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MINNEAPOLIS TEACHERS'
RETIREMENT FUND
ASSOCIATION

SIXTY-SIXTH ANNUAL REPORT
OF THE BOARD OF TRUSTEES

1670 NORTHWESTERN BANK BUILDING
MINNEAPOLIS, MINNESOTA 55402

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MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Incorporated under the Laws of the State of Minnesota,
September 17, 1909, and reorganized January 1, 1924

Officers

Geneveve K. Johnston *President*
A. James Heller *Vice President*
Lottie K. Warmbold *Secretary*
Betty S. Hammack *Treasurer*

Board of Trustees

Betty S. Hammack *Instructor, Hale School*
A. James Heller *Instructor, Henry High School*
Albert J. Hofstede *Mayor of Minneapolis*
Geneveve K. Johnston *Annuitant*
Carol R. Lind..... *School Board Representative*
Eleanor L. Matsis *Instructor, West High School*
E. Dudley Parsons..... *Annuitant*
Samuel S. Sivanich *City Council Representative*
Lottie K. Warmbold..... *Annuitant*

Standing Committees

Finance

Eleanor L. Matsis, *Chairman*
Betty S. Hammack
Geneveve K. Johnston (*Ex officio*)

Membership

Annuity

Betty S. Hammack, *Chairman* E. Dudley Parsons, *Chairman*
A. James Heller *Lottie K. Warmbold*
Geneveve K. Johnston (*Ex officio*) Geneveve K. Johnston (*Ex officio*)

Administrative Personnel

Executive Secretary Newell Gaasedelen
Counsel..... Richard H. Bachelder
Actuary..... Peat, Marwick, Mitchell & Co.
Auditors Peat, Marwick, Mitchell & Co.

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees of the Minneapolis Teachers' Retirement Fund Association, in compliance with the Articles of Incorporation, submits its report of the transactions of the Association for the year ended December 31, 1975, together with the audit and actuary reports of Peat, Marwick, Mitchell & Co., Certified Public Accountants; and a statement showing mean ledger assets, as adjusted, and the amount and rate of interest earned for the years 1924 to 1975, inclusive.

The Minneapolis Teachers' Retirement Fund Association was incorporated on September 17, 1909, under the laws of the State of Minnesota. Revised Articles of Incorporation, effective January 1, 1924, were adopted during the year 1923 and have been amended from time to time. The charter was extended for a period of thirty years on April 29, 1969. Pursuant to the Agreement with the City Council, relative to the removal of the limitation of one mill in the amount levied by taxation for the purposes of the Association, amendments to the Articles of Incorporation were adopted during the year 1929.

The regular annual meeting of the Association was held April 29, 1975. Miss Eleanor L. Matis and Mr. E. Dudley Parsons, nominated as trustees for a three year term, were elected by the members pursuant to Article IX of the By-Laws.

Members deposited \$3,812,255.00 compared to \$3,608,243.64 during the previous year. The revenues from taxes were \$8,525,971.00 for 1975.

Annuity applications totaled 102 which was a decrease of 6 from the previous year. A total of \$7,662,409.32 was paid to annuitants during the year.

The book value of investments at the close of the year was \$97,837,531.00 compared with \$93,323,002.00 for the year before.

Interest and dividends earned amounted to \$5,356,740.00. Members' deposits were credited with 4-1/2% interest and interest credited to the Annuity Reserve Fund was computed at 4-1/2% on the mean monthly balances.

The reserve for investment and other losses amounted to \$8,382,087.00 as of December 31, 1975.

Peat, Marwick, Mitchell & Co., auditors for the Association since its organization in 1909, made the annual audit of the accounts.

Geneveve K. Johnston, President

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
222 SOUTH RIVERSIDE PLAZA
CHICAGO, ILLINOIS 60606

April 2, 1976

Board of Trustees
Minneapolis Teachers Retirement
Fund Association
Northwestern Bank Building
Minneapolis, Minnesota 55402

Gentlemen:

We are pleased to submit the final results of our actuarial valuation of the Minneapolis Teachers Retirement Fund as of December 31, 1975. The valuation was performed on the basis of data and financial information provided by the Executive Secretary of the Fund, and were not audited by us.

Objectives

The principal objectives of the valuation may be summarized as follows:

1. Prepare information in accordance with Minnesota Statutes, Section 356.21;
2. Summarize the actuarial status of the Fund;
3. Analyze the experience of the Fund.

Summary of Findings

The results of our valuation may be summarized as follows:

1. Contribution levels have been computed under 5% interest and 3-1/2% salary increase assumptions, as required by statute.
2. The employer's normal cost for the year is 6.15% of payroll.
3. The necessary contribution to meet normal cost, and prevent the unfunded accrued liability (deficit) from increasing is 13.15% of payroll, compared to 12.29% shown in the December 31, 1974 valuation.
4. Assets of the Fund are in excess of the present value of benefits for current retirees.

Based on the above mentioned data and information, our interpretation of plan provisions and our valuation method and assumptions set forth in this report, we hereby certify that the summaries on the following pages represent the results of the valuation.

* * * * *

We look forward to discussing our valuation in detail with you.

PEAT, MARWICK, MITCHELL & CO.
Avner Haya, F.S.A., M.A.A.A.

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF COSTS AS OF DECEMBER 31, 1975**

	<i>5% Interest and 2/3 of 1970 Turnover</i>	
	<i>Normal Cost</i>	<i>Accrued Liability</i>
1. Active Members		
Retirement benefits.....	\$4,245,353	\$100,894,145
Disability benefits.....	618,192	0
Refunds due to death or withdrawal.....	2,340,455	0
2. Deferred Annuitants and Former Members Without Vested Rights.....	0	1,655,683
3. Annuitants.....	0	74,686,077
4. Total.....	\$7,204,000	\$177,235,905
5. Member deposits.....	<u>3,700,351</u>	
6. Employer normal cost.....	\$3,503,649	
7. Valuation assets.....		\$101,094,076
8. Unfunded accrued liability.....		<u>\$ 76,141,829</u>
Total payroll.....		\$ 56,928,482

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF CONTRIBUTION LEVELS FOR TWO YEARS**

	<i>December 31, 1974</i>	<i>December 31, 1975</i>
Employer normal cost.....	\$ 2,986,473	\$ 3,503,649
Percentage of payroll.....	5.57%	6.15%
Unfunded accrued liability.....	70,020,557	76,141,829
Employer contribution to meet normal cost and amortize unfunded accrued liability by December 31, 1997.....	7,819,292	8,879,757
Percentage of payroll.....	14.57%	15.60%
Employer contribution to meet normal cost and prevent unfunded accrued liability from increasing, assuming payment on December 31.....	6,596,618	7,485,923
Percentage of payroll.....	12.29%	13.15%
Administrative expense.....	263,877	297,589
Percentage of payroll.....	.49%	.52%
Employer contribution to meet normal cost and administrative expense and amortize unfunded accrued liability by December 31, 1997.....	8,083,169	9,177,346
Percentage of payroll.....	15.06%	16.12%
Employer contribution to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing, assuming payment on December 31.....	6,860,495	7,783,512
Percentage of payroll.....	12.78%	13.67%

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
COMPARISON OF CONTRIBUTIONS WITH TOTAL INCOME
FROM GOVERNMENTAL UNITS**

Employer contribution as of December 31, 1975 to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing	\$7,783,512
Percentage of payroll on December 31, 1975	<u>13.67%</u>
Contributions to Fund other than employee contributions during 1975	
State and City contributions —	
approximately 6-1/2% of payroll	\$3,860,091
Required tax revenue, net of \$501,620 applied to certain retirement benefit increases under Section 8, 9, and 14 granted after retirement	<u>\$4,164,260</u>
Total contribution during 1975	<u>\$8,024,351</u>
Percentage of payroll on December 31, 1975	<u>14.10%</u>

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF ACTUARIAL ASSUMPTIONS**

December 31, 1975

Interest	5%	
Turnover	2/3 of the 1970 experience, graduated for smoothness:	
	<i>Attained</i>	<i>Turnover</i>
	<u>Age</u>	<u>Rate</u>
	20	.200
	30	.133
	40	.028
	50	.017
	60	.002
Retirement Age	64. In prior valuation age 64 or attained age plus one, if later was assumed	
Salary Scale	3-1/2%	
Annual Increase		
Mortality	The 1971 Group Annuity Mortality Table with projection to 1975 by Scale D. For males the male rates were used with age setback one year. For females, the male rates were used with age setback seven years	
Valuation Assets	Cost plus a net write-up of \$802,276	

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF ANNUITIES IN FORCE ON DECEMBER 31, 1975

Option	Annuity Plan	Number of Annuitants	Annuity Reserve Fund		Contingent Reserve Fund		Total	
			Annual Amount	Reserve	Annual Amount	Reserve	Annual Amount	Reserve
1	Life	1,190	\$1,308,479	\$11,186,263	\$2,941,792	\$27,893,724	\$4,250,271	\$39,079,987
2	Life, 15 year guarantee .	462	574,472	6,395,562	1,063,413	13,050,018	1,637,885	19,445,580
3	Survivorship (50%)	70	123,511	1,312,400	270,098	3,155,690	393,609	4,468,090
4	Annuities Certain	77	92,094	831,907	195,294	1,964,813	287,388	2,796,720
5	Life, 3 year guarantee ..	152	251,492	2,936,444	389,699	5,163,679	641,191	8,100,123
6	Survivorship (75%)	25	58,720	731,790	125,250	1,695,403	183,970	2,427,193
7	Survivorship (100%)	29	44,829	580,575	82,766	1,192,972	127,595	1,773,547
8	Death Benefit	14	13,866	206,112	59,250	923,268	73,116	1,129,380
9	Disability	42	41,558	556,328	164,231	2,290,446	205,789	2,846,774
Totals		2,061	\$2,509,021	\$24,737,381	\$5,291,793	\$57,330,013	\$7,800,814	\$82,067,394
less Section 8, 9 and 14 increases (financed on a pay-as-you-go basis)					501,620	5,277,244*	501,620	5,277,244*
less Section 15 increases (financed on a pay-as-you-go basis)					200,000*	2,104,073*	200,000*	2,104,073*
Grand Total		<u>2,061</u>	<u>\$2,509,021</u>	<u>\$24,737,381</u>	<u>\$4,590,173</u>	<u>\$49,948,696</u>	<u>\$7,099,194</u>	<u>\$74,686,077</u>

*Approximate figure

The Board of Directors
Minneapolis Teachers' Retirement Fund Association:

We have examined the balance sheets of Minneapolis Teachers' Retirement Fund Association as of December 31, 1975 and 1974, and the related statements of revenues, expenditures and provision for losses, and changes in obligations for plan benefits and reserves for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully explained in note 3 to the financial statements, pursuant to the Association's Articles of Incorporation, unrealized appreciation of investments in common stocks has been included in the accompanying financial statements.

In our opinion, the aforementioned financial statements present fairly the financial position of Minneapolis Teachers' Retirement Fund Association at December 31, 1975 and 1974, and its revenues, expenditures and provision for losses, and changes in obligations for plan benefits and reserves for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Supplementary data included in Schedules 1 through 4 have been subjected to the same auditing procedures and, in our opinion, are stated fairly in all material respects when considered in conjunction with the financial statements taken as a whole.

Peat, Marwick, Mitchell & Co.

Minneapolis, Minnesota
March 9, 1976

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Balance Sheets

December 31, 1975 and 1974

Assets	<u>1975</u>	<u>1974</u>
Cash and savings accounts	\$ 1,738,070	1,025,505
Accounts receivable:		
Governmental units	757,907	105,590
Investment securities sold	—	45,179
Municipality contributions (note 2)	—	4,859,046
Accrued interest receivable	785,531	748,638
Accrued dividends receivable	214,179	201,061
Investment securities (notes 3 and 5):		
Common stocks	48,355,780	46,650,127
Bonds	38,530,666	35,522,546
Commercial paper and certificates of deposit	7,088,467	7,268,160
Real estate mortgages	<u>557,670</u>	<u>577,221</u>
	94,532,583	90,018,054
Unrealized appreciation on common stocks	1,911,326	1,911,326
Total investment securities	<u>96,443,909</u>	<u>91,929,380</u>
Investment in and advances to (\$1,917,492 and \$648,492 in 1975 and 1974, respectively) MRT Properties, Inc., underlying net assets of \$3,547,682 in 1975 and \$2,215,198 in 1974	3,311,114	2,042,114
Deposit	<u>425</u>	<u>425</u>
	<u>\$103,251,135</u>	<u>100,956,938</u>
 Liabilities and Reserves		
Claims payable	34,905	36,792
Payable for investment securities purchased	200,693	—
Accounts payable	10,135	9,085
Deferred credits (note 2)	—	6,071,674
Obligations for plan benefits:		
Annuity reserve fund	29,110,719	27,544,616
Retirement deposit fund	65,512,596	60,085,257
Unfunded accrued liability	<u>76,141,829</u>	<u>70,020,557</u>
Total obligations for plan benefits	170,765,144	157,650,430
Reserve for investment and other losses	8,382,087	217,697
Reserve for future funding (note 7)	—	6,991,817
Actuarial deficiency	<u>(76,141,829)</u>	<u>(70,020,557)</u>
Net assets available for plan benefits	<u>103,005,402</u>	<u>94,839,387</u>
	<u>\$103,251,135</u>	<u>100,956,938</u>

See accompanying notes to financial statements.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Statements of Revenues, Expenditures
and Provision for Losses
Years ended December 31, 1975 and 1974

Revenues	<i>1975</i>	<i>1974</i>
Revenue from governmental units (note 4):		
Ad valorem city taxes	\$ 5,236,624	4,566,293
State contributions	2,552,723	4,673,084
Federal contributions	<u>736,624</u>	<u>—</u>
Total revenue from governmental units	<u>8,525,971</u>	<u>9,239,377</u>
Contributions by members:		
Required	3,812,255	3,608,244
Other	<u>21,018</u>	<u>24,110</u>
Total contributions by members	<u>3,833,273</u>	<u>3,632,354</u>
Investment income:		
Interest	3,275,579	2,714,821
Dividends	2,081,161	2,034,164
Gain on sale of investments, net	<u>64,081</u>	<u>318,417</u>
Total investment income	<u>5,420,821</u>	<u>5,067,402</u>
Total revenues	<u><u>17,780,065</u></u>	<u><u>17,939,133</u></u>

**Expenditures and Provision
for Losses**

Retirement, beneficiary and disability annuities	7,662,409	7,331,931
Withdrawals	480,180	438,250
Death benefits	64,840	27,790
Administrative expenses	297,589	263,877
Provision for losses on investments (note 5)	<u>1,109,050</u>	<u>3,665,914</u>
Total expenditures and provision for losses	<u>9,614,068</u>	<u>11,727,762</u>
Revenues in excess of expenditures and provision for losses	<u><u>\$ 8,165,997</u></u>	<u><u>6,211,371</u></u>

**Distributions of Excess Revenues
(in accordance with the
Articles of Incorporation)**

Reserve for investment and other losses	793,710	(3,366,959)
Annuity reserve fund	(1,191,931)	(1,161,450)
Retirement deposit fund	8,564,218	9,107,909
Reserve for future funding	—	1,811,427
Increase in municipality contributions	—	(179,556)
Total distributions	<u><u>\$ 8,165,997</u></u>	<u><u>6,211,371</u></u>

See accompanying notes to financial statements.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Statement of Changes in Obligations for Plan Benefits and Reserves

Years ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Annuity reserve fund:		
Balance at beginning of year	27,544,616	25,252,017
Annuity payments in excess of revenues	(1,191,931)	(1,161,450)
Transfers from reserves for purchase of annuities:		
Retirement deposit fund	2,758,129	2,690,049
Reserve for future funding	—	270,372
Reserve for unrealized appreciation	—	493,628
Other	<u>(95)</u>	<u>—</u>
Balance at end of year (required reserve \$24,737,381 in 1975 and \$22,478,906 in 1974)	<u>\$29,110,719</u>	<u>27,544,616</u>
Retirement deposit fund:		
Balance at beginning of year	60,085,257	54,071,873
Revenues in excess of expenditures	8,564,218	9,107,909
Transfer to annuity reserve fund for purchase of annuities	(2,758,129)	(2,690,049)
Transfer to reserve for future funding for cancelled city deposits (note 6)	—	(404,476)
Transfer to reserve for investment and other losses for cancelled city deposits	<u>(378,750)</u>	<u>—</u>
Balance at end of year	<u>\$65,512,596</u>	<u>60,085,257</u>
Unfunded accrued liability:		
Balance at beginning of year	70,020,557	74,306,812
Increase (decrease) in actuarially computed prospective pension benefits and administrative expenses over Association's assets	<u>6,121,272</u>	<u>(4,286,255)</u>
Balance at end of year	<u>\$76,141,829</u>	<u>70,020,557</u>
Reserve for investment and other losses:		
Balance at beginning of year	\$ 217,697	3,584,656
Distribution of net revenues (expenditures)	793,710	(3,366,959)
Transfer from reserve for future funding pursuant to Board of Trustees authorization (note 6)	6,991,817	—
Cancelled city deposits from retirement deposit fund	378,750	—
Other	<u>113</u>	<u>—</u>
Balance at end of year	<u>\$ 8,382,087</u>	<u>217,697</u>
Reserve for future funding:		
Balance at beginning of year	\$ 6,991,817	5,046,286
Revenues in excess of expenditures	—	1,811,427
Transfers (to) from reserves as authorized by Board of Trustees:		
Increase in annuities to annuity reserve fund	—	(270,372)
Cancelled city deposits from retirement deposit fund	—	404,476
Fund balance to reserve for investment and other losses (note 6)	<u>(6,991,817)</u>	<u>—</u>
Balance at end of year	<u>\$ —</u>	<u>6,991,817</u>
Reserve for unrealized appreciation on common stocks (note 3):		
Balance at beginning of year	—	262,942
Unrealized appreciation recognized	—	230,686
Transfer to annuity reserve fund for funding of increased annuities	—	(493,628)
Balance at end of year	<u>\$ —</u>	<u>—</u>

See accompanying notes to financial statements.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Notes to Financial Statements

December 31, 1975 and 1974

(1) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements reflect modified accrual basis accounting in which revenues are recognized as described under revenues below, and expenditures are recognized when services are received or plan benefits and claims are payable. Fixed assets are not capitalized but instead are charged to expenditures in the year purchased.

The Association's investment in MRT Properties, Inc., a wholly-owned subsidiary, is carried at cost.

Revenues

Effective July 1, 1975 and thereafter, employer contributions will consist almost exclusively of amounts to be received monthly from the state of Minnesota and expressed as a percentage of payroll in accordance with the provisions of Minnesota statutes. Formerly, employer contributions were recorded in revenues on the basis of requirements certified by the Board to be raised by city and state taxes as provided in Minnesota statutes (see note 2).

Members' contributions are recorded in revenues on the basis of a percentage of compensation paid to members.

Interest income is recorded when earned and dividend income is recorded as of the date of record. Average cost is used in determining net realized gains and losses.

Investment Securities

Investment securities are carried at cost, reduced by provisions for losses on certain securities with apparent permanent declines in the underlying value and earnings power of the individual issuers.

Retirement Deposit Fund

All amounts received for deposit by or on behalf of members, plus interest, are held in the Retirement Deposit Fund for providing of benefits until withdrawal, death or retirement.

Annuity Reserve Fund

At the time a member ceases to teach in the public schools of Minneapolis, the accumulation of member's deposits and, under certain conditions, city deposits may be applied by the member for the purchase of an annuity. Funds to the member's credit in the Retirement Deposit Fund are then transferred to the Annuity Reserve Fund from which annuities are paid. Interest is added annually to the fund.

(2) Employer's Contributions

Effective July 1, 1975, certain applicable sections of the Minnesota statutes were repealed. The new law abolishes all tax levies in cities of the first class for any support of the Association, and provides that the state of Minnesota shall assume the total employer obligation. There is no longer any provision for certifying requirements necessary to be raised by taxation to the Board of Education; rather, employer's contributions are being received monthly from the state based upon a percentage of payroll for all contributing members of the Association.

Accordingly, 1975 revenue from governmental units has been recorded on the basis of payments received, and increased principally by the excess of deferred credits over municipality contributions receivable from the City of Minneapolis at December 31, 1974.

(3) Unrealized Appreciation of Common Stocks

Article IX of the Articles of Incorporation, subsection (15), provides that certain qualified members shall be entitled to increases in their annuities and that the Board of Trustees may increase the carrying value of common stocks as determined in accordance with a prescribed formula. The increase in the carrying value of common stocks is limited to either 5% of the carrying value at December 31 of the preceding year or an amount by which appreciated value exceeds 115% of the carrying value at December 31 of the preceding year, whichever is less. Such increase in the carrying value of common stocks may then be applied to fund annuity increases. Such increases were provided in 1974 and 1972, and

amounted to \$230,686 and \$1,680,640, respectively. The increases were credited to the reserve for unrealized appreciation. Transfers from this reserve for funding of increased annuities are made based upon estimated costs as determined by the Association's actuary.

(4) **Revenue from Governmental Units**

Revenue from governmental units for the years ended December 31, 1975 and 1974 is summarized as follows:

	<u>1975</u>	<u>1974</u>
Payments received:		
Ad valorem city taxes	\$4,024,272	4,200,853
State contributions	2,552,723	4,673,084
Federal contributions	<u>736,624</u>	<u>—</u>
Total	7,313,619	8,873,937
Add:		
Excess of prior years' net deferred credits over municipality contributions receivable from the City of Minneapolis	1,212,352	—
1972 revenue applicable to 1974	<u>—</u>	<u>545,887</u>
	8,525,971	9,419,824
1974 excess revenue deferred	<u>—</u>	<u>(180,447)</u>
	<u>\$8,525,971</u>	<u>9,239,377</u>

(5) **Investment Securities**

The carrying value, approximate market value (based on quoted market prices or prices obtained from other reliable sources) and unrealized appreciation (depreciation) of investment securities at December 31, 1975 and 1974 are summarized as follows:

<u>Description</u>	<u>Carrying value</u>	<u>Approximate market value</u>	<u>Unrealized appreciation (depreciation)</u>
December 31, 1975:			
Common stocks	\$48,355,780	56,192,603	7,836,823
Bonds	38,530,666	31,439,192	(7,091,474)
Commercial paper and certifi- cates of deposit	7,088,467	7,088,467	—
Real estate mortgages	<u>557,670</u>	<u>557,670</u>	<u>—</u>
	<u>94,532,583</u>	<u>\$95,277,932</u>	<u>745,349</u>
Unrealized appreciation of common stocks (note 3)	<u>1,911,326</u>		
	<u>\$96,443,909</u>		
December 31, 1974:			
Common stocks	46,650,127	40,634,990	(6,015,137)
Bonds	35,522,546	26,612,572	(8,909,974)
Commercial paper and certifi- cates of deposit	7,268,160	7,268,160	—
Real estate mortgages	<u>577,221</u>	<u>577,221</u>	<u>—</u>
	<u>90,018,054</u>	<u>\$75,092,943</u>	<u>(14,925,111)</u>
Unrealized appreciation of common stocks (note 3)	<u>1,911,326</u>		
	<u>\$91,929,380</u>		

Management of the Association believes that unrealized depreciation of bonds is primarily a function of the rise in interest rates since dates of purchase and does not reflect unfavorably on the ability of the underlying issuers to meet principal payments upon maturity. It is the Association's normal practice to hold bonds until maturity at which time the carrying values are expected to be recovered.

(6) **Reserve for Future Funding**

Beginning in 1975, pursuant to authorization of the Board of Trustees, the December 31, 1974 balance in the reserve for future funding was transferred to the reserve for investment and other losses. Amounts previously charged or credited to the reserve for future funding are now charged or credited to the reserve for investment and other losses.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Tax Revenue

Years ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Tax revenue collected:		
Ad valorem city taxes	\$4,024,272	4,200,853
State contributions	2,552,723	4,673,084
	<u>6,576,995</u>	<u>8,873,937</u>
Add:		
Federal contributions	736,624	—
Tax revenue over actual requirements for 1972....	—	545,887
Adjustment for prior years' municipality contributions receivable and deferred revenues, net	1,212,352	—
	<u>8,525,971</u>	<u>9,419,824</u>
Deduct excess of tax revenue over actual requirements for 1974	—	(180,447)
Total revenue.....	<u>\$8,525,971</u>	<u>9,239,377</u>
Applied as follows:		
Credited to funds:		
Contingent fund:		
For general annuities	177,361	157,760
For expenses of management	271,653	244,415
	<u>449,014</u>	<u>402,175</u>
Retirement deposit fund for stipulated deposits .	3,860,091	3,655,947
Reserve for investment and other losses, to reduce unfunded accrued liability	500,000	—
Reserve for future funding, to reduce unfunded accrued liability.....	—	500,000
Amounts applied in liquidation of obligations of the City of Minneapolis:		
For additional city deposits for 1974 and 1973, respectively, in respect of retiring members entitled to annuities payable under the Articles of Incorporation	13,782	43,432
For payments made to annuitants in 1974 and 1973, respectively	4,845,265	4,637,823
Charged to retirement deposit fund, representing excess of tax requirements over revenues recognized	(1,142,181)	—
	<u>\$8,525,971</u>	<u>9,239,377</u>

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Administrative Expenses

Years ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>	<i>Increase (decrease)</i>
Personal service:			
Staff payroll.....	\$ 90.050	81.662	8.388
Expert.....	125.039	105.407	19.632
	<u>215.089</u>	<u>187.069</u>	<u>28.020</u>
Other expenses:			
Postage and mailing.....	3.904	5.322	(1,418)
Telephone, telegraph and electricity	3.198	2,681	517
Printing, binding and address plates	5,610	6,271	(661)
Office supplies	1,197	1,211	(14)
Office rent	20.712	19,562	1,150
Employees' hospitalization insurance	2,027	1,408	619
Other insurance	1,275	862	413
Office equipment purchased	1,394	1,194	200
Collection and exchange	200	200	—
Investment and travel (note).....	28,077	23,546	4,531
Social security taxes	4,777	4,391	386
Data processing.....	6,344	6,436	(92)
Miscellaneous	3,785	3,724	61
Total	<u>\$297,589</u>	<u>263,877</u>	<u>33,712</u>

Note - Amounts include \$25,936 and \$19,462 in 1975 and 1974, respectively, which were charged to the reserve for investment and other losses in accordance with the Board of Trustees' approval.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Annuity Reserve Fund

Years ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Balance at beginning of year	\$27,544,616	25,252,017
Add (deduct):		
Transfer from income account — interest at 4-1/2%	1,248,640	1,151,911
Additional city deposits	4,594	13,783
Annuity payments.....	<u>(2,445,165)</u>	<u>(2,327,144)</u>
Annuity payments in excess of revenues	<u>(1,191,931)</u>	<u>(1,161,450)</u>
Members' accumulations transferred from retirement deposit fund for purchase of annuities	2,758,129	2,960,421
Unrealized appreciation per Article IX, subsection (15).....	—	493,628
Other.....	(95)	—
Balance at end of year	<u>\$29,110,719</u>	<u>27,544,616</u>

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Retirement Deposit Fund
Years ended December 31, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Balance at beginning of year.....	\$60,085,257	54,071,873
Add:		
Members' contributions:		
Required.....	3,812,255	3,608,244
Other.....	21,018	24,110
	<u>3,833,273</u>	<u>3,632,354</u>
Tax revenue credited to members — stipulated city deposits.....	3,860,091	3,655,947
Interest credited to members at 4-1/2%	2,558,055	2,285,648
	<u>10,251,419</u>	<u>9,573,949</u>
Deduct:		
Death benefits.....	64,840	27,790
Withdrawals — members' contributions refundable.....	480,180	438,250
Deficiency representing excess of tax requirements over revenues recognized	1,142,181	—
Transfer to annuity reserve fund for purchase of annuities	2,758,129	2,690,049
Cancellation of employer's contributions in accordance with the Articles of Incorporation	378,750	404,476
	<u>4,824,080</u>	<u>3,560,565</u>
Balance at end of year	<u>\$65,512,596</u>	<u>60,085,257</u>

Membership

ACTIVE MEMBERS — teachers employed by the Board of Education

INACTIVE MEMBERS — teachers who have left the employ of the Board of Education, but retain membership because they are entitled to a present or future benefit

ANNUITANTS — members who have applied for an annuity

	Women	Men	Total
ACTIVE MEMBERS:			
January 1, 1975	2467	1594	4061
December 31, 1975	2416	1575	3991
INACTIVE MEMBERS:			
January 1, 1975	147	64	211
December 31, 1975	160	69	229
ANNUITANTS:			
January 1, 1975	1631	265	1896
December 31, 1975	1642	274	1916
TOTAL MEMBERSHIP	4218	1918	6136

Annuities paid to Beneficiaries in Accordance with Article IX, Section 2, Subsections (b) and (c):

January 1, 1975		144
December 31, 1975		146

DECEASED

<i>Name</i>	<i>Status</i>	<i>Date of Death</i>
David S. Dillon	Inactive	4-5-75
Ellsworth E. Panser	Active	5-9-75
Harold E. Thill	Inactive	5-21-75
Charles A. Swanson	Active	9-17-75
Warren J. Alm	Active	10-26-75
Bernardine C. Johnston	Active	11-18-75

ANNUITANTS

In the calendar year 1975, the following new annuities were granted: 59 Formula Annuities and 43 other Annuities. In addition to these 102, 1 other annuity was granted to an individual who had previously retired and was already among our annuitants. Annuities paid amounted to \$7,662,409.32 and annuities in force at the close of the year totaled \$7,799,004.76.

NAME	Date Effective	NAME	Date Effective
Jean R. Bright	1-1-75	Edith W. Gustavson	7-1-75
Robert G. Christman	1-1-75	Mabel H. Haggberg	7-1-75
Anne D. Hall	1-1-75	Pauline P. Hansen	7-1-75
Mildred E. Hermanson	1-1-75	Dorothy N. Harring	7-1-75
Dorothy F. Jackson	1-1-75	Marion Henke	7-1-75
Frank R. Johnson	1-1-75	Ruth V. Holtan	7-1-75
Nick Lovdjieff	1-1-75	Hildegarde W. Holtz	7-1-75
Phyllis M. Robin	1-1-75	Raymond C. Hovey	7-1-75
Lila B. Tietz	1-1-75	Vera Hulbert	7-1-75
Mary C. Blair	2-1-75	Dorothy S. Hyde	7-1-75
Lucile M. Johnson	2-1-75	Margaret G. Kolthoff	7-1-75
Fritz M. Morgan	2-1-75	Evelyn C. Lindquist	7-1-75
Margaret C. Moriarty	2-1-75	Clifford E. Luke	7-1-75
Nancy R. Partridge	2-1-75	Helen S. Lund	7-1-75
Dorothy J. Strudwick	2-1-75	Bernice G. Lunseth	7-1-75
Barbara R. Uppgaard	2-1-75	Violet L. Malchow	7-1-75
Minnie P. Welk	2-1-75	Carol M. J. Meixner	7-1-75
Carol Lillian Williams	2-1-75	Joseph G. Nudell	7-1-75
H. Irene Wyland	2-1-75	Bertha T. Olson	7-1-75
Janice Virginia Christman	3-1-75	Esther Omdahl	7-1-75
Ruth Andrews Goudie	3-1-75	Eleanore L. Passon	7-1-75
Glenn O. Johnson	3-1-75	Thomas J. Perpich	7-1-75
Inez L. Sandeen	3-1-75	Vearle V. Potthoff	7-1-75
Eloise B. Smith	3-1-75	Katherine E. Putnam	7-1-75
Leona M. Anderson	4-1-75	Evelyn M. Reinke	7-1-75
Dorothy F. Kirk	4-1-75	Lucille L. Roach	7-1-75
Elizabeth J. Anfinson	5-1-75	Wm. R. Roth	7-1-75
Florence S. Brown	5-1-75	Ruth L. Shuman	7-1-75
Mary Jane Gregg	5-1-75	Donnabelle H. Smith	7-1-75
Selma L. Lieberman	5-1-75	Marie L. Smith	7-1-75
Levina T. Johnson	6-1-75	Marion A. Stock	7-1-75
Hazel Aasmundrud	7-1-75	Jane D. Strebel	7-1-75
Elizabeth B. Adams	7-1-75	Katheryn L. Sutton	7-1-75
Ray W. Bengtson	7-1-75	James Treglawny	7-1-75
Viola L. Bengtson	7-1-75	Gladys H. Vick	7-1-75
Albert E. Brekke	7-1-75	Kaarina R. Wargelin	7-1-75
Carolyn A. Crandall	7-1-75	Jessie Mae Westlund	7-1-75
Bernice V. Dahl	7-1-75	Angela G. Wittmers	7-1-75
Peter J. Deanovic	7-1-75	Carl Wm. Anderson	8-1-75
Margaret N. Devoy	7-1-75	C. Harold Meixner	8-1-75
Olive S. Duncan	7-1-75	Anne P. Anderson	9-1-75
Ethel L. English	7-1-75	Alma C. French	9-1-75
Mildred R. Erskine	7-1-75	Florence Irene Jakkula	9-1-75
Mary Anne Ferraro	7-1-75	Grant Oliver Nelson	9-1-75
Alice J. Fowler	7-1-75	Mary Jane Rachner	9-1-75
Eleonora C. Conrad	7-1-75	Lorraine Stavenas	9-1-75
Percy A. Downing	7-1-75	Patricia Berg Weidner	9-1-75
Luella M. Gerecke	7-1-75	James B. Hinshaw	10-1-75
Irene Gjermundboe	7-1-75	Florence B. Lind	10-1-75
Marjorie C. Graham	7-1-75	Alice K. Wyness	10-1-75
Le Ila Grobe	7-1-75		

The following death benefit annuity was granted:

Ellsworth E. Panser 6-1-75

DECEASED

Nellie Faye Snyder 12-6-74
*Virginia T. Gustafson 12-21-74
Ottelia Keough 12-25-74
Alice W. Humphrey 12-26-74
Winnifred T. Hankenson 12-28-74
*Vivian J. Anderson 12-31-74
Marian R. Gould 1-2-75
Natalie Fladager 1-3-75
Eva Marie McCarthy 1-6-75
Olive L. Lego 1-8-75
Agnes C. Coveny 1-10-75
*Beatrice O. Grenier 1-10-75
*Agnes M. Deverell 1-14-75
Edna D. Culbertson 1-16-75
Edith B. Petersen 1-24-75
Lena M. Vollmer 1-30-75
Ida B. Yike 2-23-75
Anna J. Davis 2-27-75
Evie Fontaine Kelley 2-28-75
*Hedwig E. Olson 2-28-75
Rachel Wilson 3-2-75
*Mary Jackson Ellis 3-3-75
Agnes Elstad 3-4-75
Blanche B. LaTendresse 3-4-75
May Frazier Kencke 3-7-75
Elizabeth J. Kaasa 3-18-75
*Mary Ellen Zens 3-28-75
Charles F. Sanders 3-31-75
Mary Elizabeth Cornelius 4-15-75
Lelah W. Leverett 4-20-75
Leonard A. Fleenor 4-22-75
*Harvey O. Jackson 4-28-75
*Emma B. Ness 5-16-75
Ellenora C. Starbeck 5-16-75
Evelyn Carlson 6-3-75
Edna B. Miller 6-3-75
Muriel F. Kertzman 6-9-75

Jean B. Smith 6-12-75
Hilma E. Koefod 6-18-75
*Agnes Mulligan 6-18-75
*Frederick G. Leach 6-20-75
Marie W. Browne 6-23-75
Helen K. Katen 6-23-75
Effie B. Berkheimer 6-25-75
Edna L. Glenn 6-26-75
Roland M. Frost 6-28-75
*Evan L. Haaheim 6-30-75
Helen J. Randall 7-1-75
Helen G. Marshall 7-10-75
Josie C. Sorenson 7-11-75
*Erling O. Berkland 7-12-75
Theodora S. Kepple 7-17-75
Myra B. Wickstrom 7-21-75
Agnes Ray Crounse 7-25-75
Harold R. Hurd 8-3-75
Eveline M. Russell 8-14-75
Mildred E. Hawkins 8-21-75
Blanche A. O'Brien 8-31-75
Hannah P. Biros 9-8-75
Ruth E. Phillips 9-10-75
Marie T. Coveny 9-11-75
*Gaylord V. Reynolds 9-12-75
*Albert T. Bishop 9-17-75
Pearl A. Kienholz 9-24-75
Florence E. Nagel 9-28-75
Eleanor G. Alderman 10-5-75
Stella D. Hillgren 10-8-75
Rosalie Ray Rogers 10-21-75
Winifred B. Tuthill 10-23-75
Margaret Boley Rohan 10-28-75
Irene Hegman 11-1-75
*George W. Paasch 11-1-75
*Kersey J. Dobreiner 11-13-75
*Louise V. Soraruf 11-16-75
Lyla Clarke 11-27-75
Beulah Taylor 12-2-75
Frances L. Bergfalk 12-10-75
Mary Alice McLaughlin 12-10-75
Winifred D. Creighton 12-21-75
Rosetta R. Gibbs 12-24-75
*Gerold S. Laumann 12-24-75

*Annuity continued to beneficiary according to Article IX, Section (2), Subsections (b) and (c).

**RANGE OF CURRENT ANNUITIES IN FORCE AT DECEMBER 31, 1975
AND GRANTED DURING LAST 4 YEARS**

<u>Amount</u>		<u>In Force At Dec. 31, 1975</u>		<u>Total Number of Annuities Granted During Last 4 Years</u>				
<u>From</u>	<u>To</u>	<u>No.</u>	<u>%</u>	<u>Total</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>
\$ 5	100	14	.6	5		1	4	
100	200	21	1.0	4	1	1	2	
200	300	30	1.5	11	3	5	1	2
300	400	26	1.3	10	4		2	4
400	500	<u>29</u>	<u>1.4</u>	<u>10</u>	<u>1</u>	<u>2</u>	<u>6</u>	<u>1</u>
Sub-Total		120	5.8	40	9	9	15	7
500	600	30	1.5	11	2	2	4	3
600	700	23	1.1	6	1		2	3
700	800	41	2.0	9	1	2	4	2
800	900	35	1.7	9		1	5	3
900	1,000	27	1.3	5		1	2	2
1,000	2,000	229	11.1	45	11	14	7	13
2,000	3,000	282	13.7	45	9	13	13	10
3,000	4,000	379	18.3	46	11	5	19	11
4,000	5,000	328	15.9	38	9	12	7	10
5,000	and up	<u>568</u>	<u>27.6</u>	<u>176</u>	<u>49</u>	<u>49</u>	<u>43</u>	<u>35</u>
Sub-Total		<u>1,942</u>	<u>94.2</u>	<u>390</u>	<u>93</u>	<u>99</u>	<u>106</u>	<u>92</u>
Total		2,062	100.0	430	102	108	121	99

Statement Showing Mean Ledger Assets, as Adjusted and Amount and Rate of Interest Earned for the Years 1924 to 1975 Inclusive

<i>Year ended December 31</i>	<i>Mean Ledger Assets, as adjusted</i>	<i>Interest Earned Amount</i>	<i>Rate</i>
1924	\$ 587,050.08	\$ 22,420.03	3.819%
1925	1,006,594.73	43,241.84	4.296
1926	1,448,643.89	64,792.71	4.473
1927	1,897,742.32	86,296.42	4.547
1928	2,364,529.38	106,684.96	4.512
1929	2,895,964.01	129,892.32	4.485
1930	3,513,913.19	156,459.89	4.453
1931	4,173,207.88	182,277.63	4.368
1932	4,810,177.70	207,277.66	4.309
1933	5,395,507.11	227,254.57	4.212
1934	6,036,087.19	256,574.71	4.251
1935	6,741,092.30	275,790.07	4.091
1936	7,452,624.01	283,542.42	3.805
1937	8,154,626.79	301,951.16	3.703
1938	8,836,807.22	318,229.50	3.601
1939	9,524,180.18	329,502.33	3.460
1940	10,196,598.63	333,087.48	3.267
1941	10,817,852.83	325,629.10	3.010
1942	11,303,712.07	344,634.06	3.049
1943	11,752,470.13	349,777.19	2.976
1944	12,240,130.42	354,096.35	2.892
1945	12,714,006.41	379,850.01	2.987
1946	13,384,728.20	391,046.39	2.921
1947	14,536,784.39	373,731.25	2.571
1948	15,695,815.67	415,271.39	2.646
1949	16,547,387.66	472,841.11	2.858
1950	17,550,340.60	520,238.90	2.964
1951	18,559,601.68	566,824.11	3.054
1952	19,457,766.21	607,935.49	3.124
1953	20,370,891.76	658,579.25	3.233
1954	21,429,372.66	703,029.44	3.281
1955	22,627,156.81	751,597.06	3.321
1956	23,958,498.11	810,268.45	3.381
1957	25,230,130.36	912,070.82	3.615
1958	26,560,860.62	991,336.08	3.732
1959	27,846,792.94	1,126,328.62	4.045
1960	29,080,638.95	1,142,686.48	3.929
1961	30,437,359.43	1,164,795.25	3.826
1962	31,899,302.87	1,247,245.82	3.909
1963	33,647,847.97	1,349,232.98	4.009
1964	35,391,079.71	1,517,775.56	4.288
1965	37,449,239.33	1,611,580.12	4.303
1966	39,281,614.43	1,756,422.58	4.471
1967	42,365,970.56	1,884,841.39	4.448
1968	46,162,651.99	2,111,541.20	4.575
1969	50,987,871.61	2,291,990.27	4.495
1970	57,281,444.00	2,680,399.00	4.679
1971	63,956,260.00	3,082,911.00	4.820
1972	73,156,501.00	3,507,766.00	4.794
1973	82,860,227.00	4,248,383.00	5.127
1974	89,803,630.00	4,748,985.00	5.288
1975	96,021,440.00	5,356,739.00	5.579

Notes:

- (1) The mean ledger assets, as adjusted, have been computed in accordance with the formula approved by State Insurance Commissioners and represent the average of the net ledger assets at the beginning and end of each year, less one-half of the interest earned. The non-ledger assets excluded from the computation include "Interest due and accrued on investment," and "Taxes due and accrued."
- (2) For the years 1941 to 1945, inclusive, amounts aggregating \$197,284.21 representing the net premiums realized from the sale of securities (principally tax exempt) have been applied against purchases in determining costs for the reason that, in effect, the transactions amount to an exchange. In view of the change in investment policy, profits or losses on security sold or called have been credited to income account, but have been excluded from the interest earned in the above tabulation.



