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Duluth Teachers - Annual report of the board of trus



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80TH
ANNUAL REPORT
OF THE
BOARD OF TRUSTEES
JUNE 30, 1989
DULUTH TEACHERS
RETIREMENT FUND
ASSOCIATION

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Pursuant to Mn Stat 356.20

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OFFICIAL NOTICE OF THE REGULAR ANNUAL MEMBERSHIP MEETING

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
MONDAY - OCTOBER 30, 1989 - 4:15 p.m.
SOCIAL HOUR - 3:15 - 4:15 p.m.
ORDEAN JUNIOR HIGH SCHOOL AUDITORIUM
REFRESHMENTS WILL BE SERVED

Dear Member:

The 80th Annual Meeting of the Membership will be held at Ordean Junior High School Auditorium at 4:15 p.m. on October 30, 1989 for the following purposes:

- 1) To approve the Acts and Proceedings of the Board of Trustees for the period of October 31, 1988 through October 30, 1989.
- 2) To elect (1) Trustees for the expiring terms of active member Margaret Morrison, and (1) Trustee for the expiring term of retired member John Moriarity. Nominations are from the floor and open to all members.
- 3) Members are encouraged to attend, express their goals for our Association and to give the Board guidance in areas of concern or interest. Our plan is a totally member oriented organization administered for the exclusive benefit of our membership. Your participation and guidance is vital, especially when we pursue improvements through the Legislature.
- 4) Our three investment advisors will discuss their investment styles.
- 5) Transact any other business which may legally come before the meeting.

BOARD OF TRUSTEES
June 30, 1989

Active Members

George Kovich, President
Margaret Morrison, Vice President
Roy Meyer, Treasurer
Paul Rigstad
James Turchi

Retired Members

John Moriarity
Betty High

School Board Members

Kay Fredrickson

Ex Officio

Elliot Moeser

Executive Secretary

Edward K. Blanck, Jr.

The Board of Trustees hopes you will take an hour on Monday, October 30th to meet with us at Ordean to express your goals for our retirement plan and our Tax Shelter programs.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
ANNUAL REPORT OF THE EXECUTIVE SECRETARY

Year ending June 30, 1989

Dear Member,

- INVESTMENT PERFORMANCE -

The Basic Fund's investment return for fiscal year ended June 30, 1989 was 11.7% which will enable the Association to pay its 4th post retirement 13th bonus check in five years. The tax shelter funds produced returns of 11.1% in the Variable Stock Fund, 12.2% in the Fixed Bond Fund and 8.2% in the Government Money Market Fund.

A growing trend in institutional investing is the use of multiple managers representing several investment styles. The Board of Trustees retained a consultant to help set our investment goals and recommend additional advisors to accomplish them.

After several meetings and interviews, the Board selected Oppenheimer Capital of New York and Renaissance Investment Inc. of Cincinnati, Ohio to compliment our core manager Capital Supervisors of Chicago.

It is believed the special expertise of each firm will add balance, diversification and lower volatility to our equity portfolios. All three managers will speak at our Annual Meeting and will discuss their specific style of investing.

- LEGISLATION -

1989 was a landmark year for improvements to all Minnesota Public Pension Plans. Through the joint efforts of all the plans, active and retired employee unions and associations, the legislators and the Governor, a 231 page law was enacted. The major provisions were discussed at our special membership meeting June 21, 1989 and have been incorporated into the plan description contained in this annual report. We can be proud of the work every member of our local delegation did to facilitate the passage of the law. A very special thanks goes to Sam Solon who did an outstanding job in sponsoring the bill in the Senate at a critical moment. We can all be proud for years to come of the fairness in which all segments of our membership are benefitted.

Young members taking a refund before vesting, now at three years, will receive higher interest. Deferred vested members will have their future benefit augmented by 3% a year until age 55 and 5% per year thereafter. These two groups are usually neglected because they have "left". This will not be the case in Minnesota. Our pre-1971 retirees will receive a permanent increase in income of \$25 per year of service as a "December Check" each year. These members did not receive the benefit of the High 5 average formula plan. Our eleven very oldest members retiring before 1957 will receive a minimum income of \$400 per year of service as a "level of respectability benefit". These members do not have any Social Security Coverage as teachers.

All married, active and retired members who elect a joint and last survivor option will benefit from a pop up provision which reinstates the member to their normal unreduced benefit if the member's spouse predeceases them.

Current members will have a choice of the old plan or a new 1.5% level formula plan with a normal retirement age of 65. Current members who retire early will benefit from the reduced discounts in the Old Plan and Tier I plans and many may benefit from the four year Rule of 90 window.

Many other areas were also affected - post retirement earning limits were liberalized to offset \$1 in pension for every \$2 over the Social Security limit. Refunds may now be rolled into an IRA and later rolled back to reinstate prior service and excellent fiduciary standards for Trustees and Administrators were incorporated.

- LOCAL INVESTMENT -

The Board has reviewed investment opportunities in Duluth over many years. Many members will remember our large mortgage portfolio. A few years ago we purchased a privately placed \$1 million package of Duluth mortgages through a local bank. This year, the Board is proud to announce the financing of the Mount Royal Pines II apartment building. We have issued a 1st mortgage at a fixed interest rate plus a participation in any ongoing cash flow and capital gains at sale. The 10 year mortgage will yield a return of between 9 1/2% and 14% depending on market conditions. I encourage you to view the new building. It is exciting to see our pension assets working in a tangible, high quality manner.

- SPECIAL PEOPLE -

I wish to thank all our members who offered suggestions on benefit improvements and ways we can improve our service to you. A thank you also goes to our Board of Trustees who spend many hours each year supervising our funds' operation and setting our goals and policies.

A big thank you goes to Susan Ellefson, Carole Berg and Marie Chapinski, those friendly, competent voices you talk to when dealing with our office.

We are also fortunate to be supported by an excellent group of outside consultants and advisors:

State Auditor, Auditing
State Actuary, Wyatt and Company
Eikill and Schilling, CPA Internal Auditors and Accountants
Hewitt and Associates, Consulting Actuaries
Capital Supervisors, Investment Advisors
Renaissance, Investment Advisors
Oppenheimer, Investment Advisors
David Elnes - Real Estate Consultant
First Trust, St. Paul, Safekeeping and Investment Clearing
Halverson, Watters and Bye, Attorneys

Edward K. Blanck, Jr.
Executive Secretary



Capital Supervisors, Inc. / 20 North Clark Street, Suite 700, Chicago, Illinois 60602 / Phone (312) 236-8271

A. Lee Thurow
Chairman of the Board

August 4, 1989

Mr. Edward K. Blanck, Jr.
Executive Secretary
Duluth Teachers' Retirement
Fund Association
22 East First Street
Duluth, MN 55802

Dear Board Members:

Performance was back on track in fiscal 1989 with the assets managed by Capital Supervisors in your Basic Fund advancing 13.7%. The fund continues to average over 10% per year in the eleven years we have been working together.

During this twelve-month period the Dow Jones increased 18.0%; Shearson Lehman Bond Index, 12.3%; and Indata's Public Employees Index median, 13.9%. The Fixed Fund increased 12.2%; and the Variable Fund, 11.1%

We suggested in this letter last year that the weak market of 1987-88 created opportunities. That is much less true now and our cautious approach emphasizing quality and maintaining some buying reserves seems particularly appropriate for a public pension plan.

In light of the sustained above-average gains of the last eleven years that have placed you in a strong financial position, it is also reasonable to maintain the preservation of principal theme as your number one priority. In any event, we will be striving to add another good year to your portfolio.

As in past years, let me take this opportunity to thank you for the privilege of working with you.

Sincerely,

Lee Thurow

LT:cmn

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
Membership Notes

NEW RETIREMENTS

Martha Aho	1/27/88
Curtis Austin	7/09/88
Anthony Beaulieu	1/31/89
Marilyn Brophy	7/01/89
Lois Carlson	1/27/89
Thomas Donahue	6/16/89
Lois Hanson	6/16/89
Carroll Hawley	1/27/89
Donna Hayes	6/16/89
Donald Hergert	6/16/89
James E. Johnson	6/01/89
Margaret Kennedy	10/31/88
Eleanor Kraker	6/16/89
Leone B. Lach	6/16/89
John Langdon	4/01/89
Muriel Lehman	7/16/89
Joan Likely	6/16/89
Jacquelyn Olsen	6/16/89
Robert A. Olson	7/01/89
Genevieve Richardson	4/01/89
Elizabeth Roeder	6/16/89**
Alyce Santa	7/01/89
Anthony Stauber	7/29/88
Marjorie Skarp	6/16/89**
James Steen	6/16/89
Donna Swanstrom	6/16/89**
Alan Sweet	6/16/89**
Rudolph Voelkner	7/01/89
Karen Waelen	6/16/89
Gladys Wallin	7/01/89
Jeannine Walsh	6/16/89
Allen Willman	6/16/89

**Combined Service Annuitants

DEATHS

Emma Anderson	11/27/88	Beatrice Hoffman	10/11/88
Rose Bartholdi	8/04/89	Edythe A Johnson	5/08/89
Maude Baudizzone	12/22/88	Corrine Lundquist	2/10/89
Mira Childs	12/31/88	Gloria L Miller	4/17/89*
Eylene Ellefson	2/05/89	Angeline McNamara	12/19/88
Agnes Erickson	3/25/89	Mabel Nordberg	3/20/89
Alice Everett	3/16/89	Elaine Olson	11/28/88
Julia Gabrielson	4/03/89	Henrietta Peacha	5/24/89
Kathleen Gleason	5/16/89	Grayce Peterson	3/10/89
Gladys Hoff	4/02/89		

*deferred member

Duluth, Minnesota
October 31, 1988

MINUTES OF THE 79TH ANNUAL MEMBERSHIP MEETING

The seventy-ninth 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 31, 1988 at 4:15 p.m. There were 87 members present with 50 members needed for a quorum to transact business. President George Kovich acted as chairman of the meeting with Edward K. Blanck, Jr., Executive Secretary, acting as Secretary.

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 78th Annual Meeting held October 26th, 1987 because they were distributed in the Annual Report.

REPORT OF THE OFFICERS

Chairman Kovich stated the Executive Secretary's report and Treasurer's report had been printed and delivered to each member of record, therefore, they would not be read at that time. Mr. Kovich introduced the Executive Secretary who reviewed the operations of the Association for the prior 12 months.

Past Presidents of the Association were introduced; present were: Jerome Benson, William Simmons and Robert Childs.

Mr. Kovich read the names of members who became deceased during the year, and a moment of silence was given in their memory.

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 26, 1987 to October 31, 1987.

AMENDMENT OF THE ARTICLES OF INCORPORATION

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

ELECTION OF TRUSTEES

The President declared nominations open in two separate elections for the expiring terms of active member trustees George Kovich and Paul Rigstad. In each election, George Kovich and Paul Rigstad were nominated. There being no further nominations in each election, nominations were closed and the Secretary was instructed to cast an elected ballot for George Kovich and Paul Rigstad.

The President then declared nominations open for the expiring term of retired representative Agnes Hansen. Tony Stauber and Betty High were nominated. There being no further nominations, nominations were closed and tellers appointed. Votes were cast and counted. The tellers reported that Betty High was the winner.

COMMUNICATIONS

A. Lee Thurow, President of Capital Supervisors, Chicago, was introduced.

He reviewed the past years performance and stated we may see a quiet period for our economy rather than a recession. U S Government Bond rates will likely decline because they are at a historically high level. High bond rates can have a depressing effect on the stock market. Our stock performance has lagged the market this year because we invest in strong, high quality companies which generally are not buy out candidates. Many weaker companies have shown good market gains but do not have the quality we require for our portfolio. We will see a larger bond component in our portfolio.

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Edward K. Blanck, Jr.
Edward K. Blanck, Jr.
Executive Secretary

MEMBERSHIP 6-30-89

Active	1,564	Retired	627
Deferred	347	Beneficiaries	28
Leave of Absence	27	Disabilities	13
	—		—
Total	1,938		2668

Duluth, Minnesota
June 13, 1989

MINUTES OF THE JUNE 13, 1989 SPECIAL MEMBERSHIP MEETING

Special Membership meeting to discuss and vote upon several changes to our plan authorized by the 1989 Minnesota State Legislature.

The meeting was called to order by President George Kovich acting as Chairman. Edward K. Blanck, Jr., Executive Secretary, acting as Secretary.

Senator Sam Solon was recognized for his outstanding contributions towards the passage of this legislation. There being a quorum present, a motion was made and seconded to adopt the proposed amendments as distributed by mail to the membership.

RESOLVED that Article VIII of the Articles of Incorporation of the Duluth Teachers' Retirement Fund Association shall be amended by adding a new Section II to read as follows:

11.

RULE OF NINETY AND OTHER PROVISIONS AUTHORIZED BY SF 783, THE 1989 SEVENTY-SIX SESSION OF THE MINNESOTA LEGISLATURE.

Notwithstanding any other provision in the Articles of Incorporation or By-Laws of this Association to the contrary, and pursuant to the authority granted by Section 94, Senate File No. 783, adopted by the Seventy-Six session of the Minnesota Legislature, the provisions of this section are adopted to be effective May 16, 1989.

(a) A member whose age plus credited allowable service totals 90 years, is entitled upon termination of active service and application, to a normal retirement annuity provided in the articles and bylaws without any reduction in the amount of the annuity by reason of early retirement unless the benefit in paragraph (b) in conjunction with paragraph (c) produces a higher annuity in which case, paragraph (b) applies. A member who retires before the normal retirement age shall be provided a normal retirement annuity provided in the articles and bylaws, reduced by one-fourth of one percent for each month that the employee is under normal retirement age at the time of retirement unless the benefit in paragraph (b) in conjunction with paragraph (c) produces a higher annuity, in which case paragraph (b) applies.

(b) This paragraph applies only to a member whose annuity, when calculated under this paragraph in conjunction with paragraph (c), is higher than when calculated under paragraph (a). The average salary, as specified herein of this Association multiplied by 1.5 percent for each year of service for old coordinated members of Duluth teachers retirement fund association, shall determine the amount of the retirement annuity to which a member is entitled.

(c) This paragraph applies only to a member whose annuity under paragraph (b) in conjunction with this paragraph is higher than when calculated under paragraph (a). A member who retires under the formula annuity specified in paragraph (b) before the normal retirement age defined in section 354A.011, shall be paid the normal annuity provided in paragraph (b) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

(d) The interest rate to be paid on refunds is six percent per annum compounded annually.

(e) Any joint and survivor annuity option is subject to an automatic bounce-back annuity as provided in section 354A.32, subdivision 1a.

(f) A member who is eligible for a deferred retirement annuity shall have the annuity augmented as provided in section 354A.37, subdivision 2.

Discussion was opened and the Executive Secretary explained the many aspects of the Pension Law changes and proposed amendments. There being no further discussion, a vote was taken. The motion carried.

There being no further business which may come before the meeting, the President adjourned the meeting.

Respectfully Submitted,



Edward K. Blanck, Jr.
Executive Secretary

DULUTH TEACHERS' RETIREMENT FUND

**REPORT HIGHLIGHTS
(DOLLARS IN THOUSANDS)**

	<u>07/01/87</u> <u>VALUATION</u>	<u>07/01/88</u> <u>VALUATION</u>
A. CONTRIBUTIONS (TABLE 11)		
1. Statutory Contributions - Chapter 354A % of Payroll	10.29%	10.29%
2. Required Contributions - Chapter 356 % of Payroll	10.39%	11.18%
3. Sufficiency (Deficiency) (A1-A2)	-0.10%	-0.89%
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$75,130	\$76,279
b. Current Benefit Obligations (Table 8)	\$77,623	\$82,694
c. Funding Ratio (a/b)	96.79%	92.24%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$75,130	\$76,279
b. Actuarial Accrued Liability (Table 9)	\$85,504	\$90,759
c. Funding Ratio (a/b)	87.87%	84.05%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$123,102	\$124,717
b. Current and Expected Future Benefit Obligations	\$123,744	\$130,751
c. Funding Ratio (a/b)	99.48%	95.39%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	1,605	1,578
b. Projected Annual Earnings	\$36,683	\$38,751
c. Average Annual Earnings (Actual \$)	\$22,855	\$24,557
d. Average Age	41.9	42.5
e. Average Service	8.8	9.4
2. Others		
a. Service Retirements (Table 4)	628	625
b. Disability Retirements (Table 5)	11	10
c. Survivors (Table 6)	26	30
d. Deferred Retirements (Table 7)	60	51
e. Terminated Other Non-vested (Table 7)	0	159
f. Total	725	875

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS AVAILABLE
FOR PLAN BENEFITS - STATUTORY BASIS
JUNE 30,

<u>ASSETS</u>	<u>1989</u>	<u>1988</u>
Cash	290,489	19,830
Accounts receivable		
Member's contributions	201,120	241,651
Duluth Board of Education	333,452	310,421
Dividend and interest receivable	1,058,044	684,600
Security sales receivable	270,987	878,915
Total receivables	<u>1,863,603</u>	<u>2,115,587</u>
Investments		
Bonds and notes (at cost) (market value \$36,291,901 and \$28,531,776, respectively)	31,537,405	25,132,119
Marketable common stocks (at cost) (market value \$29,739,134 and \$35,249,040, respectively)	23,390,310	27,691,068
Mortgage loans secured by real estate		
Mount Royal Pines II	267,492	
FHA mortgage investments	581,370	659,868
First mortgage in Duluth		310
City mortgage package	<u>279,027</u>	<u>372,003</u>
Short-term securities (at cost)	<u>25,830,841</u>	<u>17,450,876</u>
Total investments	<u>81,886,445</u>	<u>71,306,244</u>
Land and building (at cost)		
less accumulated depreciation of \$52,231 and 47,946, respectively	<u>55,338</u>	<u>59,623</u>
Furniture and fixtures (at cost)		
less accumulated depreciation of \$43,832 and \$35,932 respectively	<u>30,602</u>	<u>35,905</u>
Other	<u>1,386</u>	<u>1,364</u>
Total assets	<u>\$84,127,863</u>	<u>\$73,538,553</u>
 <u>LIABILITIES AND NET ASSETS AVAILABLE FOR PLAN BENEFITS</u>		
Liabilities		
Accounts payable	38,709	-0-
Security purchases payable	1,251,030	912,330
Total liabilities	<u>\$1,289,739</u>	<u>\$ 912,330</u>
Fund balance		
Beneficiaries receiving benefits		30,030,000
Deferred vested and inactive teachers		513,000
Active teachers		<u>52,151,000</u>
Subtotals		<u>\$82,694,000</u>
Unfunded actuarial present value of credited projected benefits		<u>(10,067,777)</u>
Total fund balance	<u>\$82,838,124</u>	<u>\$72,626,223</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE - STATUTORY BASIS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1989</u>	<u>1988</u>
Operating revenues		
Employer contributions	\$ 2,220,027	\$ 2,092,515
Members' contributions	1,826,997	1,690,621
Investment income - interest	4,626,143	2,593,060
- dividends	847,369	1,258,343
Gains on sale of stock	5,721,321	5,352,111
Losses on sale of stock	(1,390,624)	(2,995,115)
Gains on sale of bonds and notes	709,323	348,118
Losses on sale of bonds and notes	(148,833)	(62,097)
Rent and other	7,870	2,514
Total operating revenues	<u>\$14,419,593</u>	<u>\$10,280,070</u>
Operating expenses		
Benefit payments		
Annuities to members - normal	\$ 3,525,766	\$ 3,495,924
- bonus 13th check		841,271
Contingent beneficiaries - normal	96,690	89,412
- bonus 13th check		52,605
Disability - normal	44,833	45,648
- bonus 13th check		10,001
Contribution refunds		
Resignation	87,986	109,545
Death	24,972	
Administrative expenses	427,445	334,368
Total operating expenses	<u>\$ 4,207,692</u>	<u>\$ 4,978,774</u>
Net revenues	\$10,211,901	\$ 5,301,296
Fund balance, beginning of year	<u>72,626,223</u>	<u>67,324,927</u>
Fund balance end of year	<u>\$82,838,124</u>	<u>\$72,626,223</u>

DULUTH TEACHERS RETIREMENT FUND ASSOCIATION-BASIC FUND

EQUITY HOLDINGS RANKED BY MARKET VALUE

JUNE 30, 1989

<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>
30,000	Schering Plough	23.46	66 5/8	1,998,750	2.70	1,294,915
576	Helios Fund	2925.97	3338.00	1,926,004	2.60	237,736
45,000	Tyco Laboratories	23.03	38 5/8	1,738,125	2.35	701,751
30,000	Sara Lee Corp	11.55	53 7/8	1,616,250	2.18	1,269,695
48,250	McDonalds Corp	12.82	29 1/4	1,411,309	1.91	792,825
10,000	Philip Morris	62.63	138 5/8	1,386,249	1.87	759,955
45,000	Southern Corp	20.12	26 3/8	1,186,874	1.60	281,543
25,000	Kerr McGee Corp	42.43	44 1/8	1,103,125	1.49	42,275
12,000	Digital Equipment	148.07	91 3/4	1,101,000	1.49	(675,781)
10,000	DuPont & Co	98.92	108 3/4	1,087,500	1.47	98,321
42,000	Marion Labs	22.26	23 1/2	987,000	1.33	52,065
20,000	Columbia Gas	33.42	46 3/4	935,000	1.26	266,611
22,000	Walgreen Co	34.94	42 3/8	932,250	1.26	163,650
20,000	Unocal Corp	44.71	44 7/8	897,500	1.21	3,400
8,000	IBM	124.57	127 3/8	895,000	1.21	(101,547)
26,800	American Express	30.08	33 1/4	891,100	1.20	84,967
27,600	Millipore Corp	39.33	32 1/4	890,100	1.20	(195,537)
15,000	Waste Management	47.29	51 5/8	774,375	1.05	65,065
19,500	IMC Fertilizer	40.66	33 1/2	653,250	.88	(139,687)
20,000	Gibson Greetings	23.01	22 5/8	452,500	.61	(7,620)
12,500	Fluor Corp	29.22	29 1/2	368,750	.50	3,501
				23,232,011	31.40	4,998,103

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION - BASIC FUND
 BONDS - PORTFOLIO HOLDINGS
 JUNE 30, 1989

<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>UNIT COST</u>	<u>MARKET PRICE</u>	<u>TOTAL COST</u>	<u>MARKET VALUE</u>	<u>% OF TOTAL</u>	<u>MOODY RATE</u>	<u>ANNUAL INCOME</u>	<u>YLD YTM</u>
<u>CORPORATE BONDS</u>									
451,000	Nat'l Power Corp 8.25% 12-31-91	70.45	98.12	317,728	442,543	.6	NR	37,207	9.1
500,000	Gen'l Electric Cr 8.75% 11-15-92	99.56	100.00	497,810	500,000	.7	AAA	43,750	9.2
500,000	American Gen'l Nts 9.50% 12-15-94	99.75	101.00	498,750	505,000	.7	A-1	47,500	9.2
1,000,000	CIT Group Holdings 8.875% 6-15-96	98.00	99.88	979,990	998,750	1.4	A-1	88,750	8.8
332,150	Trailer Train Co 11.875% 7-15-96	100.00	104.00	332,150	345,432	.5		39,442	11.0
800,000	DCS Capital Corp 12.375% 10-15-96	100.31	112.25	802,500	898,000	1.2		99,000	9.9
500,000	Norwest Fincl Inc 8.60% 7-01-97	95.22	98.38	476,090	491,875	.7	AA-3	43,000	8.8
1,000,000	Community Program 4.50% 10-01-97	74.22	76.38	742,188	763,750	1.0		45,000	8.5
500,000	Northern States Pwr 6.75% 5-01-98	68.64	86.75	343,210	433,750	.6	AA-1	33,750	8.9
400,000	Ford Motor Credit 9.625% 11-01-00	100.75	99.50	403,000	398,000	.5	AA-2	35,600	8.9
449,156	Olympic Pipeline 8.85% 9-01-01	77.12	97.31	346,411	437,069	.6		39,750	9.2
866,606	Bay Houston Title XI 9.25% 3-31-02	98.85	102.23	856,657	885,896	1.2		80,161	8.9
1,500,000	Community Program 4.50% 4-01-02	65.54	69.44	983,100	1,044,375	1.4		67,500	8.2
600,000	Pembroke Capital 11.50% 8-01-05	96.50	117.68	579,000	706,080	1.0		69,000	9.3
1,000,000	Eaton Corp 8.00% 8-15-06	92.55	94.00	925,510	940,000	1.3	A-2	80,000	8.6
700,000	Ryland Accept 9.70% 11-01-06	99.19	99.38	694,312	695,625	.9		67,900	8.7
1,000,000	Pitney Bowes Credit 8.625% 2-15-08	100.00	99.31	1,000,000	993,070	1.3		86,250	8.7
1,000,000	MDC Mtg Fndg Corp 9.05% 5-01-08	95.25	98.03	952,500	980,310	1.3		90,500	9.2
1,000,000	FBC Mtg Secs TR II 9.45% 8-20-08	96.94	99.53	969,375	995,310	1.4		94,500	9.5
936,195	Sowill Corp 12.50% 12-01-08	96.79	126.86	906,154	1,187,661	1.6		117,018	9.4
500,000	Drexel Burnham 8.55% 9-20-15	99.38	93.31	496,875	466,560	.6		42,750	9.2
500,000	Conseco Com Mtg 9.70% 10-15-15	95.18	98.63	475,900	493,125	.7		48,500	9.8
1,000,000	Cajun Elect Coop 9.520% 3-15-19	99.68	104.26	996,830	1,042,550	1.4		95,200	9.1
1,000,000	Southwestern Bell 11.875% 10-18-21	112.00	110.88	1,120,000	1,108,750	1.5	AA-3	118,750	10.6
1,000,000	Pacific Bell 11.375% 8-15-24	113.13	108.75	<u>1,131,250</u>	<u>1,087,500</u>	<u>1.5</u>	AA-3	<u>113,750</u>	10.4
	Total Corporate Bonds			17,827,290	18,840,981	25.5		1,724,528	

QUANTITY	DESCRIPTION	BASIC FUND - BONDS -		PORTFOLIO HOLDINGS (cont.)			MOODY	ANNUAL	YLD
		UNIT	MARKET	TOTAL	MARKET	% OF			
		COST	PRICE	COST	VALUE	TOTAL	RATE	INCOME	YTM
<u>US GOV'T AND AGENCY BONDS</u>									
1,000,000	U S Treas Notes								
	8.0% 6-30-90	99.92	99.69	999,219	996,870	1.4	AAA	80,000	8.3
1,023,750	U S Treas Bond								
	0% 11-15-91	32.76	82.07	335,381	840,150	1.1	AAA		8.6
1,575,000	U S Treas Bond								
	0% 5-15-92	30.83	78.90	485,620	1,242,643	1.7	AAA		8.5
3,100,000	U S Treas Notes								
	8.75% 9-30-92	98.92	101.72	3,066,376	3,153,289	4.3	AAA	271,250	8.1
500,000	U S Treas Note								
	10.50% 11-15-92	100.00	106.75	500,000	533,750	.7	AAA	52,500	8.1
200,000	U S Treas Note								
	9.125% 12-31-92	99.48	103.00	198,968	206,000	.3	AAA	18,250	8.1
400,000	Cats Ser R								
	13.75% 8-15-93	62.69	70.75	250,772	283,000	.4	AAA		8.6
500,000	U S Treas Bonds								
	7.50% 8-15-93	85.56	97.66	427,819	488,280	.7	AAA	37,500	8.1
712,500	Treas Bond Rcpts								
	14.25% 8-15-93	32.56	71.38	231,976	508,589	.7	AAA		8.4
945,000	U S Treas Bond								
	0% 11-15-95	21.24	59.32	200,756	560,545	.8	AAA		8.4
59,740	GNMA Pass Thru								
	13.75% 5-15-96	98.37	112.09	58,769	66,964	.1	AAA	8,214	11.1
276,900	FHLMC GTD Ctf								
	8.375% 9-15-97	78.83	95.50	218,279	264,439	.4	AAA	23,190	9.1
1,000,000	Fed Home Loan Mtg								
	9.50% 12-30-98	99.12	105.22	991,230	1,052,190	1.4	AAA	95,000	8.6
3,000,000	Cats Ser D								
	13.125% 5-15-01	31.41	37.73	942,150	1,131,750	1.5	AAA		8.4
2,000,000	Strips T - Int								
	5-15-03	24.25	32.00	484,900	640,000	.9	AAA		8.4
2,000,000	Zero Cpn Treas Obl								
	14% 5-15-06	18.37	24.25	367,480	485,000	.7	AAA		8.5
2,000,000	Zero Cpn Treas Obl								
	14% 11-15-06	17.57	23.25	351,480	465,000	.6	AAA		8.5
500,000	Gov't Nat'l Mtg								
	8% 7-15-07	99.69	91.16	498,438	455,780	.6	AAA	40,000	9.0
671,500	Fed Home Loan Mtg								
	8.85% 3-15-08	70.11	98.28	470,820	659,956	.9	AAA	59,427	9.0
230,400	Fed Home Loan Mtg								
	9.40% 9-15-08	85.99	104.81	198,132	241,486	.3	AAA	21,657	8.8
264,200	Fed Home Loan Mtg								
	10.25% 3-15-09	73.88	106.72	195,204	281,950	.4	AAA	27,080	9.4
260,800	Fed Home Loan Mtg								
	10.0% 9-15-09	89.75	105.44	234,068	274,982	.4	AAA	26,080	9.3
391,200	Fed Home Loan Mtg								
	12.45% 9-15-09	100.18	124.50	391,915	487,044	.7	AAA	48,703	9.6
1,000,000	U S Treas Bond								
	10.375% 11-15-12	105.22	120.03	1,052,188	1,200,310	1.6	AAA	103,750	8.4
1,000,000	U S Treas Bonds								
	8.75% 5-15-17	99.90	107.19	998,950	1,071,870	1.5	AAA	87,500	8.0
500,000	Financing Corp								
	10.35% 8-3-18	99.88	117.97	499,375	589,845	.8	AAA	51,750	8.6
Total	U S Government & Agency Bonds			14,650,265	18,181,682	24.6		1,051,851	
Total	Bonds			32,477,555	37,022,663	50.0		2,776,379	

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

FIXED SHELTER FUND

STATEMENTS OF NET ASSETS
JUNE 30,

<u>ASSETS</u>	<u>1989</u>	<u>1988</u>
Investments		
Bonds and notes, at market (cost \$3,735,339 and \$3,330,648 respectively)	\$4,326,468	\$3,811,449
Short-term securities, at market	978,434	537,065
Interest receivable	68,448	59,180
Due from Variable Fund	800	
Security sales receivable		96,879
Cash	<u>1,628</u>	<u>587</u>
Total assets	<u>\$5,375,778</u>	<u>\$4,505,160</u>
Liabilities		
Estimated additional premium due	5,000	5,000
Security purchases payable		<u>106,370</u>
Net assets	<u>\$5,370,778</u>	<u>\$4,398,790</u>
Units outstanding	1,931,209.1424	1,776,939.3451
Asset value per unit	\$ 2.7810	\$ 2.4755

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1989</u>	<u>1988</u>
Units - beginning of fiscal year	1,776,939.3451	1,737,745.9523
Units issued during year	242,588.3061	189,145.2633
Withdrawals and transfers	<u>(88,318.5088)</u>	<u>(149,951.8705)</u>
Units - end of fiscal year	<u>1,931,209.1424</u>	<u>1,776,939.3451</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

FIXED SHELTER FUND
SCHEDULE OF CORPORATE BONDS
JUNE 30, 1989

<u>Bonds</u>	<u>Yield to Maturity</u>	<u>Due Date</u>	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>
Bay Houston Title XI	8.90	03/31/02	92,857	91,709	94,928
Burlington Northern	9.00	01/15/91	100,000	100,500	103,500
Certif. of Accrual	8.40	05/15/01	300,000	94,215	113,175
CIT Group Holdings	8.80	06/15/96	100,000	97,999	99,875
Collateralized Mtg	8.80	05/01/17	100,000	99,950	94,938
Combined Int'l Corp	9.20	06/15/96	100,000	100,000	96,250
Community Program Loan	8.40	04/01/02	100,000	65,540	69,625
Conseco Com Mtg	9.80	10/15/15	100,000	95,180	98,625
Continental Illinois	9.30	11/01/89	200,000	83,000	193,518
DCS Capital	9.90	10/15/96	100,000	101,500	112,250
Drexel Burnham	9.60	09/20/15	100,000	99,375	93,312
Eaton Corp	8.60	08/15/06	100,000	92,551	94,000
FBC Mortgage	9.70	08/20/08	100,000	96,938	99,531
Fed'l Home Loan Mtg	9.00	03/15/08	79,000	66,857	77,641
Fed'l Home Loan Mtg	8.80	09/15/08	57,600	42,192	60,371
Fed'l Home Loan Mtg	9.40	03/15/09	57,600	48,733	61,470
Fed'l Home Loan Mtg	8.60	12/30/98	100,000	99,123	105,219
Financing Corp Bonds	8.60	08/03/18	100,000	99,875	117,969
Ford Motor Credit	8.90	04/01/92	100,000	99,875	97,750
Ford Motor Credit	8.90	11/01/00	100,000	100,750	99,500
Gen'l Electric Credit	8.70	11/15/92	200,000	199,124	200,000
Gen'l Motors Accept	9.00	06/01/99	100,000	97,375	98,750
Governmental Nat'l Mtg	11.10	05/15/96	7,787	6,919	8,728
ITT Financial Corp	9.30	04/05/99	100,000	100,000	104,750
Kidder Peabody	9.90	10/20/12	100,000	97,041	94,625
Morgan Stanley Mtg	9.50	01/20/15	100,000	95,875	90,812
Pitney Bowes	9.10	02/15/08	100,000	100,000	99,307
Ryland Acceptance	10.60	01/01/00	7,441	9,441	7,441
Ryland Acceptance	10.10	11/01/08	150,000	146,250	148,078
Sears Mtg Funding	10.30	04/01/10	100,000	97,625	98,781
Sonwill Corp	10.40	01/01/08	187,239	153,207	237,532
Southwestern Bell	10.60	10/18/21	100,000	112,000	110,875
Trailer Train	11.00	07/15/96	66,429	66,429	69,085
US Treasury Bond	8.60	11/15/91	551,250	180,589	452,388
US Treasury Bond	8.40	11/15/12	100,000	105,219	120,031
US Treasury Bond	8.00	05/15/17	100,000	99,895	107,187
US Treasury Notes	8.30	06/30/90	200,000	199,844	199,374
Union Pacific	9.30	12/15/96	100,000	92,603	92,750
			4,557,203	3,735,298	4,323,941

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1989</u>	<u>1988</u>
Net assets, beginning of period	\$2,815,170	\$3,042,360
Revenues		
Members' deposits	343,867	554,260
Interest	138,819	36,635
Dividends	38,438	64,029
Gains on sale of investments	524,490	186,583
Losses on sale of investments	<u>(132,222)</u>	<u>(249,206)</u>
Totals	<u>913,392</u>	<u>592,301</u>
Expenditures		
Annuities	28,422	31,300
Members' withdrawals and transfers	368,507	298,661
Administrative	<u>11,103</u>	<u>6,230</u>
Totals	<u>408,032</u>	<u>336,191</u>
Excess of revenues over expenditures	<u>505,360</u>	<u>256,110</u>
Market value adjustment		
Unrealized gain, end of period	34,626	288,605
Unrealized gain, beginning of period	<u>288,605</u>	<u>771,905</u>
Increase (decrease)	<u>(253,979)</u>	<u>(483,300)</u>
Net assets, end of period	<u>\$3,066,551</u>	<u>\$2,815,170</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

VARIABLE FUND
STATEMENT OF NET ASSETS
JUNE 30,

<u>ASSETS</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>1989</u>	<u>1988</u>
Investments -					
Corporate Stock					
Air Products & Chem	600	28,344	26,483		
American Express	500	16,960	16,631		
American Family Corp	1,800	28,576	28,800		
American Home Prod.	200	18,621	18,850		
Avnet	700	16,149	16,149		
Boeing Company	700	31,965	33,600		
Commonwealth Edison	645	21,975	24,349		
Cooper Industries	1,250	36,616	39,375		
Crestar Financial	500	14,687	14,688		
Cummins Engine	344	21,993	21,887		
Dover Corp	1,020	28,674	32,640		
Dreyfus Corp	520	14,856	14,625		
Dutch Royal Petroleum	500	30,615	31,375		
General Electric	813	36,431	41,971		
General RE Corp.	500	31,810	32,625		
Guinness PLC	1,200	46,850	48,000		
Hanson Trust	1,600	24,912	26,800		
Jefferson Pilot	830	27,292	30,710		
K-Mart	800	30,468	28,800		
Loews	200	21,789	21,850		
May Dept. Stores	700	26,124	29,225		
McKesson Corp	900	28,076	30,375		
Minnesota Mining	500	34,587	35,500		
Norfolk Southern	800	27,853	27,900		
Ocean Drilling & Exp.	1,800	32,463	34,200		
Penn Central	889	21,205	23,336		
Pfizer, Inc.	700	39,206	40,163		
Primerica Corp	1,961	42,886	43,632		
Progressive Corp	1,000	29,795	30,375		
Tandy Corp	1,150	49,337	51,319		
Teledyne	100	36,140	36,338		
Temple Inland	265	14,295	14,938		
Texaco	300	16,446	15,113		
		927,996	962,622	\$ 962,622	\$2,045,573
Investments - short-term securities (market value)			2,087,450		759,944
Interest and dividends receivable			48,928		8,870
Cash in bank			2,520		783
Net assets			3,101,520		2,815,170
Security purchases payable			34,169		
Due to Fixed Shelter Fund			800		
Total liabilities			34,969		0
Net assets			\$3,066,551		\$2,815,170
Units outstanding			1,772,261.1169		1,809,109.3780
Asset values per unit			\$ 1.7303		\$ 1.5561

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

MONEY MARKET FUND

STATEMENTS OF NET ASSETS
JUNE 30,

<u>ASSETS</u>	<u>1989</u>	<u>1988</u>
Cash - checking	\$ 50	\$ 52
- Merrill Lynch Government Fund	<u>1,237,550</u>	<u>1,034,127</u>
Total assets	<u>\$1,237,600</u>	<u>\$1,034,179</u>
 <u>LIABILITIES</u>		
Member deposits	<u>14,000</u>	<u>0</u>
Net assets	<u>\$1,223,600</u>	<u>\$1,034,179</u>
Units outstanding	999,094	914,286
Asset value per unit	\$ 1.2247	\$ 1.1311

STATEMENTS OF CHANGES IN UNITS
FOR THE FISCAL YEARS ENDED JUNE 30,

Units - beginning of fiscal year	914,286	696,998
Units issued during year	145,665	337,727
Withdrawals and transfers	<u>(60,857)</u>	<u>(120,439)</u>
Units - end of fiscal year	<u>999,094</u>	<u>914,286</u>

STATEMENTS OF OPERATIONS

FOR THE FISCAL YEARS ENDED JUNE 30,

Revenues	\$ 171,014	\$ 372,590
Members' contributions	89,098	52,298
Total revenues	<u>\$ 260,112</u>	<u>\$ 424,888</u>
Expenditures		
Members' withdrawals and transfers	70,455	133,296
Bank charges and other	236	55
Total expenditures	<u>\$ 70,691</u>	<u>\$ 133,351</u>
Excess of revenues over expenditures	189,421	291,537
Net assets - beginning of year	<u>1,034,179</u>	<u>742,642</u>
Net assets - end of year	<u>\$1,223,600</u>	<u>\$1,034,179</u>

1990 SALARY REDUCTION AGREEMENT 403(b)
TAX SHELTERED ANNUITY - ONE YEAR ELECTION

TO: THE BOARD OF EDUCATION
Independent School District No. 709, St. Louis County
Duluth, Minnesota

I respectfully request that the employment arrangement between us, entered into for the 1990 calendar year, be modified to substitute the purchase of an annuity by you in lieu of a portion of the compensation otherwise payable directly to me so that I may obtain the benefit of Section 403(b) of the Internal Revenue code of 1954, as amended. For such purpose, I hereby authorize you to:

(1) Enter here \$_____ the annual amount that you would like to reduce your cash compensation under said employment arrangement (20% of salary to a maximum contribution of \$9,500), and apply said sum to the purchase of a Retirement Annuity Contract issued by DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION in which I shall be named as owner.

(2) Check here _____ if you would like all contributions to remain the same as in the previous year. My 1990 contributions are to be invested as indicated:*

_____ %	Fixed (Bonds)	*Prior years' contributions - please use separate sheet to indicate transfers between funds.
_____ %	Variable (Stock)	
_____ %	Money Market (Cash Equiv.)	

FOR SCHOOL BOARD USE: In case of death or resignation, I release all rights present or future, to receive payment of said sum in any other form except that all or any part of said sum for which I have already rendered services but which at termination of my employment with you has not been applied to the purchase of an annuity contract shall (1) be paid to me upon such termination by reason other than my death, or (2) be paid to the beneficiary of the Retirement Annuity Contract purchased hereunder, or to my estate if no such contract is then in force, upon my death while in your employ.

It is specifically agreed and understood that Minnesota Statutes, Section 125.17 (Teacher Tenure Act), is not applicable hereto and that the School District shall have no liability thereunder because of its purchase of this annuity contract, as provided in Laws of Minnesota 1961, Chapter 225.

RETURN FORM TO:
Duluth Teachers' Retirement Fund
22 East 1st Street
Duluth MN, 55802
By: November 30, 1989

Employee's Name (Please Print)

Signature

Dated

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DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
Tax Shelter and IRA Performance

FUND	1989				Calendar Year Compounded Rates of Return (%)				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1YR	2YR	3 YR	4 YR	5YR
Vara/ Stocks	+5.5	+3.4	-	-	+7.4	1.3	3.3	11.5	10.7
Fixed/ Bonds	+1.3	+6.9	-	-	8.4	6.1	8.4	11.4	11.7
Money Mkt/ Cash	+2.1	+2.2	-	-	6.8	6.4	6.7	6.8	7.4

	Variable Fund % Cash	Actual % Change	Current Strategy*	S&P 500 12 MO	Fixed % Change	Money Mkt % Change	Consumer Price Index
June 1989	65%	+ 3.4	11.1	16.5	+ 6.9	12.2	8.2
March 1989	90	+ 5.5			+ 1.3		
Dec 1988	45	+ 2.2	7.4	12.8	+ 1.5	8.4	6.8
Sept 1988	30	0.0			+ 2.1		4.1
June 1988	34	+ 5.1			+ 1.4		
March 1988	30	0.0			+ 3.0		
Dec 1987	27	-20.9	- 4.4	10.8	+ 2.3	3.9	5.9
Sept 1987	5	+ 4.4			- 1.3		4.4
June 1987	6	+ 0.0			+ 3.0		
March 1987	8	+15.8			+ 0.0		
Dec 1986	19	+ 5.8	7.5	18.7	+ 3.6	13.1	7.2
Sept 1986	7	-12.0			+ 0.7		1.1
June 1986	12	+ 7.5			+ 2.1		
March 1986	3	+ 7.4			+ 6.2		
Dec 1985	11	+25.8	40.1	29.7	+ 6.2	20.8	7.4
Sept 1985	10	- 5.4			+ 3.0		3.8
June 1985	11	+ 5.6			+ 7.4		
March 1985	4	+11.5			+ 2.6		
Dec 1984	4	+ 6.3	7.6	9.4	+ 6.5	13.0	9.7
Sept 1984	2	+ 7.9			+ 8.7		4.0
June 1984	7	- 1.6			- 3.2		
March 1984	8	- 4.6			+ 0.1		
Dec 1983	14	0.0	19.2	21.7	+ 2.3	9.5	9.5
Sept 1983	11	+ 0.9			0.0		3.8
June 1983	11	+10.0			+ 4.9		
March 1983	12	+ 7.4			+ 1.8		
Dec 1982	13	+14.6	20.3	27.7	+11.6	29.1	10.6
Sept 1982	13	+10.5			+ 8.6		3.9
June 1982	20	- 0.4			+ 4.9		
March 1982	27	- 4.6			+ 1.4		
Dec 1981	27	+ 4.2	4.8		- 5.0	6.0	8.9

*If current stock advisors had been used.

Administration costs for our plan in 1988 equaled 10 cents per \$100 of assets, (.001%). There are no other costs or fees of any kind. The above figures are net of administrative cost and represent actual changes in the cash value of our member's accounts.

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 5 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 spouse.

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 spouse.

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% 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

MAXIMUM CONTRACT SALARIES BY LANE*

1976-77 to 1988-89

	BA or BS	Plus 15	Plus 30	Plus 45	MA or MS, Equ.	Plus 15	Plus 30	Plus 45	PhD.
(1) 76-77	15,400	15,700	16,000	-	19,325	19,625	19,925	20,225	20,525
(1) 77-78	15,970	16,270	16,570	-	20,020	20,320	20,620	20,920	21,220
(1) 78-79	16,720	17,020	17,320	-	20,970	21,270	21,570	21,870	22,170
(2) 79-80	17,475	17,775	18,075	18,375	22,125	22,425	22,725	23,025	23,325
(3) 80-81	18,025	18,325	18,625	18,925	23,275	23,575	23,875	24,175	24,475
(3) 81-82	19,583	19,887	20,187	20,487	25,504	25,804	26,104	26,404	26,704
(3) 82-83	20,862	21,162	21,462	21,767	27,752	28,052	28,352	28,652	28,952
(3) 83-84	21,212	21,517	21,822	22,127	28,129	28,524	28,829	29,134	29,439
(3) 84-85	22,869	23,198	23,527	23,855	30,422	30,751	31,081	31,409	31,738
(3) 85-86	23,900	24,250	24,600	24,950	31,900	32,500	33,100	33,700	34,300
(3) 86-87	24,900	25,250	25,600	25,950	34,050	34,700	35,350	36,000	36,600
(4) 87-88	25,647	26,008	26,368	26,729	35,072	35,741	36,411	37,080	37,698
(4) 88-89	26,416	26,788	27,159	27,530	36,124	36,813	37,503	38,192	38,829

(1) Career Increment + \$100 W/25 or more years

(2) Career Increment + \$200 W/20 + \$400 W/25 years or more

(3) Career Increment + \$400 W/20 + \$900 W/25 or more years

(4) Career Increment + \$200 W/15 + \$600 W/20 + \$1,100 W/25 years or more

*Extra curricular is in addition to these amounts, severance pay is not used in the computation of the Duluth Teachers' Retirement benefits.

Approximate Social Security Benefits Collectable
At age 65 - 80% at age 62

S.S. Coverage	BA	MS/MA	MS/MA 45
30 yrs	\$825	\$850	\$865
20 yrs	550	565	580
10 yrs	275	285	290

DULUTH TEACHERS' RETIREMENT FUND
APPROXIMATE SURVIVOR BENEFIT PERCENTAGES*

All annuities are lifetime to member with some remaining benefit to a named beneficiary.

OPTION I 100% CONTINUED TO BENEFICIARY
WITH POPUP PROVISION

Beneficiary	55	56	57	58	59	60	61	62	63	64	65	
Member	55	86%	87	87	88	88	89	89	90	91	91	92
	56	85	86	86	87	87	88	89	89	90	90	91
	57	84	85	85	86	86	87	88	88	89	90	90
	58	83	84	84	85	85	86	87	87	88	89	89
	59	81	83	83	83	84	85	86	86	87	88	88
	60	80	81	81	82	83	84	84	85	85	87	87
	61	79	80	80	81	82	83	83	84	85	86	86
	62	77	79	79	80	80	81	82	83	84	84	85
	63	76	77	77	78	79	80	81	82	82	83	84
	64	74	76	76	77	78	78	79	80	81	82	83
	65	73	74	74	75	76	77	78	79	80	81	81

OPTION II 50% CONTINUED TO BENEFICIARY
WITH POPUP PROVISION

Beneficiary	55	56	57	58	59	60	61	62	63	64	65	
Member	55	92%	93	93	93	94	94	94	95	95	95	95
	56	92	92	92	93	93	93	94	94	94	95	95
	57	91	91	92	92	93	93	93	94	94	94	95
	58	90	91	91	91	92	92	93	93	93	94	94
	59	90	90	90	91	92	92	92	92	92	93	94
	60	89	89	90	90	92	91	91	92	92	93	93
	61	88	88	89	89	90	90	91	91	91	92	92
	62	87	87	88	88	89	89	90	90	90	91	92
	63	86	87	87	88	89	89	89	90	89	90	91
	64	85	86	86	87	88	88	88	89	88	89	90
	65	84	85	85	86	87	87	87	88	88	88	90

OPTION III TERM CERTAIN REMIANDER OF TERM TO BENEFICIARY

Member	55	56	57	58	59	60	61	62	63	64	65
5 Yr	99%	99	99	99	99	98	98	98	98	98	98
10 Yr	97	97	96	96	96	95	95	94	94	93	92
15 Yr	94	94	93	92	92	91	90	89	88	87	85
20 Yr	90	90	89	88	87	85	84	83	81	80	78

*Percentages shown are only carried to two places because of space limitations. Benefits computed will be maximum of 1% understated.

OLD PLAN
DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
FOR MEMBERS HIRED BEFORE 7-1-81
PERCENTAGE OF HIGH 5 AVERAGE SALARIES

Early Retirement Percent	85%	88%	91%	94%	97%	100%
	Age at Retirement					
Service	55	56	57	58	59	60+
10	10.6	11.0	11.3	11.7	12.1	12.5
11	11.6	12.1	12.5	12.9	13.3	13.75
12	12.7	13.2	13.6	14.1	14.5	15.0
13	13.8	14.3	14.7	15.2	15.7	16.25
14	14.8	15.4	15.9	16.4	16.9	17.5
15	15.9	16.5	17.0	17.6	18.1	18.75
16	17.0	17.6	18.2	18.8	19.4	20.0
17	18.0	18.7	19.3	19.9	20.6	21.25
18	19.1	19.8	20.4	21.1	21.8	22.5
19	20.1	20.9	21.6	22.3	23.0	23.75
20	21.2	22.0	22.7	23.5	24.2	25.0
21	22.3	23.1	23.8	24.6	25.4	26.25
22	23.3	24.2	25.0	25.8	26.6	27.5
23	24.4	25.3	26.1	27.0	27.8	28.75
24	25.5	26.4	27.3	28.2	29.1	30.0
25	26.5	27.5	28.4	29.3	30.3	31.25
26	27.6	28.6	29.5	30.5	31.5	32.5
27	28.6	29.6	30.6	31.6	32.6	33.7
28	29.7	30.8	31.8	32.9	33.9	35.0
29	30.7	31.8	32.9	34.0	35.1	36.2
30	31.8	33.0	34.1	35.2	36.3	37.5
31	32.9	34.1	35.2	36.4	38.7	38.75
32	34.0	35.2	36.4	40.0	40.0	40.0
33	35.0	36.3	41.2	41.2	41.2	41.25
34	36.1	42.5	42.5	42.5	42.5	42.5
35	43.7	43.7	43.7	43.7	43.7	43.75
36		45.0	45.0	45.0	45.0	45.0
37			46.2	46.2	46.2	46.25
38				47.5	47.5	47.5
39					48.7	48.75

Work Sheet

1. Highest 5 Average Salary \$ _____ \$ 32,000
2. Factor from Chart (Exam.- age 58, 25 yrs) _____ 29.3%
3. Annual Annuity (line 1 times line 2) _____ 9,376
 (Skip to Line 6 if no survivor benefit is needed)
4. Survivor Option II Reduction from Table _____ 91%
 (Age 56)
5. Annual Benefit with Survivor Benefit _____ 8,532
6. Monthly Benefit - divide line 3 or 5
 by 12 _____ 711
7. Continue on to S.S. Leveling if under age 62

TIER I

Duluth Teachers' Retirement Fund Association
"1st Class Cities Coordinated Formula"

Applicable to all members hired or rehired after 6-30-81 and before 7-1-89
or upon election by member hired before 7-1-81
Percent of High 5 Average Successive Salaries

Early Retirement %	70%	73%	76%	79%	82%	85%	88%	91%	94%	97%	100%
Service	55	56	57	58	59	60	61	62	63	64	65+
10	7.0	7.3	7.6	7.9	8.2	8.5	8.8	9.1	9.4	9.7	10.0
11	8.0	8.3	8.7	9.0	9.4	9.7	10.1	10.4	10.8	11.1	11.5
12	9.1	9.4	9.8	10.2	10.6	11.0	11.4	11.8	12.2	12.6	13.0
13	10.1	10.5	11.0	11.4	11.8	12.3	12.7	13.1	13.6	14.0	14.5
14	11.2	11.6	12.1	12.6	13.1	13.6	14.0	14.5	15.0	15.5	16.0
15	12.2	12.7	13.3	13.8	14.3	14.8	15.4	15.9	16.4	16.9	17.5
16	13.3	13.8	14.4	15.0	15.5	16.1	16.7	17.2	17.8	18.4	19.0
17	14.3	14.9	15.5	16.1	16.8	17.4	18.0	18.6	19.2	19.8	20.5
18	15.4	16.0	16.7	17.3	18.0	18.7	19.3	20.0	20.6	21.3	22.0
19	16.4	17.1	17.8	18.5	19.2	19.9	20.6	21.3	22.0	22.7	23.5
20	17.5	18.2	19.0	19.7	20.5	21.2	22.0	22.7	23.5	24.2	25.0
21	18.5	19.3	20.1	20.9	21.7	22.5	23.3	24.1	24.9	25.7	26.5
22	19.6	20.4	21.2	22.1	22.9	23.8	24.6	25.4	26.3	27.1	28.0
23	20.6	21.5	22.4	23.3	24.1	25.0	25.9	26.8	27.7	28.6	29.5
24	21.7	22.6	23.5	24.4	25.4	26.3	27.2	28.2	29.1	30.0	31.0
25	22.7	23.7	24.7	25.6	26.6	27.6	28.6	29.5	30.5	31.5	32.5
26	23.8	24.8	25.8	26.8	27.8	28.9	29.9	30.9	31.9	34.0	34.0
27	24.8	25.9	26.9	28.0	29.1	30.1	31.2	32.3	35.5	35.5	35.5
28	25.9	27.0	28.1	29.2	30.3	31.4	32.5	37.0	37.0	37.0	37.0
29	26.9	28.1	29.2	30.4	31.5	32.7	38.5	38.5	38.5	38.5	38.5
30	31.6	32.8	34.0	35.2	36.4	40.0	40.0	40.0	40.0	40.0	40.0
31	32.7	34.0	35.2	36.5	41.5	41.5	41.5	41.5	41.5	41.5	41.5
32	23.9	35.2	36.5	43.0	43.0	43.0	43.0	43.0	43.0	43.0	43.0
33	35.1	36.4	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5
34	36.3	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
35	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5
36		49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0
37			50.5	50.5	50.5	50.5	50.5	50.5	50.5	50.5	50.5
38				52.5	52.5	52.5	52.5	52.0	52.0	52.0	52.0
39					53.5	53.5	53.5	53.5	53.5	53.5	53.5
40						55.0	55.0	55.0	55.0	55.0	55.0
41							56.5	56.5	56.5	56.5	56.5
42								58.0	58.0	58.0	58.0
43									59.5	59.5	59.5
44										61.0	61.0
45											62.5

WORK SHEET

		<u>Example</u>
1. Highest 5 Successive Average Salary	\$ _____	\$ 32,000
2. Factor from Chart (Example - age 58, 25 yrs)	_____	25.6%
3. Annual Annuity (line 1 times line 2)	_____	_____
(Skip to Line 6 if no survivor benefit is needed)	_____	8,192
4. Survivor Option Reduction from Table (Age 56)	_____	91%
5. Annual Benefit with Survivor Benefit	\$ _____	\$ 7,454
6. Monthly Benefit - divide line 3 or 5 by 12	\$ _____	\$ 621
7. Continue on to S.S. Leveling if under age 62		

TIER II
Duluth Teachers' Retirement Fund Association
"1st Class Cities Coordinated Formula"

Applicable to all members hired or rehired after 6-30-89,
or upon election by member hired before 7-1-89
Percent of High 5 Average Successive Salaries

Early Retirement Percent	62.9%	65.5%	68.2%	71.1%	74.3%	77.7%	81.4%	85.4%	89.8%	94.7%	100%
Service	55	56	57	58	59	60	61	62	63	64	65+
10	9.4	9.8	10.2	10.6	11.1	11.6	12.2	12.8	13.4	14.2	15.0
11	10.3	10.8	11.2	11.7	12.2	12.8	13.4	14.0	14.8	15.6	16.5
12	11.3	11.7	12.2	12.7	13.3	13.9	14.6	15.3	16.1	17.0	18.0
13	12.2	12.7	13.2	13.8	14.4	15.1	15.8	16.6	17.5	18.4	19.5
14	13.2	13.7	14.3	14.9	15.6	16.3	17.0	17.9	18.8	19.8	21.0
15	14.1	14.7	15.3	15.9	16.7	17.4	18.3	19.2	20.2	21.3	22.5
16	15.0	15.7	16.3	17.0	17.8	18.6	19.5	20.4	21.5	22.7	24.0
17	16.0	16.7	17.3	18.1	18.9	19.8	20.7	21.7	22.8	24.1	25.5
18	16.9	17.6	18.4	19.1	20.0	20.9	21.9	23.0	24.2	25.5	27.0
19	17.9	18.6	19.4	20.2	21.1	22.1	23.1	24.3	25.5	26.9	28.5
20	18.8	19.6	20.4	21.3	22.2	23.3	24.4	25.6	26.9	28.4	30.0
21	19.8	20.6	21.4	22.3	23.4	24.4	25.6	26.9	28.2	29.8	31.5
22	20.7	21.6	22.5	23.4	24.5	25.6	26.8	28.1	29.6	31.2	33.0
23	21.7	22.5	23.5	24.5	25.6	26.8	28.0	29.4	30.9	32.6	34.5
24	22.6	23.5	24.5	25.5	26.7	27.9	29.3	30.7	32.3	34.0	36.0
25	23.5	24.5	25.5	26.6	27.8	29.1	30.5	32.0	33.6	35.5	37.5
26	24.5	25.5	26.5	27.7	28.9	30.3	31.7	33.3	35.0	36.9	39.0
27	25.4	26.5	27.6	28.7	30.0	31.4	32.9	34.5	36.3	38.3	40.5
28	26.4	27.5	28.6	29.8	31.2	32.6	34.1	35.8	37.7	39.7	42.0
29	27.3	28.4	29.6	30.9	32.3	33.7	35.4	37.1	39.0	41.1	43.5
30	28.3	29.4	30.6	31.9	33.4	34.9	36.6	38.4	40.4	42.6	45.0
31	29.2	30.4	31.7	33.0	34.5	36.1	37.8	39.7	41.7	44.0	46.5
32	30.1	31.4	32.7	34.1	35.6	37.2	39.0	40.9	43.1	45.4	48.0
33	31.1	32.4	33.7	35.1	36.7	38.4	40.2	42.2	44.4	46.8	49.5
34	32.0	33.4	34.7	36.2	37.8	39.6	41.5	43.5	45.7	48.2	51.0
35	33.0	34.3	35.8	37.3	39.0	40.7	42.7	44.8	47.1	49.7	52.5
36		35.3	36.8	38.3	40.1	41.9	43.9	46.1	48.4	51.1	54.0
37			37.8	39.4	41.2	43.1	45.1	47.3	49.8	52.5	55.5
38				40.5	42.3	44.2	46.3	48.6	51.1	53.9	57.0
39					43.4	45.4	47.6	49.9	52.5	55.3	58.5
40						46.6	48.8	51.2	53.8	56.8	60.0
41							50.0	52.5	55.2	58.2	61.5
42								53.8	56.5	59.6	63.0
43									57.9	61.0	64.5
44										62.5	66.0
45											67.5

WORK SHEET

1. Highest 5 Successive Average Salary	\$ _____	<u>Example</u> \$ 32,000
2. Factor from Chart (Example - age 58, 25 yrs)	_____	26.6%
3. Annual Annuity (line 1 times line 2)	_____	8,512
(Skip to Line 6 if no survivor benefit is needed)		91%
4. Survivor Option II Reduction from Table (Age 56)	_____	\$ 7,745
5. Annual Benefit with Survivor Benefit	\$ _____	\$ 645
6. Monthly Benefit - divide line 3 or 5 by 12	\$ _____	
7. Continue on to S.S. Leveling if under age 62		

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

SOCIAL SECURITY ADJUSTMENT OPTION

1. Enter date of commencement of benefits	_____	6-30-89
2. Enter nearest attained age as of commencement of benefits. Participant's age _____ yrs. _____ mos.	_____	58-0
3. Enter factor from table based on date on line 1 and age on line 2	_____	.283
4. Enter estimated Primary Social Security benefit at age 65 obtained from Social Security office	_____	\$ 850
5. Multiply line 4 times .8 (80% Benefit at age 62)	_____	\$ 680
6. Multiply line 3 times line 5	\$ _____	\$ 192
7. Enter early retirement benefit from worksheet (Example: Member 58 and Spouse age 56, Op II)	\$ _____	\$ 711
8. Subtract line 6 from line 7 - this is the monthly benefit payable on and after attainment of age 62.	\$ _____	\$ 519
9. Add line 5 plus line 3 - this is the monthly benefit payable from early retirement date to attainment of age 62.	\$ _____	\$ 1,199
10. Amount to surviving spouse	\$ _____	\$ 355

Leveling Adjustment Table

Years Months	55	56	57	58	59	60	61	62
0	\$.431	\$.387	\$.337	\$.283	\$.223	\$.157	\$.083	
1	.428	.383	.333	.278	.218	.150	.076	
2	.424	.378	.328	.273	.212	.144	.069	
3	.420	.374	.324	.268	.207	.138	.062	
4	.416	.370	.319	.263	.201	.132	.055	
5	.413	.366	.315	.258	.195	.126	.048	
6	.409	.362	.310	.253	.190	.120	.041	
7	.405	.358	.306	.248	.184	.113	.034	
8	.402	.354	.301	.243	.179	.107	.028	
9	.398	.350	.297	.238	.173	.101	.021	
10	.394	.346	.292	.233	.168	.095	.014	
11	.390	.342	.288	.228	.162	.089	.007	

Benefit History 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. War bonds and municipal bonds in portfolio.
- 1943 - First stock investment made. U.S. Treasury and mortgages in portfolio.
- 1948 - Normal retirement age raised to age 60 over next 5 years.
- 1957 - Social Security was adopted for all Duluth educators. Formula is $1/140 \times \text{high 10 years average salary} \times \text{years of service}$.
- 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 stock 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+ $\times \text{years of service} \times \text{high successive 5 year average}$.
- 1985 - 13th Bonus Check = $\$34 \times \text{years of service} + \text{years on pension}$.
- 1986 - 13th Bonus Check = $\$44 \times \text{years of service} + \text{years on pension}$.
- 1987 - 13th Bonus Check = $\$48 \times \text{years of service} + \text{years on pension}$.
- 1989 - Formula is $1.5\% \times \text{high 5 average} \times \text{years of service}$ for all new members.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
Historical Data

Year	Assets at Book Value	Rate of Return	Unfunded Liabilities	Percent Funded	Total Membership		Average Annual Benefits	Monthly Benefits
					Active	Retired		
1988	\$72,626,223	-6.3%	\$10,067,777	87.8	1,578	665	\$3,667,289	\$459
1987	67,325,000	20.9	10,374,000	87.9	1,605	665	3,807,641	496*
1986	56,153,709	33.4	13,338,000	82.9	1,251	608	3,383,721	463*
1985	49,335,782	29.3	17,315,000	75.6	1,183	593	2,357,884	397*
1984	47,073,396	-4.0	25,315,100	65.0	1,137	562	2,259,373	335
1983	44,508,297	35.0	20,729,900	68.7	1,119	557	2,182,940	326
1982	39,426,413	5.8	19,564,105	66.8	1,173	531	2,037,510	319
1981	35,984,924	12.5	10,801,572	76.9	1,221	508	1,722,998	282
1980	32,102,869	11.0	9,912,000	77.3	1,268	501	1,660,823	276
1979	29,421,634	10.0	8,108,046	78.4	1,272	494	1,620,677	273
1978	27,999,592	3.0	7,738,456	78.3	1,182	494	1,597,220	269
1977	26,703,470		7,781,018	79.7	1,207	483	1,513,682	261
1976	24,718,012		6,391,346	79.5	1,175	473	1,451,889	255
1975	23,537,352		5,901,268	80.0	1,173	487	1,426,309	244
1973	22,635,801		1,827,569	92.5	1,136	432	1,203,739	232
1971	19,782,599		5,861,972	77.1	1,158	378	977,952	215
1969	18,893,566		(1,897,691)	110.0	1,159	331	778,023	195
1967	15,989,940		(796,321)	105.0	939	315	633,374	167
1965	13,383,460		(85,497)	100.6	874	285	489,480	143
1962	10,793,087		737,730	93.6	775	286	467,317	136
1959	9,149,200		1,247,697	88.0	716	242	344,378	118
1954	6,542,424		1,660,379	79.8	632	198	234,172	98
1952	5,603,225		1,432,453	79.6	575	172	176,255	85
1949	4,511,251		1,199,422	78.9	565	167	160,999	80
1946	3,894,364		1,738,199	69.1	581	125	112,672	75
1943	3,530,411		1,206,314	74.5	615	111	97,786	73
1940	3,184,300		977,648	76.5	678	86	77,302	74
1937	2,790,459		928,520	75.0	690	67	50,421	62
1934	2,385,690		974,835	71.0	713	53	38,386	60
1931	1,787,097		975,331	64.7	736	46	27,258	49
1928	1,202,626		965,750	55.5	724	42	21,009	41
1925	714,317		986,157	42.0	679	39	17,533	37
1922	313,523		973,787	24.4	587	30	12,844	35
1919	95,879		740,671	11.5	-	-	-	-
1916	69,716		-	-	-	-	-	-
1913	34,736		-	-	-	-	-	-
1911	7,725		-	-	-	-	-	-

*Includes 13th Bonus Checks

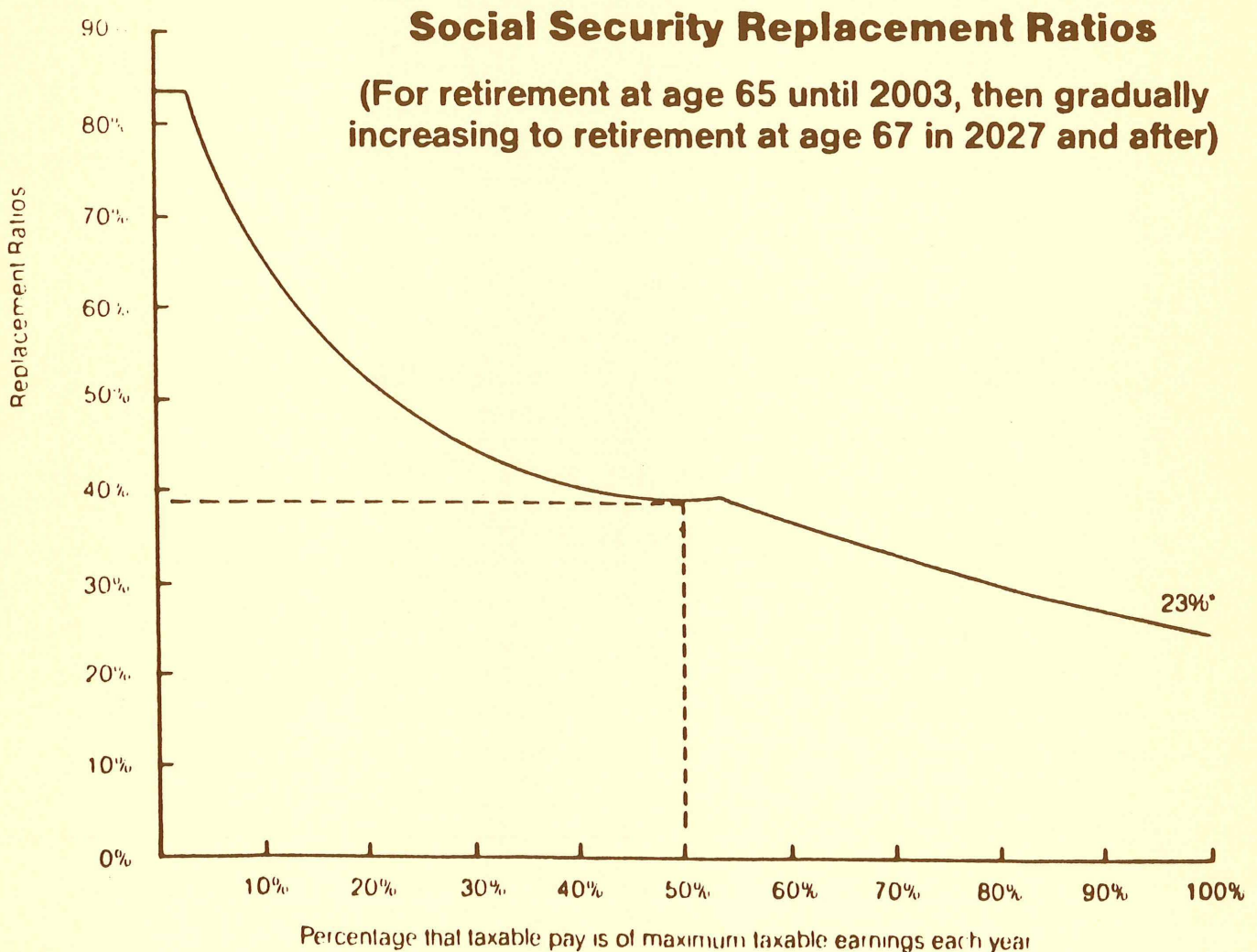
Social Security Replacement Ratios
expressed as a percentage of annual salary.

Source: William M. Mercer-Meidinger-Hansen, Inc.

Benefits as a Percentage of Pay

The graph below illustrates the Normal-Retirement-Age benefit as a percentage of pay **subject to the Social Security tax**. It applies to anyone who has had **steady** earnings. First, you must determine how your annual pay relates to the Maximum Taxable Amount, which is \$45,000 for 1988. For example, if you earn \$22,500, you would find 50% at the bottom (horizontal) line of the chart. Reading up to the graph line and over to

the vertical line on the left side reveals that you could expect a benefit of 39% of your final level of pay. If there is no further inflation, this would be \$8,775 (39% x \$22,500). If your earnings are equal to the U. S. average, you can expect to receive a benefit of about 41% of pay. If you always had the maximum taxable earnings, you can expect to receive about 23% of that **portion** of your pay subject to the Social Security tax (gradually increasing to 27% during the next 20 years). Replacement ratio refers to the percentage of your pay that is replaced by your Social Security retirement benefit.



*This percentage will increase gradually over the next 20 years to 27%.

NOTES
