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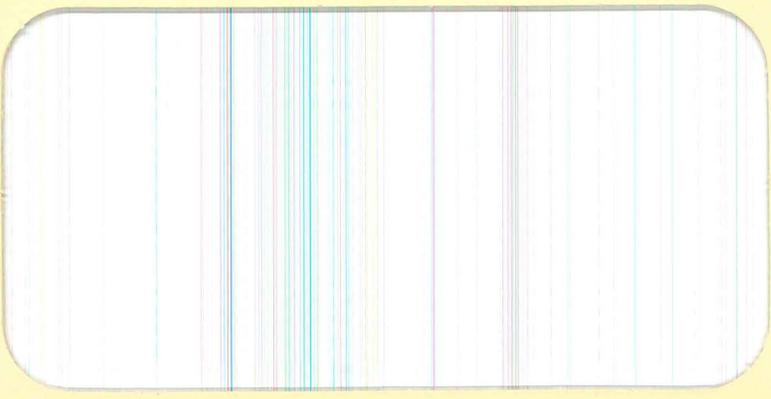
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**EIKILL & SCHILLING, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS  
DULUTH, MINNESOTA

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

BASIC FUND  
FIXED SHELTER FUND  
VARIABLE ANNUITY FUND  
MONEY MARKET FUND

-o0o-

ANNUAL FINANCIAL STATEMENTS  
AS OF JUNE 30, 1982 AND 1981  
TOGETHER WITH AUDITORS' REPORT



DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

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DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

-oOo-

BASIC FUND

FINANCIAL STATEMENTS  
AS OF JUNE 30, 1982 AND 1981  
TOGETHER WITH AUDITORS' REPORT

-oOo-

**EIKILL & SCHILLING, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. EIKILL CPA  
JOHN F. SCHILLING CPA  
DEAN R. AGER CPA  
THOMAS L. SYKES CPA  
MICHAEL S. ALTMAN CPA

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1971-1973

September 8, 1982,  
except for Note 6 as to which the  
date is October 18, 1982

To the President, Board of Trustees,  
and Members of the Duluth Teachers'  
Retirement Fund Association  
Duluth, Minnesota

We have examined the statements of assets, liabilities, and net assets available for plan benefits of the Duluth Teachers' Retirement Fund Association as of June 30, 1982 and 1981, and the related statements of changes in deposits and fund balances, and statements of revenue and expenditures for the fiscal years then ended, 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 notes two and three, the Fund's financial statements are prepared on the accounting basis prescribed by Minnesota Statutes for state teachers' retirement funds, which differs 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.

In our opinion, the financial statements referred to above present fairly the financial position of Duluth Teachers' Retirement Fund Association as of June 30, 1982 and 1981, and the results of its operations and the changes in deposits and fund balances for the fiscal years then ended, on a statutory basis of accounting prescribed by the State of Minnesota, applied in a consistent manner.

*Eikill & Schilling*

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS AVAILABLE  
FOR PLAN BENEFITS - STATUTORY BASIS  
JUNE 30,

<u>ASSETS</u>	<u>1982</u>	<u>1981</u>
Cash	\$ 147,556	\$ 233,879
Accounts receivable		
State of Minnesota	383,033	361,803
City of Duluth	166,343	141,535
Federally funded programs	42,631	46,425
Security dealers		437,704
Dividends and interest earned	554,887	452,313
Prepayments	1,120	1,049
Investments (notes 2 & 3)		
Short-term securities (at cost)	10,516,486	6,183,311
Marketable common stocks (at cost)		
(market value \$11,997,161 and		
\$15,839,773, respectively)	12,173,893	13,610,764
Bonds and notes, par value	\$12,912,347	\$11,266,812
Unrealized discounts	1,162,274	540,824
Net cost	<u>\$11,750,073</u>	<u>\$10,725,988</u>
Deferred yield adjustment		
account	<u>1,639,829</u>	<u>1,651,933</u>
Total bonds and notes (market		
value \$10,121,507 and		
\$9,006,732, respectively)	13,389,902	12,377,921
Mortgage loans secured by real estate		
FHA mortgage investments	\$ 1,294,806	\$ 1,261,245
First mortgages in Duluth	35,660	62,325
City mortgage package	<u>701,624</u>	<u>793,922</u>
	2,032,090	2,117,492
Land and building	\$ 49,873	\$ 49,873
Accumulated depreciation	<u>34,810</u>	<u>33,511</u>
	15,063	16,362
Office furniture and equipment	\$ 24,823	\$ 24,823
Accumulated depreciation	<u>21,414</u>	<u>20,457</u>
	3,409	4,366
Total assets	<u>\$39,426,413</u>	<u>\$35,984,924</u>

The accompanying notes are an integral part of these financial statements.

<u>LIABILITIES AND NET ASSETS AVAILABLE FOR PLAN BENEFITS</u>	<u>1982</u>	<u>1981</u>
Liabilities		
Due to Fixed Shelter Fund (note 2)	\$ 8,382	
Accounts payable		\$ 362,646
Accumulated contributions, members	998	998
Mortgagees' tax escrow deposits	117	373
Accrued real estate taxes	<u>840</u>	<u>791</u>
Total liabilities	\$ 10,337	\$ 364,808
Members' deposits (held until retirement or termination)	10,767,398	9,988,640
Net assets available for plan benefits (Actuaries' information on required support level, unfunded liability and other information included in note 6)	28,648,678	25,631,476
Total liabilities and net assets available for plan benefits	<u>\$39,426,413</u>	<u>\$35,984,924</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

STATEMENTS OF CHANGES IN DEPOSITS AND  
FUND BALANCES - STATUTORY BASIS  
FOR THE FISCAL YEARS ENDED JUNE 30,

	1982			1981 <u>Total</u>
	<u>Active Members' Deposits</u>	<u>Net Assets Available</u>	<u>Total</u>	
Beginning balances	\$ 9,988,640	\$25,631,476	\$35,620,116	\$32,087,882
Additions				
State of Minnesota		1,480,922	1,480,922	1,449,803
Members' contributions	1,224,310		1,224,310	1,012,846
Federally funded		42,631	42,631	46,425
Investment income - interest		2,115,646	2,115,646	1,897,188
- dividends		983,332	983,332	694,446
Rents		1,200	1,200	960
Gain on sale of stock		272,838	272,838	404,788
Miscellaneous		4,625	4,625	5,550
Transfers - interest earned	393,947		393,947	363,037
- retirements (members' reserves)		585,105	585,105	412,532
Totals	<u>\$11,606,897</u>	<u>\$31,117,775</u>	<u>\$42,724,672</u>	<u>\$38,375,457</u>
Deductions				
Benefit expenditures		\$ 1,834,451	\$ 1,834,451	\$ 1,639,671
Contribution refunds				
Resignation	\$ 254,394		254,394	155,068
Death		74,717	74,717	33,173
Administrative expense		165,982	165,982	151,860
Transfers				
Interest on members' deposits		393,947	393,947	363,037
Retired members' reserve	585,105		585,105	412,532
Totals	<u>\$ 839,499</u>	<u>\$ 2,469,097</u>	<u>\$ 3,308,596</u>	<u>\$ 2,755,341</u>
Ending balances	<u>\$10,767,398</u>	<u>\$28,648,678</u>	<u>\$39,416,076</u>	<u>\$35,620,116</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

STATEMENTS OF REVENUES AND EXPENDITURES - STATUTORY BASIS  
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1982</u>	<u>1981</u>
Revenues		
State of Minnesota	\$1,480,922	\$1,449,803
Federally funded	42,631	46,425
Members' contributions	1,222,718	995,534
Return of prior years' refunds	1,664	17,063
Interest on investments, plus discounts earned, less amortized premiums and deferred yield adjustment	2,115,646	1,897,188
Dividends	983,332	694,446
Net gains on sales of common stocks	272,838	404,788
Rents	<u>1,200</u>	<u>960</u>
Total revenues	<u>\$6,120,951</u>	<u>\$5,506,207</u>
Expenditures		
Benefits		
Annuities paid members	\$1,770,034	\$1,584,682
Contingent beneficiaries	56,209	49,289
Disability	8,208	5,700
Contribution refunds		
Resignation	254,394	155,068
Death	74,717	33,173
Administrative expenses (schedule 1)	<u>161,357</u>	<u>146,310</u>
Total expenditures	<u>\$2,324,919</u>	<u>\$1,974,222</u>
Excess of revenues over expenditures	<u>\$3,796,032</u>	<u>\$3,531,985</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

ADMINISTRATIVE EXPENSES  
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1982</u>	<u>1981</u>
Personnel		
Salaries	\$ 59,938	\$ 59,453
Payroll taxes	3,893	3,648
Group insurance	2,086	2,029
General expenses		
Bank charges	3,711	3,758
Depreciation	2,256	2,473
Dues and periodicals	1,067	773
Insurance	1,557	1,302
Meetings and conventions	8,549	7,811
Miscellaneous		29
Postage and office supplies	7,710	5,462
Real estate taxes	1,677	1,582
Repairs and service contracts	354	375
Supplies, building	1,127	887
Utilities	5,636	5,303
Professional fees		
Actuarial	14,626	8,748
Auditing	9,360	8,800
Investment advisors	41,082	39,063
Legal	1,353	364
Subtotals	\$165,982	\$151,860
Less fees received from tax sheltered annuities (note 2)	<u>4,625</u>	<u>5,550</u>
Totals	<u>\$161,357</u>	<u>\$146,310</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982 AND 1981

NOTE 1 DESCRIPTION OF PLAN

The following brief description of the Association's plan is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

- A. General - The plan is a defined benefit pension plan covering substantially all educators employed by the Board of Education of the City of Duluth.
- B. Pension Benefits - Effective June 30, 1981, all new members of the Association were placed into a new coordinated plan. In addition, all members hired prior to June 30, 1982, and covered by the old plan, have the right to elect into the new coordinated plan. Members under the old plan with ten or more years of service are entitled to annual pension benefits beginning at normal retirement age (60) equal to 1.25 per cent of a member's high five-year average salary multiplied by the number of years of credited service.

Members under the new coordinated plan with ten or more years of service are entitled to annual pension benefits beginning at normal retirement age (65) equal to 1.0 per cent of the first ten years and 1.5 per cent of the eleventh and higher years credited service multiplied by the high five successive average salary. Early retirement options are available under both plans. Members may elect to receive their pension benefits in the form of a joint or survivor annuity. If members terminate employment with the Board of Education prior to ten years of service, a refund is made to them. If terminating employees have over ten years of service, they have the option of receiving benefits at retirement age.

- C. Death and Disability Benefits - If active members die prior to the receipt of their first retirement allowance payment, two times the amount of their accumulated regular contributions shall be payable to their designated beneficiaries.

Active members who have not reached normal retirement age and have at least five years of credited service shall receive a disability benefit upon becoming permanently disabled.

NOTE 2 SUMMARY OF ACCOUNTING POLICIES AND COMMENTS

Basis of Accounting - The accompanying financial statements were prepared on the basis of accounting prescribed by Minnesota Statutes, which vary from generally accepted accounting principles. The variance relates to timing differences in recognizing losses on the disposition of bonds. The statutes provide for deferral of losses, net of gains, on the sale or disposition of bonds (see note 3). Generally accepted accounting principles would recognize losses on bond transactions in the year of disposition.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982 AND 1981  
(Continued)

NOTE 2 SUMMARY OF ACCOUNTING POLICIES AND COMMENTS (continued)

Investments - Short-term securities and marketable common stocks are stated at cost. Bond and note investments are stated at par value with premiums or discounts stated separately. The premiums or discounts are brought into income over the life of the bonds. No investments have been reduced because of market value declines, since it is the opinion of management the declines are temporary in nature.

Maximum Investments Allowable - Under the Articles of Incorporation and Amendments thereto, the fund is limited to percentages of total assets in the several classes of investments owned, which were as follows at June 30, 1982:

	<u>Actual Amounts</u>	<u>Percentage of Total Assets</u>	<u>Maximum Permitted</u>
1. Obligation of U.S. government	\$ 7,148,982	18.13%	None
2. Bonds guaranteed and bonds of agencies of U.S. government	\$ 3,281,184	8.32%	None
3. a. Legal investments for savings, banks (corporate bonds)			
Any one bond	\$ 600,000	1.52%	6% of total assets
All bonds	\$ 6,505,663	16.50%	65% of total assets
b. Preferred or common stock			
Any one stock	\$ 1,148,401	2.91%	6% of total assets
All stocks	\$12,173,893	30.87%	65% of total assets
4. First mortgages on properties in the City of Duluth	\$ 737,284	1.87%	None

Related Funds - The Duluth educators also have three other voluntary supplemental retirement plans available. They are the Duluth Teachers' Fixed Shelter Fund, Variable Fund and Money Market Fund. All of these funds are reported separately. The Association provides office space and all administrative services to these related funds. The Association is reimbursed for these services based on two per cent of member contributions, net of rollovers from other funds.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982 AND 1981  
(Continued)

NOTE 2 SUMMARY OF ACCOUNTING POLICIES AND COMMENTS (continued)

Members of the Board of Trustees at June 30, 1982, were:

<u>Elected by the Membership</u>	<u>Term Began</u>	<u>Current Term Expires</u>
Walter J. Garvue, President	11/15/1958	11/15/1982
Robert Childs, Vice President	11/15/1981	11/15/1984
Curtis Miller	11/15/1974	11/15/1983
George A. Beck	11/15/1971	11/15/1983
Agnes Hansen	11/15/1979	11/15/1982
Roy A. Meyer	11/15/1981	11/15/1984
Margaret Stromme	11/15/1977	11/15/1982

<u>School Board Members</u>	<u>Term Began</u>
Richard Braun	January 1980
Mary Ryland, Treasurer	October 1973
David Kruell	January 1982

Ex-officio - Superintendent of Schools

Richard Pearson

Executive Secretary

Edward K. Blanck, Jr.

NOTE 3 BOND INVESTMENTS

The Minnesota Statutes provide in part for the transfer of cost basis when bonds are exchanged for similar investments. Exchanges are desirable to improve marketability, rate of return, maturity date, or to provide cash for the fund. The statutes provide for the net difference between the carrying cost of the bonds exchanged and the market value at the time of the transaction to be deferred. The period over which deferred differences are amortized is proportional to the reciprocal of the average remaining life of all the bonds exchanged during the year. Under the statutes this amount remains as an asset after the related bonds have been sold. A summary of the account at June 30 is as follows:

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982 AND 1981  
(Continued)

NOTE 3 BOND INVESTMENTS (continued)

	<u>1982</u>	<u>1981</u>
Deferred yield adjustment		
Beginning balance	\$1,651,933	\$1,611,139
Current transactions	229,127	236,200
Less amount amortized	<u>(241,231)</u>	<u>(195,406)</u>
Ending balance	<u>\$1,639,829</u>	<u>\$1,651,933</u>

A summary of the bond discount is as follows:

	<u>1982</u>	<u>1981</u>
Beginning balance	\$ 540,824	\$ 250,478
Discounts on bonds and notes	<u>752,030</u>	<u>408,792</u>
Totals	\$1,292,854	\$ 659,270
Less:		
Discounts on bonds sold		(63,070)
Amortization to income	<u>(130,580)</u>	<u>(55,376)</u>
Ending balance	<u>\$1,162,274</u>	<u>\$ 540,824</u>

NOTE 4 MARKET VALUES

A summary of the market value effect on the portfolio of investments is shown below:

	June 30,		Increase	Net Market
	<u>1982</u>	<u>1981</u>	(Decrease)	Increase
			(Decrease)	(Decrease)
Corporate bonds and U.S. treasury notes				
Par value	\$12,912,347	\$11,266,812		
Cost	\$11,750,073	\$10,725,988	\$ 1,024,085	
Market	\$10,121,507	\$ 9,006,732	\$ 1,114,775	
Net market value increase				<u>\$ 90,690</u>
Common stocks				
Cost	\$12,173,893	\$13,610,764	\$(1,436,871)	
Market	\$11,997,161	\$15,839,773	\$(3,842,612)	
Net market value decrease				<u>\$(2,405,741)</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982 AND 1981  
(Continued)

NOTE 5 FUNDING POLICY

Educators employed by the Board of Education of the City of Duluth are required to make contributions equal to 4.5 per cent of their salaries to the Association. Teachers' accumulated contributions at June 30, 1982 and 1981, were \$10,767,398 and \$9,988,640, respectively, including interest credited at a rate of 4%. Employer contributions at 5.79% of salaries are received from the State of Minnesota pursuant to the provisions of Chapter 354A.12, Laws of Minnesota.

NOTE 6 ACTUARIAL INFORMATION

The fund actuaries are Hewitt Associates of Lincolnshire, Illinois. Their reports of June 30, 1982 and 1981, disclose the following information for the fund:

	<u>1982</u>	<u>1981</u>
Required level of support to maintain the present level of funding	12.13%	9.85%
State and employee support level	10.29%	9.79%
Unfunded liability increased by actuarial losses (resulting principally from average compensation increase of 11.75% and 7.23%, respectively, when the assumed rate is 3.50%)	\$ 2,247,000	\$ 896,162
Effect of amendments to plan	6,501,269	-0-
Contribution shortage (excess)	<u>14,264</u>	<u>(6,916)</u>
Net increase in unfunded liability	<u>\$ 8,762,533</u>	<u>\$ 889,246</u>
Estimate of future active member benefits	\$64,986,668	\$53,246,852
Estimate of current value of present retiree benefits (using a 5% interest assumption)	<u>16,974,708</u>	<u>14,349,488</u>
Total estimated liabilities	\$81,961,376	\$67,596,340
Assets and future contributions	<u>62,397,271</u>	<u>56,794,768</u>
Net unfunded liability	<u>\$19,564,105</u>	<u>\$10,801,572</u>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982 AND 1981  
(Continued)

NOTE 6 ACTUARIAL INFORMATION (continued)

<u>Actuarial Method</u>	Entry Age Normal actuarial cost method with normal cost determined as a level percentage of current and future compensation
<u>Investment Return</u>	Five per cent compounded annually
<u>Salary Increase</u>	Three and one-half per cent per year until retirement
<u>Retirement Age</u>	Old Coordinated Program - Age 63 (at present age if greater than age 63)  New Coordinated Program - Age 63 with 30 years of service, otherwise age 65.
<u>Mortality</u>	Nondisabled Lives: UP-1984 Mortality Table set back two years  Disabled Lives: The 1956 Disability Mortality Table
<u>Withdrawal and Disability Rates</u>	Per actuarial tables
<u>Expenses</u>	Actual expenses for previous year (excluding investment management fees) as a per cent of valuation payroll

Other actuarial information regarding the provisions of the fund, actuarial assumptions, personnel data and actuarial balance sheet are included in their report and are not reproduced here.

SUPPLEMENTARY INFORMATION

Our examinations of the Basic Fund were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information, from page 13 to page 15 is presented for additional analysis and is not a required part of the basic financial statements. The purpose of this additional information is to disclose portions of the financial statements as required by Financial Accounting Standards Board Pronouncement #35 for reporting by defined benefit pension plans, to be effective for plan years beginning after June 15, 1982. Such information has not been subjected to the auditing procedures applied in the examination of the basic financial statements and, accordingly, we express no opinion on it.

*Gibb & Schilling*

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
MARKET VALUE  
JUNE 30,

<u>ASSETS</u>	<u>1982</u>	<u>1981</u>
Investments, at fair market value		
Short-term securities	\$10,516,486	\$ 6,183,311
Marketable common stock	11,997,161	15,839,773
Corporate bonds and notes	9,847,007	9,006,372
Corporate convertible bonds	274,500	
Mortgage investments in Duluth	35,660	62,325
FHA mortgage investments	1,294,806	1,261,245
City mortgage package	701,624	793,922
Total investments	<u>\$34,667,244</u>	<u>\$33,146,948</u>
Receivables		
Due from sale of securities		\$437,704
Employees contributions	\$208,974	187,927
Employer contributions	383,034	361,836
Accrued interest and dividends	<u>554,887</u>	<u>452,313</u>
Total receivables	1,146,895	1,439,780
Assets employed in operations (at cost less depreciation)		
Land and buildings	15,063	16,362
Office furniture and equipment	3,409	4,366
Prepaid insurance premiums	1,120	1,049
Cash	<u>147,556</u>	<u>233,879</u>
Total assets	\$35,981,287	\$34,842,384
 <u>LIABILITIES</u>		
Due to tax sheltered fixed fund	\$ 8,382	
Due for purchase of securities		\$362,646
Accumulated contributions, members	998	998
Mortgagees' tax escrow deposits	117	373
Accrued real estate taxes	<u>838</u>	<u>791</u>
Total liabilities	<u>10,335</u>	<u>364,808</u>
Net assets available for benefits	<u>\$35,970,952</u>	<u>\$34,477,576</u>

See supplementary information disclaimer.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1982</u>	<u>1981</u>
Investment income		
Net appreciation (depreciation) in market value of investments	\$(2,315,051)	\$ 302,515
Interest	2,357,166	2,092,591
Dividends	983,332	694,446
Rents	1,200	960
Gain from sale of stock	810,123	522,995
Totals	<u>\$1,836,770</u>	<u>\$3,613,507</u>
Less investment expenses	<u>41,082</u>	<u>39,063</u>
Net investment income	\$ 1,795,688	\$ 3,574,444
Contributions received		
State of Minnesota	\$1,480,922	\$1,449,803
Members	<u>1,265,349</u>	<u>1,041,959</u>
Total contributions	2,746,271	2,491,762
Fees	4,624	5,550
Refunds	<u>1,664</u>	<u>17,063</u>
Total additions	\$ 4,548,247	\$ 6,088,819
Benefits paid directly to participants	\$1,834,451	\$1,639,671
Contribution refunds	329,111	188,241
Administrative expenses	124,899	112,797
Loss on sale of bonds	229,126	299,270
Loss on sale of stocks	<u>537,284</u>	<u>118,207</u>
Total deductions	<u>3,054,871</u>	<u>2,358,186</u>
Net increase	\$ 1,493,376	\$ 3,730,633
Net assets available for benefits		
Beginning of year	<u>34,477,576</u>	<u>30,746,943</u>
End of year	<u>\$35,970,952</u>	<u>\$34,477,576</u>

See supplementary information disclaimer.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

STATEMENTS OF ACCUMULATED PLAN BENEFITS  
JUNE 30,

	<u>1982</u>	<u>1981</u>
Actuarial present value of accumulated plan benefits		
Vested benefits		
Participants currently receiving payments	\$14,674,644	\$12,377,539
Other participants	<u>15,195,572</u>	<u>13,441,934</u>
Subtotal	\$29,870,216	\$25,819,473
Nonvested benefits	<u>1,817,572</u>	<u>976,088</u>
Total actuarial present value of accumulated plan benefits	<u>\$31,687,788</u>	<u>\$26,795,561</u>

See supplementary information disclaimer.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

-oOo-

FIXED SHELTER FUND

FINANCIAL STATEMENTS  
AS OF JUNE 30, 1982  
TOGETHER WITH AUDITORS' REPORT

-oOo-

**EIKILL & SCHILLING, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. EIKILL CPA  
JOHN F. SCHILLING CPA  
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1969-1971  
SEASTEAD, EIKILL & SCHILLING  
1971-1973

September 8, 1982

Board of Trustees and Members  
Duluth Teachers' Retirement Fund Association  
Fixed Shelter Fund  
Duluth, Minnesota

We have examined the statement of net assets of the Duluth Teachers' Retirement Fund Association Fixed Shelter Fund as of June 30, 1982, and the related statement of changes in units and statement of operations and changes in net assets for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the net assets of the Duluth Teachers' Retirement Fund Association Fixed Shelter Fund as of June 30, 1982, and the results of its operations and changes in net assets for the year then ended in conformity with generally accepted accounting principles, applied on a consistent basis with that of the preceding year, except for the change, with which we concur, in the method of valuing investments as described in note 3 to the financial statements.

*Eikill & Schilling*

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

FIXED SHELTER FUND

STATEMENT OF NET ASSETS  
JUNE 30, 1982

ASSETS

Cash (less accounts payable of \$58,144)	\$ 147,063
Interest and dividends receivable	42,879
Receivable from related funds	33,686
Investments (notes 1, 2 & 3)	
Short term securities, at market	317,364
Corporate stocks, at market (schedule 1)	476,483
Bonds, at market (schedule 1)	<u>880,580</u>
Total assets	\$1,898,055
Liabilities	
Estimated additional premium due Canada Life (note 4)	<u>100,000</u>
Net assets	<u>\$1,798,055</u>
Units outstanding	1,635,892.9290
Asset value per unit	\$ 1.0991

STATEMENT OF CHANGES IN UNITS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

Units at July 1, 1981	1,834,872.4300
Units issued during year	206,175.3318
Refunds	<u>(405,154.8328)</u>
Units at June 30, 1982	<u>1,635,892.9290</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

FIXED SHELTER FUND

SCHEDULES OF CORPORATE STOCKS AND BONDS  
JUNE 30, 1982

<u>Corporate Stocks</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
Capital Holding	2,000	\$ 36,708	\$ 49,250
Central Louisiana Electric	430	6,991	6,020
Central Louisiana Energy	1,000	16,259	17,000
Commonwealth Edison	2,000	36,745	42,750
Continental Illinois Corp.	1,000	37,130	23,125
Deere & Co.	1,000	40,675	25,000
Exxon	1,400	31,985	38,850
General Electric	600	28,127	38,175
IBM	600	35,149	36,375
Interco, preferred	500	53,731	42,750
International Minerals & Chemical	1,000	30,893	26,500
Sears	2,500	65,829	48,438
Southwestern Public Service	4,000	47,260	54,500
Texas Gas Transmission	1,200	<u>23,818</u>	<u>27,750</u>
Totals		<u>\$491,300</u>	<u>\$476,483</u>

<u>Bonds</u>	<u>Interest</u>	<u>Due Date</u>	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>
Chrysler Corp.	11.4%	7/15/90	\$ 100,000	\$ 100,000	\$ 85,000
Federal Home Loan Mortgage Assoc.	8.85%	3/15/08	146,000	128,593	105,485
Federal Home Loan Mortgage Assoc.	10.25%	3/15/09	149,000	134,438	120,131
General Electric Credit	8.6 %	4/01/85	100,000	99,922	84,250
General Motors Acceptance Corporation	8-7/8%	6/99	100,000	98,247	59,500
Government National Mortgage	13.75%	6/15/96	96,143	94,734	86,769
Trailer Train	11-7/8%	96	91,132	91,132	91,132
Union Carbide	8-1/2%	1/15/05	100,000	100,000	57,375
U.S. Treasury notes	8-3/8%	9/30/82	100,000	100,000	98,688
U.S. Treasury notes	12-3/8%	1/15/88	<u>100,000</u>	<u>98,684</u>	<u>92,250</u>
Totals			<u>\$1,082,275</u>	<u>\$1,045,750</u>	<u>\$880,580</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

FIXED SHELTER FUND

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

Revenues		
Members' deposits		\$ 209,386
Interest earned		222,445
Dividends earned		62,850
Net gain on sales		2,672
Total		<u>\$ 497,353</u>
Expenditures		
Benefits paid - monthly annuities	(1)	\$ 96,860
Members' refunds		417,018
Administrative		3,373
Total		<u>\$ 517,251</u>
Excess of expenditures over revenues		\$ (19,898)
Purchase single premium annuities - Canada Life (note 4)		(1,348,766)
Market value adjustment (note 3) - prior to 7/1/81		(351,919)
- during current year		15,966
Net assets		
Beginning of period		<u>3,502,672</u>
Net assets, ending		<u>\$1,798,055</u>

(1) Six months only, see note 4

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

FIXED SHELTER FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982

NOTE 1 DESCRIPTION OF PLAN

The fund is part of the Duluth Teachers' Retirement Fund Association and is subject to all of the articles and bylaws of that organization. It is maintained as a separate tax sheltered annuity plan for educators of the Duluth school system. In theory the plan is similar to a mutual fund and will be primarily invested in bonds. Assets are carried at market value, and adjusted each quarter when new share values are determined.

Benefits Provided - The fund provides a plan whereby members may reduce their current compensation by electing to have amounts withheld from their salaries within limits prescribed by the Internal Revenue Code. After retirement, when amounts are paid, they are fully taxable to the member. Benefits are determined based on the dollar value of the member units at time of withdrawal. The fund is considered a defined contribution plan for accounting purposes.

Administrative expenses are paid to the Duluth Teachers' Retirement Fund Association Basic Fund quarterly, based on two per cent of the members' contributions, net of rollovers from other funds. Duluth Teachers' Retirement Basic Fund provides office space and all administration services to the fund.

Related Funds - The Fixed Shelter Fund is one of three voluntary retirement plans supplemental to the basic plan for educators in the Duluth school system.

NOTE 2 INVESTMENTS, INTEREST, AND DIVIDENDS RECEIVABLE

Investments are reflected at market values at fiscal year end based on closing bid prices, as determined on the various national exchanges where they are listed. If the security is traded over the counter, the market value represents the latest bid quotation. Interest earned and dividends declared but not paid prior to fiscal year end are accrued.

NOTE 3 MARKET VALUATION

To correspond to a change in its bylaws, approved during the current fiscal year, the fund adopted market valuation of investments rather than the cost valuation previously used. The effect of this change resulted in the recognition of costs in excess of market values as of July 1, 1981 of \$351,919.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

FIXED SHELTER FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982  
(Continued)

NOTE 4 CANADA LIFE ANNUITIES PURCHASED

During the current fiscal year the fund purchased annuities for members retired as of December 1982 from Canada Life Assurance Company. These retirees are now receiving their retirement annuities directly from Canada Life rather than the Association. The transaction was favorable to the retirees and Association since Canada Life was able to assume greater return factors. As of year end the fund has estimated additional premiums due to Canada Life of \$100,000 to complete the transaction.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

-oOo-

VARIABLE FUND

FINANCIAL STATEMENTS  
AS OF JUNE 30, 1982 AND 1981  
TOGETHER WITH AUDITORS' REPORT

-oOo-

**EIKILL & SCHILLING, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. EIKILL CPA  
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September 8, 1982

JAMES S. MATTESON & CO.  
1898-1960  
AVERY & SEASTEAD  
1960-1969  
AVERY, SEASTEAD & EIKILL  
1969-1971  
SEASTEAD, EIKILL & SCHILLING  
1971-1973

Board of Trustees and Members  
Duluth Teachers' Retirement Fund Association  
Variable Fund  
Duluth, Minnesota

We have examined the statements of net assets of the Duluth Teachers' Retirement Fund Association Variable Fund as of June 30, 1982 and 1981, and the related statements of changes in units and statements of operations and changes in net assets for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the net assets of the Duluth Teachers' Retirement Fund Association Variable Fund as of June 30, 1982 and 1981, and the results of its operations and changes in net assets for the years then ended in conformity with generally accepted accounting principles, applied on a consistent basis.

*Eikill & Schilling*

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF NET ASSETS  
JUNE 30,

<u>ASSETS</u>		<u>1982</u>	<u>1981</u>
Cash and receivables (less liabilities of \$25,304 and \$11,815, respectively)		\$ 17,284	\$ 22,828
Investments - short-term securities (at market value)		157,889	186,779
Investments - corporate stock	<u>Cost</u>	<u>Market Value</u>	
Allied Corp.	\$ 17,853	\$ 12,100	
Bristol Myers	10,244	16,687	
Capital Holding	18,654	24,625	
Central Louisiana Electric	7,170	10,010	
Central Louisiana Energy	13,320	8,500	
Citicorp	17,696	12,563	
Commonwealth Edison	18,375	21,375	
Continental Illinois Corp.	18,232	11,562	
Deere & Co.	12,202	7,500	
Exxon	23,178	19,425	
General Electric	19,959	25,450	
Harris Corp.	10,458	7,388	
IBM	30,488	30,312	
International Minerals	20,109	15,900	
Interco	10,746	8,550	
Merck & Co.	16,607	13,500	
NL Industries	7,480	8,200	
Phillips Petroleum	13,625	11,900	
Proctor & Gamble	16,777	16,600	
Public Service Colorado	10,120	12,400	
Sears	23,611	15,500	
Southwestern Public Service	25,970	29,975	
Stanley Works	10,266	8,475	
Syntex Corp.	14,259	14,850	
Worthington Industries	10,936	9,450	
Weyerhaeuser	10,342	7,500	
	<u>\$408,677</u>	<u>380,297</u>	<u>479,324</u>
Net assets		<u>\$555,470</u>	<u>\$688,931</u>
Units outstanding		707,125.7363	803,986.3152
Asset values per unit		\$ .7855	\$ .8569

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF CHANGES IN UNITS  
FOR THE FISCAL YEARS ENDED JUNE 30,

<u>1981</u>	<u>Active</u>	<u>Inactive</u>	<u>Totals</u>
Units at July 1, 1980	561,527.5905	216,215.0415	777,742.6320
Correction for mortality adjustment		5,833.7883	5,833.7883
Units issued during the year	96,274.8780	11,518.2366	107,793.1146
Refunds	(62,812.3809)		(62,812.3809)
Annuities paid		<u>(24,570.8388)</u>	<u>(24,570.8388)</u>
Balance, June 30, 1981	594,990.0876	208,996.2276	803,986.3152
<u>1982</u>			
Correction for mortality adjustment		5,366.8113	5,366.8113
Units issued during the year	107,195.7856	10,102.6708	117,298.4564
Refunds	(158,926.5061)		(158,926.5061)
Annuities paid		<u>(60,599.3405)</u>	<u>(60,599.3405)</u>
Balance, June 30, 1982	<u>543,259.3671</u>	<u>163,866.3692</u>	<u>707,125.7363</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>1982</u>	<u>1981</u>
Net assets, beginning of period	\$688,931	\$599,119
Revenue		
Members' deposits	\$ 62,793	\$ 54,413
Interest	26,005	21,766
Dividends	29,523	24,943
Totals	<u>\$118,321</u>	<u>\$101,122</u>
Expenses		
Annuities - monthly	\$ 18,406	\$ 20,446
Members' withdrawals	131,016	53,250
Administrative	1,251	1,088
Totals	<u>\$150,673</u>	<u>\$ 74,784</u>
Excess of revenue over expenses or (expenses over revenue)	\$(32,352)	\$ 26,338
Purchase single premium annuities Canada Life (note 2)	(25,304)	
Net market value adjustment		
Sales during year	\$172,521	
Cost (on identified basis)	<u>169,092</u>	
Net gain	3,429	32,760
Unrealized gain or (loss)		
Market value loss - end of year	\$(28,379)	
Market value gain - beginning of year	<u>50,855</u>	
Increase or (decrease)	<u>(79,234)</u>	<u>30,714</u>
Net assets, end of period	<u>\$555,470</u>	<u>\$688,931</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

VARIABLE FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982 AND 1981

NOTE 1 DESCRIPTION OF PLAN

The fund is part of the Duluth Teachers' Retirement Fund Association and is subject to all of the articles and bylaws of that organization. It is maintained as a separate tax sheltered variable annuity plan for educators of the Duluth school system. In theory the variable plan is similar to a mutual fund. Assets are carried at market value, adjusted each quarter when new share values are determined. Additional shares are issued each quarter based on an assumed earnings rate of 5-1/2%.

Benefits Provided - Members may, at their election, have amounts withheld from their current compensation to be deferred until retirement. Amounts are limited by the Internal Revenue Code and are fully taxable when paid to the members. Monthly retirement benefits are variable, based on the market value of assets of the fund. The fund is considered a defined contribution plan for accounting purposes.

Administrative expenses are paid to the Duluth Teachers' Retirement Fund Association Basic Fund quarterly, based on two per cent of the members' contributions, net of rollovers from other funds. Duluth Teachers' Retirement Basic Fund provides office space and all administrative services to the fund.

Related Funds - The Variable Fund is one of three voluntary retirement plans supplemental to the basic plan for educators in the Duluth school system.

NOTE 2 CANADA LIFE ANNUITIES PURCHASED

During the current fiscal year the fund purchased annuities for electing retired members from Canada Life Assurance Company. These retirees are now receiving their retirement annuities directly from Canada Life rather than the Association.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

DULUTH, MINNESOTA

-oOo-

MONEY MARKET FUND

FINANCIAL STATEMENTS  
AS OF JUNE 30, 1982  
TOGETHER WITH AUDITORS' REPORT

-oOo-

# EIKILL & SCHILLING, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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1960-1969  
AVERY, SEASTEAD & EIKILL  
1969-1971  
SEASTEAD, EIKILL & SCHILLING  
1971-1973

September 8, 1982

Board of Trustees and Members  
Duluth Teachers' Retirement Fund Association  
Money Market Fund  
Duluth, Minnesota

We have examined the statement of net assets of the Duluth Teachers' Retirement Fund Association Money Market Fund as of June 30, 1982, and the related statement of changes in units and statement of operations for the six months then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the net assets of the Duluth Teachers' Retirement Fund Association Money Market Fund as of June 30, 1982, and the results of its operations for the six months then ended in conformity with generally accepted accounting principles.

*Eikill & Schilling*

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

MONEY MARKET FUND

STATEMENT OF NET ASSETS  
JUNE 30, 1982

ASSETS

Cash - checking	\$ 95
- Merrill Lynch Ready Asset Trust	<u>258,964</u>
Total assets	\$259,059
Liabilities	<u>-0-</u>
Net assets	<u>\$259,059</u>
Units outstanding	259,059
Asset value per unit	\$1

STATEMENT OF CHANGES IN UNITS  
FOR THE SIX MONTHS ENDED JUNE 30, 1982

Units at establishment on January 1, 1982	-0-
Units issued during period	<u>259,059</u>
Balance, June 30, 1982	<u>259,059</u>

STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 1982

Revenue	
Members' contributions	\$253,500
Interest earned	5,564
Total income	<u>\$259,064</u>
Expense	
Bank charges	<u>5</u>
Excess of revenue over expenses	<u>\$259,059</u>

The accompanying notes are an integral part of these financial statements.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

MONEY MARKET FUND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1982

NOTE 1 DESCRIPTION OF PLAN

The fund is part of the Duluth Teachers' Retirement Fund Association and is subject to all of the articles and bylaws of that organization. It is maintained as a separate tax sheltered annuity plan for educators of the Duluth school system. In theory the plan is similar to a mutual fund. Assets are carried at market value, adjusted each quarter when new share values are determined. Additional shares are issued each month based on the net income of the fund.

Benefits Provided - Members may, at their election, have amounts withheld from their current compensation to be deferred until retirement. Amounts are limited by the Internal Revenue Code and are fully taxable when paid to the members. Benefits are determined based on the dollar value of the members units at time of withdrawal.

Related Funds - The Money Market Fund is one of three voluntary retirement plans supplemental to the basic plan for educators in the Duluth school system.

