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69TH
ANNUAL REPORT
of the
BOARD OF TRUSTEES

Teachers' Retirement Fund Association
St. Paul, Minnesota

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STATE OF MINNESOTA

Year Ended December 31, 1978

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BOARD OF TRUSTEES

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TEACHERS' RETIREMENT FUND ASSOCIATION

Room 303 555 Wabasha Street

St. Paul, Minnesota 55102

Saint Paul Teachers' Retirement Fund Association

555 WABASHA STREET, ROOM 303, SAINT PAUL, MINNESOTA 55102

PHONE: 222-8689

The Board of Trustees of Teachers' Retirement Fund Association, St. Paul, Minnesota submits herewith the Annual Financial Report for the year ending December 31, 1978 in accordance with the provisions of Minnesota Statutes 356.20.

The total membership increased from 3438 to 4057. The regularly appointed members increased by 107, the substitutes currently working increased by 99 and the retired and inactive membership increased by 17. The complete membership statistics are included in this report.

Our investment portfolio increased \$8,814,454 to \$69,198,336. This figure is based on bonds at par, stock at cost, and short term at face value. You are encouraged to read the letter from our Investment Counsel included in this report.

Some data from the Actuarial Valuation and the comments from our Actuary are included in this report. He again stresses the need for additional contributions. The complete report is on file in the office.

In the May 12, 1978 referendum 126 members elected to join the new Coordinated-Social Security Plan. Since July 1, 1978 all new appointments and re-appointments are members of the Coordinated Plan.

During the summer of 1978 a Committee of 9 was formed to assist the Board of Trustees in supporting legislation. The members for this committee were appointed by Local #28 AFT, CSPEA, and the Retired Teachers.

The financial statements of the Association were audited by McGladrey Hendrickson & Co., Certified Public Accountants. A copy of their report is also included as a part of this report.

On behalf of the members of the Board of Trustees we pledge to continue to administer the affairs of the Association in the most competent and efficient manner possible.

Respectfully submitted,

Frank L. Kernik

Frank L. Kernik
President

Lyle T. Farmer

Lyle T. Farmer
Secretary-Treasurer

McGladrey Hendrickson & Co.
CERTIFIED PUBLIC ACCOUNTANTS



To the Board of Trustees

Teachers' Retirement Fund Association

St. Paul, Minnesota

We have examined the statement of assets, liabilities and net assets available for plan benefits of TEACHERS' RETIREMENT FUND ASSOCIATION as of December 31, 1978 and 1977 and the related statements of revenues and expenditures and net assets available for plan benefits for the years then ended, all prepared on a statutory basis. 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.

As described in Note 1, the Association's policy is to prepare its financial statements on the basis of accounting practices prescribed by the State of Minnesota statutes, which practices differ from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

As discussed in Note 2, the Association is funded by the State of Minnesota at the statutory rate of 11.2412% of covered payroll. This rate is less than the actuarial computed funding rate required of 21.6408%. The excess of the required funding rate

over the statutory rate does not effect the accompanying financial statements but may result in the impairment of future benefits to be paid by the fund.

In our opinion, the financial statements referred to above present fairly the assets, liabilities and net assets available for plan benefits of Teachers' Retirement Fund Association as of December 31, 1978 and 1977 and the results of its operations and changes in its net assets available for plan benefits for the years then ended, on the basis of accounting described in Note 1, which basis has been applied in a consistent manner.

St. Paul, Minnesota

McGladrey Henderson & Co.

April 3, 1979

TEACHERS' RETIREMENT FUND ASSOCIATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS AVAILABLE

FOR PLAN BENEFITS - DECEMBER 31, 1978 AND 1977

PREPARED ON A STATUTORY BASIS (Note 1)

| <u>A S S E T S</u> | <u>1978</u> | <u>1977</u> |
|---|---------------------|---------------------|
| CASH, including savings deposits of \$58,714 in 1978 and \$124,051 in 1977 | \$ 68,023 | \$ 138,778 |
| RECEIVABLES: | | |
| Governmental units (Note 1) | 988,794 | 752,579 |
| Common stock sold | - | 396,653 |
| Interest | 747,380 | 726,618 |
| Dividends | 68,690 | 85,380 |
| INVESTMENTS (Note 1): | | |
| Commercial paper and certificates of deposit | 19,149,753 | 3,932,526 |
| United States Treasury notes and bonds | 2,160,408 | 1,991,088 |
| Corporate bonds | 30,866,440 | 30,912,985 |
| Common stocks | 14,179,006 | 21,008,109 |
| DEFERRED YIELD ADJUSTMENT ACCOUNT (Note 1) | 1,803,882 | 1,551,716 |
| FURNITURE AND FIXTURES, at cost, less accumulated depreciation of \$10,462 in 1978 and \$10,715 in 1977 | 4,592 | 3,944 |
| | <u>\$70,036,968</u> | <u>\$61,500,376</u> |
| <u>LIABILITIES AND NET ASSETS AVAILABLE</u> | | |
| <u>FOR PLAN BENEFITS</u> | | |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES | \$ 13,049 | \$ 8,094 |
| NET ASSETS AVAILABLE FOR PLAN BENEFITS, per accompanying statement (Note 1) | 70,023,919 | 61,492,282 |
| CONTINGENCY (Note 2) | | |
| | <u>\$70,036,968</u> | <u>\$61,500,376</u> |

See notes to financial statements.

TEACHERS' RETIREMENT FUND ASSOCIATION

STATEMENTS OF REVENUES AND EXPENDITURES AND NET ASSETS AVAILABLE

FOR PLAN BENEFITS FOR THE YEARS ENDED DECEMBER 31, 1978 AND 1977

PREPARED ON A STATUTORY BASIS (Note 1)

| <u>REVENUES AND EXPENDITURES</u> | <u>1978</u> | <u>1977</u> |
|--|---------------------|---------------------|
| REVENUES (Note 1): | | |
| Contributions by Governmental Units- | | |
| State of Minnesota | \$ 5,312,365 | \$ 4,730,339 |
| Federal projects | 339,427 | 278,889 |
| Total | <u>\$ 5,651,792</u> | <u>\$ 5,009,228</u> |
| Contributions by members- | | |
| Required withholdings | \$ 4,048,551 | \$ 3,633,947 |
| Voluntary | 149,452 | 225,823 |
| Total | <u>\$ 4,198,003</u> | <u>\$ 3,859,770</u> |
| Investment income (loss)- | | |
| Interest, net of amortization (Note 1) | \$ 3,829,655 | \$ 2,749,832 |
| Dividends | 722,366 | 865,520 |
| Gain on sale of common stock | 1,089,793 | 688,672 |
| Loss on sale of common stock | (811,447) | (382,819) |
| Total | <u>\$ 4,830,367</u> | <u>\$ 3,921,205</u> |
| Total revenues | <u>\$14,680,162</u> | <u>\$12,790,203</u> |
| EXPENDITURES: | | |
| Benefits- | | |
| Retirement | \$ 5,008,695 | \$ 4,652,261 |
| Disability | 266,514 | 197,303 |
| Survivor | 146,310 | 113,215 |
| Dependent children | 92,073 | 86,072 |
| Contribution refunds | 470,137 | 585,117 |
| Administration expenses | 164,796 | 144,370 |
| Total expenditures | <u>\$ 6,148,525</u> | <u>\$ 5,778,338</u> |
| Excess of revenues over expenditures | <u>\$ 8,531,637</u> | <u>\$ 7,011,865</u> |
| <u>NET ASSETS AVAILABLE FOR PLAN BENEFITS</u> | | |
| BALANCE, BEGINNING OF YEAR | \$61,492,282 | \$54,480,417 |
| ADD- Excess of revenues over expenditures | <u>8,531,637</u> | <u>7,011,865</u> |
| BALANCE, END OF YEAR | <u>\$70,023,919</u> | <u>\$61,492,282</u> |

See notes to financial statements.

TEACHERS' RETIREMENT FUND ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General-

The Teachers' Retirement Fund Association was created to provide retirement and other specified benefits for its members (teachers in the St. Paul School System). Member employees, under the basic program, contribute 8% of their salaries and employer contributions are paid by the State of Minnesota in such amounts as are provided by statute. Effective July 1, 1978, the Association established, pursuant to Minnesota statutes, a coordinated retirement program for all new teachers qualifying for membership and any present members who wished to coordinate with social security. Participants under this coordinated program contribute 4% of their salaries. Employer contributions, paid by the State of Minnesota, are the difference between the present employer contribution established by statute and the employer share of social security.

The Association is not subject to the provision of the Employee Retirement Income Security Act of 1974.

State of Minnesota statutes establish the basis for substantially all of the Association's significant accounting policies. The accompanying financial statements were prepared on the basis prescribed by statute and are not intended to present financial position or results of operations of the Association in accordance with generally accepted accounting principles. Statutory provisions differ from generally accepted accounting principles with respect to the deferral of losses, net of gains, on the sale or disposition of debt securities (See Deferred Yield Adjustment Account below).

Deferred Yield Adjustment Account-

Minnesota statutes require the establishment of a deferred yield adjustment account (reported as an asset in the accompanying financial statements), which is increased for losses and reduced for gains on the sale or disposition of debt securities realized subsequent to 1969. These losses are being amortized to operations using the straight-line method over the period to maturity of the retired debt securities, which approximates 20 years. An analysis of the deferred yield adjustment account for the years ended December 31, 1978 and 1977 is as follows:

| | <u>1978</u> | <u>1977</u> |
|---|--------------------|--------------------|
| Balance, beginning of year | \$1,551,716 | \$1,854,244 |
| Add (deduct)- | | |
| Net losses (gains) realized on disposition of debt securities | 379,610 | (192,339) |
| Amortization recorded as a reduction of interest income | <u>(127,444)</u> | <u>(110,189)</u> |
| Balance, end of year | <u>\$1,803,882</u> | <u>\$1,551,716</u> |

Revenue Recognition-

Member employee contributions are recorded as revenues when collected through payroll withholdings or when paid directly by the member employee.

Employer contributions from the State of Minnesota are computed as a percentage of covered payroll. These revenues are recorded monthly, based upon covered payroll for the month.

Investments-

Investments are carried at cost, increased by unamortized bond premiums and decreased by unamortized bond discounts. The market values of the investments, as summarized below, are based principally on published market prices.

| | Approximate Market Values at | |
|--|------------------------------|----------------------|
| | December 31, 1978 | December 31, 1977 |
| Commercial paper and certificate of deposit | \$ 19,150,000 | \$ 3,933,000 |
| United States Treasury Notes and Bonds | 2,039,000 | 1,980,000 |
| Corporate bonds (face amount \$33,496,000 in 1978 and \$33,296,000 in 1977) | 28,023,000 | 30,129,000 |
| Common stock | 12,867,000 | 20,713,000 |
| | <u>\$ 62,079,000</u> | <u>\$ 56,755,000</u> |

2. ACTUARIAL VALUATIONS:

The Association has received an actuarial valuation of the plan as of December 31, 1978. The consulting actuary has calculated the employer's required contribution rate to be 21.6408% of covered payroll. The current statutory employer's contribution rate is 11.2412%. The deficit of the current contribution rate over the required contribution rate may impair future benefits to be paid by the Association.

The present value of vested benefits (benefits to which participants are entitled, regardless of future service) as of December 31, 1978 and 1977 approximated \$115,780,000 and \$98,729,000, respectively, as calculated by consulting actuaries, which amounts are in excess of the net assets available for plan benefits by approximately \$45,756,000 at December 31, 1978 and \$37,237,000 at December 31, 1977.

Teachers' Retirement Fund Association
St. Paul, Minnesota

FINANCIAL REPORT
(December 31, 1978)

A. Assets

| | |
|---|-------------------------|
| Deposits in banks | \$ 9,309.25 |
| Employer Contributions receivable | 988,794.31 |
| Accrued interest on investments | 747,379.40 |
| Dividends on stocks declared, but yer received | 68,690.00 |
| Investment in bonds at amortized cost | 33,026,847.68 |
| Investment in common stocks at cost | 14,179,005.58 |
| Short-term investments | 19,208,466.93 |
| Equipment at cost, less depreciation | 4,592.43 |
| Deferred Yield Adjustment Account | <u>1,803,881.95</u> |
| Total Assets | <u>\$ 70,036,967.53</u> |

B. Unfunded Accrued Liability \$108,223,034.32

C. Accumulated Members' Contributions
 (without interest) \$ 28,059,834.75

D. Current Liabilities

Accounts Payable \$ 13,048.85

E. Total Reserves Required as per
 attached schedule \$250,163,798.00

Certification

The above exhibit has been prepared in accordance with the Entry Age Normal Cost (Level Normal Cost) basis, interest at the rate of 5% per annum and other provisions of Minnesota Statutes. The data with respect to assets and employee contributions are those submitted to us by the Association.

COMPENSATION & CAPITAL INCORPORATED


Davis H. Roenisch
Fellow, Society of Actuaries

Teachers' Retirement Fund Association
St. Paul, Minnesota

FINANCIAL REPORT
(December, 31, 1978)

Schedule of Total Reserves Required

1. For Active Members

| | |
|-----------------|-------------------|
| a) Retirement | \$167,230,926 |
| b) Disability | 15,357,018 |
| c) Refund | 2,789,719 |
| d) Survivorship | <u>11,747,910</u> |

Total \$197,125,573

2. For Deferred Annuitants 96,908

3. For Members on Leave 1,126,244

4. For Former Members Without Vested Rights 270,826

5. For Annuitants

| | |
|-----------------|------------------|
| a) Retirement | \$ 46,885,440 |
| b) Disability | 2,507,664 |
| c) Survivorship | <u>2,151,143</u> |

Total \$ 51,544,247

Total Required Reserves \$250,163,798

COMPENSATION & CAPITAL
INCORPORATED

125 SOUTH WACKER DRIVE

CHICAGO, ILLINOIS 60606

TELEPHONE 312 332-4420

May 7, 1979

Board of Trustees
St. Paul Teachers' Retirement
Fund Association
555 Wabasha Street, Room 303
St. Paul, Minnesota 55102

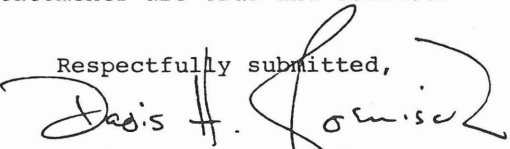
Gentlemen:

In accordance with your request, we have made an actuarial valuation of the St. Paul Teachers' Retirement Fund Association for the year ended December 31, 1978, in order to determine the adequacy of the contributions being made to that system and to prepare the financial and actuarial reports as required by the laws of the State of Minnesota.

The results of our analysis are set forth in the following report. The basic financial and employee data are those submitted to us by the Association office; the summaries and actuarial figures are those prepared by us from such data.

On the basis of the foregoing, and the assumptions indicated herein, we hereby certify that, to the best of our knowledge and belief, the attached statements are true and correct.

Respectfully submitted,


Fellow, Society of Actuaries
Enrolled Actuary No. 174

DHR:fn

Teachers' Retirement Fund Association
St. Paul, Minnesota

COMMENTS

This report sets forth the information of the Teachers' Retirement Fund Association of the City of St. Paul, Minnesota required by law for the legislature based on the annual actuarial valuation.

These figures have been prepared in accordance with the requirements of the law under the supervision of an approved actuary. Included in these requirements are the use of the Entry Age Normal Cost Method, anticipated salary increases of 3-1/2% per year, and an assumed interest of 5% per year.

The actuarial valuation measures all aspects of the St. Paul Teachers' Fund in accordance with the plan described in the section of the report titled "Summary of the Plan". This valuation takes into account the Minnesota Laws of 1977 Chapter 429 which permits Federal Social Security coverage for members of the Association.

Exhibit 4, shows the present value of benefits for past and future service of active members, and current benefits being received by retirees (and beneficiaries).

Exhibit 5, also indicates an amount of Unfunded Accumulated Contribution Requirement of \$108,223,034. This amount represents an increase of \$16,714,813.27. The primary reasons for the increase are estimated in Exhibit 7.

Exhibit 5, restates the dollar amount of obligation in Exhibit 4 as percentages based on current payroll of active members. The resulting percentage total rate requirement may then be compared with the statutory contribution rate to ascertain the actuarial balance of the Fund.

The state teachers' levy of 11.2412% is well short of the actuarial requirement of 21.6408% (Exhibit 5). This shortfall of roughly \$5.5 million in the current year continues to erode the financial strength of the Plan. This deficit was not substantially modified by coordination with Social Security although, if the state's contributions to that plan remain in the same proportion to the teachers' contributions, the actuarial balance of the program for new teachers will be much better than at present. As this better balance develops, the Plan will be under heavy financial strain as the Basic members retire and the liability for their pension falls due. Just how all of these trends will work out cannot be foretold at this time but, with coordination, any shortfall in the financing arrangements will become increasingly apparent over the next decade.

Teachers' Retirement Fund Association
St. Paul, Minnesota

EXHIBIT 2

SOURCES AND USES OF FUNDS

S O U R C E S

| | | | |
|------------------------------------|----------------|----|-------------------------|
| Cash Balance January 1, 1978 | | \$ | 14,726.94 |
| Income from Employer Contribution: | | | |
| State of Minnesota - Basic | \$5,142,239.90 | | |
| - Coordinated | 71,604.53 | | |
| Federal Programs - Basic | 254,834.53 | | |
| - Coordinated | - | \$ | 5,468,678.96 |
| Income from Members: | | | |
| Payroll Deductions - Basic | \$3,959,363.85 | | |
| - Coordinated | 89,187.80 | | |
| Prior Service | 141,111.06 | | |
| Return of Refunds | 20,729.58 | \$ | 4,210,392.29 |
| Income from Investments: | | | |
| Interest | \$3,854,777.39 | | |
| Dividends | 739,056.18 | | |
| Miscellaneous | 10,650.68 | \$ | 4,604,484.25 |
| Investments Sold | | | 115,737,642.36 |
| Total | | | <u>\$130,035,924.80</u> |

USES

| | | | |
|-----------------------------------|----------------|----|-------------------------|
| Pension Paid: | | | |
| Retirements | \$5,015,697.20 | | |
| Survivor | 146,310.08 | | |
| Family | 92,352.61 | | |
| Disability | 269,188.20 | \$ | 5,523,548.09 |
| Refunds of Dues | | | 482,525.67 |
| Administrative Expenses: | | | |
| Actuarial, Auditing, Legal | \$ 16,103.75 | | |
| Data Processing | 5,084.00 | | |
| Delegate Expense | 5,573.00 | | |
| Investment Services | 40,788.15 | | |
| Office Equipment | 1,782.31 | | |
| Office Expense | 13,107.84 | | |
| Salaries | 75,028.75 | | |
| Taxes, Insurance, Affiliate Dues | 7,879.45 | | |
| Accounts Payable - Withheld Taxes | (4,162.85) | \$ | 161,184.40 |
| Refund - Federal Programs | | | 53,102.12 |
| Investments Purchased | | | 123,806,255.28 |
| Cash Balance - December 31, 1978 | | \$ | 9,309.24 |
| TOTAL | | | <u>\$130,035,924.80</u> |

Teachers' Retirement Fund Association
St. Paul, Minnesota

RECONCILIATION OF ASSET BALANCES
 (December 31, 1978)

| | | |
|-----------------------------------|-------------------|------------------------|
| Asset Balance - December 31, 1977 | | \$61,492,281.95 |
| Additions: | | |
| Employer Contributions | \$5,703,024.79 | |
| Member Contributions | 4,199,117.88 | |
| Investment Income | 4,552,021.29 | |
| Net Gain on Sale of Stock | <u>278,345.17</u> | <u>14,732,509.13</u> |
| Sub-Total | | \$76,224,791.08 |
| Deductions: | | |
| Benefit Payments | \$5,513,592.57 | |
| Refunds | 471,251.26 | |
| Administrative Expenses | 164,534.12 | |
| Federal Programs Refund | 51,232.68 | |
| Loss on Sale of Equipment | <u>261.77</u> | <u>\$ 6,200,872.40</u> |
| Asset Balance, December 31, 1978 | | <u>\$70,023,918.68</u> |

Teachers' Retirement Fund Association
St. Paul, Minnesota

FINANCIAL BALANCE SHEET
(December 31, 1978)

Present Value of Benefits Expected to be Paid by Retirement Fund

To Active Teachers for

| | |
|--------------|------------------|
| Retirement | \$167,230,926 |
| Disability | 15,357,018 |
| Survivorship | 11,747,910 |
| Refund | <u>2,789,719</u> |

Total \$197,125,573

To Vested Teachers 96,908

To Teachers on Leave 1,126,244

To Former Teachers without
Vested Rights 270,826

To Teachers and Beneficiaries
Now Receiving Benefits for

| | |
|--------------|------------------|
| Retirement | \$ 46,885,440 |
| Disability | 2,507,664 |
| Survivorship | <u>2,151,143</u> |

Total \$ 51,544,247

Total Value of Benefits \$250,163,798

Less Value of Expected Future Contributions* 71,916,845

Accumulated Contribution Requirement
Assuming Full Funding During
Prior Service Period \$178,246,953

Assets on Hand 70,023,919

Accumulated Contribution Requirement
to be Amortized by 1997 \$108,223,034

* As Determined by the Entry Age Normal Cost Method.

Teachers' Retirement Fund Association
St. Paul, Minnesota

ACTUARIAL REQUIREMENTS
(December 31, 1978)

TOTAL REQUIREMENTS

| | |
|--|--------------------|
| Expected Future Contributions on Behalf of Active Teachers | \$ 71,916,845 |
| Accumulated Contribution Assuming Full Funding During Prior Service Period | <u>178,246,953</u> |
| Total - Value of All Benefits Payable to Present Members | \$250,163,798 |

AMORTIZATION RATE REQUIREMENT

| | | |
|--|-------------------|----------|
| Accumulated Contribution Requirement Assets on Hand | \$178,246,953 | |
| | <u>70,023,919</u> | |
| Amount to be Amortized | \$108,223,034 | |
| Contribution Requirement for Amortization Period of 19 Years | \$ 8,954,916 | |
| Current Payroll | \$ 53,370,977 | |
| Amortization Rate Requirement | | 16.7786% |

LEVEL CONTRIBUTION (ENTRY AGE NORMAL) RATE REQUIREMENT

| | | |
|--|---------------|---------|
| Expected Future Contributions on Behalf of Active Teachers | \$ 71,916,845 | |
| Expected Future Payroll | 590,066,000 | |
| Total Entry Age Normal Rate Requirement | 12.1879% | |
| Teacher Contribution Rate* | <u>7.6340</u> | |
| Employer Entry Age Normal Rate Requirement | | 4.5539% |

ACTUARIAL BALANCE

| | | |
|---|---------------|------------|
| Employer Statutory Contribution Rate** | | 11.2412% |
| Rate Requirements | | |
| Amortization Rate Requirement | 16.7786% | |
| Entry Age Normal Rate Requirement | 4.5539 | |
| Expenses Rate Requirement | <u>0.3083</u> | |
| Total Rate Requirement | | 21.6408% |
| Deficit of Statutory Rate over Rate Requirement | | (10.3996%) |

- * Weighted by Current Payroll 90.85% Basic and 9.15% Coordinated.
 ** Rate established by Minnesota Teachers' Retirement Association, 11.7948 Basic and 5.7448 Coordinated weighted by Current Payroll.

Teachers' Retirement Fund Association
St. Paul, Minnesota

RECONCILIATION OF MEMBERS

ACTIVE

| | | |
|--------------------------------|--|-------|
| Active (Including 78 on Leave) | | |
| December 31, 1977 | | 2,685 |

Additions:

| | | |
|-----------------------|-----------|------------|
| New Appointments 1978 | 230 | |
| Reappointments | <u>24</u> | <u>254</u> |

| | | |
|-------|--|-------|
| Total | | 2,939 |
|-------|--|-------|

Separations:

| | | |
|--------------|-----------|------------|
| Retirements | 48 | |
| Deaths | 7 | |
| Terminations | <u>92</u> | <u>147</u> |

| | | |
|---------------------------------|--|---------------------|
| Active (Including 119 on Leave) | | |
| December 31, 1978 | | <u><u>2,792</u></u> |

| | | |
|-------------|--|-------------------|
| Substitutes | | <u><u>381</u></u> |
|-------------|--|-------------------|

| | | |
|------------------|--|------------------|
| Inactive Members | | <u><u>10</u></u> |
|------------------|--|------------------|

RETIRED

| | | |
|-------------------|--|------------|
| Retired Members | | |
| December 31, 1977 | | <u>857</u> |

Additions During 1978:

| | | |
|------------|----------|-----------|
| Retirement | 40 | |
| Disability | <u>8</u> | <u>48</u> |

| | | |
|-------|--|-----|
| Total | | 905 |
|-------|--|-----|

| | | |
|----------------------|--|-----------|
| Separations - Deaths | | <u>31</u> |
|----------------------|--|-----------|

| | | |
|-------------------|--|-------------------|
| Retired Members | | |
| December 31, 1978 | | <u><u>874</u></u> |

Beneficiaries:

| | | |
|--------------|-----------|--|
| Reversionary | 14 | |
| Survivor | 34 | |
| Children | <u>24</u> | |

| | | |
|-------|-----------|--|
| Total | <u>72</u> | |
|-------|-----------|--|

TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA

STATEMENT OF INCOME AND DEDUCTIONS
For the Year Ended December 31, 1978

INCOME

Income from Employer Contributions:

| | | |
|--------------------------|------------------|-----------------|
| State of Minnesota-Basic | \$5,201,256.37 | |
| -Coordinated | 111,108.36 | |
| Federal Programs -Basic | 373,058.09 | |
| -Coordinated | <u>17,601.97</u> | \$ 5,703,024.79 |

Income from Members:

| | | |
|-----------------------------|------------------|--------------|
| Payroll Deductions-Basic | 3,959,363.85 | |
| -Coordinated | 89,187.80 | |
| Payment for Outside Service | 128,722.43 | |
| Return of Refunded Dues | <u>20,729.58</u> | 4,198,003.66 |

| | | |
|---|--|--------------|
| Interest on Investments, plus accumulated discount, less amortized premiums, less deferred yield adjustments | | 3,829,655.11 |
|---|--|--------------|

| | | |
|--------------------|--|------------|
| Dividends on Stock | | 722,366.18 |
|--------------------|--|------------|

| | | |
|------------------------|--|---------------------|
| Gains on Sale of Stock | | <u>1,089,792.69</u> |
|------------------------|--|---------------------|

| | | |
|--------------|--|-------------------------------|
| Total Income | | <u><u>\$15,542,842.43</u></u> |
|--------------|--|-------------------------------|

DEDUCTIONS FROM INCOME

Benefit Expenditures:

| | | |
|-----------------------|-------------------|-----------------|
| Pensions | \$4,983,718.09 | |
| Reversionary Pensions | 24,976.52 | |
| Survivor Benefits | 146,310.08 | |
| Family Benefits | 92,073.44 | |
| Disability Benefit | <u>266,514.44</u> | \$ 5,513,592.57 |

Contribution Refunds:

| | | |
|-------------|------------------|------------|
| Resignation | 418,722.39 | |
| Death | <u>51,414.65</u> | 470,137.04 |

| | | |
|-------------------------|--|------------|
| Administration Expenses | | 164,534.12 |
|-------------------------|--|------------|

| | | |
|-----------------------|--|------------|
| Loss on Sale of Stock | | 811,447.52 |
|-----------------------|--|------------|

| | | |
|---------------------------|--|--------|
| Loss on Sale of Equipment | | 261.77 |
|---------------------------|--|--------|

| | | |
|------------------------|--|------------------|
| Federal Program Refund | | <u>51,232.68</u> |
|------------------------|--|------------------|

| | | |
|------------------------|--|--------------|
| Deductions from Income | | 7,011,205.70 |
|------------------------|--|--------------|

| | | |
|------------------------------------|--|---------------------|
| Applied to Total Reserves Required | | <u>8,531,636.73</u> |
|------------------------------------|--|---------------------|

| | | |
|------------------------------|--|-------------------------------|
| Total Deductions from Income | | <u><u>\$15,542,842.43</u></u> |
|------------------------------|--|-------------------------------|



Capital Supervisors, Inc. / 135 South La Salle Street, Chicago, Illinois 60603 / Phone (312) 236-8271

A. Lee Thurow

President

January 8, 1979

Mr. Lyle T. Farmer
Chairman, Investment Committee
Saint Paul Teachers' Retirement
Fund Association
555 Wabasha Street - Room 303
Saint Paul, Minnesota 55102

Dear Members of the Board:

In 1978, the St. Paul Teachers' Retirement Fund portfolio continued to outperform the markets, while experiencing modest gains. The key to our success and star performer was unusually large buying reserves in the form of short term investments, that were yielding over 10% by year end. At the same time common stocks showed slight gains after including dividends. Also fixed income results were near break-even with declines in market price, due to rising interest rates, largely offset by interest income.

We had properly forecast a difficult environment to you when writing this letter last year. Unfortunately, our expectations for improvement by the end of 1978 now appear premature. Faced with an inverted yield curve, high and rising inflation, plus many other problems we are all tired of looking at, we expect to remain defensive through at least the first part of 1979 and probably longer. The most striking development in 1978, was the approximate 50% increase in all short term rates. These high levels act as a severe drag on the economy and markets. Consequently, we would anticipate the need for some improvement in this environment before we can sustain positive security markets.

Due to the aforementioned problems, we recommend retaining your large amount of short term holdings. One of the advantages of those holdings is the near record yields available. Nevertheless, we haven't recommended converting all your investments to short term holdings because both common stocks and fixed income investments are at historically attractive levels. This suggests that longer term results from here will be quite satisfactory. As a result we probably will recommend gradually committing those funds to avoid the common error of investing too early or too late. Fortunately, the large buying reserves give us great flexibility to do this and the opportunity to purchase assets at extremely attractive levels.

Although we share a common concern and uneasiness about current economic problems, you should be pleased with the way your portfolio has weathered the storm. This, plus its flexible structure will better enable us to take advantage of future opportunities.

Sincerely,

Lee Thurow
President

LT:res

TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA

PURCHASES AND SALES OF INVESTMENTS

During 1978

| | <u>Value</u> |
|--|-----------------|
| Investments on Hand, December 31, 1977 | \$60,383,881.69 |

Purchases during the year:

| <u>Bonds (At Par)</u> | <u>Maturity</u> <u>Date</u> | <u>Interest</u> <u>Rate</u> | |
|-----------------------------|--------------------------------|--------------------------------|---------------|
| Aluminum Co. of America | 11-15-96 | 7.450 | \$ 250,000.00 |
| American Tel. & Tel. | 8-01-00 | 6.000 | 750,000.00 |
| Exxon Corp. | 11-01-97 | 6.000 | 250,000.00 |
| Federal Home Loan Mortgage | 3-15-08 | 8.850 | 1,000,000.00 |
| Firestone Tire and Rubber | 3-01-06 | 9.250 | 500,000.00 |
| General American Transport. | 11-15-98 | 9.000 | 600,000.00 |
| ICI North America | 1-15-03 | 8.875 | 285,000.00 |
| Long Island Lighting | 9-01-02 | 7.625 | 500,000.00 |
| Mountain Fuel Supply | 8-01-01 | 8.875 | 500,000.00 |
| National Fuel Gas Co. | 6-15-84 | 9.000 | 500,000.00 |
| Pacific Gas & Electric | 12-01-99 | 6.875 | 250,000.00 |
| Pacific Gas & Electric | 12-01-00 | 6.750 | 475,000.00 |
| Pacific Gas & Electric | 12-01-05 | 7.750 | 510,000.00 |
| Pacific Tel. & Tel. | 7-01-03 | 6.500 | 325,000.00 |
| Southwestern Bell | 8-01-95 | 4.625 | 500,000.00 |
| Southern California Edison | 3-15-01 | 8.875 | 500,000.00 |
| Standard Oil-California | 8-01-92 | 5.750 | 500,000.00 |
| U.S. Treasury Notes | 9-30-82 | 8.375 | 200,000.00 |
| U.S. Treasury Bonds | 2-15-00 | 7.875 | 500,000.00 |
| U.S. Treasury Bonds | 8-15-00 | 8.375 | 200,000.00 |
| U.S. Treasury Bonds | 5-15-05 | 8.250 | 500,000.00 |
| Vermont Yankee Power | 10-01-98 | 9.625 | 264,000.00 |
| Virginia Electric Power | 3-01-06 | 9.250 | 500,000.00 |
| Virginia Electric Power | 9-01-06 | 8.750 | 500,000.00 |

| | |
|----------------------|-----------------|
| Total Bonds (At Par) | \$10,859,000.00 |
|----------------------|-----------------|

| <u>Stock (At Cost)</u> | <u>Shares</u> | |
|------------------------|---------------|---------------|
| Bucyrus Erie | 5,000 | \$ 101,850.00 |
| Houston Natural Gas | 10,000 | 251,300.00 |
| Interco Inc. | 5,000 | 180,875.00 |
| Mountain Fuel Supply | 12,000 | 432,000.00 |
| Norton Simon | 1 | 8.38 |

| | |
|-----------------------|---------------|
| Total Stock (At Cost) | \$ 966,033.38 |
|-----------------------|---------------|

Purchases and Sales of Investments (continued)

| <u>Short Term (At Face Value)</u> | <u>Rate</u> | <u>Due</u> | |
|-----------------------------------|-------------|------------|---------------|
| American National Bank CD | 8.900 | 1-02-79 | \$ 511,372.22 |
| Green Giant Co. | 10.125 | 1-02-79 | 559,995.00 |
| Sears Roebuck Acceptances | 10.000 | 1-04-79 | 605,166.67 |
| Honeywell Finance Co. | 9.900 | 1-05-79 | 696,831.00 |
| Northwestern National Bank CD | 10.300 | 1-08-79 | 406,981.11 |
| Westinghouse Credit Co. | 9.125 | 1-08-79 | 458,554.69 |
| Green Giant Co. | 10.250 | 1-09-79 | 610,420.83 |
| Northwest Banco | 10.100 | 1-10-79 | 858,104.32 |
| Northwestern National Bank CD | 9.100 | 1-11-79 | 613,650.00 |
| Allis Chalmers Credit Corp. | 10.125 | 1-11-79 | 425,315.63 |
| Gambles Credit Corp. | 10.100 | 1-11-79 | 564,713.33 |
| Northwest Banco | 10.210 | 1-12-79 | 428,616.45 |
| General Motors Acceptance Corp. | 10.000 | 1-15-79 | 858,972.22 |
| J.C. Penney Financial Co. | 10.000 | 1-15-79 | 610,713.89 |
| Pru-Lease | 10.050 | 1-17-79 | 565,784.33 |
| Gambles Credit Corp. | 10.250 | 1-18-79 | 742,115.21 |
| General Motors Acceptance Corp. | 10.200 | 1-18-79 | 630,489.58 |
| Ford Motor Credit Corp. | 10.200 | 1-19-79 | 731,573.33 |
| Ford Motor Credit Corp. | 10.200 | 1-22-79 | 732,189.58 |
| Westinghouse Credit Co. | 10.000 | 1-22-79 | 589,827.78 |
| Montgomery Ward Credit Corp. | 10.200 | 1-23-79 | 540,305.42 |
| Allis Chalmers Credit Corp. | 10.375 | 1-24-79 | 636,354.69 |
| Int'l Harvester Credit Co. | 10.350 | 1-25-79 | 515,131.88 |
| Honeywell Finance Co. | 10.300 | 1-25-79 | 515,107.08 |
| Postal Finance Co. | 10.125 | 1-29-79 | 513,805.94 |
| Montgomery Ward Credit Corp. | 10.300 | 1-29-79 | 196,729.54 |
| J.C. Penney Financial Co. | 10.250 | 1-30-79 | 858,470.49 |
| National Car Rental | 10.300 | 1-31-79 | 840,000.00 |
| American National Bank CD | 9.650 | 2-02-79 | 574,861.00 |
| Int'l Harvester Credit Corp. | 10.400 | 2-27-79 | 742,653.33 |
| American National Bank CD | 10.650 | 3-02-79 | 513,460.42 |
| Northwestern National Bank CD | 10.700 | 3-05-79 | 616,228.33 |

Short Term on Hand 12-31-78

\$19,264,495.29

| | |
|------------------------------------|--------------|
| First National Bank Savings | \$ 20,799.56 |
| American National Bank Savings | 18,320.91 |
| Northwestern National Bank Savings | 19,593.54 |

Total Savings at 12-31-78

\$ 58,714.01

Short Term Investments on Hand 12-31-78

\$19,323,209.30

Total Purchases

\$31,148,242.68

Purchases and Balance

\$91,532,124.37

Purchases and Sales of Investments (continued)

Sales and Redemptions:

| <u>Bonds (At Par)</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | |
|------------------------------|--------------------------|--------------------------|---------------|
| American Cyanamid | 4-15-01 | 7.375 | \$ 200,000.00 |
| Armco Steel | 10-01-95 | 8.700 | 285,000.00 |
| Ashland Oil | 8-01-92 | 6.150 | 250,000.00 |
| Commonwealth Edison | 10-01-98 | 6.375 | 750,000.00 |
| Diamond Shamrock | 6-01-96 | 8.250 | 250,000.00 |
| Dow Chemical Co. | 2-01-05 | 8.500 | 500,000.00 |
| Enserch Corp. | 3-15-99 | 8.950 | 500,000.00 |
| General Telephone of Florida | 3-01-05 | 9.375 | 240,000.00 |
| Long Island Lighting | 9-01-99 | 8.200 | 500,000.00 |
| New England Tel. & Tel. | 10-01-06 | 6.125 | 325,000.00 |
| Northern Natural Gas | 5-01-85 | 9.000 | 500,000.00 |
| Northern Natural Gas | 11-01-95 | 9.000 | 600,000.00 |
| Pacific Gas & Electric | 6-01-00 | 6.625 | 725,000.00 |
| Pacific Gas & Electric | 12-01-05 | 7.750 | 510,000.00 |
| Pacific Tel. & Tel. | 6-01-09 | 7.625 | 510,000.00 |
| Southwestern Bell | 6-01-03 | 5.875 | 500,000.00 |
| Standard Oil-California | 4-01-96 | 7.000 | 500,000.00 |
| U.S. Treasury Bonds | 2-15-83 | 8.000 | 200,000.00 |
| U.S. Treasury Bonds | 2-15-07 | 7.625 | 500,000.00 |
| U.S. Treasury Bonds | 11-15-07 | 7.875 | 500,000.00 |
| Virginia Electric Power | 3-01-06 | 9.250 | 1,000,000.00 |
| Virginia Electric Power | 9-01-06 | 8.750 | 500,000.00 |

Total Bonds (At Par)

\$10,345,000.00

Repaid Principal & Redemptions

\$ 113,861.26

Stock (At Cost)

Shares

| | | |
|-----------------------------|--------|---------------|
| Alcoa | 5,000 | \$ 291,074.58 |
| Atlantic Richfield | 4,800 | 213,430.80 |
| Bethlehem Steel | 4,000 | 116,200.00 |
| Big 3 Industries | 10,200 | 311,542.56 |
| Boise Cascade Corp. | 15,000 | 375,649.52 |
| Cooper Industries | 11,300 | 368,679.50 |
| Diamond Shamrock | 15,000 | 445,100.00 |
| R.R. Donnelley | 30,000 | 634,728.68 |
| Dresser Industries | 12,000 | 467,835.13 |
| Eastman Kodak | 3,000 | 364,989.87 |
| B.F. Goodrich Tire & Rubber | 15,000 | 406,266.81 |
| Gulf Oil Corp. | 20,000 | 496,448.85 |
| Hercules Inc. | 9,500 | 315,196.34 |

Purchases and Sales of Investments (continued)

Sales and Redemptions:

| <u>Bonds</u> (At Par) | <u>Maturity</u> <u>Date</u> | <u>Interest</u> <u>Rate</u> | |
|------------------------------|--------------------------------|--------------------------------|---------------|
| American Cyanamid | 4-15-01 | 7.375 | \$ 200,000.00 |
| Armco Steel | 10-01-95 | 8.700 | 285,000.00 |
| Ashland Oil | 8-01-92 | 6.150 | 250,000.00 |
| Commonwealth Edison | 10-01-98 | 6.375 | 750,000.00 |
| Diamond Shamrock | 6-01-96 | 8.250 | 250,000.00 |
| Dow Chemical Co. | 2-01-05 | 8.500 | 500,000.00 |
| Enserch Corp. | 3-15-99 | 8.950 | 500,000.00 |
| General Telephone of Florida | 3-01-05 | 9.375 | 240,000.00 |
| Long Island Lighting | 9-01-99 | 8.200 | 500,000.00 |
| New England Tel. & Tel. | 10-01-06 | 6.125 | 325,000.00 |
| Northern Natural Gas | 5-01-85 | 9.000 | 500,000.00 |
| Northern Natural Gas | 11-01-95 | 9.000 | 600,000.00 |
| Pacific Gas & Electric | 6-01-00 | 6.625 | 725,000.00 |
| Pacific Gas & Electric | 12-01-05 | 7.750 | 510,000.00 |
| Pacific Tel. & Tel. | 6-01-09 | 7.625 | 510,000.00 |
| Southwestern Bell | 6-01-03 | 5.875 | 500,000.00 |
| Standard Oil-California | 4-01-96 | 7.000 | 500,000.00 |
| U.S. Treasury Bonds | 2-15-83 | 8.000 | 200,000.00 |
| U.S. Treasury Bonds | 2-15-07 | 7.625 | 500,000.00 |
| U.S. Treasury Bonds | 11-15-07 | 7.875 | 500,000.00 |
| Virginia Electric Power | 3-01-06 | 9.250 | 1,000,000.00 |
| Virginia Electric Power | 9-01-06 | 8.750 | 500,000.00 |

Total Bonds (At Par) \$10,345,000.00

Repaid Principal & Redemptions \$ 113,861.26

| <u>Stock</u> (At Cost) | <u>Shares</u> | |
|-----------------------------|---------------|---------------|
| Abbott Laboratories | 4,000 | \$ 142,370.75 |
| Alcoa | 5,000 | 291,074.58 |
| Atlantic Richfield | 4,800 | 213,430.80 |
| Bethlehem Steel | 4,000 | 116,200.00 |
| Big 3 Industries | 10,200 | 311,542.56 |
| Boise Cascade Corp. | 15,000 | 375,649.52 |
| Cooper Industries | 11,300 | 368,679.50 |
| Diamond Shamrock | 15,000 | 445,100.00 |
| R.R. Donnelley | 30,000 | 634,728.68 |
| Dresser Industries | 12,000 | 467,835.13 |
| Eastman Kodak | 3,000 | 364,989.87 |
| Ford Motor Co. | 3,750 | 178,682.44 |
| B.F. Goodrich Tire & Rubber | 15,000 | 406,266.81 |
| Gulf Oil Corp. | 20,000 | 496,448.85 |
| Hercules Inc. | 9,500 | 315,196.34 |

Purchases and Sales of Investments (continued)

| <u>Stock (At Cost)</u> | <u>Shares</u> | |
|----------------------------|---------------|-------------------|
| Howard Johnson Co. | 30,000 | \$ 453,047.76 |
| Lincoln National Corp. | 10,000 | 320,900.00 |
| Missouri Pacific Corp. | 15,000 | 514,425.00 |
| NCR Corp. | 15,000 | 449,896.49 |
| Northwest Industries | 20,000 | 511,800.00 |
| Norton Simon | 4,811 | 133,697.69 |
| Southern California Edison | 15,000 | 331,875.00 |
| Super Valu Stores | 19,800 | <u>272,352.16</u> |

Total Stock (At Cost) \$ 7,795,136.74

| <u>Short Term (At Face Value)</u> | <u>Rate</u> | <u>Due</u> | |
|-----------------------------------|-------------|------------|-------------------|
| Int'l Harvester Credit | 6.300 | 1-03-78 | \$ 507,962.50 |
| GSA Nashville Note | 6.000 | 1-04-78 | 301,650.00 |
| Gambles Credit Corp. | 6.625 | 1-11-78 | 553,036.46 |
| Federal Home Loan Bank | 6.000 | 1-13-78 | 201,000.00 |
| Allis Chalmers Credit Corp. | 6.625 | 1-16-78 | 364,041.25 |
| General Motors Acceptance Corp. | 6.625 | 1-27-78 | 502,760.42 |
| First National Bank CD | 6.800 | 2-02-78 | 508,500.00 |
| Postal Finance Co. | 6.750 | 3-02-78 | 507,781.25 |
| American National Bank CD | 6.900 | 4-03-78 | <u>509,008.33</u> |

Short Term on Hand 12-31-77 \$ 3,955,740.21

| | |
|------------------------------------|------------------|
| First National Bank Savings | \$ 41,167.99 |
| American National Bank Savings | 41,126.16 |
| Northwestern National Bank Savings | <u>41,756.45</u> |

Total Savings at 12-31-77 \$ 124,050.60

Total Sales and Redemptions \$22,333,788.81

Investments on Hand 12-31-78 \$69,198,335.56

| | | |
|--------------------------|----------------------|------------------------|
| Bonds At Par | \$35,696,120.68 | |
| Stock At Cost | 14,179,005.58 | |
| Short Term At Face Value | <u>19,323,209.30</u> | <u>\$69,198,335.56</u> |

TEACHER'S RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA

INVESTMENTS ON HAND

DECEMBER 31, 1978

BONDS

| <u>Corporate Bonds</u> | <u>Coupon</u> | <u>Maturity</u> | <u>Par Value</u> |
|---------------------------------|---------------|-----------------|------------------|
| Louisiana Power & Light | 9.500% | 11-01-81 | \$ 500,000 |
| National Fuel Gas Co. | 9.000% | 6-15-84 | 500,000 |
| General Electric Credit | 8.125% | 1-15-85 | 750,000 |
| Grand Truck Western R.R. | 9.250% | 3-15-85 | 146,332 |
| Pacific Lighting Service | 9.300% | 11-01-85 | 500,000 |
| Bear Creek Security Corp. | 8.125% | 3-01-88 | 1,000,000 |
| Cincinnati Gas & Electric | 5.000% | 5-01-90 | 200,000 |
| Wisconsin Natural Gas | 4.875% | 10-01-90 | 325,000 |
| Transamerica Financial Corp. | 7.875% | 11-01-91 | 500,000 |
| Consolidated Edison N.Y. | 4.375% | 6-01-92 | 197,000 |
| Trailer Train Co. | 8.200% | 7-01-92 | 700,000 |
| Standard Oil of California | 5.750% | 8-01-92 | 500,000 |
| American Tel. & Tel. | 4.750% | 11-01-92 | 755,000 |
| Ryder Systems Inc. | 7.800% | 5-01-93 | 500,000 |
| Union Electric Co. | 4.500% | 11-01-93 | 250,000 |
| Southern Bell Telephone Co. | 4.625% | 12-01-93 | 675,000 |
| Int'l Harvester Corp. | 7.500% | 1-15-94 | 700,000 |
| Philadelphia Electric Co. | 4.500% | 5-01-94 | 200,000 |
| Continental Pipeline | 7.500% | 5-01-94 | 160,000 |
| Delaware Power & Light | 4.625% | 10-01-94 | 250,000 |
| Niagara Mohawk Power Corp. | 4.625% | 12-01-94 | 550,000 |
| Natural Gas Pipeline Co. | 9.250% | 3-01-95 | 440,000 |
| Southwestern Bell Telephone Co. | 4.625% | 8-01-95 | 500,000 |
| Goodyear Tire & Rubber Co. | 8.600% | 9-30-95 | 446,000 |
| Florida Power & Light Co. | 5.000% | 12-01-95 | 700,000 |
| Kansas Nebraska Natural Gas | 9.000% | 1-01-96 | 682,000 |
| Tampa Electric Co. | 5.500% | 4-01-96 | 500,000 |
| Public Service Co. of Colorado | 5.375% | 5-01-96 | 650,000 |
| Southern California Gas Co. | 8.750% | 5-01-96 | 500,000 |
| Flintkote Co. | 8.250% | 7-15-96 | 275,000 |
| American Tel. & Tel. | 4.375% | 10-01-96 | 255,000 |
| Aluminum Co. of America | 7.450% | 11-15-96 | 250,000 |
| Exxon Corp. | 6.000% | 11-01-97 | 620,000 |
| Standard Oil of Indiana | 6.000% | 1-15-98 | 350,000 |
| John Deere Credit Corp. | 7.500% | 4-30-98 | 500,000 |
| Carolina Power & Light | 6.875% | 10-01-98 | 550,000 |
| Vermont Yankee Nuclear Power | 9.625% | 10-01-98 | 488,000 |
| Chrysler Corp. | 8.000% | 11-01-98 | 750,000 |
| General American Transportation | 9.000% | 11-15-98 | 600,000 |
| Long Island Lighting Co. | 8.200% | 9-01-99 | 500,000 |
| Research Properties Inc. | 8.250% | 11-01-99 | 500,000 |

Investments on Hand (continued)

Corporate Bonds

| | <u>Coupon</u> | <u>Maturity</u> | <u>Par Value</u> |
|--------------------------------|---------------|-----------------|------------------|
| Pacific Gas & Electric Co. | 6.875% | 12-01-99 | \$ 250,000 |
| Sohio TransAlaska Pipeline Co. | 9.750% | 12-01-99 | 500,000 |
| Penin Properties Inc. | 8.750% | 12-01-99 | 216,000 |
| American Tel. & Tel. | 6.000% | 8-01-00 | 750,000 |
| Southern Bell Telephone Co. | 4.750% | 9-01-00 | 475,000 |
| Central Kansas Power Co. | 9.750% | 10-01-00 | 230,000 |
| Pacific Gas & Electric Co. | 6.750% | 12-01-00 | 475,000 |
| Eltra Corp. | 8.500% | 1-15-01 | 750,000 |
| Southern California Edison | 8.875% | 3-15-01 | 500,000 |
| Sohio Pipeline Co. | 8.750% | 5-01-01 | 750,000 |
| Transamerica Financial Corp. | 8.500% | 7-01-01 | 750,000 |
| Mountain Fuel Supply Co. | 8.875% | 8-01-01 | 500,000 |
| San Diego Gas & Electric Co. | 8.000% | 9-01-01 | 500,000 |
| Tenneco Inc. | 8.375% | 4-01-02 | 750,000 |
| ICI North America Inc. | 8.875% | 1-15-03 | 285,000 |
| Consolidated Edison N.Y. | 7.750% | 2-15-03 | 500,000 |
| Pacific Tel. & Tel. | 6.500% | 7-01-03 | 325,000 |
| Firestone Tire & Rubber Co. | 9.250% | 12-01-04 | 500,000 |
| Texaco Inc. | 8.875% | 5-01-05 | 500,000 |
| Inland Steel Co. | 7.900% | 1-15-07 | 300,000 |
| Virginia Electric & Power | 8.625% | 3-01-07 | 300,000 |
| New York Telephone Co. | 8.300% | 8-15-12 | 225,000 |

Total Corporate Bonds

\$30,246,121

U.S. Government Bonds

| | | | |
|----------------------------------|--------|---------|------------|
| U.S. Treasury Note | 8.375% | 9-30-82 | \$ 200,000 |
| U.S. Treasury Note | 7.875% | 5-15-86 | 500,000 |
| U.S. Treasury Note | 8.000% | 8-15-86 | 300,000 |
| U.S. Treasury Bonds | 7.875% | 2-15-00 | 500,000 |
| U.S. Treasury Bonds | 8.375% | 8-15-00 | 200,000 |
| U.S. Treasury Bonds | 8.250% | 5-15-05 | 500,000 |
| Federal Home Loan Mortgage Corp. | 8.850% | 3-15-08 | 1,000,000 |

Total Government Bonds

\$ 3,200,000

Foreign Bonds

| | | | |
|-------------------------|--------|---------|---------|
| Quebec Hydro Electric | 6.250% | 6-01-93 | 300,000 |
| Province of Nova Scotia | 9.750% | 3-15-95 | 250,000 |
| Province of Nova Scotia | 9.250% | 3-01-01 | 250,000 |
| Manitoba Hydro Electric | 9.250% | 1-15-06 | 500,000 |

Total Foreign Bonds

\$ 1,300,000

Total Bonds

\$34,746,121

Investments on Hand (continued)

COMMON STOCK

| | <u>Shares</u> | <u>Cost</u> | <u>Market Value</u> <u>12-31-78</u> |
|------------------------------|---------------|--------------|--|
| American Tel. & Tel. | 7,000 | \$ 344,628 | \$ 423,500 |
| Bethlehem Steel Corp. | 8,000 | 232,448 | 157,000 |
| Bucyrus Erie Co. | 25,000 | 547,650 | 390,625 |
| Citicorp | 12,000 | 434,078 | 282,000 |
| Dayton Hudson Corp. | 7,500 | 201,088 | 257,813 |
| Exxon Corp. | 10,000 | 472,210 | 491,250 |
| Fluor Corp. | 12,000 | 489,448 | 399,000 |
| General Electric Co. | 9,600 | 524,560 | 452,400 |
| General Motors Corp. | 5,000 | 327,386 | 268,750 |
| General Telephone & Elect. | 15,000 | 452,650 | 425,625 |
| Goodyear Tire & Rubber | 30,000 | 674,703 | 483,750 |
| Houston Natural Gas Corp. | 10,000 | 251,300 | 221,250 |
| IC Industries Inc. | 20,000 | 486,058 | 485,000 |
| Interco Inc. | 20,000 | 801,624 | 720,000 |
| Int'l Business Machines | 4,025 | 1,156,501 | 1,201,462 |
| Int'l Tel. & Tel. | 20,000 | 550,350 | 540,000 |
| Lincoln National Corp. | 10,000 | 320,837 | 357,500 |
| McDonalds Corp. | 5,000 | 321,358 | 231,250 |
| Minnesota Mining & Mfg. | 3,000 | 254,368 | 189,375 |
| Monsanto Co. | 5,000 | 404,182 | 235,000 |
| Mountain Fuel Supply Co. | 12,000 | 432,000 | 358,500 |
| Nabisco Inc. | 12,000 | 231,398 | 304,500 |
| NLT Corp. | 30,000 | 564,501 | 697,500 |
| Northwest Airlines Inc. | 15,000 | 456,078 | 427,500 |
| Norton Simon Inc. | 5,432 | 147,253 | 89,628 |
| Pfizer Inc. | 20,000 | 578,850 | 660,000 |
| Phillips Petroleum Co. | 8,000 | 204,512 | 253,000 |
| Texas Gas Transmission Corp. | 15,000 | 696,480 | 532,500 |
| United Technologies Corp. | 15,000 | 481,691 | 583,125 |
| United Telecommunications | 20,000 | 392,000 | 375,000 |
| Xerox Corp. | 7,000 | 746,816 | 372,750 |
| Total Common Stock | | \$14,179,006 | \$12,866,553 |

RETIREMENT RECORD

| Year | Pensions Granted | Persons on Payroll at end of year | Benefits Paid During Year |
|---------------|---------------------|--------------------------------------|------------------------------|
| 1910 | 15 | 13 | \$ 4,860.00 |
| 1930-31 | 8 | 125 | 69,023.70 |
| 1931-32 | 8 | 130 | 72,961.43 |
| 1931-33 | 2 | 126 | 74,190.43 |
| 1933-34 | 6 | 127 | 74,119.87 |
| 1934-35 | 9 | 131 | 74,000.70 |
| 1935-36 | 14 | 135 | 75,864.08 |
| 1936-37 | 19 | 151 | 80,747.43 |
| 1937-38 | 17 | 160 | 89,709.13 |
| 1938-39 | 11 | 161 | 93,184.46 |
| 1939-Dec. '39 | 0 | 158 | 23,869.78 |
| 1940 | 71 | 222 | 170,685.43 |
| 1941 | 35 | 246 | 210,256.94 |
| 1942 | 27 | 266 | 234,217.27 |
| 1943 | 38 | 286 | 253,030.76 |
| 1944 | 34 | 311 | 282,299.18 |
| 1945 | 56 | 350 | 308,112.55 |
| 1946 | 51 | 378 | 337,511.79 |
| 1947 | 28 | 387 | 360,570.89 |
| 1948 | 42 | 413 | 375,912.29 |
| 1949 | 42 | 441 | 419,617.54 |
| 1950 | 30 | 461 | 450,641.30 |
| 1951 | 27 | 476 | 472,669.54 |
| 1952 | 28 | 486 | 508,922.59 |
| 1953 | 32 | 487 | 525,959.02 |
| 1954 | 10 | 482 | 529,428.97 |
| 1955 | 38 | 509 | 666,993.54 |
| 1956 | 46 | 529 | 750,146.33 |
| 1957 | 59 | 560 | 840,882.59 |
| 1958 | 41 | 579 | 1,019,501.72 |
| 1959 | 30 | 585 | 1,084,505.78 |
| 1960 | 38 | 600 | 1,144,380.21 |
| 1961 | 39 | 611 | 1,230,715.41 |
| 1962 | 49 | 624 | 1,352,779.11 |
| 1963 | 42 | 647 | 1,467,460.56 |
| 1964 | 33 | 653 | 1,545,252.32 |
| 1965 | 40 | 668 | 1,631,554.34 |
| 1966 | 43 | 676 | 1,770,082.68 |
| 1967 | 36 | 682 | 1,862,248.99 |
| 1968 | 45 | 695 | 1,969,759.81 |
| 1969 | 53 | 726 | 2,319,185.68 |
| 1970 | 31 | 719 | 2,385,867.50 |
| 1971 | 47 | 731 | 2,522,349.85 |
| 1972 | 51 | 745 | 2,742,660.45 |
| 1973 | 36 | 744 | 3,039,252.98 |
| 1974 | 46 | 754 | 3,372,452.55 |
| 1975 | 52 | 778 | 3,765,322.19 |
| 1976 | 77 | 883 | 4,393,513.35 |
| 1977 | 63 | 919 | 5,050,507.44 |
| 1978 | 48 | 946 | 5,523,548.09 |