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**73<sup>RD</sup>**  
**ANNUAL REPORT**  
of the  
**BOARD OF TRUSTEES**

**Duluth Teachers Retirement Fund Association**

**June 30, 1982**

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Pursuant to Mn Stat 356.20

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# DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

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

E. K. BLANCK, JR.  
Executive Secretary

## NOTICE OF THE REGULAR ANNUAL MEMBERSHIP MEETING

### DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

MONDAY - OCTOBER 25, 1982 - 4:15 p.m.  
ORDEAN JUNIOR HIGH SCHOOL AUDITORIUM

SOCIAL HOUR - 3:15 - 4:15 p.m.  
REFRESHMENTS WILL BE SERVED

Dear Member:

The 73rd Annual Meeting of the Membership will be held at Ordean Junior High School Auditorium at 4:15 p.m. on October 25, 1982 for the following purposes:

- 1) To approve the Acts and Proceedings of the Board of Trustees for the period of October 26, 1981 through October 25, 1982.
- 2) To elect (2) Trustees for the expiring terms of active members Walter J. Garvue and Maxine Stromme. To elect (1) Trustee for the expiring term of retired Trustee Agnes Hansen. Nominations are from the floor.
- 3) We will discuss proposed Tax Shelter plan changes for 1982, improvements made in 1981 and changes in the state laws governing our Association. The Legislature and our Board of Trustees incorporate the wishes of our membership whenever 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  
Maxine Stromme

#### Retired Members

George A. Beck  
Agnes Hansen

#### School Board Members

Mary Ryland, Treasurer  
Richard Braun  
David Kruell

#### Ex Officio

Richard B. Pearson  
Executive Secretary

Edward K. Blanck, Jr.

The Board of Trustees hopes you will take an hour or two on Monday, October 25 to meet with us at Ordean to express your goals for our retirement plan and our Tax Shelter Programs.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
ANNUAL REPORT OF THE EXECUTIVE SECRETARY  
Year ending June 30, 1982

Dear Member:

Total membership in our Association decreased from 1221 to 1173 as of June 30, 1982. There were 62 new members, 76 resignations, 29 retirements and 2 disabilities. The average age of our group increased to 42.8 from 42.6 Average service increased to 11.9 years from 11.4 years and average compensation increased to \$21,781 from \$19,725. Total retirees increased to 503 from 482. Our average retirement benefit paid was \$325.00.

As a result of 1981 Legislation effective July 1, 1981, all teachers hired or rehired in Duluth are covered under the "New" Cities of the 1st Class Coordinated Plan. All teachers hired prior to that date are covered under our improved "old" plan with the right to elect the coordinated plan any time before retirement. This year, of our 29 retirees, three elected into the coordinated plan at retirement resulting in slightly higher monthly benefits.

We have included worksheets in this report to help members estimate benefits under each plan. If you are under age 62 and wish to retire early, it is suggested an estimate be obtained from Social Security projected to age 62 before attempting a pension estimate. Our Social Security leveling adjustment has become widely used in recent years to increase payments between age 55 and 62. A worksheet incorporating Social Security and our benefit is included.

If you have taken refunds from our Association or any other Minnesota Public Plan, you may repay the refund plus 6% interest and reinstate service credit in our or another fund. At retirement, benefits are payable on a member's highest high five average salary, and paid from each of the plans in which they have service credit. The Combined Service Annuity Law removes the penalty members once incurred when changing employers and pension jurisdictions.

Any members now on layoff should seriously consider leaving their deposits in Duluth if they accept employment covered under another Minnesota plan. If employment out of State is obtained, taking a refund might be in order if a member is quite young with short service.

A major component in retirement planning is the accumulation of personal savings. An excellent method for teachers to accumulate savings is in an IRS Code section 403 (b) tax shelter plan. A majority of recent retirees have participated in tax shelters before retirement. Our Association has administered a qualified tax shelter program since 1964. It has evolved from a single balanced fund issuing life annuities into three distinct funds each offering specific types of investments.

The Board of Trustees is pleased to recommend an additional step in the evolutionary process. At our October 25th Annual Meeting, our membership will be offered the opportunity to amend our bylaws to create a Qualified Deductible Employee Contribution Plan (QDEC). The plan will be similar in all respects to an Individual Retirement Account, (IRA). QDEC is simply a designation for government sponsored IRA's.

We have found this type of account allows greater flexibility in withdrawals after retirement than present 403(b) plans. We will use our Fixed, Variable and Money Market funds to invest deposits. By rolling 403(b) contributions into a QDEC at retirement, members will be able to take random withdrawals from their deposits until age 70 1/2.

During the recent period of high inflation, most members have found it advisable to reinvest at current interest rates rather than create a lifetime fixed annuity at retirement. If the amendment is made, our retiring members may now defer making an irrevokable election until age 70 1/2 if they wish.

We were fortunate this past year to be able to increase our tax shelter plan fixed annuities created since 1964 by 15%. On December 31, 1981, we purchased a single premium annuity with Canada Life of America for all current Fixed tax shelter annuitants. Over the years, we found that our members considerably outlive the national averages. This "mortality loss" as actuaries call it, had the effect of reducing the amount of earnings we could credit to active members accounts. Our timing and selection of a carrier was excellent. We took bids from carriers who simply looked at our retired group from a national mortality basis and also received bids using a future interest rate assumption higher than the 6% we have used.

Through discussions with our actuary and investment counsel, it was apparent we could match the interest rate assumption and performance, but would forever be less competitive because Duluth retired teachers live such nice long lives.

The Board's future plans for our tax shelter program are to maximize investment performance while members are accumulating savings, allow the greatest flexibility before and after retirement and help our members select the form of annuity best suited to their needs at retirement or by age 70 1/2.

I wish to thank the Board of Trustees and the many ad hoc committee members for the generous donation of their time and help. On behalf of the Board of Trustees, I also wish to thank William D. Watters, Attorney; A. Lee Thurow, Investment Advisor; Robert E. Eikill, CPA; Richard Moody, Michael Jones and Kenneth W. Lindberg, Actuaries; for their excellent contributions to our Fund and help in planning our Tax Shelter Plan revisions.

Sincerely,

Edward K. Blanck, Jr.  
Executive Secretary

1982 PROPOSED AMENDMENTS TO  
ARTICLES OF INCORPORATION  
OF  
DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

RESOLVED, that Article VII, Subdivision 4, of the Articles of Incorporation of the Duluth Teachers' Retirement Fund Association be amended to read as follows:

4.

QUALIFIED DEDUCTIBLE EMPLOYEE CONTRIBUTIONS (QDEC)  
AND ADDITIONAL CONTRIBUTIONS

(a) Any member may at any time elect to deposit in a lump sum or by increased monthly contributions above the amount required under Subdivision 1 of this Article VII an amount to provide an additional allowance to supplement any benefit payable in accordance with Article VIII. The amounts so deposited shall be called "additional contributions", and the periodic payments to the member attributable to such deposits and interest credited thereon shall be called an "additional allowance".

(b) Members are not required to make any contributions under this Plan. However, a member may for each year after 1981 and prior to the year they attain age 70 1/2 voluntarily contribute to the Trust Fund an amount not to exceed the lesser of their compensation for each year or \$2,000 (or such larger or smaller amount permitted as a deduction by statute). Contributions made pursuant to this Subdivision 4(b) are intended to be deductible by members under Section 219(a) of the Internal Revenue Code. (Provided, if the member contributes to an IRA as well for any year the deduction for such contributions is reduced by a QDEC made under this subdivision) Contributions of members may be made by payroll deduction or by other methods and at other intervals in accordance with rules established by the Board of Trustees. A contribution by a member shall be credited to their QDEC Account and amounts credited to such Account shall be 100 percent vested and nonforfeitable at all times. The amounts so deposited shall be called "QDEC Contributions" and the periodic payments to the member attributed to such deposits and interest credit thereon shall be called a "QDEC Allowance".

(c) Any voluntary contribution for a calendar year under this Subdivision 4 shall be deemed a QDEC Contribution unless the member designates it an additional nondeductible contribution by written notice filed with the Secretary prior to April 15 of the succeeding year.

RESOLVED, that Article VII, Subdivisions 6 and 7, of the Articles of Incorporation of the Duluth Teachers' Retirement Fund Association be amended to read as follows:

6.

AMOUNTS TO BE CREDITED TO EACH MEMBER

Accounts shall be kept of all payments into the funds of the Association made by or on behalf of members in accordance with this Article VII. A separate account shall be maintained for each member for ~~his~~ their regular, QDEC, and shelter contributions with interest as credited thereon at the end of each fiscal year. "Accumulated regular contributions" shall mean the sum of a member's regular contributions with such interest credits as determined thereon from time to time in accordance with these Articles of Incorporation; "accumulated QDEC contributions",

"accumulated additional contributions" and "accumulated shelter contributions" shall mean the sum of the respective contributions made by or on behalf of the member with such interest credits or market value adjustments as determined thereon from time to time in accordance with these Articles of Incorporation. Statements of accumulated balances from regular, shelter, QDEC and additional contributions, with credited interest or market value adjustments as of the end of each fiscal year, shall be furnished each member.

7.

#### CREDITED INTEREST

The fiscal year of the Association shall be from July 1 to June 30, both inclusive. Interest on contributions made by or on behalf of members in accordance with this Article VII shall be computed each fiscal year in accordance with these Articles of Incorporation. Interest on regular contributions shall be computed after June 30, 1968 at the rate of four (4) per cent per annum, compounded annually; interest on QDEC, additional and shelter contributions shall be computed after June 30, 1969 at such rates as determined by the Board of Trustees for each fiscal year.

RESOLVED, that Article VIII, Subdivision 9, of the Articles of Incorporation of the Duluth Teachers' Retirement Fund Association be amended to read as follows:

9.

#### QDEC, ADDITIONAL AND SHELTER BENEFITS

The payment of benefits attributable to accumulated QDEC or additional contributions credited to a member or accumulated shelter contributions credited to his their account in the Fixed Shelter Fund shall be governed by the provisions of this subdivision.

(a) Upon retirement under Subdivision 1, 2 or 3 of this Article VIII, the accumulated QDEC, accumulated additional contributions and the accumulated shelter contributions of the member credited to him them at the time of his retirement shall be used to provide for him the member an additional annuity, QDEC annuity, and/or-a shelter annuity, respectively, which in each instance shall be the annuity determined to be of equivalent actuarial value to the market value of the member's accumulated QDEC, additional or shelter annuity shall be in addition to any other benefits payable to the member in accordance with this Article VIII.

The Board of Trustees, at its sole discretion, may purchase from a private insurance company, licensed to do business in the State of Minnesota, an annuity contract to provide the member the QDEC, additional or shelter annuity benefits payable under paragraphs (a) and (b) of this Subdivision 9 of Article VIII.

The Board of Trustees, at its sole discretion, may approve the written application of a retired member to finally terminate payments of a shelter annuity and elect to convert the actuarial value remaining of the annuity determined as of the effective date of termination to a single lump sum to be paid to the member in lieu of any future shelter annuity installment payments.

(b) The QDEC, additional or shelter annuity shall be payable to the member in monthly installments and, unless modified by an optional election, shall cease with the last monthly payment prior to his the member's death.

The member may by written notice received by the Secretary of the Association prior to the date of the commencement of his their QDEC, additional or shelter annuity, elect to convert said annuity into an optional benefit of equivalent actuarial value in accordance with Subdivision 5 of this Article VIII. In lieu of any such option, he they may elect to receive a reduced QDEC, additional or shelter contributions at the time of the commencement of annuity payments exceeds the monthly payments received by the retired member shall be paid in a lump sum to his their desig-

nated beneficiary if living, otherwise to his the member's estate. In lieu of any QDEC, additional or shelter annuity, the member may elect in writing filed with the Secretary of the Association to receive the market value of his the accumulated QDEC, additional or shelter contributions in a single sum at the time of his- their retirement determined as of the Unit Valuation Date coincident with or next preceding his the member's retirement- ; or the members election filed may be to receive QDEC contributions in a single sum at a date after retirement or parts thereof on periodic dates after retirement at such intervals and with such prior notice as may be specified under regulations adopted by the Board of Trustees.

(c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member prior to the commencement date of his their QDEC, additional or shelter annuity, the market value of the accumulated QDEC, additional or shelter contributions credited to the member at the time of his death, determined as of the Unit Valuation Date coincident with or next following the member's death shall be payable to his the member's designated beneficiary if living, otherwise to such member's estate. If the designated beneficiary of the member is the spouse who has elected an immediate or deferred annuity in accordance with Subdivision 8(d) of this Article VIII, said spouse may also elect, in writing filed with the Secretary of the Association and duly acknowledged, an immediate or deferred annuity of the same form as elected in accordance with Subdivision 8(d).

(d) In the event of the termination of membership for any reason other than death or retirement in accordance with Subdivision 1, 2 or 3 of this Article VIII, the member shall be entitled to receive the market value of the accumulated QDEC, additional or shelter contributions credited to him the member at the time of his termination, determined as of the Unit Valuation Date coincident with or next following his the request to withdraw such contributions; or a member without terminating his membership may withdraw the market value of shelter contributions, determined as of the Unit Valuation Date coincident with or next following his the request to withdraw shelter contributions, without credited interest, or investment earnings, except if he-has-been a member of the Association for more than three (3) years, the Board of Trustees shall determine whether and in what amount interest or investment earnings shall be credited to such withdrawals, and such a member shall thereafter be ineligible to participate or make contributions to the shelter benefit plan of the Association for one year. (NOTE: Withdrawals of QDEC contributions prior to disability, death or attainment of age 59 1/2 may be subject to a penalty tax under the Internal Revenue Code.)

(e) The QDEC, additional or shelter annuity to be provided by a member's QDEC, additional or shelter contributions shall be computed on the basis of the interest rate and mortality tables adopted by the Board of Trustees for this purpose and in use as of the date of determination of said QDEC, additional or shelter annuity. The interest rate and mortality tables applicable for this purpose may be different from those used in computing annuities and options elected in accordance with other subdivisions of this Article VIII. The terms "Plan Year", "Plan Quarter", "Unit Valuation Date", shall have the same meanings as defined in Article XII, Subdivision 2, and "market value" shall have the same meaning as "Current Market Value" as defined in Article XII, Subdivision 2.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

Membership Notes

NEW RETIREMENTS

Robert Anderson	4/1/82	Katharine Knights	6/30/82
Barbara Ballou	6/30/82	Melhior Kumsha	2/1/82
Eugene Berg	6/30/82	Mary Leigh	11/1/81
Victor Bittner	6/30/82	Priscilla Moen	6/30/82
Barbara Buchanan	2/1/82	Ruth Molyneux	6/30/82
Myrtle Buller	6/30/82	Helen Nelson	6/30/82
Victor Buller	6/30/82	Shelby Nelson	6/30/82
Robert Burrows	6/30/82	Betty Pearson	6/30/82
Helen Garon	6/30/82	Robert Plachecki	6/30/82
Vivian Georgesen	6/30/82	William Radtke	6/30/82
Kenneth Gunderson	6/30/82	Lois Reini	6/30/82
Kenneth Hausauer	6/30/82	Robert Skouge	6/30/82
Rosalie Henley	6/30/82	Lorraine Strom	6/30/82
Betty High	6/30/82	Patrick Sullivan	6/30/82
Eleanor Johnson	6/30/82	Donna Swanson	6/30/82
Quentin Junger	6/30/82	Charlotte Vucinovich	6/30/82
Leo Keskinen	2/1/82	Robert Williams	11/1/81
		James Wolfe	6/30/82

DEATHS

Retired		Active	
Lilliam Amell	8/11/82	Gene Boldt	12/1/81
John C. Hardy	7/17/81	Charles Hanson	11/21/81
Pearl Longley	12/7/81	Thomas Hill	8/5/81
Marian Majo	8/15/81	Donald Honz	9/3/81
Aurora Mattson	7/31/81	Charles Hren	2/12/82
Callie Merritt	8/29/81		
Anna Merwin	3/26/82		
Hilda Olson	9/8/82		
Helen Rule	4/18/82		
Margaret Sainsbury	7/20/81		
Gilbert Stubbs	8/18/82		



A. Lee Thurow  
President

September 17, 1982

Mr. Edward K. Blanck, Jr.  
Executive Secretary  
Duluth Teachers' Retirement  
Fund Association  
22 East First Street  
Duluth, Minnesota 55802

Dear Trustees:

Relative results were quite satisfactory for the Duluth Teachers' Retirement Funds in fiscal 1982. However, we did not reach the 10 percent or better gain for the basic fund of the last three years, having to settle for a positive 5.8 percent. Based on present prices with both bonds and common stocks up over 10 percent since June 30, we should return to double digit territory in the current fiscal year.

To give you some perspective, the S & P 500 and Dow Jones Indexes declined 11.5 percent and 11.2 percent in the 12 months ended 6/30/82 while the Salomon Brothers Bond Index advanced 8.6 percent. Therefore, the greater the use of bonds and buying reserves in this period the better your relative performance. This is just the opposite of the previous fiscal year. Due to this general environment the fixed portfolio did much better than the variable, reversing last year's performance. The fixed portfolio increased 10.8 percent while the variable declined 3.2 percent, giving back part of last year's 20.5 percent advance.

In past years we have used a balanced approach in all three portfolios with a higher bond component in the fixed account and emphasis on equities in the variable account. We have now decided to have a clear division between the three funds. The fixed account will be all bonds and reserves, the variable all stocks and reserves, while the basic fund remains balanced. This enables you to control where you want the emphasis placed while we concentrate on performance.

Possibly more important than the actual numbers is the improved outlook. We obviously have made progress on inflation and appear to be gradually coming out of a very difficult period for the economy. Even after the strong stock and bond markets of August and September we still have bonds and stocks at historically attractive levels, suggesting considerably more potential. This may not be a roaring bullish appraisal but it is considerably improved.



Duluth  
Page Two

The techniques we have employed since starting to work with you over four years ago have been beneficial to your funds and should continue to assist you in coming years.

Let me also take this opportunity to thank all of you for the privilege of working for you. We will be continuing to strive to make this a long and mutually rewarding relationship.

Sincerely,

*Lee Thurow*  
Lee Thurow

LT:bf

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

COMPARATIVE BALANCE SHEET  
JUNE 30, 1982 and 1981

<u>ASSETS</u>	<u>1982</u>	<u>1981</u>
Cash - checking and savings accounts	\$ 147,556	\$ 233,879
Accounts Receivable, brokers	592,007	987,467
Accrued interest and dividends declared	554,887	452,313
Investments		
Short-term securities	10,516,486	6,183,311
Marketable corporate stock (at cost)		
(market value \$11,997,161)	12,173,893	13,610,764
Corporate bonds (market value \$10,121,507)	13,389,902	12,377,921
Mortgage loans secured by real estate	2,032,090	2,117,492
Land and Building	15,063	16,362
Office Furniture and Equipment	3,409	4,366
Deferred Insurance Premiums	1,120	1,049
Total Assets	<u>\$39,426,413</u>	<u>\$35,984,924</u>

LIABILITIES AND FUND BALANCES

Accounts Payable, brokers	\$ 10,337	\$ 364,808
Deposits - Active Members	10,767,398	9,988,640
Fund Balance	<u>28,648,678</u>	<u>25,631,476</u>
Total Liabilities and Fund Balances	<u>\$39,426,413</u>	<u>\$35,984,924</u>

MEMBERSHIP STATISTICS

	<u>1982</u>	<u>1981</u>
Active members - beginning of period	1,221	1,268
New entrants	62	59
Resignations	(63)	(73)
Retirements	(27)	(26)
Deferred Annuities	(13)	(4)
Deaths	(5)	(3)
Disability	<u>(2)</u>	<u>(0)</u>
Total Active Membership	1,173	1,221
Retired membership	482	475
New Retirees	33*	28*
Deaths	<u>(12)</u>	<u>(21)</u>
Total Retired Membership	503	482
Total Disability Benefits	5	3
Total Deferred Annuities	63	53
Total Beneficiaries	23	23

\*Includes statewide combined service annuity participants who repaid for prior Duluth service.

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

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

	<u>1982</u>	<u>1981</u>
Revenues		
State of Minnesota participation	\$1,480,922	\$1,449,803
Members' contributions	1,222,718	995,534
Federally funded participation	42,631	46,425
Interest on investments, plus discounts earned, less amortized premiums and de- ferred yield adjustment	2,115,646	1,897,188
Dividends received	983,332	694,446
Rents	1,200	960
Return of prior years' refunds	1,664	17,063
Net gains or (losses) on sales of common stocks	<u>272,838</u>	<u>404,788</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	<u>161,357</u>	<u>151,860</u>
Total Expenditures	<u>\$2,324,919</u>	<u>\$1,979,772</u>
Excess of revenues over expenditures	<u>\$3,796,032</u>	<u>\$3,526,435</u>

Duluth Teachers' Retirement Fund Association

FINANCIAL REPORT

June 30, 1982

A. <u>Assets</u>	
Cash in office	\$ 200
Deposits in banks	147,356
Short-term investments	10,516,486
Accounts receivable	592,007
Accrued members' contributions	0
Accrued employer contributions	0
Other	0
Accrued interest on investments	480,754
Dividends on stocks, declared but not yet received	74,133
Investment in bonds at amortized cost	13,389,902
Investment in stocks at cost	12,173,893
Investment in real estate	2,032,090
Equipment at cost, less depreciation	3,409
Land and building, less depreciation	15,063
Other	1,120
Total Assets	<u>\$39,426,413</u>
B. <u>Unfunded Accrued Liability</u>	\$19,564,105
C. <u>Accumulated Members' Contributions</u>	\$10,767,398
D. <u>Current Liabilities</u>	
Accounts payable	\$ 10,337
Annuity payments	0
Survivor benefit payments	0
Refund to members	0
Accrued expenses	0
Suspense items	0
Total Current Liability	<u>\$ 10,337</u>
E. <u>Total Reserves Required as per attached schedule</u>	<u>\$81,961,376</u>

Duluth Teachers' Retirement Fund Association

FINANCIAL REPORT  
June 30, 1982


Schedule of Total Required Reserves

	<u>Basic Program</u>	<u>Coordinated Program</u>	<u>Total</u>
1. For active members			
a. Retirement benefits	\$49,404,708	\$3,239,097	\$52,643,805
b. Disability benefits	4,029,669	19,511	4,049,180
c. Refundable liability due to death or withdrawal	3,966,946	83,332	4,050,278
d. Survivor benefits	4,236,628	6,777	4,243,405
2. For deferred annuitants	327,862	0	327,862
3. For former members without vested rights	0	0	0
4. For annuitants			
a. Retirement benefits	15,653,200	375,702	16,028,902
b. Disability benefits	143,940	0	143,940
c. Survivor benefits	474,004	0	474,004
Total Required Reserves	\$78,236,957	\$3,724,419	<u>\$81,961,376</u>

Certification

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

Respectfully Submitted,  
HEWITT ASSOCIATES

  
Richard L. Moody  
Fellow, Society of Actuaries

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

BASIC FUND

PORTFOLIO HOLDINGS AS OF JUNE 30, 1982

<u>No. of Units</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Market Price</u>	<u>Market Value</u>	<u>% Total Value</u>	<u>Est. Annual Income</u>	<u>Current Yield YTM</u>
10,895,673	Cash Equivalent	1		\$10,895,673	32.25	1,470,913	13.5
	COMMON STOCK						
	<u>Electrical Products</u>						
12,000	Emerson Electric	38.43	44.75	537,000	1.7	24,000	4.5
12,400	General Electric	42.73	63.63	788,950	2.5	42,160	5.3
	<u>Electronics</u>						
10,000	Harris Corp	34.34	24.63	246,250	.8	8,800	3.6
	<u>Machinery</u>						
10,000	Deere & Co.	40.67	25	250,000	.8	20,000	8.0
25,000	Stanley Works	16.96	14.12	353,123	1.1	19,000	5.4
	<u>Business Equipment</u>						
20,800	International Business Machines	55.21	60.63	1,261,000	4.0	71,552	5.7
	<u>Multi Products</u>						
15,000	NL Industries Inc.	22.35	20.50	307,500	1.0	15,000	4.9
10,000	Worthington Industries Inc.	16	15.75	157,500	.5	6,000	3.8
	<u>Drugs &amp; Cosmetics</u>						
8,000	Bristol Myers Co.	33	55.63	445,000	1.4	16,800	3.8
5,000	Merck & Co	83.04	67.50	337,500	1.1	14,000	4.2
	<u>Soap</u>						
10,000	Procter & Gamble Co.	83.79	83	830,000	2.7	42,000	5.1
	<u>Retail &amp; Wholesale</u>						
30,000	Sears Roebuck & Co.	32.69	19.38	581,250	1.9	40,800	7.0

## Basic Fund Portfolio Holdings - Page 2

<u>No. of Units</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Market Price</u>	<u>Market Value</u>	<u>% Total Value</u>	<u>Annual Income</u>	<u>Current Yield YTM</u>
	<u>Chemicals</u>						
10,000	Allied Corp	44.63	30.25	302,500	1.0	24,000	7.9
12,500	International Minerals & Chemicals	33.23	26.50	331,250	1.1	32,500	9.8
	<u>Petroleum</u>						
13,000	Exxon Corp	34.65	27.75	360,750	1.2	39,000	10.8
10,000	Phillips Petroleum	23.99	29.75	297,500	1.0	22,000	7.4
15,000	Standard Oil Co. of Indiana	14.31	40.38	605,625	1.9	42,000	6.9
	<u>Paper</u>						
11,000	Weyerhaeuser Co.	33.94	25	275,000	.9	14,690	5.2
	<u>Energy Products</u>						
15,000	Central Louisiana Energy Corp	23.05	17	255,000	.8	9,000	3.5
	<u>Finance &amp; Insurance</u>						
30,000	Capital Holding Corp	18.85	24.63	738,750	2.4	39,600	5.4
15,000	Citicorp	29.60	25.13	376,875	1.2	25,800	6.9
15,000	Continental Illinois Corp	36.80	23.13	346,875	1.1	30,000	8.7
	<u>Medical</u>						
5,000	Medtronic Inc.	38.13	47.38	236,875	.8	3,200	1.4
	<u>Electric</u>						
26,465	Central Louisiana Electric	12.99	14	370,510	1.2	45,519	12.3
17,000	Commonwealth Edison	18.49	21.38	363,375	1.2	47,600	13.1
29,500	Public Service Co. of Colorado	12.91	15.50	457,250	1.5	51,920	11.4
50,000	Southwestern Public Service	11.78	13.63	681,250	2.2	75,000	11.0
	Total Common Stock			12,094,458	38.8	821,941	6.8
	<u>Convertible Preferred Stock</u>						
3,700	Interco Inc. 7.75 CV Pfd Ser D	107.46	85.50	316,350	1.0	28,675	9.1
	Total Convertible Preferred Stock			316,350	1.0	28,675	9.0

Basic Fund Portfolio Holdings - Page 3

<u>No of Units</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Market Price</u>	<u>Market Value</u>	<u>% Total Value</u>	<u>Est. Annual Income</u>	<u>Current Yield YTM</u>
<u>Convertible Corporate Bonds</u>							
300,000	Worthington Inds CV SF Deb Reg 11% 8-15-2006	100.83	92	276,000	.9	33,000	12.0
Total Convertible Corporate Bonds				276,000	.9	33,000	
<u>Corporate Bonds</u>							
100,000	Arco Pipe Line Gtd Note 7.50% 10-1-82	96	97.75	97,750	.3	7,500	16.9
250,000	Montgomery Ward Credit Corp 9.50% 1-15-83	100	95.12	237,812	.8	23,750	20.2
50,000	Sohio BP Trans Alaska P/Line Cap 8.625% 2-1-83	95	96.03	48,015	.2	4,312	15.9
50,000	Williams Companies Notes Reg 10.25% 4-1-83	95	95	47,500	.2	5,125	17.5
16 250,000	Commonwealth Edison Co 1st Mtg 9% 8-1-83	100.85	95.75	239,375	.8	22,500	13.3
500,000	General Elec Credit Corp Notes 8.60% 4-1-85	93.63	85.25	426,250	1.4	43,000	15.3
200,000	Spiegel Inc 5% 4-1-87	94.05	61.50	123,000	.4	10,000	17.1
300,000	Household Finance Corp 6.375% 1-1-88	76.86	68.01	204,033	.7	19,125	15.1
600,000	Chrysler Corp Secured NT Reg 10.35% 6-1-90	95.44	80	480,000	1.5	62,100	14.7
600,000	Pacific Tel & Tel Nts 11.35% 7-15-90	97.71	80	480,000	1.5	68,100	15.8
500,000	National Pwr Corp Gtd Bonds 8.25% 12-31-91	76.35	65.63	328,125	1.1	41,250	15.2
250,000	Standard Brands Inc 6.75% 6-1-93	65.83	57.75	144,375	.5	16,875	14.6
500,000	General Motors Acceptance Corp Reg 7.75% 10-1-94	62.70	57.75	288,750	.9	38,750	15.5
455,663	Trailer Train Co 11.875% 7-15-96	100	76.88	350,314	1.2	59,375	16.0
250,000	ACF Inds Inc. RQ TR CTF Ser L 14.50% 12-1-96	98.08	95.87	239,687	.8	36,250	15.2

Basic Fund Portfolio Holdings - Page 4

<u>No. of Units</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Market Price</u>	<u>Market Value</u>	<u>% Total Value</u>	<u>Est. Annual Income</u>	<u>Current Yield YTM</u>
200,000	Consolidated Edison Co NY 1st Mtg 5.90% 12-15-96	98.31	46.88	93,750	.3	11,800	14.9
200,000	Northern Pacific RY Co Prio LN & LD 4% 1-1-97	81.50	56.13	112,250	.4	8,000	9.6
250,000	Illinois Power Co 1st Mtg 7.625% 6-1-2003	73.17	53.50	133,750	.4	19,062	14.9
600,000	Pembroke Cap Co 11.50% 8-1-2005	96.50	76	456,000	1.5	69,000	15.2
	Total Corporate Bonds			4,530,736	14.6	560,609	
	U.S. Government & Agency Bonds						
250,000	U S Treasury Notes 8.125% 8-15-82	99.22	99.28	248,202	.8	20,312	16.8
200,000	U S Treasury Note Ser A-83 CPN 8% 2-15-83	93.86	96.19	192,374	.6	16,000	15.0
400,000	U S Treasury Note Ser B-86 CPN 8% 8-15-86	95.50	80.81	323,248	1.0	32,000	14.3
500,000	Federal Home Loan Bank 7.65% 5-26-87	100	75	375,000	1.2	38,250	15.1
1,000,000	U S Treasury Notes Ser C-88 REG 12.375% 1-15-88	99.01	92.13	921,250	3.0	123,750	14.5
100,000	U S Treasury Note 10.75% 11-15-89	87	83.88	83,875	.3	10,750	14.3
500,000	U S Treasury Bond 7.25% 8-15-92	97.38	65.81	329,060	1.1	36,250	13.5
200,000	U S Treasury Bonds Reg 6.75% 2-15-93	81.17	62.88	125,750	.4	13,500	13.4
865,284	Government Natl Mtg Assn #46472 13.75% 6-15-96	98.37	90.25	780,919	2.6	118,977	15.4
679,900	FHLMC GTD CTF B076 Reg Final Pmy 8.375 9-15-97	78.83	74.50	506,525	1.6	56,941	12.0
500,000	Government Natl Mtg Assn 8% 7-15-2007	99.69	63.13	315,625	1.0	40,000	13.0
1,234,000	Federal Home Loan Mtg Corp 8.85% 3-15-2008	80.56	70.25	866,885	2.8	109,209	12.8

Basic Fund Portfolio Holdings - Page 5

<u>No. of Units</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Market Price</u>	<u>Market Value</u>	<u>% Total Value</u>	<u>Est. Annual Income</u>	<u>Current Yield YTM</u>
675,500	Federal Home Loan Mtg Corp 10.25% 3-15-2009	90.64	80.62	544,621	1.7	69,238	12.8
	Total U.S. Government & Agency Bonds			5,613,334	18.0	685,177	
	Total Bonds			10,420,070	33.5	1,278,786	

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA  
MONEY MARKET FUND

STATEMENT OF NET ASSETS  
JUNE 30, 1982

<u>ASSETS</u>	
Cash - checking	\$ 95
- Merrill Lynch Ready Asset Trust	<u>258,964</u>
Total assets	<u>\$259,059</u>
<b>Liabilities</b>	
	<u>-0-</u>
Net assets	<u><u>\$259,059</u></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><u>259,059</u></u>

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

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

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	
Short term securities, at market	317,364
Corporate stocks, at market	476,483
Bonds, at market	<u>880,580</u>
Total Assets at Market Value	\$1,898,055

Liabilities

Estimated additional premium due Canada Life	<u>100,000</u>
Net Assets at Market Value	<u>\$1,798,055</u>

Units outstanding	1,635,892.9290
Asset value per unit	\$ 1.0991

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 gains on sale	2,672
Total	<u>\$ 497,353</u>
Expenditures	
Benefits paid - monthly annuities to 12-31-81	\$ 96,860
Members' refunds and transfers between fund	417,018
Administrative	3,373
Total	<u>\$ 517,251</u>
Excess of expenditures over revenues	\$ (19,898)
Purchase single premium annuities - Canada Life	(1,348,766)
Market value adjustment - 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>

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	23,818	27,750
Totals		<u>\$491,300</u>	<u>\$476,483</u>

<u>Bonds</u>	<u>Yield to Maturity</u>	<u>Due Date</u>	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>
Chrysler Corp	15.0%	7/15/90	\$ 100,000	\$ 100,000	\$ 85,000
Federal Home Loan Mortgage Assoc.	12.8%	3/15/08	146,000	128,593	105,485
Federal Home Loan Mortgage Assoc.	12.8%	3/15/09	149,000	134,438	120,131
General Electric Credit	15.3%	4/01/85	100,000	99,922	84,250
General Motors Acceptance Corporation	15.9%	6/99	100,000	98,247	59,500
Government National Mortgage	15.4%	6/15/96	96,143	94,734	86,769
Trailer Train	16.0%	96	91,132	91,132	91,132
Union Carbide	15.2%	1/15/05	100,000	100,000	57,375
U.S. Treasury Notes	14.0%	9/30/82	100,000	100,000	98,688
U.S. Treasury Notes	14.5%	1/15/88	100,000	98,684	92,250
			<u>\$1,082,275</u>	<u>\$1,045,750</u>	<u>\$880,580</u>

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' Refunds and transfers	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	(25,304)	
Net market value adjustment		
Sales during year	\$172,521	
Cost (on identified bases)	<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>

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
DULUTH, MINNESOTA

VARIABLE FUND

STATEMENTS OF NET ASSETS  
JUNE 30,

		<u>1982</u>	<u>1981</u>
<u>ASSETS</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	Cost	Market Value	
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	10,256	8,475	
Syntex Corp.	14,259	14,850	
Worthington Industries	10,936	9,450	
Weyerhaeuser	<u>10,342</u>	<u>7,500</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 Seventy Second 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 26, 1981 at 4:00 p.m. There were 97 members present with 50 members needed for a quorum to transact business. President Walter Garvue acted as chairman of the meeting with Edward K. Blanck, Jr., Executive Secretary, acting as Secretary.

Trustees and special guests were introduced by the Chairman.

#### READING OF THE MINUTES

A motion was made, seconded, and carried to approve and suspend the reading of the minutes of the 71st Annual Meeting held October 27, 1980 and the Special Membership meeting held on July 27, 1981.

#### 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 1981 Legislative Session.

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

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, 1980 to October 26, 1981.

#### ELECTION OF TWO TRUSTEES

Two separate elections were called to fill the expiring terms of active member Robert Childs and Roy Meyer. In the two elections, nominations for Mr. Childs and Mr. Meyer were made. In each election, no further nominations were made. Nominations were then closed and the secretary was instructed to cast an elected ballot in each case.

#### NEW BUSINESS

A discussion of amendments to our tax shelter plan was held as presented in the 72nd Annual Report. The amendments included the creation of a Money Market Fund, allow quarterly transfers between the three funds, allow current contributions to be allocated in any proportion among the three funds, carry the Fixed Fund at market value and have a required one year absence if a refund is taken rather than the current lifetime exclusion.

The amendments would also allow the Fund to purchase an annuity for current annuitants with another carrier if favorable bids are received.

A motion was made seconded and carried to approve the proposed amendments. The complete text of the amendments as presented to the membership in the 72nd Annual report shall become a permanent part of these minutes.

## REPORT OF COMMITTEES

Ray Muskat, President of Port Plaza Inc. reported on the Retired Citizen building sponsored by the Duluth Area Retired Educators, Duluth Federation of Teachers and the Duluth Teachers' Retirement Fund. He reported the selection of a site at 13th Avenue East and Superior Street, the design of a 90 unit six story building by Architects IV, Fugelso, Porter, Simich and Whiteman. He also outlined visits made by committee members with the Minneapolis HUD office and local contact with Representative James Oberstar. Because of cutbacks in HUD funding, Mr. Muskat urged our membership to become active in pursuing political support for our proposal. Members of the Port Plaza Board of Directors are Ray Muskat, John Moriarity, Don Michels, Beryl Pettigrew, Clarence Rosvall, Hazel Hanson, Margaret Swanberg, Robert VanKleek, Louise Brennan, Dale Hagen and Edward K. Blanck, Jr.

Mr. Muskat thanked them and our many members who have made financial contributions to Port Plaza, Attorney William Watters, Finance Advisor Douglas Mayo and Monty and Manley Goldfine, our developers.

## COMMUNICATIONS

A. Lee Thurow, President, Capital Supervisors, Chicago, addressed the membership. He stated we are currently in a recession - interest rates are at an all time high. He indicated that we will continue to limit our exposure to the stock market and keep a very large amount of buying reserves invested in current high yielding short term cash equivalents. He also indicated stock prices will not rise until interest rates begin to move down.

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Edward K. Blanck, Jr.  
Executive Secretary

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION

PLAN SUMMARY INCLUDING AMENDMENTS

Effective July 1, 1981 for all Members Hired Before July 1, 1981,  
Including all State Law and Bylaw Changes through June 30, 1982

- 1) The Duluth Fund was established in 1910, the Tax Shelter Fixed Fund in 1964, the Tax Shelter Variable Fund in 1973 and the Tax Shelter Money Market Fund in 1981.
- 2) MEMBERSHIP DATA  
Membership in the Basic Plan is compulsory for all instructional staff of the Duluth Public School System. As of June 30, 1982, there were 1,173 active members, and 503 retired members. Participation in tax shelter plans is voluntary.
- 3) CREDITABLE SERVICE  
Duluth service for which a state license is required. Time for which a member is granted a leave of absence may be credited if normal contributions are made within two years under our Bylaws, or one year under a state program. 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 4% interest if they do not wish to participate under the Minnesota Combined Service Annuity Law. Members may repay previous refunds plus 6% interest to reinstate Duluth service.
- 5) VESTING  
Benefits vest after 10 year's 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 1.25% = 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 - if resignation occurs 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 52%; 1967 - 38.1%; 1969 - 29.1%; 1970 - 23.6%; 1971 - 18.2%; and 1974 - 10.7%. In addition, pre-1957 retirees 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. Therefore, thirteen checks were received in 1977. An 8.7% increase became effective August 1, 1981.

Plan Summary -

Tax Shelter Funds - Annuities are payable upon retirement and are based on the market value of the member's 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. Periodic lump sum refunds are also available. Fixed, Variable, Money Market or a combination of plans are available. Pre and post retirement transfers between funds are permitted.

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; 2.4 x contributions as the cash value of either a deferred or immediate life annuity; or a spouse's benefit equal to the value of a retirement benefit earned by the member at death.

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 4.5% of their total earnings. The State of Minnesota contributes 5.79% 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 are currently funded with assets of \$39.4 million, book value.

Tax Shelter Funds - Limited to permissible holdings under the state law. Benefits are currently funded with assets of \$2.6 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: 8:30-5:00 and by appointment  
Parking is available behind our office

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
NEW CO-ORDINATED PLAN SUMMARY

For Members Hired or Rehired after June 30, 1981 and Old Plan Members  
Irrevocably Electing this Plan

1) AGE AND SERVICE REQUIREMENTS

Full Formula retirement benefits are earned at age 65 or with 30 years of service.

Early Retirement - age 55 with 10 or more years service. An early retirement actuarial reduction of 1/2% per month between age 65 and 60 and 1/4% per month between age 60 and 55 is made. Retirement with 30 or more years of service, an actuarial reduction of 1/2% per month between age 62 and 60 and 1/4% per month between age 60 and age at retirement is made.

2) FORMULA

Annual benefit = 1% for years 1-10 and 1.5% for years 11+ times High 5 successive average salary times years of service.

3) VESTING

Retirement benefits vest after 10 years or age 65.

4) DISABILITY

10 years service or 5 years after age 50. Total and permanent definition is used.

5) SURVIVOR BENEFITS

A. Death before retirement - Refund of contributions plus 3 1/2% interest to surviving spouse.

B. Death while eligible to retire - if over age 55 with 20 years service, or any age with 30 years service, a surviving spouse joint and last survivor annuity is available.

C. Death after retirement - The optional annuity elected at retirement is payable - options are joint and last and life with term certain.

6) REFUNDS

30 days after ceasing to render teaching service, a member may receive a refund of their contributions without interest.

DULUTH TEACHERS' RETIREMENT FUND  
Improved Old Plan  
for Members Hired Before 7-1-81  
ANNUITY PER YEAR OF SERVICE BY AGE

HIGH 5 AVERAGE SALARY		55	56	57	58	59	60+
\$15,000		10.93	11.87	12.80	13.74	14.68	15.62
16,000		11.66	12.66	13.66	14.66	15.66	16.66
17,000		12.39	13.45	14.51	15.57	16.63	17.70
18,000		13.12	14.25	15.37	16.50	17.62	18.75
19,000	BA	13.85	15.04	16.22	17.41	18.60	19.79
20,000	BA 45	14.58	15.83	17.08	18.33	19.58	20.83
21,000		15.30	16.62	17.93	19.24	20.55	21.87
22,000		16.00	17.41	18.78	20.16	21.53	22.91
23,000		16.76	18.20	19.63	21.07	22.51	23.95
24,000	MA	17.50	19.00	20.50	22.00	23.50	25.00
25,000	MA 45	18.22	19.79	21.35	22.91	24.47	26.04
26,000		18.95	20.58	22.20	23.83	25.45	27.08
27,000		19.68	21.37	23.05	24.74	26.43	28.12
28,000		20.41	22.16	23.91	25.66	27.41	29.16
29,000		21.14	22.95	24.76	26.57	28.38	30.20
30,000		21.87	23.75	25.62	27.50	29.37	31.25
31,000		22.57	24.51	26.44	28.38	30.31	32.25
32,000		23.33	25.33	27.33	29.33	31.33	33.33
33,000		24.05	26.12	28.18	30.24	32.30	34.37
34,000		24.78	26.91	29.03	31.16	33.28	35.41
35,000		25.51	27.70	29.88	32.07	34.26	36.45
36,000		26.25	28.50	30.75	33.00	35.25	37.50
37,000		26.97	29.29	31.60	33.91	36.22	38.54
38,000		27.70	30.08	32.70	34.83	37.20	39.58
39,000		28.43	30.87	33.30	35.74	38.18	40.62
40,000		29.16	31.66	34.16	36.66	39.16	41.66

WORK SHEET

1. Years of Duluth Service	_____ Yrs	Example 25 yrs
2. Annuity From Above Chart (Example: Age 55, 24,000 Average Salary)	\$ _____	\$17.50
3. Multiply #1 Times #2 = Monthly Benefit (Stop here if no survivor benefit is wanted)	\$ _____	\$437.00
4. Survivor Option Reduction From Table - Pg. 31 (Example: Survivor age 55, Option II)	_____ %	.92%
5. Multiply #3 Times #4 = Monthly Benefit	_____ *	\$402.50

\*Social Security Leveling Adjustment can increase this benefit for member age 55-62.  
Social Security is in addition to this amount for members over age 62.

Duluth Teachers' Retirement Fund Association  
 "1st Class Cities Coordinated Formula"

Applicable to all members hired or rehired after 7-1-81,  
 or upon election by member hired before 7-1-81

Percent of High 5 Average Successive Salaries

Age at Retirement

Years Service	55	56	57	58	59	60	61	62	63	64	65+
10	5.5	5.8	6.1	6.4	6.7	7.0	7.6	8.2	8.8	9.4	10.0
11	6.3	6.7	7.0	7.4	7.7	8.1	8.7	9.4	10.1	10.8	11.5
12	7.2	7.5	7.9	8.3	8.7	9.1	9.9	10.7	11.4	12.2	13.0
13	8.0	8.4	8.8	9.3	9.7	10.2	11.0	11.9	12.8	13.6	14.5
14	8.8	9.3	9.8	10.2	10.7	11.2	12.2	13.1	14.1	15.0	16.0
15	9.6	10.2	10.7	11.2	11.7	12.3	13.3	14.4	15.4	16.5	17.5
16	10.5	11.0	11.6	12.2	12.7	13.3	14.4	15.6	16.7	17.9	19.0
17	11.3	11.9	12.5	13.1	13.7	14.4	15.6	16.8	18.0	19.3	20.5
18	12.1	12.8	13.4	14.1	14.7	15.4	16.7	18.0	19.4	20.7	22.0
19	12.9	13.6	14.3	15.0	15.7	16.5	17.9	19.3	20.7	22.1	23.5
20	13.8	14.5	15.3	16.0	16.8	17.5	19.0	20.5	22.0	23.5	25.0
21	14.6	15.4	16.2	17.0	17.8	18.6	20.1	21.7	23.3	24.9	26.5
22	15.4	16.2	17.1	17.9	18.8	19.6	21.3	23.0	24.6	26.3	28.0
23	16.2	17.1	18.0	18.9	19.8	20.7	22.4	24.2	26.0	27.7	29.5
24	17.1	18.0	18.9	19.8	20.8	21.7	23.6	25.4	27.3	29.1	31.0
25	17.9	18.9	19.8	20.8	21.8	22.8	24.7	26.7	28.6	30.6	32.5
26	18.7	19.7	20.7	21.8	22.8	23.8	25.8	27.9	29.9	32.0	34.0
27	19.5	20.6	21.7	22.7	23.8	24.9	27.0	29.1	31.2	33.4	35.5
28	20.4	21.5	22.6	23.7	24.8	25.9	28.1	30.3	32.6	34.8	37.0
29	21.2	22.3	23.5	24.6	25.8	27.0	29.3	31.6	33.9	36.2	38.5
30	29.2	30.4	31.6	32.8	34.0	35.2	37.6	40.0	40.0	40.0	40.0
31	30.3	31.5	32.8	34.0	35.3	36.5	39.0	41.5	41.5	41.5	41.5
32	31.4	32.7	34.0	35.3	36.6	37.8	40.4	43.0	43.0	43.0	43.0
33	32.5	33.8	35.2	36.5	37.8	39.2	41.8	44.5	44.5	44.5	44.5
34	33.6	35.0	36.3	37.7	39.1	40.5	43.2	46.0	46.0	46.0	46.0
35	34.7	36.1	37.5	39.0	40.4	41.8	44.7	47.5	47.5	47.5	47.5
36		37.2	38.7	40.2	41.7	43.1	46.1	49.0	49.0	49.0	49.0
37			39.9	41.4	42.9	44.4	47.5	50.5	50.5	50.5	50.5
38				42.6	44.2	45.8	48.9	52.0	52.0	52.0	52.0
39					45.5	47.1	50.3	53.5	53.5	53.5	53.5
40						48.4	51.7	55.0	55.0	55.0	55.0
41							53.1	56.5	56.5	56.5	56.5
42								58.0	58.0	58.0	58.0
43									59.5	59.5	59.5
44										61.0	61.0
45											62.5

WORK SHEET

1. Highest 5 Successive Average Salary      \$ \_\_\_\_\_      \$ 24,000
2. Factor from Chart (Example-age 55,25 yrs) \_\_\_\_\_      .179%
3. Annual Annuity (line 1 times line 2)      \$ \_\_\_\_\_      \$ 4,296.
- (Skip to Line 6 if no survivor benefit is needed)
4. Survivor Option Reduction from Table- Pg 31 \_\_\_\_\_      .92%
5. Annual Benefit with Survivor Benefit      \$ \_\_\_\_\_      \$ 3,952
6. Monthly Benefit - divide line 3 or 5 by 12 \$ \_\_\_\_\_      \$ 329.

DULUTH TEACHERS' RETIREMENT FUND

APPROXIMATE SURVIVOR BENEFIT PERCENTAGES\*

All annuities are lifetime to member with some remaining benefit to a named beneficiary.

OPTION I 100% CONTINUED TO BENEFICIARY

Member		55	56	57	58	59	60	61	62	63	64	65
Beneficiary	55	86%	87	87	88	88	89	89	90	91	91	92
	56	85	86	86	87	87	88	89	89	90	90	91
	57	84	85	85	86	86	87	88	88	89	90	90
	58	83	84	84	85	85	86	87	87	88	89	89
	59	81	83	83	83	84	85	86	86	87	88	88
	60	80	81	81	82	83	84	84	85	85	87	87
	61	79	80	80	81	82	83	83	84	85	86	86
	62	77	79	79	80	80	81	82	83	84	84	85
	63	76	77	77	78	79	80	81	82	82	83	84
	64	74	76	76	77	78	79	80	81	81	82	83
	65	73	74	74	75	76	77	78	79	80	81	81

OPTION II 50% CONTINUED TO BENEFICIARY

Member		55	56	57	58	59	60	61	62	63	64	65
Beneficiary	55	92%	93	93	93	94	94	94	95	95	95	95
	56	92	92	92	93	93	93	94	94	94	95	95
	57	91	91	92	92	92	93	93	94	94	94	95
	58	90	91	91	91	92	92	93	93	93	94	94
	59	90	90	90	91	91	92	92	92	92	93	94
	60	89	89	90	90	91	91	91	92	92	93	93
	61	88	88	89	89	90	90	91	91	91	92	92
	62	87	87	88	88	89	89	90	90	90	91	92
	63	86	87	87	88	88	89	89	90	89	90	91
	64	85	86	86	87	87	88	88	89	88	89	90
	65	84	85	85	86	86	87	87	88	88	88	90

OPTION III TERM CERTAIN REMAINDER OF TERM TO BENEFICIARY

Member		55	56	57	58	59	60	61	62	63	64	65
5 Yr		99%	99	99	99	99	98	98	98	98	98	98
10 Yr		97	97	96	96	96	95	95	94	94	93	92
15 Yr		94	94	93	92	92	91	90	89	88	87	85
20 Yr		90	90	89	88	87	85	84	83	81	80	78

\*Percentages shown are only carried to two places because of space limitations. Benefits computed will be a maximum of 1% understated.

Duluth Teachers' Retirement Fund Association  
SOCIAL SECURITY ADJUSTMENT OPTION  
 (Applicable to Retirement Before Age 62 Only)

1. Enter date of commencement of benefits	_____	6-30-83
2. Enter nearest attained age as of commencement of benefits. Participant's age _____ yrs. _____ mos.		
3. Enter factor from table based on date on line 1 and age on line 2	_____	.431
4. Enter estimated Primary Social Security benefit at age 65 obtained from Social Security office.	\$ _____	\$ 500.00
5. Multiply line 4 times .8. (80% Benefit at age 62)	\$ _____	\$ 400.00
6. Multiply line 3 times line 5.	\$ _____	\$ 172.40
7. Enter early retirement benefit from worksheet (Example: Member and Spouse Age 55, Op II)	\$ _____	\$ 402.50
8. Subtract line 6 from line 7 - this is the monthly benefit payable on and after attainment of age 62.	\$ _____	\$ 230.10
9. Add line 5 plus line 8 - this is the monthly benefit payable from early retirement date to attainment of age 62.	\$ _____	\$ 630.10

Leveling Adjustment Table

Years Months	55	56	57	58	59	60	61	62
0	\$.431	\$.387	\$.337	\$.283	\$.223	\$.157	\$.083	
1	.428	.383	.333	.278	.218	.150	.076	
2	.424	.378	.328	.273	.212	.144	.069	
3	.420	.374	.324	.268	.207	.138	.062	
4	.416	.370	.319	.263	.201	.132	.055	
5	.413	.366	.315	.258	.195	.126	.048	
6	.409	.362	.310	.253	.190	.120	.041	
7	.405	.358	.306	.248	.184	.113	.034	
8	.402	.354	.301	.243	.179	.107	.028	
9	.398	.350	.297	.238	.173	.101	.021	
10	.394	.346	.292	.233	.168	.095	.014	
11	.390	.342	.288	.228	.162	.089	.007	

CONTRACT SALARIES BY LANE\*

1972-73 to 1982-83

	<u>BA or BS</u>	<u>Plus 15</u>	<u>Plus 30</u>	<u>Plus 45</u>	<u>MA or MS, Equ.</u>	<u>Plus 15</u>	<u>Plus 30</u>	<u>Plus 45</u>	<u>PhD.</u>
72-73	12,200	12,375	12,550	-	15,100	15,275	15,450	15,625	15,800
73-74	12,450	12,675	12,900	-	15,450	15,675	15,900	16,125	16,350
74-75	13,700	14,000	14,300	-	17,200	17,500	17,800	18,100	18,400
75-76	14,590	14,890	15,190	-	18,315	18,615	18,915	19,215	19,515
76-77 <sup>(1)</sup>	15,400	15,700	16,000	-	19,325	19,625	19,925	20,225	20,525
77-78 <sup>(1)</sup>	15,970	16,270	16,570	-	20,020	20,320	20,620	20,920	21,220
78-79 <sup>(1)</sup>	16,720	17,020	17,320	-	20,970	21,270	21,570	21,870	22,170
79-80 <sup>(2)</sup>	17,475	17,775	18,075	18,375	22,125	22,425	22,725	23,025	23,325
80-81 <sup>(3)</sup>	18,025	18,325	18,625	18,925	23,275	23,575	23,875	24,175	24,475
81-82 <sup>(3)</sup>	19,583	19,887	20,187	20,487	25,504	25,804	26,104	26,404	26,704
82-83 <sup>(3)</sup>	20,862	21,162	21,462	21,767	27,752	28,052	28,352	28,652	28,952

(1) Career Increment + \$100 W/25 or more years

(2) Career Increment + \$200 W/20, + \$400 W/25 years or more

(3) Career Increment + \$400 W/20, + \$900 W/25 years or more

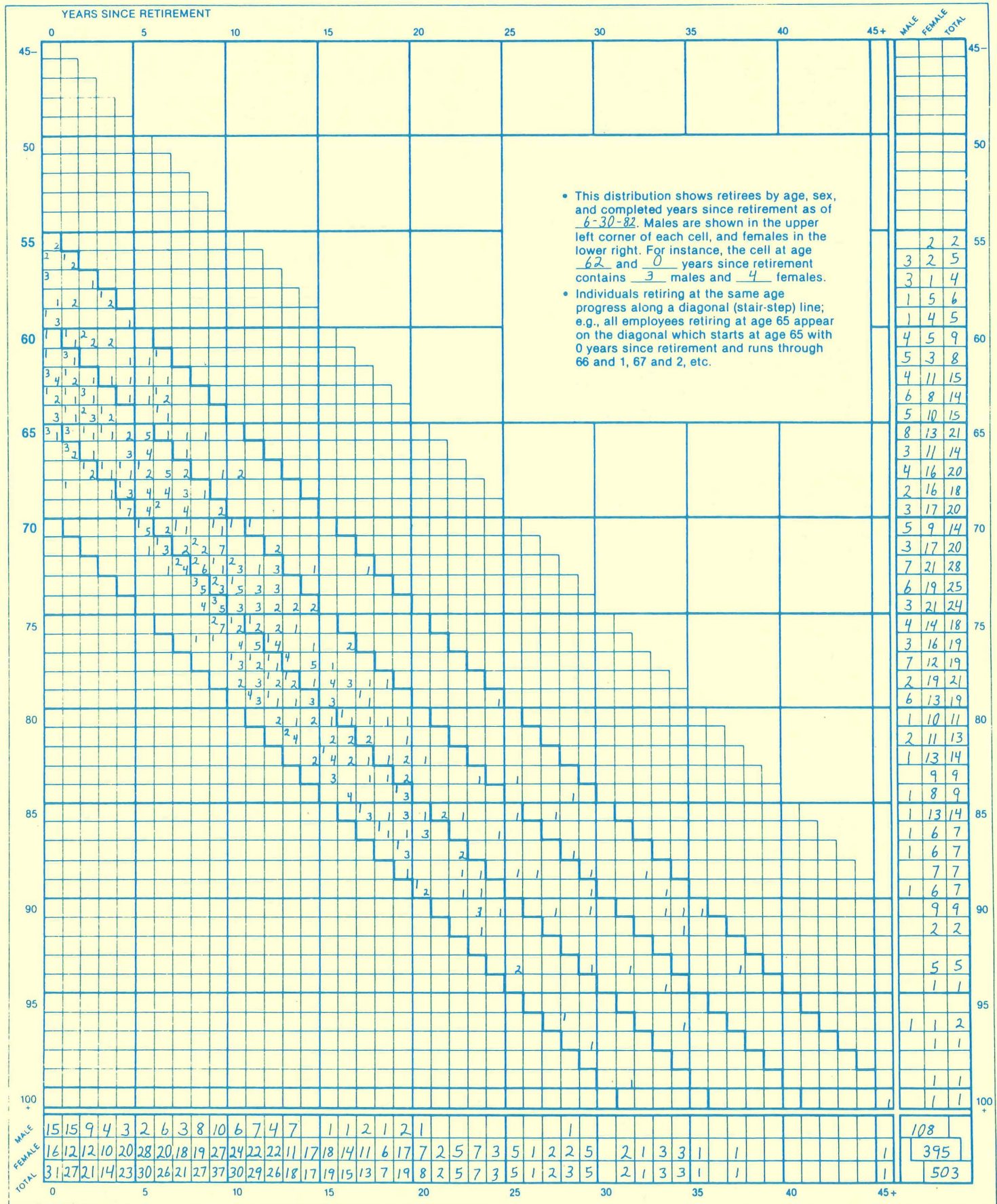
\*Extra curricular is in addition to these amounts, severance pay is not used in the computation of Social Security or The Duluth Teachers' Retirement plan.

Estimated Monthly Benefits Available with 25 Years Service on June 30, 1982 Including use of Duluth Teachers' Retirement, Social Security Leveling Adjustment, Social Security and Spouse's Social Security Where Applicable:

	BA				MA			
	<u>55</u>	<u>58</u>	<u>62</u>	<u>65</u>	<u>55</u>	<u>58</u>	<u>62</u>	<u>65</u>
Single Member	568	735	912	1,032	663	856	1,059	1,186
Married Members - Spouse Same Age - Using Option II	540	696	1,019	1,252	628	811	1,158	1,403
Survivor Benefit if Members Death Occured 1 Day After Retirement	159	198	655	760	201	250	731	842

**DISTRIBUTION OF RETIREES  
BY AGE AND YEARS SINCE RETIREMENT**

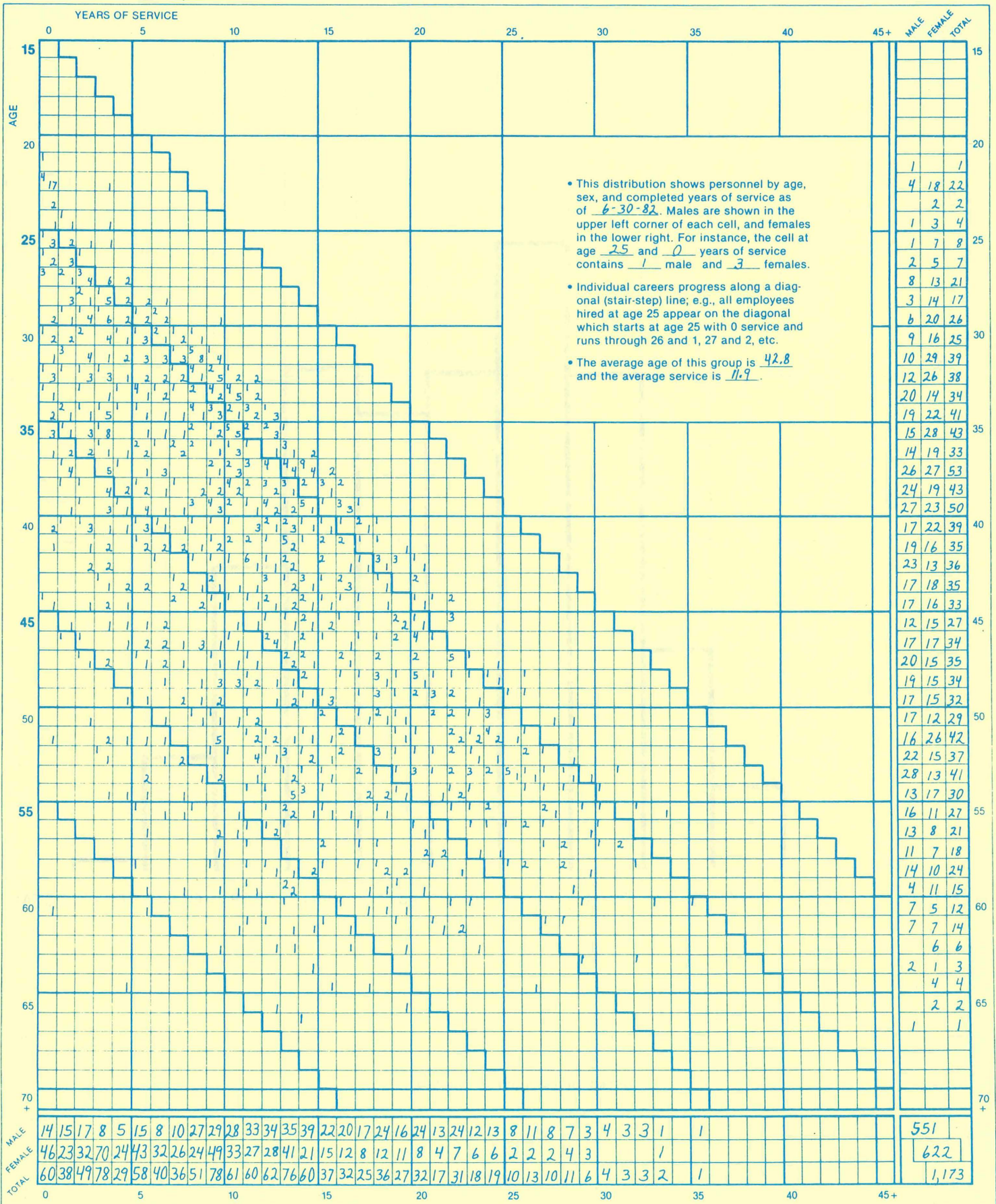
**DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
SERVICE RETIREMENTS**



- This distribution shows retirees by age, sex, and completed years since retirement as of 6-30-82. Males are shown in the upper left corner of each cell, and females in the lower right. For instance, the cell at age 62 and 0 years since retirement contains 3 males and 4 females.
- Individuals retiring at the same age progress along a diagonal (stair-step) line; e.g., all employees retiring at age 65 appear on the diagonal which starts at age 65 with 0 years since retirement and runs through 66 and 1, 67 and 2, etc.

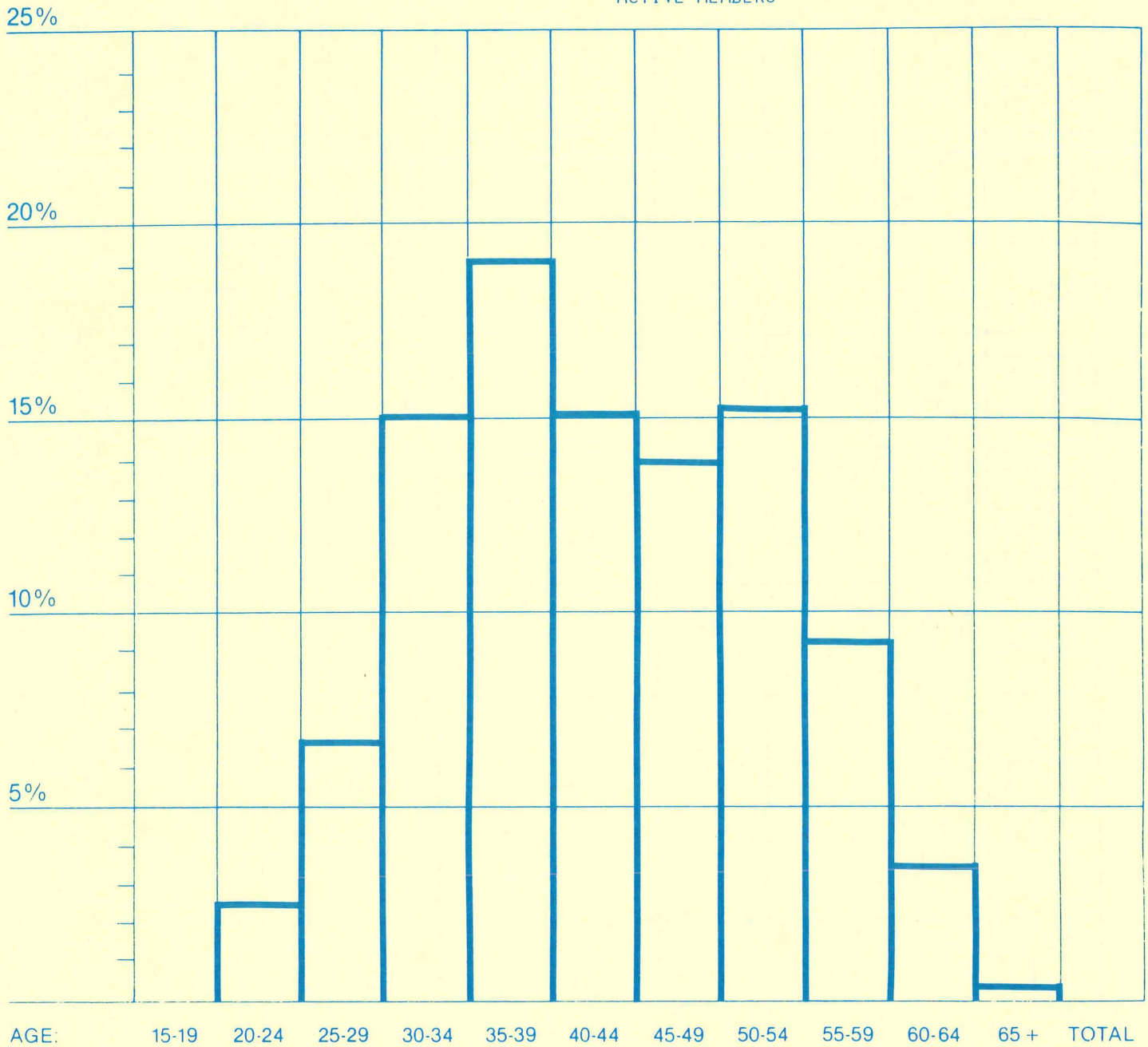
**DISTRIBUTION OF PERSONNEL  
BY AGE AND YEARS OF SERVICE**

**DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
ACTIVE MEMBERS**



# DISTRIBUTION OF PERSONNEL BY AGE

DULUTH TEACHERS' RETIREMENT FUND ASSOCIATION  
ACTIVE MEMBERS



	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 +	TOTAL
NUMBER	0	29	79	177	222	178	162	179	105	39	3	1,173
AVERAGE SERVICE	0.0	1.0	3.1	6.8	9.6	11.7	14.8	17.5	19.0	18.9	15.6	11.9
AVERAGE PAY	0	8,090	11,746	17,542	21,601	23,186	25,157	25,931	25,563	23,978	23,631	21,822

## DETAIL OF EMPLOYEES AGE 55 & OVER

AGE:	55	56	57	58	59	60	61	62	63	64	65	66	67+
NUMBER	27	21	18	24	15	12	14	6	3	4	2	1	0
AVERAGE SERVICE	19.0	18.9	22.3	19.5	14.5	19.9	18.7	16.1	25.8	16.1	16.0	14.8	0.0
AVERAGE PAY	26,139	25,259	26,320	26,438	22,648	23,670	24,139	24,878	26,002	21,466	25,654	19,587	0