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STATE OF MINNESOTA

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
ANNUAL REPORT OF THE EXECUTIVE SECRETARY  
Year ending June 30, 1976

1 copy  
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Dear Member:

Although there were some unfavorable bills introduced at the beginning of the 1976 Legislative session, the trend reversed and our members benefitted from many of the laws finally enacted. The special meeting held to discuss the legislation, the letters written and the lobbying by our members were very successful in retaining and improving the legal foundation of our Association.

Laws enacted included a fully funded post retirement increase. Pre-1971 retirees received an average increase of \$5.00 per month and all pre-1957 retirees received an average increase of \$30.00 per month.

Active members may now repay any previous Duluth refund and reinstate this service. Minnesota laws allow a Duluth teacher to reinstate almost all Minnesota public service on which they have previously taken a refund. Full details can be obtained from our office.

The two percent surcharge on tax shelter contributions was removed through legislation sponsored by Senator Sam Solon. A special thank you should also go to the members of the Duluth delegation for their help and support of our legislative program and the post retirement increase.

The Legislature restored our Association's ability to make changes in any Bylaw or Article not related to benefits or certain actuarial assumptions and also restored all previous policy and decision making authority to the Board of Trustees. This is a significant display of trust on the part of the Legislature; it shows their willingness to allow continued self administration and participation of our members in their retirement fund's decision making process.

Effective the first of June 1976, the Board of Trustees adopted unisex survivor benefit and early retirement tables. After careful study, the Trustees chose equal monthly benefits regardless of sex as the fairest method of implementing the concept. The choice was between equal lifetime benefits or equal monthly benefits. Sample survivor benefit reductions are provided later in the report.

Because of the ideal size of our plan, members have the opportunity to benefit individually from the research resources of our office. I wish to thank the many members who have taken the time to communicate with us during the past year. We hope to continue to refine and upgrade our information not only on benefits, social security, and tax shelter, but also on many other aspects of pre-retirement planning. I am pleased to announce that the Duluth Retired Teachers' Association has formed a committee to study pre-retirement planning. As a member of this committee, I hope to be able to help communicate the experiences of our retired members to those who will be.

On behalf of the Board of Trustees, I wish to thank William D. Watters, Attorney; Gordon M. Fines, Investment Advisor; Robert E. Eikill, C.P.A.; Edward L. Delahanty and Kenneth W. Lindberg, Actuaries, for their excellent contributions to our Fund.

I hope you will take an hour and a half to meet with the membership on Monday, October 25, at Ordean to express your goals for our retirement plan.

Sincerely,

Edward K. Blanck, Jr.  
Executive Secretary

Pursuant to Mn Stat 356.20

# DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

22 EAST FIRST STREET / DULUTH, MINNESOTA 55802 / Phone (218) 722-2894

## NOTICE OF THE REGULAR ANNUAL MEMBERSHIP MEETING

### DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

MONDAY - OCTOBER 25, 1976 - 4:00 p.m.  
ORDEAN JUNIOR HIGH SCHOOL AUDITORIUM

Dear Member:

You are cordially invited to attend the Sixty-seventh (67th) 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 p.m. on October 25, 1976 for the following purposes:

- 1) To approve the Acts and Proceedings of the Board of Trustees for the period of October 27, 1975 through October 25, 1976.
- 2) To elect three (3) Trustees for the expiring terms of:  
Walter Garvue - active member - board member since 11-15-58  
Louise Brennan - retired member - board member since 11-15-73  
Wanda McClintic - active member - board member since 11-15-75  
One retired member and two active members will be elected or re-elected for 3 year terms. Nominations from the floor are in order.
- 3) We will discuss any plan amendments or legislative goals the membership may wish to pursue for the coming year. Although we currently amend our plan benefits only through Special or General State Laws, we were quite successful this past year and found that the Legislature does incorporate the wishes of our membership whenever possible. Your attendance and suggestions are very important.
- 4) Transact any other business that may legally come before the meeting.

We will have the following guests present to answer your questions:

Gordon M. Fines - Lionel D. Edie & Company - Investments  
Kenneth W. Lindberg - Hewitt Associates - Actuaries  
William D. Watters - Attorney

#### BOARD OF TRUSTEES

##### Active Members

Walter J. Garvue, President  
Robert Childs, Vice President  
Roy Meyer  
Curtis Miller  
Wanda McClintic

##### Retired Members

George Beck  
Louise Brennan

##### Ex Officio

Richard Pearson

##### Executive Secretary

Edward K. Blanck, Jr.

##### School Board Members

Mary Ryland, Treasurer  
Gerald Allen  
Robert Bodin

Lionel D. Edie & Company  
Incorporated

2600 LTV Tower, Dallas, Texas 75201 (214) 748-4766

Corporate Offices  
530 Fifth Avenue  
N.Y., N.Y. 10036  
(212) 575-4000

September 30, 1976

Mr. Walter J. Garvue  
President  
Board of Trustees  
Duluth Teachers' Retirement Fund  
22 East First Street  
Duluth, Minnesota 55802

Dear Mr. Garvue:

The equity and bond markets have both appreciated in value in the twelve months ended June 30, 1976. The reasons for the general price rise include a broad moderate economic recovery, substantially lower inflation and much reduced short and long term interest rates. Within this environment, consumer confidence has risen and retail sales (including automobile purchases) have significantly improved. For 1976 as a whole, we expect corporate profits to increase by 25%. At the same time, we believe inflation, as measured by the CPI, will remain in the 5 to 5-1/2% range. Because of this, we do not feel interest rates will change dramatically from current levels in the next few months.

Over the past twelve months our bond strategy has emphasized shortening bond maturities, upgrading credit ratings and increasing current income. We have sold several convertible debenture holdings which advanced in price and replaced them with higher yielding fixed income securities.

We eliminated several common stocks from the portfolio during the year such as Emery Air Freight which were confronted with either increased competition or less favorable industry conditions. We bought and sold Caterpillar Tractor during the year as we believe the stock price advanced too quickly in anticipation of a capital spending recovery in 1977. Our purchases have been primarily concentrated in the drug, food & beverage, oil and finance areas as we believe these industries have good prospects over the next twelve months.

LIONEL D. EDIE & COMPANY  
INCORPORATED

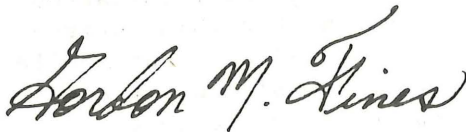
Mr. Walter J. Garvue  
September 30, 1976  
Page 2

The market outlook for 1977 is highly dependent upon the future outlook for inflation and the shape of the economy as the current recovery matures. Our forecast calls for a 10-15% rise in corporate profits, a 5-6% inflation rate as measured by the CPI and a moderate advance in interest rates from the present low levels. With this background, we remain positive on the outlook for the securities markets. We will continue to emphasize those industries which have more visible growth prospects than the economy as a whole.

Factors which could change our forecast are not usually visible ahead of time, but in the coming months we will be especially watchful of political changes and potential economic policy revisions after the election this fall, the size of a possible OPEC (Organization of Petroleum Export Countries) oil price increase next year and changes in farm product prices as well as industrial product and service prices.

I am very happy to be a part of the Duluth Teachers Retirement Plan and will continue my diligence in your behalf.

Best regards,



Gordon M. Fines  
Vice President

GMF:mcc

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

COMPARATIVE BALANCE SHEET  
JUNE 30, 1975 AND 1976

ASSETS	<u>1975</u>	<u>1976</u>
Cash - checking and savings accounts	\$ 217,949	\$ 3,482
Accounts Receivable, brokers	60,596	29,253
Accrued Interest	143,384	174,096
Investments		
Short-term securities	1,075,000	3,865,805
Marketable corporate stocks (at cost)		
(market value \$13,107,802)	12,099,435	10,568,674
Corporate bonds (market value \$5,416,797)	8,079,967	8,479,358
Mortgage loans secured by real estate	1,829,780	1,568,484
Land and Building	25,792	24,191
Office Furniture and Equipment	4,556	3,749
Deferred Insurance Premiums	893	920
	<u>23,537,352</u>	<u>24,718,012</u>
Total Assets		
	<u>\$23,537,352</u>	<u>\$24,718,012</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Accounts payable	\$ 28,073	\$ 177,666
Deposits		
Active members	5,410,043	6,065,884
Additional deposits	169,447	173,150
Fund Balance	<u>17,929,789</u>	<u>18,301,312</u>
	<u>\$23,537,352</u>	<u>\$24,718,012</u>
Total Liabilities and Fund Balances		

MEMBERSHIP STATISTICS

	<u>1975</u>	<u>1976</u>
Active members - beginning of period	1,201	1,173
New entrants	55	85
Resignations	(56)	(48)
Retirements	(25)	(25)
Deferred Annuities	(2)	(8)
Deaths	(0)	(1)
Disability	(0)	(1)
Total Active Membership	<u>1,173</u>	<u>1,175</u>
Retired Membership	434	446
New Retirees	25	29
Deaths	(13)	(23)
Total Retired Membership	446	452
Total Disability Retirements	2	3
Total Deferred Annuities	9	15
Total Beneficiaries	18	18

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

STATEMENT OF REVENUE AND EXPENDITURES  
FISCAL YEARS ENDED JUNE 30, 1975 AND 1976

	<u>1975</u>	<u>June 30</u> <u>1976</u>
<b>Revenue</b>		
State of Minnesota participation	\$ 918,754	\$1,143,515
Members' contributions	659,210	710,659
Interest on Investments, plus discounts earned, less amortized premiums and deferred yield adjustment	603,446	602,260
Dividends received	324,509	309,729
Rents	1,440	1,440
Tax sheltered annuities overhead contribution	8,625	10,225
Return of prior years' refunds		73,425
Miscellaneous	<u>828</u>	<u>2</u>
Total Revenue	\$2,516,812	\$2,851,255
 <b>Expenditures</b>		
Benefit expenditures		
Annuities paid members	\$1,289,893	\$1,358,822
Contingent beneficiaries	36,073	37,185
Disability	3,093	3,184
Contribution refunds		
Resignation	73,523	64,992
Death	11,848	4,426
Members' additional deposits	4,146	10,275
Administrative Expenses	<u>100,852</u>	<u>109,258</u>
Total Expenditures	\$1,519,428	\$1,588,142
Excess of revenues over expenditures	997,384	1,263,133
Net gains or (losses) of common stocks sold	<u>(1,058,913)</u>	<u>(232,409)*</u>
Net Increase or (decrease) in fund	<u>\$ (61,529)</u>	<u>\$1,030,704</u>

\* From an accounting point of view, we recognized \$232,409 in net losses, however, our stock portfolio's market value on June 30, 1976, was \$1,597,767 above our new cost basis. This market appreciation is not registered as investment gains until the equities are actually sold, therefore causing wide variations in net income as above. It is our fund's policy to time investment transactions based on investment rather than accounting considerations. If, hypothetically, we would have sold our entire stock portfolio and then re-purchased the identical issues on June 30, 1976, the above figure would be \$1,365,358 and the "net increase or (decrease) in fund" would be \$2,396,062. Under the same situation for 1975, net losses would be \$50,546 and net increase in fund would be \$946,838.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
PLAN SUMMARY  
OCTOBER 25, 1976

- 1) The Duluth Fund was established in 1910, the Tax Shelter Fixed Fund in 1964, and the Tax Shelter Variable Fund in 1973.
- 2) MEMBERSHIP DATA  
Membership in the Basic Plan is compulsory for all instructional staff of the Duluth Public School System. As of June 30, 1976, there were 1,175 active members and 473 retired members. Participation in either tax shelter plan is voluntary.
- 3) CREDITABLE SERVICE  
Duluth teaching service under 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 also provisions for reciprocity of service with other Minnesota public funds, effective July 1, 1975.
- 4) WITHDRAWALS AND REFUNDS  
Members who have terminated their employment may withdraw their contributions with interest if they do not wish to participate under the Minnesota Combined Service Annuity Law.
- 5) VESTING  
Benefits vest after ten years' service or age 60 or participation under the Minnesota Combined Service Annuity Law.
- 6) RETIREMENT REQUIREMENTS AND BENEFIT FORMULAS  
Normal retirement is 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% = annual benefit.  
Early retirement - immediate - is available between age 55 and 60 with 10 or more years service. Benefits are reduced by .5% per month if paid before age 60. The maximum reduction is 30% at age 55. (60 mo. x .5% = 30%)  
Early retirement - deferred - resignation may occur at any age with 10 or more years of service; an annuity will be payable upon the attainment of age 55 at a reduced rate or at age 60 at full formula. The 10 years required may be the total of service in any Minnesota Fund participating under the Minnesota Combined Service Annuity Law.  
Disability Benefit - Full formula 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 increases of 44%; 1967 - 29.2%; 1969 - 20.5%; 1970 - 14.9%; 1971 - 9.5%; and 1974 - 2%. In addition, pre-1957 retirees received an average monthly increase of \$30.38 and retirees from 1957 to 1970 received an average monthly increase of \$5.34 as a result of a statewide post retirement increase enacted and funded by the 1976 Legislature.  
Tax Shelter Funds - Annuities are payable upon retirement and are based on member's total tax shelter contributions, age 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.

Plan Summary -

- 7) LUMP SUM DEATH BENEFIT  
Active Member - Two times member's accumulated contributions with interest paid to named beneficiary; members are covered from first day of service.  
Retired Member - Refund of remainder of member's deposits after deduction of total checks received to date of death if no survivor election was made at retirement.
  
- 8) SURVIVOR BENEFITS  
Active Member - If more than ten years service and beneficiary is spouse of three years, survivor benefit is two times contributions as a refund, or 2.4 times contributions as the cash value of 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; 5, 10, 15 or 20 year term certain to survivor; or any plan of actuarial equivalence to the above.
  
- 9) FINANCING  
Basic Fund - Benefits are financed jointly. Members contribute 4% of their earnings including extra-curricular. Employer contributes 6% of earnings.  
Tax Shelter Funds - Benefits are financed entirely from member's deposits and investment income.
  
- 10) 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 are also limited to permissible holdings under the state law. Benefits currently funded with Assets of \$24.7 million, book value.  
Tax Shelter Funds - Limited to permissible holdings under the state law. Benefits are currently funded with Assets of \$2.5 million, book value.
  
- 11) 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 the entire active and retired membership.
  
- 12) SOCIAL SECURITY COVERAGE  
Since 1957, all members are covered under Social Security. All benefits are in addition to Social Security.  
Social Security Leveling Adjustment - Any member retiring before age 62 may elect to receive a higher benefit from the Duluth Fund until eligible to receive Social Security.

EDWARD K. BLANCK, JR., Executive Secretary  
Duluth Teachers' Retirement Fund Association  
22 East First Street  
Duluth, Minnesota 55802

Telephone: 722-2894

Office hours 8:30 - 4:30 Other times by appointment  
Parking is available behind our building

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
Benefit Estimator  
Monthly Amounts Due if Retirement at Age 60 or Older  
(High 5 average salary x years of service x 1.15%) ÷ 12

High 5 average salary	Years of Service									
	1	2	3	4	5	6	7	8	9	10
\$10,000	\$ 9.58	\$19.17	\$28.75	\$38.33	\$ 47.92	\$ 57.50	\$ 67.08	\$ 76.65	\$ 86.25	\$ 95.83
\$11,000	10.54	21.08	31.63	42.17	52.71	63.25	73.79	84.33	94.88	105.42
\$12,000	11.50	23.00	34.50	46.00	57.50	69.00	80.50	<u>92.00</u>	103.50	<u>115.00</u>
\$13,000	12.46	24.92	37.38	49.83	62.29	74.75	87.21	99.67	112.13	124.58
\$14,000	13.42	26.83	40.25	53.67	67.08	80.50	93.92	107.33	120.75	134.17
\$15,000	14.38	28.75	43.13	57.50	71.88	86.25	100.63	115.00	129.38	143.75
\$16,000	15.34	30.83	46.00	61.33	76.67	92.00	107.33	122.67	138.00	153.33
\$17,000	16.29	32.58	48.88	65.17	81.46	97.75	114.04	130.33	146.63	162.92
\$18,000	17.25	34.50	51.75	69.00	86.25	103.50	120.75	138.00	155.25	172.50
\$19,000	18.21	36.42	54.63	72.83	91.04	109.25	127.46	145.67	163.88	182.08
\$20,000	19.17	38.33	57.50	76.67	95.83	115.00	134.17	153.33	172.50	191.67
\$21,000	20.13	40.25	60.38	80.50	100.62	120.75	140.88	161.00	181.13	201.25
\$22,000	21.08	42.17	63.25	84.33	105.42	126.50	147.58	168.67	189.75	210.83
\$23,000	22.04	44.08	66.13	88.17	110.21	132.25	154.29	176.33	198.38	220.42
\$24,000	23.00	46.00	69.00	92.00	115.00	138.00	161.00	184.00	207.00	230.00
\$25,000	23.96	47.92	71.88	95.83	119.79	143.75	167.71	191.67	215.63	239.58

Early retirement age 55 to 60 - Early reduction factor .5% per month under age 60, maximum reduction is 30% for age 55

Any length of service may be estimated through simple addition or multiplication of the above amounts

(Example: 18 yrs. service with \$12,000 av. salary, benefit equals \$92.00 + \$115.00 or \$207.00 mo.)

SURVIVOR BENEFITS - UNISEX - SAMPLE AGES  
 Percentage of Formula Benefit Payable to Provide Lifetime or Term Certain Income to Survivor

<u>Ages at Retirement</u>		OPTION I	OPTION II	OPTION III			
<u>Member</u>	<u>Beneficiary</u>	<u>Equal Amt to Survivor</u>	<u>One Half Amt to Survivor</u>	<u>Remainder of Term Certain</u>			
		Member	Member	5 yr	10 yr	15 yr	20 yr
55	55	86.42%	92.72%				
	60	89.38	94.39				
	62	90.50	95.02				
	65	92.10	95.89				
	-			99.36%	97.50%	94.61%	90.96%
60	55	80.52%	89.21%				
	60	84.23	91.44				
	62	85.70	92.30				
	65	87.86	93.53				
	-			98.89	95.78	91.20	85.89
62	55	77.73%	87.47%				
	60	81.71	89.93				
	62	83.32	90.90				
	65	85.70	92.30				
	-			98.62	94.78	89.35	83.31
65	55	73.11%	84.47%				
	60	77.42	87.27				
	62	79.21	88.40				
	65	81.93	90.07				
	-			98.04	92.84	85.96	78.80

EXAMPLE: Member age 65, 31 yrs service, beneficiary age 62, high 5 year average salary \$13,000

	Member	Survivor
Formula Benefit	\$386.21	\$ 0
OPTION I (386.21 x 79.21%)	305.91	305.91
OPTION II (386.21 x 88.40%)	341.41	170.70
OPTION III		
5 yr (386.21 x 98.04%)	376.64	*
10 yr (386.21 x 92.84%)	358.56	*
15 yr (386.21 x 85.96%)	331.99	*
20 yr (386.21 x 78.80%)	304.33	*
Social Security Benefit	548.00	399.00
Male or Female Member	\$399.00	
Dependent Spouse	\$149.00	

\*Equal amount for remainder of term

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

Historical Data

Year	Assets at Book Value	Unfunded Liabilities	Percent Funded	Membership		Total Annual Benefits	Average Monthly Benefits
				Active	Retired		
1976	\$24,718,012	\$6,391,346	79.5	1175	473	\$1,451,889	\$255
1975	23,537,352	5,901,268	80.0	1173	487	1,426,309	244
1974	23,667,142	2,990,776	88.8	1201	456	1,287,043	235
1973	22,635,801	1,827,569	92.5	1136	432	1,203,739	232
1972	21,368,470	5,897,285	78.4	1270	426	1,111,079	217
1971	19,782,599	5,861,972	77.1	1158	378	977,952	215
1969	18,893,566	(1,897,691)	110.0	1159	331	778,023	195
1967	15,989,940	(796,321)	105.0	939	315	633,374	167
1965	13,383,460	(85,497)	100.6	874	285	489,480	143
1962	10,793,087	737,730	93.6	775	286	467,317	136
1959	9,149,200	1,247,697	88.0	716	242	344,378	118
1954	6,542,424	1,660,379	79.8	632	198	234,172	98
1952	5,603,225	1,432,453	79.6	575	172	176,255	85
1949	4,511,251	1,199,422	78.9	565	167	160,999	80
1946	3,894,364	1,738,199	69.1	581	125	112,672	75
1943	3,530,411	1,206,314	74.5	615	111	97,786	73
1940	3,184,300	977,648	76.5	678	86	77,302	74
1937	2,790,459	928,520	75.0	690	67	50,421	62
1934	2,385,690	974,835	71.0	713	53	38,386	60
1931	1,787,097	975,331	64.7	736	46	27,258	49
1928	1,202,626	965,750	55.5	724	42	21,009	41
1925	714,317	986,157	42.0	679	39	17,533	37
1922	313,523	973,787	24.4	587	30	12,844	35
1919	95,879	740,671	11.5	-	-	-	-
1916	69,716	-	-	-	-	-	-
1913	34,736	-	-	-	-	-	-
1911	7,725	-	-	-	-	-	-

