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**MINNEAPOLIS TEACHERS'
RETIREMENT FUND
ASSOCIATION**

**SEVENTIETH ANNUAL REPORT
OF THE BOARD OF TRUSTEES**

1670 NORTHWESTERN BANK BUILDING
MINNEAPOLIS, MINNESOTA 55402

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Cite: Pursuant to MN Stat 356.20

1979

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RETIREMENT FUND
ASSOCIATION**

**SEVENTIETH ANNUAL REPORT
OF THE BOARD OF TRUSTEES**

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STATE OF MINNESOTA

1670 NORTHWESTERN BANK BUILDING
MINNEAPOLIS, MINNESOTA 55402
(612) 338-7865

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*
Robert W. Rose *Secretary*
Eleanor L. Matsis *Treasurer*

Board of Trustees

Marilyn Olson-Bieger *Instructor, Shingle Creek School*
A. James Heller *Instructor, Henry High School*
Geneveve K. Johnston *Annuitant*
*Carol R. Lind *School Board Representative*
Eleanor L. Matsis *Instructor, North High School*
E. Dudley Parsons *Annuitant*
Robert W. Rose *Instructor, Olson Junior High School*

*replaced by James W. Pommerenke on January 8, 1980

Standing Committees

Finance

Eleanor L. Matsis, *Chairman*
E. Dudley Parsons
Geneveve K. Johnston (*Ex officio*)

Membership

Marilyn Olson-Bieger, *Chairman*
A. James Heller
Geneveve K. Johnston (*Ex officio*)

Annuity

E. Dudley Parsons, *Chairman*
Robert W. Rose
Geneveve K. Johnston (*Ex officio*)

Administrative Personnel

Executive Secretary and
Investment Manager 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, 1979, 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 1979, 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 May 1, 1979. Mrs. Marilyn Olson-Bieger and A. James Heller, nominated as trustees for a three-year term, were elected by the members pursuant to Article IX of the By-Laws.

Members deposited \$5,316,537 compared to \$5,653,102 during the previous year. The revenues from taxes were \$7,043,194 for 1979.

Annuity applications totaled 108 which was an increase of 29 from the previous year. A total of \$11,082,447 was paid to annuitants during the year.

A book value of investments at the close of the year was \$132,844,634 compared to \$126,393,298 for the year before.

Interest and dividends earned amounted to \$9,555,212. Members' deposits were credited with 5% interest and interest credited to the Annuity Reserve Fund was computed at 5% on the mean monthly balances.

The reserve for investment and other losses amount to \$18,465,989 as of December 31, 1979.

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

Geneveve K. Johnston, President

Minneapolis Teachers' Retirement Fund Association

Coordinated Retirement Program

**Actuarial Valuation
December 31, 1979**

Peat, Marwick, Mitchell & Co.

March 17, 1980

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, 1979. The valuation of coordinated members was performed on the basis of employee data which was not audited by us and on data and financial information provided by the Executive Secretary of the Fund.

Objectives

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

1. Prepare information in accordance with Minnesota Statutes, Sections 356.20 to 356.23 (refer to page No. 1 of this Report for additional detail of methods used).
2. Summarize the actuarial status of the Fund.

Summary of Findings

The results of our valuation, which were determined under 5% interest and 3½% salary increase assumptions as required by statute, may be summarized as follows:

1. The employer's normal cost for coordinated members for the year is 3.80% of coordinated members payroll.
2. The necessary contribution to meet normal cost, and prevent the unfunded accrued liability (deficit) from increasing is 4.13% of payroll.

Based on the above mentioned data and information, our interpretation of plan provisions and the 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.

PEAT, MARWICK, MITCHELL & CO.

Donald G. Brackey, F.S.A.
Enrolled Actuary Number 2765

Dennis M. Polisner, F.S.A., M.A.A.A.
Enrolled Actuary Number 986

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PART I.
VALUATION METHODS AND ASSUMPTIONS

**MINNEAPOLIS TEACHERS' RETIREMENT
FUND ASSOCIATION
METHODS USED IN VALUATION**

GENERAL

Actuarial liabilities for retirement and other benefits are shown in Exhibit I. Employer contribution levels are presented in Exhibit II.

ANNUITIES IN FORCE AND DEFERRED ANNUITANTS

There are no coordinated members who have terminated with a deferred benefit or any coordinated members who have annuities in force.

**ACCRUED LIABILITY — ACTIVE TEACHERS
(COORDINATED MEMBERS)**

In the valuation performed as of December 31, 1979, the Entry Age Normal Cost Method was used for valuation of normal retirement benefits as well as ancillary benefits.

For purposes of this valuation, it was assumed that all retirements take place at age 63. At retirement, the plan provides a life annuity of 1% of the highest consecutive 5-year average salary, times years of teaching service during the first 10 years and 1.5% per year for each year of teaching service thereafter.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF ACTUARIAL ASSUMPTIONS

December 31, 1979

Interest	5%	
Turnover	2/3 of the 1970 experience, graduated for smoothness:	
	Attained	Turnover
	Age	Rate
	<hr/>	<hr/>
	20	.200
	30	.133
	40	.028
	50	.017
	60	.002
Retirement Age	The later of age 63 or attained age on the valuation date.	
Salary Scale — Annual Increase	3½%	
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	For valuation purposes assets are valued at cost.	
Disablement	1955 UAW rates of disablement (with separate rates for males and females).	

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

Shown below is the description of the basis for each principal assumption summarized on the previous page.

INTEREST

In 1979, the Fund's earning rates were as follows:

- | | |
|--|--------|
| 1. Excluding realized and unrealized capital gains and losses: | 7.588% |
| 2. Including realized capital gains and losses: | 8.445% |

Over the last five years, the averages of the Fund's annual earning rates were as follows:

- | | |
|--|--------|
| 1. Excluding realized and unrealized capital gains and losses: | 6.487% |
| 2. Including realized capital gains and losses: | 6.754% |

RETIREMENT AGE

Over the last several years, the average retirement age has approximated age 63. In 1979, the average age at retirement was 59.99. This year's costs are calculated using an assumed retirement age of 63.

TURNOVER

Turnover rates corresponding to 2/3 of the turnover rates experienced by the Fund in 1970 were used in this year's valuation. During 1979, actual turnover rates were approximately 23% lower than the assumed rates.

ASSETS

The cost basis of the assets was used for purposes of the actuarial valuation. Unrealized appreciation on stocks increased from \$8,510,195 on December 31, 1977 to \$9,120,278 on December 31, 1978 and to \$15,080,702 on December 31, 1979.

SALARY SCALE

A 3½% annual salary scale assumption was used. At the end of 1979, the overall average salary was \$19,816 compared to \$18,997 at the end of 1978 representing a 4.3% increase. Average salaries have increased approximately 7.80% a year since 1974, and approximately 8.14% a year since 1970.

MORTALITY

For active and retired lives, the 1971 Group Annuity Mortality Table with projection to 1975 was used. (Male Table for males; the mortality rates for females are equal to those for males six years younger). To account for teacher mortality which is expected to be less than the average group mortality, an additional one year setback was used.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
DEFINITIONS OF TERMS

NORMAL COST

Level cost, to provide for all benefits, expressed as a percentage of payroll, payable from each member's entry age to date of retirement or termination.

ACCRUED LIABILITY

The accumulation of prior Normal Costs which became due each year (theoretically) for each member since his entry date.

UNFUNDED ACCRUED LIABILITY

The portion of the Accrued Liability not covered by assets of the Fund.

ENTRY AGE NORMAL

A method for funding future benefits, using the Normal Cost and Accrued Liability defined above.

PART II.
VALUATION RESULTS AND ANALYSIS

EXHIBIT I

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF COSTS AS OF DECEMBER 31, 1979

Assumed retirement age is 63,
5% Interest and
2/3 of 1970 Turnover

	Normal Cost	Accrued Liability
1. Active Members		
Retirement benefits	\$ 106,464	\$ 120,534
Disability benefits	3,146	5,379
Refunds due to death or withdrawal	15,416	(12,947)
2. Deferred Annuitants and Former Members Without Vested Rights	0	0
3. Annuitants	0	0
4. Total	\$ 125,026	\$ 112,966
5. Member deposits (4½% of compensation for all coordinated plan participants)	\$ 67,797	
6. Employer normal cost	\$ 57,229	
7. Valuation assets		\$ 74,365
8. Actual unfunded accrued liability		\$ 38,601
Total Payroll		\$1,506,589

EXHIBIT II

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF CONTRIBUTION LEVELS FOR 1979

	<u>December 31, 1979</u>
Employer normal cost	\$ 57,229
Percentage of payroll	3.80%
Unfunded accrued liability	38,601
Employer contribution required to meet normal cost and amortize unfunded accrued liability by December 31, 2009 assuming payment at the beginning of the plan year	59,620
Percentage of payroll	3.96%
Employer contribution required to meet normal cost and prevent unfunded accrued liability from increasing, assuming payment at the end of the plan year	62,021
Percentage of payroll	4.12%
Administrative expense	218
Percentage of payroll01%
Employer contribution required to meet normal cost and administrative expense and amortize unfunded accrued liability by December 31, 2009 assuming payment at the beginning of the plan year	59,838
Percentage of payroll	3.97%
Employer contribution required to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing, assuming payment at the end of the plan year	62,250
Percentage of payroll	4.13%

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

Employer contribution as of December 31, 1979 to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing	\$62,250
Percentage of payroll on December 31, 1979	4.13%
Total 1979 state tax revenue	37,305
Percentage of payroll on December 31, 1979	2.48%

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

ASSETS AND CURRENT LIABILITIES AS OF
DECEMBER 31, 1978 AND 1979

Assets (Cost Basis)	December 31, 1979	December 31, 1978
Cash	\$ 2,322,305	\$ 1,428,024
Stock dividends receivable	388,062	456,627
Accrued interest on investments	1,132,854	1,052,472
Bonds, mortgages and equities (including real estate)	119,559,766	121,305,806*
Land under operating leases	1,410,686	—
Net investment in financing leases	3,924,925	—
Due from affiliate	7,949,257	5,087,492
Receivable for investments sold	103,089	85,229
Accounts receivable — state tax revenues	714,969	712,780
Accounts receivable leases	20,552	—
Miscellaneous receivables	725	725
Total	<u>\$137,527,190</u>	<u>\$130,129,155</u>
Current Liabilities		
Claims payable	\$ 168,300	\$ 265,951
Accounts payable	26,330	10,874
Payable for investments purchased	31,232	670,103
Deferred premiums on written options	128,816	155,683
Sub-Total	\$ 354,678	\$ 1,102,611
Reserve for Section 15 increase	0	**
Balance available for plan benefits	137,172,512	129,026,544
Total	<u>\$137,527,190</u>	<u>\$130,129,155</u>

*Includes effect of a cumulative write-up of \$1,911,326 and a write-down of \$92,500 in 1978.

**The present value of retirement benefits and the balance available for plan benefits is increased by \$1,911,326 to include the reserve for Section 15 increases.

Note: Assets were split between the basic and coordinated members. As of December 31, 1979, the balance for the basic members was \$137,098,147 and for the coordinated members was \$74,365.

EXHIBIT V

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 COVERED EARNINGS OF ACTIVE COORDINATED MEMBERS INCLUDED
 IN DECEMBER 31, 1979 VALUATION. DISTRIBUTION BY
 SEX AND SERVICE GROUPS

ANNUAL EARNINGS BY SERVICE GROUPS

Service Group	MALE			FEMALE			TOTAL		
	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings
0	0	\$ 0	\$ 0	0	\$ 0	\$ 0	0	\$ 0	\$ 0
1	27	307,254	11,380	100	999,755	9,998	127	1,307,009	10,291
2	2	32,695	16,348	5	44,799	8,960	7	77,494	11,071
3	1	6,751	6,751	5	50,079	10,016	6	56,830	9,472
4	0	0	0	2	14,638	7,319	2	14,638	7,319
0-4	30	346,700	11,557	112	1,109,271	9,904	142	1,455,971	10,253
5-9	1	20,247	20,247	3	23,611	7,870	4	43,858	10,965
10-14	0	0	0	1	6,760	6,760	1	6,760	6,760
15-19	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40+	0	0	0	0	0	0	0	0	0
Total	31	\$366,947	\$11,837	116	\$1,139,642	\$9,825	147	\$1,506,589	\$10,249

EXHIBIT VI

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 COVERED EARNINGS OF ACTIVE COORDINATED MEMBERS INCLUDED
 IN DECEMBER 31, 1979 VALUATION. DISTRIBUTION BY
 SEX AND AGE GROUPS

ANNUAL EARNINGS BY AGE GROUPS

Age Group	MALE			FEMALE			TOTAL		
	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings
0-19	0	\$ 0	\$ 0	0	\$ 0	\$ 0	0	\$ 0	\$ 0
20-24	2	11,212	5,606	17	126,649	7,450	19	137,861	7,256
25-29	9	74,718	8,302	37	369,776	9,994	46	444,494	9,663
30-34	5	55,766	11,153	25	284,918	11,397	30	340,684	11,356
35-39	7	98,404	14,058	11	104,260	9,478	18	202,664	11,259
40-44	3	49,452	16,484	11	112,530	10,230	14	161,982	11,570
45-49	3	67,271	22,424	7	71,182	10,169	10	138,453	13,845
50-54	1	184	184	4	32,587	8,147	5	32,771	6,554
55-59	0	0	0	3	30,980	10,427	3	30,980	10,327
60-64	1	9,940	9,940	1	6,760	6,760	2	16,700	8,350
65-69	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0
75-79	0	0	0	0	0	0	0	0	0
80-84	0	0	0	0	0	0	0	0	0
85+	0	0	0	0	0	0	0	0	0
Total	31	\$366,947	\$11,837	116	\$1,139,642	\$ 9,825	147	\$1,506,589	\$10,249

PART III.
SUMMARY OF THE PRINCIPAL PROVISIONS
OF THE PLAN

**MINNEAPOLIS TEACHERS' RETIREMENT FUND
ASSOCIATION SUMMARY OF THE PRINCIPAL
PROVISIONS OF THE PLAN**

- I. ESTABLISHMENT OF PROGRAM** — In accordance with the laws of the State of Minnesota, a coordinated program was established within the Association effective July 1, 1978. The coordinated program provides for retirement annuities and certain other benefits specified in the law identical in effect to the corresponding provisions applicable to coordinated members of the statewide Teachers' Retirement Association.
- II. ELIGIBILITY** — Teachers who became members in the Association by virtue of service commencing after July 1, 1978 shall automatically become members in the coordinated program within the Association. Teachers who became members in the Association by virtue of service commencing prior to July 1, 1978, referred to as basic members, were afforded an opportunity to elect coverage under the coordinated program. Members participating in the coordinated program are referred to as coordinated members.
- III. STATE CONTRIBUTIONS** — The State shall contribute to the Association an employer contribution equal to the amount, expressed as a percent of payroll, that the State is required to pay for all contributing members of the State Teachers Retirement Association.
- IV. MEMBER CONTRIBUTIONS ("REQUIRED DEPOSITS")** — Each coordinated member shall deposit in the Retirement Deposit Fund $4\frac{1}{2}\%$ of all compensation.
- V. NORMAL RETIREMENT BENEFITS ("FORMULA ANNUITY") FOR COORDINATED MEMBERS** —
- 1. Eligibility** — A member is eligible for the Formula Annuity if he has attained age 55 with not less than 10 years of teaching service, or has completed 30 years of teaching service regardless of age when he retires. Each member so eligible may elect to relinquish all other benefits and receive in lieu thereof the Formula Annuity.
 - 2. Annual Amount** — The annual Formula Annuity is equal to the member's average salary for the highest 5 consecutive years of formula service multiplied by 1.0% per year for each year of service during the first 10 years and 1.5% per year for each year of service thereafter. The amount of the formula annuity will be reduced by one-half of one percent for each month prior to age 60 except that for any member who has 30 or more years of allowable service credit, such reduction shall be applied only for each month such member is under age 62.

3. **Normal Form of Payment** — Single life annuity. Specified optional forms are available.

VI. WITHDRAWAL BENEFIT FOR COORDINATED MEMBERS —

1. **Eligibility** — The member ceases to be employed in teaching in the public schools of Minneapolis prior to becoming age 65.
2. **Amount** — The member shall receive a refund in an amount equal to his accumulated deductions without interest or a deferred retirement annuity.

VII. DISABILITY BENEFITS FOR COORDINATED MEMBERS —

1. **Eligibility** — A member must be totally and permanently disabled and have completed 10 years of teaching service or after age 50 have completed 5 years of teaching service to be eligible for a disability benefit. Any member whose average salary is less than \$75 per month shall not be entitled to disability benefits.
2. **Annual Amount** — The disability benefit for members eligible for the formula annuity (under Teachers' Retirement Association Laws, Section 354.44, Subd. 6) shall be the formula annuity without the reduction for each month the member is under age 65 at the time the benefit begins to accrue. The disability benefit for members eligible for the money purchase annuity shall be an amount equal to double the annuity which could be purchased by the member's accumulated deductions plus interest thereon computed as though the teacher were age 65 at the time the benefit begins to accrue and in accordance with the law in effect when the disability application is received.
3. **Normal Form of Payment** — A single life annuity, commencing after the Board has determined that the total disability exists, is paid during the continued existence of the disability.

VIII. DEATH BENEFITS FOR COORDINATED MEMBERS —

If a member dies before retirement and is eligible for the formula annuity, there shall be paid to his surviving dependent spouse or if there is no surviving dependent to his dependent beneficiary an amount equal to his accumulated deductions credited to his account as of June 30, 1957 and from July 1, 1957 to the date of death his accumulated deductions plus interest at the rate of three and one-half percent per annum compounded annually.

IX. PRE-RETIREMENT DEATH BENEFIT PAYABLE TO A SURVIVING SPOUSE —

1. **Eligibility** — A member must elect to provide the coverage and have attained age 55 with 20 years of service or received credit for 30 years of service regardless of age. After meeting the above conditions, the member must have a spouse and the member must die prior to retirement.
2. **Annual Amount** — The survivor annuity shall be equal to the survivor's portion of an actuarially equivalent benefit. The joint and survivor benefit is actuarially equivalent to the benefit payable in the normal form.
3. **Normal Form of Payment** — A single life annuity payable to the surviving spouse.

X. ANNUAL AUTOMATIC ANNUITY INCREASE —

1. **Eligibility** — Every member entitled to receive an annuity is entitled to an Annual Automatic Annuity Increase in his annuity. All beneficiaries shall be entitled to the same Annual Automatic Annuity Increase as the member would have been entitled to receive if living and according to the age the member would have attained if living.
2. **Amount** — The amount of the Annual Automatic Annuity Increase in any year shall be equal to $1\frac{1}{2}\%$ of the benefit the member was receiving as of the end of the preceding year, which increase shall first become payable on the July 1 of the calendar year in which the member becomes age 65. If a member is entitled to a Total Disability Annuity, the Annual Automatic Annuity Increase of $1\frac{1}{2}\%$ shall commence upon the earlier of attainment of age 60 or 9 years after the member becomes entitled to such annuity.

Minneapolis Teachers' Retirement Fund Association

Basic Retirement Program

**Actuarial Valuation
December 31, 1979**

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.

222 South Riverside Plaza
Chicago, Illinois 60606

March 17, 1980

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, 1979. The valuation of basic members was performed on the basis of employee data which was not audited by us and of data and financial information provided by the Executive Secretary of the Fund.

Objectives

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

1. Prepare information in accordance with Minnesota Statutes, Sections 356.20 to 356.23 (refer to page No. 1 of this Report for additional detail of methods used).
2. Summarize the actuarial status of the Fund.
3. Analyze the experience of the Fund.

Summary of Findings

The results of our valuation, which were determined under 5% interest and 3½% salary increase assumptions as required by statute, may be summarized as follows:

1. The employer's normal cost for the year is 6.07% of payroll.
2. The necessary contribution to meet normal cost, and prevent the unfunded accrued liability (deficit) from increasing is 23.24% of payroll, compared to 20.09% shown in the December 31, 1978 valuation.
3. 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 the 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.

PEAT, MARWICK, MITCHELL & CO.

Donald G. Brackey, F.S.A.
Enrolled Actuary Number 2765

Dennis M. Polisner, F.S.A., M.A.A.A.
Enrolled Actuary Number 986

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PART I.
VALUATION METHODS AND ASSUMPTIONS

**MINNEAPOLIS TEACHERS' RETIREMENT
FUND ASSOCIATION
METHODS USED IN VALUATION**

GENERAL

Actuarial liabilities for retirement and other benefits are shown in Exhibit I. Employer contribution levels are presented in Exhibit II.

ANNUITIES IN FORCE

Annuities in force as of December 31, 1979 were summarized by the Association, showing for each type of annuity, the option chosen, attained age of annuitant or beneficiary, and the annual amount of annuity payable. The present value of these annuities was determined using a 5% interest rate and the 1971 Group Annuity Mortality Table with projection to 1975. For males, the male mortality rates with an age setback of one year were used. For females, the male rates with an age setback of seven years were used.

DEFERRED ANNUITANTS

Summaries of all deferred annuitants were prepared by the Association showing, by attained age, the years of service and accumulated deposits for each such annuitant. It was assumed that future benefits would be the amount purchased by 200% of members' deposits plus a life annuity starting at age 63 equal to the greater of:

1. \$4 per month per year of service; or
2. The amount purchased by 200% of the accumulated City/State deposits.

ACCRUED LIABILITY — ACTIVE TEACHERS (BASIC MEMBERS)

In the valuation performed as of December 31, 1979, the Entry Age Normal Cost Method was used for valuation of normal retirement benefits as well as ancillary benefits.

For purposes of this valuation, it was assumed that all retirements take place at age 63. At retirement, the plan provides for basic members a life annuity of 2.25% of the highest consecutive 5-year average salary, times years of teaching service to a maximum of 30 years.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF ACTUARIAL ASSUMPTIONS

December 31, 1979

Interest	5%												
Turnover	2/3 of the 1970 experience, graduated for smoothness:												
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Attained Age</th> <th style="text-align: center; border-bottom: 1px solid black;">Turnover Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;">.200</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">.133</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">.028</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">.017</td> </tr> <tr> <td style="text-align: center;">60</td> <td style="text-align: center;">.002</td> </tr> </tbody> </table>	Attained Age	Turnover Rate	20	.200	30	.133	40	.028	50	.017	60	.002
Attained Age	Turnover Rate												
20	.200												
30	.133												
40	.028												
50	.017												
60	.002												
Retirement Age	The later of age 63 or attained age on the valuation date.												
Salary Scale — Annual Increase	3½%												
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	For valuation purposes assets are valued at cost.												
Disablement	1955 UAW rates of disablement (with separate rates for males and females).												

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

Shown below is the description of the basis for each principal assumption summarized on the previous page.

INTEREST

In 1979, the Fund's earning rates were as follows:

- | | |
|--|--------|
| 1. Excluding realized and unrealized capital gains and losses: | 7.588% |
| 2. Including realized capital gains and losses: | 8.445% |

Over the last five years, the averages of the Fund's annual earning rates were as follows:

- | | |
|--|--------|
| 1. Excluding realized and unrealized capital gains and losses: | 6.487% |
| 2. Including realized capital gains and losses: | 6.754% |

RETIREMENT AGE

Over the last several years, the average retirement age has approximated age 63. In 1979, the average age at retirement was 59.99. This year's costs are calculated using an assumed retirement age of 63.

TURNOVER

Turnover rates corresponding to 2/3 of the turnover rates experienced by the Fund in 1970 were used in this year's valuation. During 1979, actual turnover rates were approximately 23% lower than the assumed rates.

ASSETS

The cost basis of the assets was used for purposes of the actuarial valuation. Unrealized appreciation on stocks increased from \$8,510,195 on December 31, 1977 to \$9,120,278 on December 31, 1978 and to \$15,080,702 on December 31, 1979.

SALARY SCALE

A 3½% annual salary scale assumption was used. At the end of 1979, the overall average salary was \$19,816 compared to \$18,997 at the end of 1978 representing a 4.3% increase. Average salaries have increased approximately 7.80% a year since 1974, and approximately 8.14% a year since 1970.

MORTALITY

For active and retired lives, the 1971 Group Annuity Mortality Table with projection to 1975 was used. (Male Table for males; the mortality rates for females are equal to those for males six years younger). To account for teacher mortality which is expected to be less than the average group mortality, an additional one year setback was used.

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
DEFINITIONS OF TERMS**

NORMAL COST

Level cost, to provide for all benefits, expressed as a percentage of payroll, payable from each member's entry age to date of retirement or termination.

ACCRUED LIABILITY

The accumulation of prior Normal Costs which became due each year (theoretically) for each member since his entry date.

UNFUNDED ACCRUED LIABILITY

The portion of the Accrued Liability not covered by assets of the Fund.

ENTRY AGE NORMAL

A method for funding future benefits, using the Normal Cost and Accrued Liability defined above.

PART II.
VALUATION RESULTS AND ANALYSIS

EXHIBIT I

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
SUMMARY OF COSTS AS OF DECEMBER 31, 1979

Assumed retirement age is 63,
5% Interest and
2/3 of 1970 Turnover

	Normal Cost	Accrued Liability
1. Active Members		
Retirement benefits	\$5,947,082	\$171,116,926
Disability benefits	735,760	13,158,289
Refunds due to death or withdrawal	2,152,097	15,801,907
2. Deferred Annuityants and Former		
Members Without Vested Rights	0	6,166,060
3. Annuityants	0	126,945,898
4. Total	\$8,834,939	\$333,189,080
5. Member deposits (8½% of		
compensation for all basic plan		
participants)	\$5,153,718	
6. Employer normal cost	\$3,681,221	
7. Valuation assets		\$137,098,147
8. Actual unfunded accrued liability		\$196,090,933
Total Payroll		\$ 60,631,978

EXHIBIT II

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

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
Employer normal cost	\$ 3,681,221	\$ 3,734,181
Percentage of payroll	6.07%	5.75%
Unfunded accrued liability	196,090,933	175,055,100
Employer contribution required to meet normal cost and amortize unfunded accrued liability by December 31, 2009 (1997)* assuming payment at the beginning of the plan year	15,829,780	17,112,242
Percentage of payroll	26.11%	26.34%
Employer contribution required to meet normal cost and prevent unfunded accrued liability from increasing, assuming payment at the end of the plan year	13,669,829	12,673,645
Percentage of payroll	22.55%	19.51%
Administrative expense	402,159	360,486
Percentage of payroll66%	.55%
Employer contribution required to meet normal cost and administrative expense and amortize unfunded accrued liability by December 31, 2009 (1997)* assuming payment at the beginning of the plan year	16,231,939	17,472,728
Percentage of payroll	26.77%	26.90%
Employer contribution required to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing, assuming payment at the end of the plan year	14,092,096	13,052,155**
Percentage of payroll	23.24%	20.09%

*The year in the parentthese is the amortization period for the contribution levels shown in the December 31, 1978 column.

**Includes interest on administrative expense.

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

Employer contribution as of December 31, 1979 to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing	\$14,092.096
Percentage of payroll on December 31, 1979.....	23.24%
Total 1979 state tax revenue	7,005,889
Percentage of payroll on December 31, 1979.....	11.55%

EXHIBIT IV

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 SUMMARY OF ANNUITIES IN FORCE ON DECEMBER 31, 1979

Option	Annuity Plan	Number of Annuitants	Annuity Reserve Fund		Contingent Reserve Fund		Total	
			Annual Amount	Reserve	Annual Amount	Reserve	Annual Amount	Reserve
1	Life.....	1,314	\$1,728,546	\$15,279,592	\$4,356,562	\$42,571,103	\$ 6,085,108	\$ 57,850,695
2	Life, 15 year guarantee.....	507	834,846	9,444,397	1,736,765	22,403,158	2,571,611	31,847,555
3	Survivorship (50%).....	86	199,857	2,225,770	504,009	6,329,684	703,866	8,555,454
4	Annuities Certain.....	71	103,943	883,337	249,524	2,414,183	353,467	3,297,520
5	Life, 3 year guarantee.....	47	139,832	1,748,014	281,668	4,219,117	421,500	5,967,131
6	Survivorship (75%).....	46	142,224	1,836,136	365,327	5,321,788	507,551	7,157,924
7	Survivorship (100%).....	60	133,775	1,847,521	293,762	4,614,878	427,537	6,462,399
8	Death Benefit.....	10	9,372	125,397	37,307	564,729	46,679	690,126
9	Disability.....	60	74,285	944,317	291,233	4,172,777	365,518	5,117,094
	Totals.....	2,201	\$3,366,680	\$34,334,481	\$8,116,157	\$92,611,417	\$11,482,837	\$126,945,898

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

ASSETS AND CURRENT LIABILITIES AS OF
DECEMBER 31, 1978 AND 1979

Assets (Cost Basis)	December 31, 1979	December 31, 1978
Cash	\$ 2,322,305	\$ 1,428,024
Stock dividends receivable	388,062	456,627
Accrued interest on investments	1,132,854	1,052,472
Bonds, mortgages and equities (including real estate)	119,559,766	121,305,806*
Land under operating leases	1,410,686	—
Net investment in financing leases	3,924,925	—
Due from affiliate	7,949,257	5,087,492
Receivable for investments sold	103,089	85,229
Accounts receivable — state tax revenues	714,969	712,780
Accounts receivable leases	20,552	—
Miscellaneous receivables	725	725
Total	<u>\$137,527,190</u>	<u>\$130,129,155</u>
Current Liabilities		
Claims payable	\$ 168,300	\$ 265,951
Accounts payable	26,330	10,874
Payable for investments purchased	31,232	670,103
Deferred premiums on written options	128,816	155,683
Sub-Total	\$ 354,678	\$ 1,102,611
Reserve for Section 15 increase	0	**
Balance available for plan benefits	137,172,512	129,026,544
Total	<u>\$137,527,190</u>	<u>\$130,129,155</u>

*Includes effect of a cumulative write-up of \$1,911,326 and a write-down of \$92,500 in 1978.

**The present value of retirement benefits and the balance available for plan benefits is increased by \$1,911,326 to include the reserve for Section 15 increases.

Note: Assets were split between the basic and coordinated members. As of December 31, 1979, the balance for the basic members was \$137,098,147 and for the coordinated members was \$74,365.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

SUMMARY OF ACTUARIAL GAINS AND LOSSES AS OF
DECEMBER 31, 1979

(a)	Actual unfunded accrued liability as of December 31, 1978 for coordinated and basic members	\$175,055,100
(b)	Normal cost as of December 31, 1978	9,245,123
(c)	Interest at 5% on (a) and (b)	9,215,011
(d)	Employee contribution during 1979	5,334,540
(e)	Employer contribution during 1979	7,043,194
(f)	Estimated interest on (d) and (e)	309,443
(g)	Expected unfunded accrued liability as of December 31, 1979 (before the effect of a change in the cost-of-living provision for retirees and before splitting out the coordinated members) = (a) + (b) + (c) - (d) - (e) - (f)	\$180,828,057
(h)	Actual unfunded accrued liability as of December 31, 1979 (before the effect of a change in the cost-of-living provision for retirees and before splitting out the coordinated members)	\$181,355,710
(i)	Actuarial gain (loss) = (g) - (h)	\$ (527,653)
(j)	Increase in accrued liability due to a change in the cost-of-living provision for retired members	\$ 14,771,856
(k)	Unfunded accrued liability of the coordinated members as of December 31, 1979	\$ 36,633
(l)	Unfunded accrued liability as of December 31, 1979 = (h) + (j) - (k)	\$196,090,933

*The amendment which provided annual cost-of-living increases to retired members after becoming age 65 took effect on July 1, 1976.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 COVERED EARNINGS OF ACTIVE PARTICIPANTS INCLUDED
 IN DECEMBER 31, 1979 VALUATION, DISTRIBUTION BY
 SEX AND SERVICE GROUPS*

Service Group	ANNUAL EARNINGS BY SERVICE GROUPS						TOTAL		
	MALE			FEMALE			TOTAL		
	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings
0	0	\$ 0	\$ 0	0	\$ 0	\$ 0	0	\$ 0	\$ 0
1	4	41,319	10,330	17	146,234	8,602	21	187,553	8,931
2	15	234,400	15,627	66	733,731	11,117	81	968,131	11,952
3	20	351,769	17,588	65	763,810	11,751	85	1,115,579	13,124
4	25	373,332	14,933	129	1,684,297	13,057	154	2,057,629	13,361
0-4	64	1,000,820	15,638	277	3,328,072	12,015	341	4,328,892	12,695
5-9	173	3,240,454	18,731	465	6,678,532	14,362	638	9,918,986	15,547
10-14	401	8,800,893	21,947	558	10,100,588	18,101	959	18,901,481	19,710
15-19	212	5,538,266	26,124	212	4,599,489	21,696	424	10,137,755	23,910
20-24	212	5,685,289	26,817	125	2,706,306	21,650	337	8,391,595	24,901
25-29	182	5,034,145	27,660	83	1,837,707	22,141	265	6,871,852	25,932
30-34	8	224,684	28,086	28	663,935	23,712	36	888,619	24,684
35-39	0	0	0	1	22,260	22,260	1	22,260	22,260
40+	0	0	0	1	27,538	27,538	1	27,538	27,538
Total	1,252	\$29,524,551	\$23,582	1,750	\$29,964,427	\$17,123	3,002	\$59,488,978	\$19,816

*Excludes 127 participants with estimated total annual earnings of \$1,143,000, included in the valuation, but for whom data was incomplete, and 74 actives valued in the inactive category.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
COVERED EARNINGS OF ACTIVE PARTICIPANTS INCLUDED
IN DECEMBER 31, 1979 VALUATION. DISTRIBUTION BY
SEX AND AGE GROUPS*

ANNUAL EARNINGS BY AGE GROUPS

Group	MALE			FEMALE			TOTAL		
	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings	Number of Participants	Total Annual Earnings	Average Annual Earnings
0-19	0	\$ 0	\$ 0	0	\$ 0	\$ 0	0	\$ 0	\$ 0
20-24	0	0	0	11	91,559	8,324	11	91,559	8,324
25-29	20	283,859	14,193	118	1,344,653	11,395	138	1,628,512	11,801
30-34	169	2,884,486	17,068	406	5,531,386	13,624	575	8,415,872	14,636
35-39	233	4,878,859	20,939	311	5,258,253	16,908	544	10,137,112	18,634
40-44	200	4,939,005	24,695	204	3,733,798	18,303	404	8,672,803	21,467
45-49	213	5,647,475	26,514	208	4,054,937	19,495	421	9,702,412	23,046
50-54	213	5,610,956	26,343	193	3,829,030	19,840	406	9,439,986	23,251
55-59	160	4,200,222	26,251	174	3,545,912	20,379	334	7,746,134	23,192
60-64	39	948,266	24,315	112	2,330,316	20,806	151	3,278,582	21,712
65-69	4	109,423	27,356	13	244,583	18,814	17	354,006	20,824
70-74	1	22,000	22,000	0	0	0	1	22,000	22,000
75-79	0	0	0	0	0	0	0	0	0
80-84	0	0	0	0	0	0	0	0	0
85+	0	0	0	0	0	0	0	0	0
Total	1,252	\$29,524,551	\$23,582	1,750	\$29,964,427	\$17,123	3,002	\$59,488,978	\$19,816

*Excludes 127 participants with estimated total annual earnings of \$1,143,000, included in the valuation, but for whom data was incomplete.

EXHIBIT IX
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
COMPARISON OF INCREASES IN AVERAGE SALARY

All Active Teachers			New Annuitants		
Year	Average Salary	% Increase	Year	Average Salary	% Increase
1979	\$19,816	4.3%	1979	\$21,974	8.9%
1978	18,997	7.6%	1978	20,183	6.3%
1977	17,661	15.0%	1977	18,987	8.7%
1976	15,361	5.3%	1976	17,460	5.9%
1975	14,590	7.2%	1975	16,491	6.0%
1974	13,612	11.6%	1974	15,563	13.0%
1973	12,193	1.1%	1973	13,773	5.6%
1972	12,064	13.0%	1972	13,044	10.8%
1971	10,674	8.9%	1971	11,776	10.6%
1970	9,799	—	1970	10,643	5.0%
			1969	10,136	6.2%
			1968	9,544	4.8%
			1967	9,106	6.5%
			1966	8,552	3.0%
			1965	8,302	

EXHIBIT X

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
COMPARISON OF AVERAGE AGES AT ENTRY

<u>Year</u>	<u>Average*</u> <u>Employment Age</u> <u>for</u> <u>New Entrants</u>
1979**	32.5
1978	32.5
1977	30.1
1976	29.8
1975	30.1
1974	30.6
1973	29.4
1972	27.8
1971	27.1
1970	26.9
1969	27.0
1968	28.2
1967	30.9
1966	28.6
1965	27.8

*Arithmetic mean.

**Includes coordinated members.

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
COMPARISON OF AVERAGE AGES AT RETIREMENT**

<u>Year</u>	<u>Average Age* at Retirement</u>
1979	59.99
1978	62.20
1977	61.66
1976	63.36
1975	62.85
1974	64.41
1973	64.14
1972	64.69
1971	63.86
1970	64.38
1969	63.33
1968	64.77
1967	63.84
1966	64.28
1965	64.35

*Arithmetic mean.

**MINNEAPOLIS TEACHERS' RETIREMENT AND ASSOCIATION
SUMMARY OF ACTIVE MEMBERSHIP AND ANNUITANTS**

ACTIVE MEMBERS

	<u>Number</u>	<u>Annual Covered Payroll</u>
As of December 31, 1978	3,361	\$63,847,263
New entrants, status changes, and other adjustments	(116)*	(1,768,571)**
Salary increases	—	2,458,638 **
Withdrawals from service	(135)	(2,675,160)**
Retirements (including deceased eligible for death benefits)	<u>(108)</u>	<u>(2,373,192)**</u>
As of December 31, 1979	<u>3,002 ***</u>	<u>\$59,488,978 ***</u>

ANNUITANTS

	<u>Number</u>	<u>Annual Amount</u>
As of December 31, 1978	2,165	\$10,596,026
New entrants	108	1,073,502
Terminations	(15)	(63,845)
Deaths	(57)	(233,764)
Net of other increases	<u>0</u>	<u>110,918 **</u>
As of December 31, 1979	<u>2,201</u>	<u>\$11,482,837</u>

*The reason this number is negative is that there were fewer new entrants than active participants who became inactive during the year.

**Approximate figures.

***Excludes 127 participants with estimated total annual earnings of \$1,143,000, included in the valuation, but for whom data was incomplete, and 74 actives valued in the inactive category.

EXHIBIT XIII

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
APPROXIMATE BREAKDOWN OF THE CHANGE IN UNFUNDED
ACCRUED LIABILITY AS OF DECEMBER 31, 1979**

1. Actual unfunded accrued liability as of December 31, 1979	\$196,090,933
2. Actual unfunded accrued liability as of December 31, 1978	<u>\$175,055,102</u>
3. Increase in actual unfunded accrued liability = (1) - (2)	<u>\$ 21,035,831</u>

Sources of Increase and (Decrease)

Amortization of unfunded accrued liability	\$ 5,772,957
Change in cost-of-living provision for retired members	\$ 14,771,856
Unfunded accrued liability of coordinated members as of December 31, 1979	\$ (36,633)
Experience gains and losses	
Interest-excluding capital gains \$(3,172,793)	
Realized capital gains	(1,091,847)
Salary change experience	1,495,625
Turnover experience	2,423,140
Retirement experience	1,092,808
Mortality experience	(186,173)
Disability experience	10,747
New entrants	108,148
Other — unallocated	<u>\$ 527,651</u>
Total	<u><u>\$ 21,035,831</u></u>

*The portion of the 1979 contribution applied to amortize the unfunded accrued liability is \$(5,772,957). This is derived from Exhibit VI as the excess of item (a) over item (g) therein.

PART III.
SUMMARY OF THE PRINCIPAL PROVISIONS
OF THE PLAN

**MINNEAPOLIS TEACHERS' RETIREMENT
FUND ASSOCIATION
SUMMARY OF THE PRINCIPAL PROVISIONS
OF THE PLAN**

- I. ELIGIBILITY** — Any teacher employed by the Board of Education of the City of Minneapolis shall be eligible for membership in the association.

- II. STATE CONTRIBUTIONS** — The State shall contribute to the Association an employer contribution equal to the amount, expressed as a percent of payroll, that the State is required to pay for all contributing members of the State Teachers Retirement Association. Of the amount so contributed by the State, an amount equal to 6½% of compensation shall be deposited in the Retirement Deposit Fund on behalf of each basic member.

- III. MEMBER CONTRIBUTIONS (“REQUIRED DEPOSITS”)** — Each basic member shall deposit in the Retirement Deposit Fund 8½% of all compensation.

- IV. NORMAL RETIREMENT BENEFITS (“FORMULA ANNUITY”) FOR BASIC MEMBERS** —
 - 1. Eligibility** — A member is eligible for the Formula Annuity if he has attained age 60 or has completed 30 years of teaching service regardless of age when he retires. Each member so eligible may elect to relinquish all other benefits from the required and City/State deposits and receive in lieu thereof the Formula Annuity.
 - 2. Annual Amount** — The annual Formula Annuity benefit is 2.25% (1-2/3% for participants who cease to be employed on or before May 1, 1974) of average annual compensation received by the member during any 5 consecutive years of teaching service, multiplied by his years of teaching service (maximum 30 years).
 - 3. Normal Form of Payment** — single life annuity. Specified optional forms are available.

- V. WITHDRAWAL BENEFIT FOR BASIC MEMBERS** —
 - A. Benefit from Member Deposits** —
 - 1. Eligibility** — the member ceases to be employed in teaching in the public schools of Minneapolis.
 - 2. Amount** — The accumulation from the members' deposits may be withdrawn in a single sum or in installments. However, if the member is not entitled to receive an annuity from City/State deposits, the accumulation from the member's deposits shall be

returned. Alternatively, that accumulation may be applied by the member at rates published by the Board to purchase an annuity. The annuity shall commence according to the member's election.

3. **Normal Form of payment** — single life annuity. Optional annuity forms are available.

B. Benefit from City/State Deposits —

1. **Eligibility** — the member ceases to be employed in teaching in the public schools of Minneapolis.

2. **Amount** — The accumulation from City/State deposits may be applied by the member at rates published by the Board to purchase an annuity to commence not before age 50 provided that:

- (a) if the member ceases teaching after the completion of 20 years of service and the attainment of age 55, or if the member attains the age of 62 at the commencement of the annuity payments, such benefit shall not be less than \$2.00 per month for each year of teaching service;

- (b) if the member ceases teaching with less than 10 years of teaching service, all City/State deposits credited before he attained age 45 are cancelled; and

- (c) if a member hired after July 1, 1967 ceases teaching with less than 7 years of teaching service, all City/State deposits accumulated after July 1, 1967 are cancelled.

3. **Normal Form of Payment** — single life annuity optional annuity forms are available.

C. Additional Benefit — If an annuity is purchased for the member in accordance with either A or B above, or both, an additional annuity ("Subsection (9) annuity") equal to the lesser of \$1,800 or the aggregate annual annuity so purchased is also paid.

D. A member who is vested in City/State deposits (see B above) and who terminates after May 1, 1974, prior to attainment of age 60, is entitled to elect to receive a formula annuity at age 60. In such event the member will be entitled to an additional annuity provided by:

- (a) the interest accumulated from date of termination to age 60 on the City/State and the member's deposits.

- (b) the rate published by the Board for the purchase of an additional annuity.

VI. DISABILITY BENEFITS FOR BASIC MEMBERS —

1. **Eligibility** — A member must be totally disabled (which is the presumably permanent inability of the member by reason of physical or mental disability to render further

satisfactory service as a teacher) and have completed 3 years of teaching service to be eligible for a disability benefit.

2. **Annual Amount** — The total disability annuity is equal to the annuity which would become available to the member on the valuation date (the date 15 years after the commencement of total disability but not later than June 30 next following the attainment of age 65) under the provisions of Section (2) and (3) of Article IX (see V above) from the accumulation of City/ State and required deposits upon assumed compensation continuing at the rate last received by the member to the valuation date.
3. **Additional Benefit (Subsection (9) Annuity)** — An additional annuity equal to the lesser of \$1,800 or the annual benefit otherwise available is also paid.
4. **Normal Form of Payment** — A single life annuity, commencing after the Board has determined that the total disability exists, is paid during the continued existence of the disability.

VII. DEATH BENEFITS FOR BASIC MEMBERS —

1. **General** — A member may elect one of the three death benefits as described below. If no election is made, the “C” Death Benefit or, if there is no individual eligible to receive that benefit, the death benefit of greatest value shall be paid.
2. **“A” Death Benefit** — The full amount of the accumulation to the credit of the member in the Retirement Deposit Fund may be paid to a beneficiary in a lump sum, in installments or as an annuity. In the later case, an additional annuity (Subsection (9) Annuity), equal to the lesser of \$1,800 or the annual annuity so provided, is also paid.
3. **“B” Death Benefit** —
 - (a) **Eligibility** — The “B” death benefit is available to a member who dies while in the teaching service, on leave of absence or who is entitled to deferred benefit and who leaves a dependent survivor.
 - (b) **Amount** — The death benefit shall be computed as the annuity purchased by the “amount” defined below applied as a net single premium at the rates published by the Board.

The “amount” to be applied shall be determined as the actuarial equivalent of any annuity benefit, including a deferred annuity, which would have been available to the member if he resigned from teaching at the time of death.

- (c) **Normal form of payment** — Life annuity to dependent survivor.
4. **“C” Death Benefit** —
- (a) **Eligibility** — The “C” death benefit is available to a member who dies while in the teaching service of the City or on leave of absence and who leaves a beneficiary for whom benefits are provided.
- (b) **Widow’s Benefit** — The dependent widow of the deceased member shall receive \$163.50 per month for each month during which she maintains a child who is under 18 and who is entitled to benefits as described below. The payments cease upon her death or remarriage or if she no longer maintains such a child, and payments are reduced if her earnings exceed \$1,680 for any 12 month period.
- (c) **Child’s Benefit** — Each dependent child of the deceased member shall receive \$163.50 per month while he is under age 18 and \$163.50 per month while he is a full-time student between the ages of 18 and 22.
- (d) **Maximum Benefit** — The maximum total “C” Death Benefit paid to all beneficiaries is \$434.40 per month. Such maximum may be amended from time to time.

VIII. ANNUAL AUTOMATIC ANNUITY INCREASE —

1. **Eligibility** — Every member entitled to receive an annuity is entitled to an Annual Automatic Annuity Increase in his annuity. All beneficiaries (except “C” Death benefit beneficiaries) shall be entitled to the same Annual Automatic Annuity Increase as the member would have been entitled to receive if living and according to the age the member would have attained if living.
2. **Amount** — The amount of Annual Automatic Annuity Increase in any years shall be equal to 1½% of the benefit the member was receiving as of the end of the preceding year, which increase shall first become payable on the July 1 of the calendar year in which the member becomes 65. If a member is entitled to a Total Disability Annuity, the Annual Automatic Annuity Increase of 1½% shall commence upon the earlier of attainment of age 60 or 9 years after the member becomes entitled to such annuity.

Minneapolis Teachers' Retirement Fund Association

Financial Statements and Supplementary Data

December 31, 1979 and 1978

Peat, Marwick, Mitchell & Co.

The Board of Trustees
Minneapolis Teachers' Retirement Fund Association:

We have examined the statements of net assets available for plan benefits of Minneapolis Teachers' Retirement Fund Association as of December 31, 1979 and 1978, and the related statements of revenues, expenditures and provision for losses, and changes in obligations for plan benefits, reserves and funding deficiency for the years then ended. Our examinations were 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.

In our opinion, the aforementioned financial statements present fairly the financial position of Minneapolis Teachers' Retirement Fund Association at December 31, 1979 and 1978 and its revenues, expenditures and provision for losses, and changes in obligations for plan benefits, reserves and funding deficiency for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for unrealized appreciation of common stock as described in note 2 to the financial statement.

The examinations referred to above were directed primarily toward formulating an opinion on the financial statements of Minneapolis Teachers' Retirement Fund Association, taken as a whole. The supplementary data included in Schedules 1 through 5 are presented for supplementary analysis purposes and are not necessary for a fair presentation of the net assets available for plan benefits and revenues, expenditures and provision for losses and changes in obligations for plan benefits, reserves and funding deficiency of Minneapolis Teachers' Retirement Fund Association. The supplementary data have been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, are stated fairly in all material respects only when considered in conjunction with the financial statements taken as a whole.

PEAT, MARWICK, MITCHELL & CO.

Minneapolis, Minnesota
March 7, 1980

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

**Statements of Net Assets Available for Plan Benefits
December 31, 1979 and 1978**

Assets	<u>1979</u>	<u>1978</u>
Cash and savings accounts	\$ 2,322,305	1,428,024
Accounts receivable from governmental units	714,969	712,780
Accounts receivable from leases	20,552	—
Accrued interest receivable	1,132,854	1,052,472
Accrued dividends receivable	388,062	456,627
Receivable for investments sold	103,089	85,229
Investments (notes 2 and 3):		
Common stocks	58,451,849	58,841,971
Bonds	53,745,602	47,848,173
Commercial paper and certificates of deposit	5,501,229	10,825,682
Real estate mortgages	467,874	485,442
Valuation adjustment for unrealized appreciation on common stocks	—	1,911,326
Total investments	<u>118,166,554</u>	<u>119,912,594</u>
Land under operating leases (note 5)	1,410,686	—
Net investment in financing leases (note 5)	3,924,925	—
Investment in and advances to (\$7,949,257 and \$5,087,492 in 1979 and 1978, respectively) MRT Properties, Inc., underlying net assets of \$10,178,714 and \$7,028,324 in 1979 and 1978	9,342,469	6,480,704
Deposits	725	725
	<u>\$137,527,190</u>	<u>130,129,155</u>

See accompanying notes to financial statements.

**Liabilities and Net Assets
Available for Plan Benefits**

Member deposits payable	\$ 168,300	265,951
Payable for investment securities purchased	31,232	670,103
Accounts payable	26,330	10,874
Deferred premiums received from outstanding call options on common stock	128,816	155,683
Total liabilities	<u>354,678</u>	<u>1,102,611</u>
Obligations for plan benefits:		
Annuity reserve fund	39,423,846	36,020,244
Retirement deposit fund	99,254,144	91,610,807
Unfunded accrued plan benefits (note 8)	196,129,534	175,055,102
Total obligations for plan benefits	334,807,524	302,686,153
Reserve for investment and other losses	18,465,989	16,069,272
Funding deficiency — State of Minnesota	(19,971,467)	(14,673,779)
Actuarial unfunded liability	<u>(196,129,534)</u>	<u>(175,055,102)</u>
Net assets available for plan benefits (note 8)	137,172,512	129,026,544
Commitments (note 6)		
	<u>\$137,527,190</u>	<u>130,129,155</u>

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

**Statements of Revenues, Expenditures and Provision for Losses
Years ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Revenues:		
Revenue from governmental units:		
Ad valorem city taxes	\$ 5,583	592,604
State contributions	<u>7,037,611</u>	<u>6,949,692</u>
Total revenue from governmental units	<u>7,043,194</u>	<u>7,542,296</u>
Contributions by members:		
Required	5,316,537	5,653,102
Other	<u>18,004</u>	<u>18,169</u>
Total contributions by members	<u>5,334,541</u>	<u>5,671,271</u>
Investment income:		
Interest	5,205,369	4,363,417
Dividends (note 4)	4,349,843	3,880,621
Gain on sale of investments, net	1,091,847	699,679
Income from leased properties	<u>163,894</u>	<u>—</u>
Total investment income	<u>10,810,953</u>	<u>8,943,717</u>
Total revenues	<u>23,188,688</u>	<u>22,157,284</u>
Expenditures and provisions for losses:		
Retirement, beneficiary and disability annuities	11,082,447	10,439,233
Withdrawals	833,773	902,485
Death benefits	116,761	98,449
Administrative expenses	402,377	360,486
Provision for losses on investments	<u>696,036</u>	<u>92,500</u>
Total expenditures and provision for losses	<u>13,131,394</u>	<u>11,893,153</u>
Revenues in excess of expenditures and provision for losses	<u>\$10,057,294</u>	<u>10,264,131</u>
Distribution of Excess Revenues (in accordance with the Articles of Incorporation)		
Annuity reserve fund	(1,437,507)	(1,331,412)
Retirement deposit fund	12,791,363	12,961,132
Reserve for investment and other losses	4,001,126	3,207,021
Funding deficiency	<u>(5,297,688)</u>	<u>(4,572,610)</u>
Total distributions	<u>\$10,057,294</u>	<u>10,264,131</u>

See accompanying notes to financial statements.

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Statement of Changes in Obligations for Plan Benefits, Reserves and Funding Deficiency
Years ended December 31, 1979 and 1978

	Annuity reserve fund	Retirement deposit fund	Unfunded plan benefits	Reserve for investment and other losses	Funding deficiency — State of Minnesota
Balance at December 31, 1977	\$34,659,659	81,888,803	156,895,749	12,315,120	(10,101,169)
Distribution of excess revenues	(1,331,412)	12,961,132	—	3,207,021	(4,572,610)
Transfers:					
From retirement deposit fund to annuity reserve fund for purchase of annuities	2,691,997	(2,691,997)	—	—	—
From retirement deposit fund to reserve for investments and other losses for cancellation of employer contributions	—	(547,131)	—	547,131	—
Increase in actuarially computed prospective plan benefits and administrative expenses over Association assets	—	—	18,159,353	—	—
Balance at December 31, 1978, as previously reported	36,020,244	91,610,807	175,055,102	16,069,272	(14,673,779)
Restatement for change in accounting for valuation adjustment (note 2)	—	—	—	(1,911,326)	—
Balance at December 31, 1978, as restated	36,020,244	91,610,807	175,055,102	14,157,946	(14,673,779)
Distribution of excess revenues	(1,437,507)	12,791,363	—	4,001,126	(5,297,688)
Transfers:					
From retirement deposit fund to annuity reserve fund for purchase of annuities	4,841,109	(4,841,109)	—	—	—
From retirement deposit fund to reserve for investments and other losses for cancellation of employer contributions	—	(306,917)	—	306,917	—
Increase in actuarially computed prospective plan benefits and administrative expenses over Association assets	—	—	21,074,432	—	—
Balance at December 31, 1979	\$39,423,846	99,254,144	196,129,534	18,465,989	(19,971,467)

See accompanying notes to financial statements

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

Notes to Financial Statements December 31, 1979 and 1978

(1) Summary of Significant Accounting Policies

Principal Business

The principal business of the Association is the management and control of funds obtained from contributions by members, public taxes and income from investments. The Association uses these funds to pay annuities and other benefits to members of the Association.

Effective July 1, 1978, Minnesota State Statutes required that a plan, coordinated with Social Security, be established within the Association and apply to all new members subsequent to June 30, 1978. Members' contributions and benefits under the coordinated plan have been adjusted to reflect contributions to and benefits from Social Security. As described in note 8, separate actuarial valuations are required for the basic and coordinated plans of the Association.

Basis of Accounting

The financial statements reflect a modified accrual basis of accounting in which revenues are recognized as described below under "revenues," and expenditures are recognized when services are rendered 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 financial statements include the consolidated accounts of the Association, Min-Tex Foods, Inc. and Min-Tex Foods Ltd. Min-Tex Foods Ltd. is a limited partnership of which the Association is the sole limited partner (note 7) and its principal activity consists of investing in real estate in the state of Texas.

The Association is tax exempt as an organization under Section 501(c)(11) of the Internal Revenue Code and is subject to Federal income tax only on net unrelated business income. The Association currently has no unrelated business income in 1979 or 1978.

Revenues

Members contribute 8½% of compensation paid if they are basic plan members and 4½% (4% from July 1, 1978 through June 30, 1979) of compensation paid if they are coordinated plan members. Contributions are recorded as revenues when received.

The Association's investment in MRT Properties, Inc., a wholly-owned subsidiary, is carried at cost with dividend income recognized when received (note 4) which is after it is earned by the subsidiary. The subsidiary's principal activity consists of investing in fee interests in real estate.

State contributions are based upon a specific formula applied to teacher compensation used to fund all teachers' retirement plans in the State of Minnesota and are recognized when received.

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. Income from leased property, including both direct financing and operating leases, is recorded when earned.

Investments

Common stocks, bonds and real estate mortgages are carried at cost, reduced by provisions for losses on certain securities with apparent permanent declines in the underlying value and earning power of the individual issuers. Commercial paper and certificates of deposit are carried at amortized cost.

Rental Property

Rental property has been classified as either an operating or direct financing lease in accordance with the provisions of financial Accounting Standards Board Statement No. 13. Property classified as an operating lease is carried at depreciated cost. Property classified as a direct financing lease is carried at the Association's net investment in the lease (note 5).

Annuity Reserve Fund

At the time a member ceases to teach in the public schools of Minneapolis, the accumulation of the member's deposits and, under certain conditions, state 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 at a rate of 5% to the fund.

Retirement Deposit Fund

All amounts received for deposit by or on behalf of members, plus interest at a rate of 5% annually, are held in the Retirement Deposit Fund for providing of benefits until withdrawal, death or retirement.

Reserve for Investments and Other Losses

Amounts included in this reserve represent investment income in excess of amounts credited to the retirement deposit fund, profits and losses from security transactions, provisions for losses and other costs related to maintaining the investment portfolio.

Funding Deficiency — State of Minnesota

The funding deficiency represents the cumulative excess of the actual cost of annuities purchased upon member's retirement and administrative expenses in excess of revenues received from the State of Minnesota.

Unfunded Accrued Plan Benefits and Actuarial Unfunded Liability

The unfunded accrued plan benefits and the actuarial unfunded liability represent the excess of the present value of future benefits over current plan assets.

(2) Valuation Adjustment for Unrealized Appreciation of Common Stocks

Prior to the amendment to the Articles of Incorporation on July 1, 1976, Article IX, subsection (15), provided that certain qualified members be entitled to increases in their annuities and that the Board of Trustees increase the carrying value of common stocks as determined in accordance with a prescribed formula. Such increase in the carrying value of common stocks was then applied to fund annuity increases. Such increases provided in years prior to July 1, 1976 amounted to \$1,911,326 which had been credited to the Annuity Reserve Fund. Since the related investments were sold in prior years and the corresponding gains recognized in those years in the statements of revenues, expenditures and provision for losses, the valuation adjustment for unrealized appreciation of common stock was charged to the reserve for investment and other losses by restating such balance as of December 31, 1978.

(3) Investments

Investments at December 31, 1979 and 1978 are summarized as follows:

	<u>Carrying value</u>	<u>Approximate market value</u>	<u>Unrealized appreciation (depreciation)</u>
December 31, 1979:			
Common stocks	\$ 58,451,849	73,532,551	15,080,702
Bonds	53,745,602	44,228,896	(9,516,706)
Commercial paper and certificates of deposit	5,501,229	5,501,229	—
Real estate mortgages	467,874	467,874	—
	<u>\$118,166,554</u>	<u>123,730,550</u>	<u>5,563,996</u>
December 31, 1978:			
Common stocks	\$ 58,841,971	67,962,249	9,120,278
Bonds	47,848,173	42,453,573	(5,394,600)
Commercial paper and certificates of deposit	10,825,682	10,825,682	—
Real estate mortgages	485,442	485,442	—
	118,001,268	<u>121,726,946</u>	<u>3,725,678</u>
Valuation adjustment for unrealized appreciation of common stocks (note 2)	<u>1,911,326</u>		
	<u>\$119,912,594</u>		

Market values for investments are based on published market quotations. 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.

(4) Dividend Income — MRT Properties, Inc.

During 1979 the Association received dividend income of \$547, 620 (\$463,975 in 1978) from MRT Properties, Inc.

(5) Description of Leasing Arrangements

The Association is the lessor of real estate (land and buildings) to various franchise operations with terms ranging from twenty to twenty-five years. The Association purchases the land and building and leases it back to the franchise operator. The franchise operations are primarily in the fast food and, to a lesser extent, in the minor automotive maintenance industries. With the exception of the land in certain of these leases, which have been classified as operating leases, the Association's leases are classified as direct financing leases. The lease payments are guaranteed by either the company franchisor or the individual franchisee.

The Association's net investment in direct financing leases consists of the following components as of December 31, 1979:

Minimum lease payments receivable	\$ 9,308,045
Estimated residual values (unguaranteed)	2,015,247
Less:	
Unearned income	<u>(7,398,367)</u>
Net investment in direct financing leases	<u>\$ 3,924,925</u>

The Association's investment in operating leases consists of the following as of December 31, 1979:

Land	<u>\$ 1,410,686</u>
------------	---------------------

Under the terms of the various lease agreements the Association is entitled to receive lease payments as follows:

	<u>Direct financing leases</u>	<u>Operating leases</u>
Years ending December 31:		
1980	\$ 440,723	217,572
1981	440,723	217,572
1982	440,723	217,572
1983	440,723	217,572
1984	440,723	217,572
Thereafter	<u>7,104,430</u>	<u>3,209,928</u>
Total minimum future rentals	<u>\$9,308,045</u>	<u>4,297,788</u>

The Association is also entitled to receive contingent rentals (none earned in 1979) which are determined on the basis of a percentage of sales in excess of contractually stated minimums.

(6) Commitments

The Association has entered into commitments to purchase and lease back property totaling approximately \$7,700,000 at December 31, 1979. All of these commitments are subject to the seller meeting various terms of the commitment.

(7) Texas Partnership

During 1979, the Association organized a Texas Corporation known as Min-Tex Foods, Inc. A limited partnership called Min-Tex Foods, Ltd. was also formed with Min-Tex Foods, Inc. as the general partner and the Association as the limited partner which will hold title to all real estate in Texas. The corporation and limited partnership were organized to allow the Association's real estate acquisitions to qualify as tax exempt transactions in Texas.

(8) Actuarial Valuations

The laws of Minnesota, 1979, require that actuarial valuations after July 1, 1979 show separately the actuarial valuation of the basic and coordinated plans. Compliance with this statutory requirement necessitates an allocation of Association assets to the two plans. Assets have been allocated for actuarial purposes by adding deposits and investment income on a time-weighted basis to beginning-of-the-year assets. An aggregate interest rate based on total investment income and average ledger assets as determined in accordance with a formula approved by the State Insurance Commissioner is used in the calculation.

The allocation of net assets available for plan benefits and the unfunded accrued plan benefits at December 31, 1979 is as follows:

	<u>Basic plan</u>	<u>Coordinated plan</u>	<u>Total</u>
Net assets available for plan benefits	<u>\$ 137,098,147</u>	<u>74,365</u>	<u>137,172,512</u>
Unfunded accrued plan benefits	<u>\$ 196,090,933</u>	<u>38,601</u>	<u>196,129,534</u>

Schedule 1

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Tax Revenue
Years ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Tax revenue collected:		
Ad valorem city taxes	\$ 5,583	592,604
State contributions	<u>7,037,611</u>	<u>6,949,692</u>
Total revenue	<u>\$7,043,194</u>	<u>7,542,296</u>
Application of tax revenue:		
Credited to:		
Contingent fund:		
For general annuities	\$7,621,352	200,454
For expenses of management	402,377	360,486
For payments made to annuitants	<u>216,039</u>	<u>7,186,707</u>
	8,239,768	7,747,647
Retirement deposit fund for stipulated deposits — schedule 3	4,101,114	4,367,259
Funding deficiency — State of Minnesota	<u>(5,297,688)</u>	<u>(4,572,610)</u>
	<u>\$7,043,194</u>	<u>7,542,296</u>

Note: Amounts charged during the year to the contingent fund are the unfunded portion of monthly annuity payments and general and administrative expenses. State contributions in excess of stipulated deposits are credited to the contingent fund. At the end of each year, the remaining balance in the contingent fund is transferred to the funding deficiency — State of Minnesota.

See accompanying accountants' report.

Schedule 2

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Annuity Reserve Fund
Years ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Balance at beginning of year	\$36,020,244	34,659,659
Add (deduct):		
Interest at 5%	1,807,549	1,720,660
Annuity payments — schedule 4	<u>(3,245,056)</u>	<u>(3,052,072)</u>
	<u>(1,437,507)</u>	<u>(1,331,412)</u>
Members' accumulations transferred from retirement deposit fund for purchase of annuities	<u>4,841,109</u>	<u>2,691,997</u>
Balance at end of year	<u>\$39,423,846</u>	<u>36,020,244</u>

See accompanying accountants' report.

Schedule 3

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Retirement Deposit Fund
Years ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Balance at beginning of year	\$ 91,610,807	81,888,803
Add:		
Members' contributions:		
Required	5,316,537	5,653,102
Other	18,004	18,169
	5,334,541	5,671,271
Tax revenue credited to members — stipulated state deposits — schedule 1	4,101,114	4,367,259
Interest at 5%	4,306,242	3,923,536
	13,741,897	13,962,066
Deduct:		
Death benefits	116,761	98,449
Withdrawals — members' contribution refundable	833,773	902,485
Transfer to annuity reserve fund for purchase of annuities	4,841,109	2,691,997
Cancellation of employer's contributions in accordance with the Articles of Incorporation	306,917	547,131
	6,098,560	4,240,062
Balance at end of year	\$ 99,254,144	91,610,807

See accompanying accountants' report.

Schedule 4

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Annuity Payments
Years ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Charged to the annuity reserve fund	\$ 3,245,056	3,052,072
Charged to the contingent fund:		
In accordance with Articles of Incorporation,		
Article IX, sections:		
8.....	3,603	4,518
9.....	435,417	435,418
11.....	5,720,672	5,336,291
14.....	1,313,458	1,254,286
15.....	<u>148,202</u>	<u>156,194</u>
	7,621,352	7,186,707
General annuities	<u>216,039</u>	<u>200,454</u>
	7,837,391	7,387,161
	<u>\$11,082,447</u>	<u>10,439,233</u>

See accompanying accountants' report.

Schedule 5

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Administrative Expenses
Years ended December 31, 1979 and 1978

	1979	1978
Personal service:		
Staff payroll	\$ 127,355	113,473
Social security taxes	7,878	6,511
Professional fees	101,066	113,455
	236,299	233,439
Investment and travel:		
Air transportation	22,247	10,328
Conference fees, tuition and registration	10,870	10,648
Hotels and meals	15,949	15,561
Investment expense	18,309	14,235
	67,375	50,772
Other expenses:		
Postage and mailing	8,517	6,094
Telephone and electricity	6,549	5,273
Printing, binding and address plates	18,626	9,110
Office supplies	2,803	2,013
Office rent	26,626	24,909
Employees' hospitalization insurance	8,285	7,099
Other insurance	2,959	1,771
Office equipment purchased	2,587	4,740
Collection and exchange	200	200
Data processing	10,014	9,433
Miscellaneous	11,537	5,633
	\$ 402,377	360,486

See accompanying accountants' report.

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, 1979	2125	1414	3539
December 31, 1979	2014	1337	3351
INACTIVE MEMBERS:			
January 1, 1979	235	127	362
December 31, 1979	280	165	445
ANNUITANTS:			
January 1, 1979	1686	332	2018
December 31, 1979	1698	361	2059
TOTAL MEMBERSHIP:	3992	1863	5855

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

January 1, 1979			147
December 31, 1979			142

DECEASED:

Name	Status	Date of Death
L. Joyce Damon	Inactive	8-30-78
Margaret F. Orrock	Active	3-26-79
Charles O. Bader, Jr.	Active	7-16-79
Claudia Westerberg	Active	7-18-79
Marilyn J. Taylor	Active	8-21-79
Fred Lundquist	Active	8-28-79
Valoyce N. Means	Inactive	9-8-79
Thomas L. Monte	Active	10-6-79
Louden A. Schlagel	Active	11-1-79

ANNUITANTS

In the calendar year 1979, the following new annuities were granted: 87 Formula Annuities and 21 other Annuities. Annuities paid amounted to \$11,082,447 and annuities in force at the close of the year totaled \$11,482,407.72.

NAME	Date Effective	NAME	Date Effective
Phebe D. Hanson	7-1-78	Marian E. Mulcare	7-1-79
Paul A. Muller	9-1-78	Ellen L. Olson	7-1-79
Wilma G. Bevis	1-1-79	Donald M. Peterson	7-1-79
Ruth B. Gorr	1-1-79	Velma K. Peterson	7-1-79
Raymond R. Jarnstrom	1-1-79	Adeline M. Pleasant	7-1-79
Charles I. Singh	1-1-79	Ralph S. Pherson, Jr.	7-1-79
Wallace J. Spolar	1-1-79	Ruth M. Proffitt	7-1-79
Kenneth L. Thompson	1-1-79	Beatrice Rethlake	7-1-79
Gladyce J. Madsen	2-1-79	Carol M. Robin	7-1-79
Ralph G. Mendenhall	2-1-79	Cathrine A. Rosness	7-1-79
John H. Muedeking	2-1-79	Marcella P. Rudek	7-1-79
Arthur D. Strandemo	2-1-79	Marian L. Sampson	7-1-79
Allan A. Brenny	3-1-79	Pio Sartori	7-1-79
Harold A. Miles	3-1-79	Annette D. Scherer	7-1-79
John J. Reiter	3-1-79	Omer V. Schommer	7-1-79
Catherine Y. Scheaffer	3-1-79	Harriett L. Severson	7-1-79
John Howard Straiton	3-1-79	James E. Sheeley	7-1-79
Adler W. Strandquist	3-1-79	Wallace E. Skoglund	7-1-79
J. Albert Oster	4-1-79	Dorothea T. Smith	7-1-79
Irene Duncan	5-1-79	M. Isabel Snyder	7-1-79
Malinda R. Seep	5-1-79	Mary Barbara Spake	7-1-79
Wilva Hanson	6-1-79	Donald V. Stoyke	7-1-79
Vera C. Johnson	6-1-79	Jerry H. Strukel	7-1-79
Kathryn Ann McKinney	6-1-79	C. Lorraine Telander	7-1-79
Margaret H. Pascoe	6-1-79	Ethel M. Thompson	7-1-79
Donald R. Babst	7-1-79	Patricia Van Sistine	7-1-79
John Charles Bambenek	7-1-79	Berta Vijard	7-1-79
Robert J. Berg	7-1-79	Ruth E. Yanacek	7-1-79
Astrid B. Bly	7-1-79	Marie Bohmbach	8-1-79
Julia Breidenbach	7-1-79	Vera K. Johnson	8-1-79
Bessie L. Bryan	7-1-79	Charles R. Kemp	8-1-79
Elsie O. Clubb	7-1-79	Wallace A. Patterson	8-1-79
Francis R. Crawford	7-1-79	Ernest O. Sandeen	8-1-79
Annabelle A. Cruikshank	7-1-79	Richard A. Simmons	8-1-79
Rita C. Curtin	7-1-79	Glen R. Sonnenberg	8-1-79
Lester V. Cziok	7-1-79	Dena R. Tarnowski	8-1-79
Joseph A. Dedo	7-1-79	Ardis M. Wilson	8-1-79
Roland R. DeLapp	7-1-79	Norman J. Andert	9-1-79
Frank F. Engdahl	7-1-79	Nana C. Baraga	9-1-79
Imogene Erickson	7-1-79	M. Jean Coleman	9-1-79
Esther N. Finley	7-1-79	Richard F. Cornwell	9-1-79
James J. Geary	7-1-79	Martha C. Dew	9-1-79
Robert R. Graham	7-1-79	Edward J. Karbo, Sr.	9-1-79
Louise F. Haynes	7-1-79	Melvin W. Larson	9-1-79
Loma P. Hovda	7-1-79	Godfrey J. Orbeck	9-1-79
Jeanne S. Jensen	7-1-79	Ruby M. Riney	9-1-79
Muriel S. Johnson	7-1-79	L. A. Stavig	9-1-79
Eleanor Kinunen	7-1-79	Lorraine Wendt	9-1-79
Robert W. Krause	7-1-79	Arthur L. Jackson	11-1-79
Eleanor J. Larson	7-1-79	Ruth A. Calendine	12-1-79
Thelma W. Lennartson	7-1-79		
Evelyn V. Lietz	7-1-79		
Elizabeth Mitchell Long	7-1-79		
Dorothy A. Magnuson	7-1-79		
Ruth A. Marfell	7-1-79		
D. Bruce Mathiason	7-1-79		
		The following death benefit annuities were granted:	
		Fred Lundquist	9-1-79
		Thomas L. Monte	11-1-79

DECEASED

Genevieve L. Stone	3-16-73	Dorothy J. Goode	6-2-79
Laura C. Peterson	9-5-78	Clara H. Erickson	6-3-79
Gladys I. Patch	12-3-78	Alvin F. Roder	6-7-79
Lila J. Holden	12-19-78	Dagny Dietrichson	6-17-79
Jean P. Stephens	12-23-78	Adeline Holmes Kremer	6-18-79
Frances M. Reese	12-27-78	Mary J. Palmer	6-21-79
Lois E. Sconce	1-5-79	H. Elsa Hartfeil	6-27-79
Edna Jones Brannon	1-15-79	*Donald A. Houck	7-10-79
Helen B. Koncar	1-16-79	Edward H. Krueger	7-25-79
Ethel C. DeMars	1-19-79	Grace M. Garvey	8-19-79
Dorothy M. McMahon	1-29-79	Minnie S. Bengtsson	8-24-79
Frances Westbrook		*Doris M. Galush	8-27-79
Craig	date unknown	Dorothy Stevenson	8-27-79
Arline Gordon Walther	3-9-79	Jean I. Huntton	9-2-79
Clara S. Basford	3-13-79	*Richard A. Simmons	9-2-79
Fern E. Adler	3-16-79	Henry Earl Olson	9-7-79
*Margaret B. Koepke	3-18-79	Marion K. Johnson	9-11-79
*Russell D. Brackett	3-28-79	Marjorie G. Spaulding	9-13-79
Mabel C. Tangen	3-30-79	Emil J. Beckstrom	9-25-79
*Malcolm B. Keck	3-31-79	*Evan Jones	10-2-79
Vivian L. Cattron	4-2-79	Loraine E. Joyce	10-15-79
Ruth Bentley	4-4-79	Harold Tallakson	10-17-79
Gladys R. Motz	4-4-79	*Willard Horns	10-26-79
Eva Tripp Cameron	4-8-79	Gretchen M. Carter	10-30-79
*Geraldine Anfinson	4-16-79	Anna Jacobson	11-6-79
Henry C. Bertelsen	4-20-79	Zoe W. Grandy	11-8-79
Agnes M. Shmied	4-22-79	Violet P. Skoglund	11-8-79
*Paul H. Hendrickson	5-2-79	Ruth A. Aldrich	11-15-79
*Reuben J. Schafer	5-4-79	Glenn E. Engle	11-16-79
Fred M. Curtis	5-8-79	Ellen Mehalek	11-20-79
Dorothy H. Comfort	5-14-79	Leone H. Rosenhauer	11-25-79
Levi Osterhus	5-16-79		
Sarah C. Johnson	5-17-79		
Sally R. Ingram	5-18-79		
Fay M. Nelson	5-31-79		

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

Statement Showing Mean Ledger Assets, as Adjusted and Amount and Rate of Interest Earned for the Years 1924 to 1979 Inclusive

Year ended December 31	Mean Ledger Assets, as adjusted	Interest Earned	
		Amount	Rate
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
1976.....	102,482,504.00	6,031,834.00	5.886
1977.....	109,690,047.00	7,080,484.00	6.455
1978.....	119,002,976.00	8,244,038.00	6.928
1979.....	127,441,400.00	9,555,212.00	7.498

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.

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