

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
ANNUAL REPORT OF THE EXECUTIVE SECRETARY
Year ending June 30, 1977

copy

811541

Dear Member:

A welcome benefit increase was granted by the Legislature in its 1977 session. Effective December 1, 1977, all Minnesota public funds will pay their annuities in advance. This means all current retired members will receive two retirement checks on December 1, 1977, the normal November 30th check plus a December 1st check. They will continue to receive checks dated the first of each month in the future. Active members retiring after December 1, 1977 will receive their first retirement check one month sooner than in the past.

We have seen a great deal of interest by active members in the reinstatement of prior service. (the 1975 Combined Service Annuity Law) To date, 30 former Duluth members have repaid their refunds plus interest of \$99,375.99 and reinstated 111 years of service. If you have service in Minnesota but outside of Duluth, it may be to your benefit to reinstate this service. Information and fund addresses are available from our office.

The membership at the 1976 Annual Meeting requested an ad hoc committee be formed to study the question of which earnings should be used for pension computation. Historically, our Association has used contract salary and extra curricular. The question of also using evening school, extended program earnings and summer school pay centered around actuarial costs, current practice among other plans, the legislative climate, and fairness to those who may or may not wish to participate or might derive no benefit from participation.

We all thank the following members who gave so freely of their time and talents; Jerome Benson, Chairman; Gary Ames; Orvin Hieb; George Larson; Carol Peterson; John Moriarity; and Ray Stapleton.

The Committee met on three separate occasions, corresponded with several funds, and interviewed members of the Minneapolis Teachers' Retirement Fund Board of Trustees and our Fund's actuary and attorney. After considerable thought and discussion, a consensus decision was reached recommending that our Board of Trustees defer any action until after the 1978 Legislative Session. If the 1978 Legislature requires us to adopt statewide definitions of earnings and service, the question will be answered; if the Legislature chooses not to act or covers only part of our membership, the Committee recommends we propose any changes in 1979. The overriding Legislative consideration stemmed from 1977 legislation requiring the St. Paul Teachers, Minneapolis Teachers and Minneapolis Municipal Funds to adopt statewide benefits for all new entrants after July 1, 1978.

Recognizing the problems of declining enrollments, the 1977 Legislature passed legislation aimed at inducing educators in the mid range of age and service to consider part-time service with full pension credit, a leave of absence with voluntary pension credit accrual, or resignation with a predetermined severance payment based on age. Further information may be obtained from the School District's Personnel Office or from your Retirement Fund Office.

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.

Sincerely,

35-1-20

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 31, 1977 - 4:00 p.m.
ORDEAN JUNIOR HIGH SCHOOL AUDITORIUM

Dear Member:

The 68th Annual Meeting of the Membership will be held at Ordean Junior High School Auditorium at 4:00 p.m. on October 31, 1977 for the following purposes:

- 1) To approve the Acts and Proceedings of the Board of Trustees for the period of October 25, 1976 through October 31, 1977.
- 2) To elect two (2) Trustees for the expiring terms of Curtis Miller and George A. Beck and one (1) Trustee to fill the two year unexpired term of Wanda McClintic. One retired member and two active members shall be elected. Nominations are from the floor.
- 3) We will discuss any plan amendments or legislative goals the membership may wish to pursue for the coming year. The Legislature does incorporate the wishes of our membership when possible, therefore, your attendance and suggestions are very important.
- 4) Transact any other business which may legally come before the meeting.

BOARD OF TRUSTEES

Active Members

Walter J. Garvue, President
Robert J. Childs, Vice President
Roy Meyer
Curtis Miller
one vacancy

Retired Members

George A. Beck
Louise Brennan

School Board Members

Mary Ryland, Treasurer
Gerald Allen
Robert Bodin

Ex Officio

Richard B. Pearson

Executive Secretary

Edward K. Blanck, Jr.

The Board of Trustees hopes you will take an hour on Monday, October 31, to meet with us at Ordean to express your goals for our retirement plan.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

COMPARATIVE BALANCE SHEET
JUNE 30, 1977 AND 1976

<u>ASSETS</u>	<u>1977</u>	<u>1976</u>
Cash - checking and savings accounts	\$ 44,131	\$ 3,482
Accounts Receivable, brokers	28,590	29,253
Accrued Interest	173,129	174,096
Investments		
Short-term securities	2,039,577	3,865,805
Marketable corporate stock (at cost) (market value \$13,353,429)	13,458,682	10,568,674
Corporate bonds (market value \$6,253,356)	9,170,257	8,479,358
Mortgage loans secured by real estate	1,762,618	1,568,484
Land and Building	22,589	24,191
Office Furniture and Equipment	3,107	3,749
Deferred Insurance Premiums	890	920
	<u>\$26,703,570</u>	<u>\$24,718,012</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Accounts payable	\$ 3,560	\$ 177,666
Deposits		
Active members	6,672,382	6,065,884
Additional deposits	150,783	173,150
Fund Balance	19,876,845	18,301,312
	<u>\$26,703,570</u>	<u>\$24,718,012</u>

MEMBERSHIP STATISTICS

	<u>1977</u>	<u>1976</u>
Active members - beginning of period	1,175	1,173
New entrants	111	85
Resignations	(46)	(48)
Retirements	(25)	(25)
Deferred Annuities	(7)	(8)
Deaths	(1)	(1)
Disability	(0)	(1)
Total Active Membership	1,207	1,175
Retired Membership	452	446
New Retirees	26*	29*
Deaths	(18)	(23)
Total Retired Membership	460	452
Total Disability Retirements	2	3
Total Deferred Annuities	22	15
Total Beneficiaries	21	18

*includes statewide combined service annuity participants

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
DULUTH, MINNESOTA

STATEMENT OF REVENUE AND EXPENDITURES
FISCAL YEARS ENDED JUNE 30, 1977 and 1976

	<u>June 30</u>	
	<u>1977</u>	<u>1976</u>
Revenue		
State of Minnesota participation	\$1,174,580	\$1,143,515
Members' contributions	768,731	710,659
Special legislative appropriation	386,905	
Interest on investments, plus discounts earned, less amortized premiums and deferred yield adjustment	682,283	602,260
Dividends received	367,237	309,729
Rents	1,440	1,440
Tax sheltered annuities overhead contribution	10,218	10,225
Return of prior years' refunds (includes Duluth and statewide members)	39,405	73,425
Miscellaneous	<u>0</u>	<u>2</u>
Total Revenue	\$3,430,799	\$2,851,255
Expenditures		
Benefit expenditures		
Annuities paid members	\$1,427,656	\$1,358,822
Contingent beneficiaries	38,893	37,185
Disability	4,823	3,184
Contribution refunds		
Resignation	79,556	64,992
Death	2,692	4,426
Members' additional deposits	10,249	10,275
Administrative Expenses	<u>115,291</u>	<u>109,258</u>
Total Expenditures	\$1,679,160	\$1,588,142
Excess of revenues over expenditures	1,751,639	1,263,113
Net gains or (losses) of common stocks sold	<u>408,198*</u>	<u>(232,409)*</u>
Net increase or (decrease) in fund	<u>\$2,159,837</u>	<u>\$1,030,704</u>

*From an accounting point of view, we recognized \$408,198 in net gains, however, our stock portfolio's market value on June 30, 1977 was \$105,253 below our new cost basis. This market depreciation is not registered as investment losses until the equities are actually sold, therefore causing 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, 1977, the above gains figure would be \$302,945 and the "net increase or (decrease) in fund" would be \$2,054,584. Under the same situation for 1976, net gains would be \$1,365,358 and net increase in fund would be \$2,396,062.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION
PLAN SUMMARY
OCTOBER 31, 1977

- 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, 1977, there were 1,207 active members and 483 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. Members may repay previous Duluth service.

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 of 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 of service. Benefits are reduced by .5% per month if paid before age 60. The maximum reduction is 30% at age 55. (60 mos. 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 state-wide post retirement increase enacted and funded by the 1976 Legislature. Effective December 1, 1977, annuities are paid in advance.

Tax Shelter Funds - Annuities are payable upon retirement and are based on member's total tax shelter contributions, age of member and age of spouse if optional survivor benefit is elected, and mortality and interest assumptions in effect at time of retirement. Lump sum refunds are also available. A Fixed, Variable or combination plan is 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 6.5% 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 limited to permissible holdings under the state law. Benefits currently funded with Assets of \$26.7 million, book value.

Tax Shelter Funds - Limited to permissible holdings under the state law. Benefits are currently funded with Assets of \$2.7 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	<u>134.17</u>
\$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.

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

(30 yrs. service with \$14,000 av. salary, benefit equals 3 times \$134.17 or \$402.51 mo.)

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

Ages at Retirement		OPTION I	OPTION II	OPTION III			
Member	Beneficiary	100% Continued to Survivor	50% Continued to Survivor	Remainder of Term to Survivor			
		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

1977 EXAMPLE: Member age 65, 31 yrs service, beneficiary age 62, high 5 year average salary \$13,000

Duluth Teachers' Retirement Fund	Member	Survivor
Formula Benefit (\$386.21 x 100%)	\$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%)	378.64	Equal amount for remainder of term
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	618.00	
Male or female member	\$450.00	
Dependent spouse	\$168.00	

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		
1977	\$26,703,570	\$6,781,018	79.7	1,207	483	\$1,513,682	\$261
1976	24,718,012	6,391,346	79.5	1,175	473	1,451,889	255
1975	23,537,352	5,901,268	80.0	1,173	487	1,426,309	244
1974	23,667,142	2,990,776	88.8	1,201	456	1,287,043	235
1973	22,635,801	1,827,569	92.5	1,136	432	1,203,739	232
1972	21,368,470	5,897,285	78.4	1,270	426	1,111,079	217
1971	19,782,599	5,861,972	77.1	1,158	378	977,952	215
1969	18,893,566	(1,897,691)	110.0	1,159	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	-	-	-	-	-	-

The Sixty-seventh Annual Meeting of the Membership of the Duluth Teachers' Retirement Fund Association was held in the auditorium of Ordean Junior High School on Monday, October 25, 1976 at 4 o'clock in the afternoon. There were 89 members present with 50 members needed for a quorum to transact business. President Walter Garvue acted as Chairman of the meeting and Edward K. Blanck, Jr., Executive Secretary, acted as Secretary.

Trustees and special guests were introduced by the Chairman.

READING OF THE MINUTES

A motion was made, seconded and carried to suspend the reading of the minutes of the 66th Annual Meeting and the Special Membership meeting held January 12, 1976.

REPORT OF THE OFFICERS

Chairman Garvue stated the Executive Secretary's report and Treasurer's report had been printed and delivered to each member of record, therefore, they would not be read at that time. Mr. Garvue then reviewed the operations of the Association for the prior 12 months, highlighting the post retirement increase our pre 1970 retired members received in July and reviewing events in the 1976 Legislative Session.

Past presidents of the Association were introduced; present were Jerome Benson, Nordal Anderson and William Simmons.

Mr. Garvue read the names of members who became deceased during the year and a moment of silence was given in their memory.

A motion was then made, seconded and carried that the Report of the Officers, Acts and Proceedings of the Board of Trustees be approved for the period of October 27, 1975 to October 25, 1976.

An informative talk was then given by Gordon M. Fines, Vice President of Lionel D. Edie & Company, our Investment Advisors. Included in Mr. Fines remarks were projections of 5-6% inflation for 1977 and corporate earnings of 10-15% contrasted with 5-5½% inflation for 1976 and corporate earnings increases of 25% in 1976.

ELECTION OF THREE TRUSTEES

Three separate elections were called to fill the expiring terms of Walter Garvue, Wanda McClintic and Louise Brennan. In each instance, one nomination was received from the floor. An elected ballot was therefore cast in each election.

NEW BUSINESS

It was moved, seconded and carried that an ad hoc committee of members be appointed by the Board of Trustees to study the possibility of including extended year, summer school and evening school earnings in our pension computations. The committee will report to the Board of Trustees its findings and recommendations.

It was moved, seconded and carried that the Board of Trustees be commended for their service and effort spent on behalf of the Association over the past year.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Edward K. Blanck, Jr.
Executive Secretary