

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
ANNUAL REPORT OF THE EXECUTIVE SECRETARY
Year ending June 30, 1974

811538

1 copy

Dear Member:

I wish to thank each of you for the excellent help and support you and the Board of Trustees have shown me this past year. It is through this free flow of questions and suggestions that our Fund will remain a vital organization fulfilling the needs of our members.

Each year our Fund has both an actuarial valuation and an audit of our books. The information contained in this report is taken from these two sources, Hewitt Associates, Actuaries, Deerfield, Illinois and Eikill & Schilling, Certified Public Accountants, Duluth, Minnesota. Their reports are on file for anyone interested.

Some of the membership characteristics of our group are quite interesting. Among our Active group we have 602 females and 599 males. The average age of the females is 40.8 and males is 39.4 years, average service is 7.3 years for females and 8.4 years for males. Average age at hire was 33.5 for females and 31.2 for males. Combining the groups, our average member was hired at age 32.3 has 7.8 years of Duluth service and is currently 40.1 years old.

Our retired group is composed of 360 females, average age 74.2 and 74 males, average age 71.0, 2 female disabilities and 20 female beneficiaries.

We began the year with 1,175 active members, had 110 new entrants, 53 resignations, 3 deaths and 28 service retirements for an ending total of 1,201. At the beginning of the year we had 432 annuitants, during the year there were 28 retirements, 5 deaths and one additional beneficiary for an ending total of 456. Total benefits paid were \$1,207,923.

The Book Value of our assets increased by \$953,459 from \$22,635,801 to \$23,667,142. The details are presented in the enclosed Income Statement and Balance Sheet. The Market Value of our investments has slipped below book value for the first time in many years reflecting a general decline in the securities markets. Our Actuarial Valuation indicates we have an unfunded accrued liability of \$2,990,776. However, our actuarial incomes are equal to our actuarial expenses including payments on the unfunded liability sufficient to amortize it by 1997. Because of this adequacy of income we are considered to be in actuarial balance.

Because of favorable State legislation this past session we will receive approximately .5% of total payroll this Fall and possibly as high as 1% of payroll in 1975 as additional support to our Fund. Recognizing the financial problem inflation has caused many of our retirees the Board of Trustees is recommending that the first of these additional funds be used for a post-retirement increase for our current retirees. The proposed plan for the post-retirement increase was the result of a joint effort by an ad hoc Committee of the Retired Teachers Association and our Board of Trustees. It provides effective November 1, 1974 for a 2% increase for all retirees after July 1, 1971, and a 9½% increase for all retirees prior to July 1, 1971.

Enclosed is a brief plan summary. We are in the process of writing a more comprehensive one and hope to have it published soon.

For the Board of Trustees and myself I wish to thank W. D. Watters, our Attorney, Wallace F. Doerr, Investment Advisor, Robert F. Eikill, C.P.A. and Edward L. Delahanty, Actuary for their untiring efforts on our behalf.

Respectfully submitted,

Pursuant to Mn Stat 356.20

F. K. Blanck, Jr.
Executive Secretary

81138

NOTICE OF THE REGULAR ANNUAL MEETING
OF THE MEMBERSHIP OF
DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

OCTOBER 28, 1974

AT

ORDEAN JUNIOR HIGH SCHOOL AUDITORIUM

DEAR MEMBER:

You are cordially invited to attend the Sixty Fifth (65th) Annual Meeting of the Membership of the Duluth Teachers' Retirement Fund Association. Our meeting will be in the Ordean Junior High School Auditorium at 4:00 o'clock P.M. on October 28, 1974 for the following purposes:

- 1). To approve the Acts and Proceedings of the Board of Trustees for the period of October 29, 1973 through October 28, 1974.
- 2). To approve one (1) amendment to our Articles of Incorporation as follows:

RESOLVED, that Article VIII, Subdivision 1, of the Articles of Incorporation of the Duluth Teachers' Retirement Fund Association be amended by adding a new paragraph (e) to read as follows:

- (e) The monthly benefit payable October 31, 1974, exclusive of any benefit based on shelter or additional contributions, shall be increased commencing November 1, 1974,
 - (i) To or on account of a member who retired or died prior to July 1, 1971, by nine and one-half (9 1/2) percent; or
 - (ii) To or on account of a member who retired or died while an active member on or after July 1, 1971, by two (2) percent.
- 3). To elect two (2) trustees for three year terms. The terms of George A. Beck and Michael Fedo expire November 1, 1974. One retired member and one active member to be elected.
- 4). Transact any other business that may legally come before the meeting.

E. K. Blanck, Jr.
Executive Secretary

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
MINNESOTA
COMPARATIVE BALANCE SHEET
JUNE 30, 1974 AND 1973

STATEMENT OF REVENUE AND EXPENDITURES
FISCAL YEARS ENDED JUNE 30, 1974 AND 1973

ASSETS

	<u>June 30,</u>	
	<u>1974</u>	<u>1973</u>
Cash - checking and savings accounts	\$ 38,463	\$ 295,055
Accounts receivable, brokers	313,646	112,877
Interest		
Accrued	119,115	124,253
Investments		
Short-term securities	760,000	289,560
Marketable corporate stocks (at cost)		
(Market Value \$11,580,503)	12,508,548	11,996,423
Corporate bonds (market value \$4,071,656)	7,826,710	7,320,181
Mortgage loans secured by real estate		
First mortgages	2,057,787	2,449,023
Contracts for deed	9,529	12,699
<u>Total investments</u>	<u>\$23,162,574</u>	<u>\$22,067,886</u>
Land and building	\$ 27,394	\$ 29,056
Office furniture and equipment	4,910	5,491
Deferred insurance premiums	1,040	1,183
<u>Total assets</u>	<u>\$23,667,142</u>	<u>\$22,635,801</u>

LIABILITIES AND FUND BALANCES

	<u>June 30,</u>	
	<u>1974</u>	<u>1973</u>
Liabilities		
Accounts payable	\$ 96,465	\$ 18,565
Deposits		
Active members	4,966,117	4,576,372
Additional deposits	192,678	268,528
Fund balance	<u>18,411,882</u>	<u>17,772,336</u>

LEGISLATIVE REFERENCE LIBRARY
STATE OF MINNESOTA

Total liabilities and fund balances	<u>\$23,667,142</u>	<u>\$22,635,801</u>
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DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH MINNESOTA

STATEMENT OF REVENUE AND EXPENDITURES
FISCAL YEARS ENDED JUNE 30, 1974 AND 1973

	<u>June 30, 1974</u>	<u>June 30, 1973</u>
Revenue		
State of Minnesota participation (5%)	\$ 810,397	\$ 739,589
Members' contributions (4%)	611,785	592,537
Interest on investments, plus discounts earned, less amortized premiums and deferred yield adjustment	622,633	587,866
Dividends received	285,606	269,541
Rents	1,400	1,480
Gain on sale of securities	673,075	872,107
Fees, tax sheltered annuities	7,820	4,236
Return of prior years' dues	<u>394</u>	<u> </u>
	<u>\$3,013,110</u>	<u>\$3,067,356</u>
 Expenditures		
Benefit expenditures		
Annuities paid members	\$1,171,209	\$1,067,631
Contingent beneficiaries	33,804	29,611
Disability	2,910	2,910
Contribution refunds		
Resignation	64,986	65,715
Death	5,496	6,801
Members' additional deposits	86,956	75,828
Administrative expenses	111,079	93,343
Losses on sale of stock	581,199	438,707
Cost and loss on mortgage loans	<u>2,032</u>	<u>14,357</u>
Total expenditures	<u>\$2,059,671</u>	<u>\$1,794,903</u>
 Net, addition to reserves	 <u>\$ 953,439</u>	 <u>\$1,272,453</u>

PLAN SUMMARY
OCTOBER 28, 1974

- 1). DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION.
- 2). The Duluth Fund was established in 1910, the Tax Shelter Fixed Fund in 1964, and the Tax Shelter Variable Fund in 1973
- 3). MEMBERSHIP DATA
Membership in the Basic Plan is compulsory for all instructional staff of the Duluth Public School System. As of June 30, 1974 there were approximately 1200 active members and 450 retired members. Membership in either tax shelter plan is voluntary.
- 4). CREDITABLE SERVICE
All Duluth teaching service under written contract is creditable. Time for which a member is granted a leave of absence may be credited if normal contributions are made within two years of the leave. There are no provisions for portability or reciprocity of service with other funds.
- 5). WITHDRAWALS AND REFUNDS
A member who has terminated his employment must withdraw his contributions with interest if he has less than ten years credited service.
- 6). VESTING AND DEFERRED ALLOWANCES
Benefits vest after ten years service, a deferred allowance is payable at at 60 or between age 55 and 60 at a reduced rate.
- 7). RETIREMENT REQUIREMENTS AND BENEFIT FORMULAS
Normal retirement is at age 60 with one or more years credited service.
The benefit formula is: highest five years average salary times years of service times 1.15%.
Early retirement is at age 55 with 10 or more years service. Benefits are reduced if paid before age 60.
Disability benefit is payable at any age with five or more years of service. There is no reduction for age. Member must be totally and permanently disabled from teaching.

Post Retirement Adjustments are made as additional funds become available. Members retiring before 1966 have received 31½%, 1967 - 18%, 1969 - 10%, 1970 - 5%.

Tax Shelter Funds - Annuities are payable upon retirement and are based on member's total tax shelter contributions, age and sex of member and spouse if Optional Survivor Benefit elected, and mortality and interest assumptions in effect at time of retirement. Lump sum refunds are also available.
- 8). LUMP SUM DEATH BENEFIT
Active Member - Two times member's accumulated contributions with interest paid to named beneficiary.

Retired Member - Refund of remainder of member's deposits after subtraction of total checks received to date of death.

Plan Summary -

9). SURVIVOR BENEFITS

Active Member - If more than ten years service and beneficiary is spouse of three years, survivor benefit is two times contributions as refund, or 2.4 times contributions as either a deferred or immediate life annuity.

Retired Member - at retirement a member may choose a survivor option. An actuarial reduction is made from the normal amount to provide one of the following: equal amount to survivor, one-half amount to survivor or 5, 10, 15 or 20 year term certain to survivor, or any plan of actuarial equivalence to the above.

10). FINANCING

Basic Fund - Benefits are financed jointly. Members contribute 4% of their earnings including extra curricular. Employer contributes 5½% of earnings.

Tax Sheltered Funds - Benefits are financed entirely from members deposits and investment income.

11). INVESTMENTS

Basic Fund - Equity investments are limited to 65% of Assets; Bonds are also limited to 65% of Assets, and no single holding of either stocks or bonds shall exceed 6% of total Assets. Investments also limited to permissible holdings under the State law. Benefits currently funded with Assets of \$23.6 million, book value.

Tax Sheltered Funds - Limited to permissible holdings under State law. Benefits are currently funded with Assets of \$2.5 million, book value.

12). ADMINISTRATION

The Fund is administered by a Board of Trustees of eleven members, three members of the Board of Education of Duluth, the Superintendent of Schools ex-officio, five active members and two retired members. Active and retired members are elected by entire active and retired membership.

13). SOCIAL SECURITY COVERAGE

Since 1957 all members are covered under Social Security. All benefits are in addition to Social Security.

14). EDWARD K. BLANCK, Jr., Executive Secretary
Duluth Teachers' Retirement Fund Association
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Duluth, Minnesota 55802

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