000	\$117,582,000	89.4%	10.0	1,615	694	5,010,748
1990	97,187,000	103,824,000	93.6	10.5	1,553	676	4,873,239
1989	86,539,000	99,899,000	86.6	13.7	1,620	668	3,667,289
1988	76,279,000	82,694,000	84.0	-6.3	1,578	665	4,534,861
1987	75,130,000	85,504,000	87.9	20.9	1,605	665	3,959,741
1986	64,673,000	78,011,000	82.9	33.4	1,251	608	3,383,721
1985	53,839,000	41,154,000	75.7	29.3	1,182	593	2,357,884
1984	47,859,000	73,174,000	65.4	-4.0	1,137	562	2,259,373
1983	42,901,000	63,630,000	67.4	35.0	1,119	557	2,182,940
1982	39,004,000	58,568,000	66.6	5.8	1,173	531	2,037,510
1981	35,984,924	46,786,496	76.9	12.5	1,221	508	1,722,998
1980	32,102,869	42,014,869	77.3	11.0	1,268	501	1,660,823
1979	29,421,634	37,529,680	78.4	10.0	1,272	494	1,620,677
1978	27,999,592	35,738,048	78.3	3.0	1,182	494	1,597,220
1977	26,703,470	34,484,488	79.7		1,207	483	1,513,682
1976	24,718,012	31,109,358	79.5		1,175	473	1,451,889
1975	23,537,352	29,438,620	80.0		1,173	487	1,426,309
1973	22,635,801	24,463,370	92.5		1,136	432	1,203,739
1971	19,782,599	25,644,571	77.1		1,158	378	977,952
1969	18,893,566	16,995,875	110.0		1,159	331	778,023
1967	15,989,940	15,193,619	105.0		939	315	633,374
1965	13,383,460	13,297,963	100.6		874	285	489,480
1962	10,793,087	11,530,817	93.6		775	286	467,317
1959	9,149,200	10,396,897	88.0		716	242	344,378
1954	6,542,424	8,202,803	79.8		632	198	234,172
1952	5,603,225	7,035,678	79.6		575	172	176,255
1949	4,511,251	5,710,673	78.9		565	167	160,999
1946	3,894,364	5,632,563	69.1		581	125	112,672
1943	3,530,411	4,736,725	74.5		615	111	97,786
1940	3,184,300	4,161,948	76.5		678	86	77,302
1937	2,790,459	3,718,979	75.0		690	67	50,421
1934	2,385,690	3,360,525	71.0		713	53	38,386
1931	1,787,097	2,762,428	64.7		736	46	27,258
1928	1,202,626	2,168,376	55.5		724	42	21,009
1925	714,317	1,700,474	42.0		679	39	17,533
1922	313,523	1,287,310	24.4		587	30	12,844
1919	95,879	836,550	11.5				
1916	69,716						
1913	34,736						
1911	7,725						

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