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MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION

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1984

***Minneapolis Teachers'
Retirement Fund Association***

The Association was incorporated under the Laws of the State of Minnesota, September 17, 1909 and recognized January 1, 1924. Its principal business is the management and control of funds obtained from contributions by members, public taxes and income from investments. The Association uses these funds to pay annuities and other benefits to members of the Association.



1984 Financial Highlights
 Year ended December 31:

	<u>1984</u>	<u>1983</u>
Total Liabilities	\$ 1,818,759	\$ 1,192,201
Net Assets Available		
for Plan Benefits	<u>210,322,618</u>	<u>194,037,804</u>
	<u>212,141,377</u>	<u>195,230,005</u>
Total Revenues	39,479,561	33,436,501
Total Expenditures		
and Provisions for Losses	<u>23,194,747</u>	<u>20,050,058</u>
Total Distribution	<u>16,284,814</u>	<u>\$ 13,386,443</u>

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Report of the Board of Trustees

The Board of Trustees of the Minneapolis Teachers' Retirement Fund Association, in compliance with the Articles of Incorporation, submits its report of the transactions of the Association for the year ended December 31, 1984, together with the Audit report of Main Hurdman, Certified Public Accountants; and the actuary report of William M. Mercer-Meidinger, Inc., and a statement showing mean ledger assets, as adjusted, and the amount and rate of interest earned for the years 1926 to 1984, inclusive.

The Minneapolis Teachers' Retirement Fund Association was incorporated on September 17, 1909, under the laws of the State of Minnesota. Revised Articles of Incorporation, effective January 1, 1924, were adopted during the year 1923 and have been amended from time to time. The charter was extended for a period of thirty years on April 29, 1969. Pursuant to the Agreement with the City Council, relative to the removal of the limitation of one mill in the amount levied by taxation for the purposes of the Association, amendments to the Articles of Incorporation were adopted during the year 1929.

The regular annual meeting of the Association was held May 22, 1984. Mr. E. Dudley Parsons and Miss Eleanor L. Matsis, nominated as trustees for three-year terms, were elected by the

members pursuant to Article IX of the By-Laws.

During the year, our Articles were amended to provide for an increase in the "Lump Sum Post Retirement Adjustment" from a ceiling of ½% of total assets to a ceiling of 1% of total assets, such payment to be contingent upon Board of Trustees' approval. Further, the statute authorizes payment of this benefit after three years of retirement rather than five years.

Members deposited \$7,208,981 compared to \$7,168,291 during the previous year. The revenues from taxes were \$10,574,280 for 1984.

Annuity applications totaled 110 which was a increase of 7 from the previous year. A total of \$18,482,016 was paid to annuitants during the year.

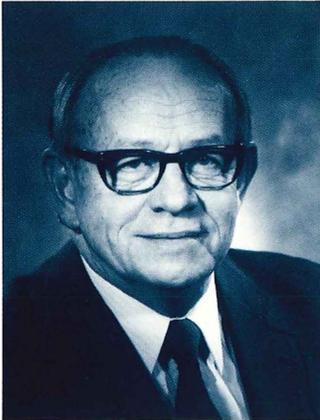
The book value of investments at the close of the year was \$208,411,525 compared to \$192,307,130 for the year before.

Interest and dividends earned amounted to \$11,783,476. Income from rentals totaled \$9,622,686. Members' deposits were credited with 5% interest and interest credited to the Annuity Reserve Fund was computed at 5% on the mean monthly balances.

The reserve for investment and other losses amounted to \$56,960,372 as of December 31, 1984.



Geneveve K. Johnston
President



A. James Heller



Robert W. Rose



Eleanor L. Matsis



Marilyn Olson-Bieger



E. Dudley Parsons



James Pommerenke

Officers

Geneveve K. Johnston, *President*
A. James Heller, *Vice President*
Robert W. Rose, *Secretary*
Marilyn Olson-Bieger, *Treasurer*

Board of Trustees

A. James Heller, *Instructor, Henry High School*
Geneveve K. Johnston, *Annuitant*
Eleanor L. Matsis, *Instructor, North High School*
Marilyn Olson-Bieger, *Instructor, Hamilton School*
E. Dudley Parsons, *Annuitant*
James W. Pommerenke, *School Board Representative*
Robert W. Rose, *Instructor, Roosevelt High School*

Standing Committees

Finance

Marilyn Olson-Bieger, *Chairman*
E. Dudley Parsons
Geneveve K. Johnston (*Ex officio*)

Membership

Eleanor L. Matsis, *Chairman*
A. James Heller
Geneveve K. Johnston (*Ex officio*)

Annuity

E. Dudley Parsons, *Chairman*
Robert W. Rose
Geneveve K. Johnston (*Ex officio*)

Administrative Personnel

Newell Gaasedelen, *Executive Secretary and Investment Manager*
Robert D. Butterbrodt, *Counsel*
William M. Mercer-Meidinger, Inc., *Actuary*
Main Hurdman, *Auditors*

Investment Advisory Committee

Harold Chucker, *Chair, has received three national awards for commentary on economics; formerly Editorial Editor and Economic Columnist for the Minneapolis Star and Tribune; presently consultant in public affairs and an economic writer.*
Lloyd O. Swanson, *Vice Chair, Chairman of the Board, First Federal Savings and Loan Association of Minneapolis.*
Lloyd Engelsma, *Chief Executive Officer, Krause-Anderson companies.*
Harvey N. Daniels, *formerly Economist and senior investment manager at First Bank, Minneapolis; presently Board member of First American Money Fund, Inc.*
Wyman D. Nelson, *formerly owner of Perkins Cake and Steak, Inc.; presently owner of Omni Venture, Ltd.*
Donald E. Jondahl, *formerly Executive Vice President of Investments, Northwestern National Life Insurance Company; very recently retired.*
Henry S. Kingman, *Director of Business Development, First Federal Savings and Loan Association of Minneapolis.*



and



Subsidiaries



Consolidated Statement of Net Assets Available for Plan Benefits
Years ended December 31:

	1984	1983
Assets		
Investments:		
Commercial paper and certificates of deposit	\$ 48,395,958	\$ 47,756,047
Bonds	19,905,360	18,878,429
Common stocks	66,881,411	59,012,057
Rental properties, net of accumulated depreciation	70,520,844	61,230,921
Property held for sale or lease, net	2,418,696	5,141,973
Real estate mortgages	289,256	287,703
Other	1,135	1,135
Total investments	<u>208,412,660</u>	<u>192,308,265</u>
Receivables:		
Accounts receivable from governmental units	471,180	911,410
Accounts and notes receivable from lessees	168,964	105,683
Accrued interest receivable	1,364,493	1,203,327
Accrued dividends receivable	265,907	408,646
	<u>2,270,544</u>	<u>2,629,066</u>
Cash and savings accounts	1,458,173	292,674
	<u>\$ 212,141,377</u>	<u>\$ 195,230,005</u>
Liabilities and Net Assets Available for Plan Benefits		
Member deposits payable	\$ 121,948	\$ 101,846
Payable for lump sum post-retirement benefit	1,590,000	977,000
Accounts payable	3,745	2,980
Rents received in advance	36,966	10,375
Deposits on rental property	66,100	100,000
Total liabilities	<u>1,818,759</u>	<u>1,192,201</u>
Obligations for plan benefits:		
Annuity reserve fund	64,957,004	59,574,245
Retirement deposit fund	139,513,003	130,312,507
Unfunded accrued actuarial liability	269,144,385	313,715,604
Total obligations for plan benefits	473,614,392	503,602,356
Reserve for investment and other losses	56,960,372	48,337,042
Funding deficiency—State of Minnesota	(51,107,761)	(44,185,990)
Unfunded accrued actuarial liability	(269,144,385)	(313,715,604)
Net assets available for plan benefits	<u>210,322,618</u>	<u>194,037,804</u>
	<u>\$ 212,141,377</u>	<u>\$ 195,230,005</u>

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



and



Subsidiaries



Consolidated Statement of Revenues, Expenditures and Provision for Losses
Years ended December 31:

	1984	1983
Revenues:		
Revenue from governmental units:		
State contributions	\$ 9,939,899	\$ 7,555,297
District contributions	<u>634,381</u>	<u> </u>
Total revenue from governmental units	<u>10,574,280</u>	<u>7,555,297</u>
Contributions by members:		
Required	7,188,683	7,151,550
Other	<u>20,298</u>	<u>16,741</u>
Total contributions by members	<u>7,208,981</u>	<u>7,168,291</u>
Investment income:		
Interest	6,818,836	5,560,502
Dividends	4,964,640	4,719,965
Gain (loss) on sale of investments	182,257	(460,093)
Loss on option trades		(20,821)
Rent income	9,622,686	8,774,216
Gain on sale of rental property	<u>107,881</u>	<u>139,144</u>
Total investment income	<u>21,696,300</u>	<u>18,712,913</u>
Total revenues	<u>39,479,561</u>	<u>33,436,501</u>
Expenditures and provisions for losses:		
Retirement, beneficiary and disability annuities	18,482,016	16,503,861
Withdrawals	739,601	421,088
Refund of member contributions	720,208	
Death benefits	33,341	57,460
Administrative expenses	670,118	685,932
Depreciation on rental properties	1,512,111	1,432,069
Other rental property expenses	312,352	347,648
Provision for losses on property held for sale or lease	<u>725,000</u>	<u>602,000</u>
Total expenditures and provision for losses	<u>23,194,747</u>	<u>20,050,058</u>
Revenues in excess of expenditures and provision for losses	<u>\$ 16,284,814</u>	<u>\$ 13,386,443</u>
Distribution of excess revenues (in accordance with the Articles of Incorporation):		
Annuity reserve fund	\$ (2,077,332)	\$ (1,920,712)
Retirement deposit fund	16,690,153	16,187,747
Reserve for investment and other losses	8,593,764	7,241,700
Funding deficiency—State of Minnesota	<u>(6,921,771)</u>	<u>(8,122,292)</u>
Total distributions	<u>\$ 16,284,814</u>	<u>\$ 13,386,443</u>

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



and



Subsidiaries



Consolidated Statement of Changes in Obligations for Plan Benefits, Reserves and Funding Deficiency

Years ended December 31: 1984 and 1983

	Annuity Reserve Fund	Retirement Deposit Fund	Unfunded accrued actuarial liability	Reserve for investment and other losses	Funding deficiency—State of Minnesota
Balance at December 31, 1982	\$ 55,008,672	\$ 120,689,101	\$ 260,908,720	\$ 41,017,286	\$ (36,063,698)
Distribution of excess reserves	(1,920,712)	16,187,747		7,241,700	(8,122,292)
Transfers:					
From retirement deposit fund to annuity reserve fund for purchase of annuities	6,486,285	(6,486,285)			
From retirement deposit fund to reserve for investments and other losses for cancellation of employer contributions		(78,056)		78,056	
Increase in actuarially computed accrued liability and administrative expenses over Association net assets			52,806,884		
Balance at December 31, 1983	59,574,245	130,312,507	313,715,604	48,337,042	(44,185,990)
Distribution of excess reserves	(2,077,332)	16,690,153		8,593,764	(6,921,771)
Transfers:					
From retirement deposit fund to annuity reserve fund for purchase of annuities	7,460,091	(7,460,091)			
From retirement deposit fund to reserve for investments and other losses for cancellation of employer contributions		(29,566)		29,566	
Increase (decrease) in actuarially computed accrued liability and administrative expenses over Association net assets			(44,571,219)		
Balance at December 31, 1984	<u>\$ 64,957,004</u>	<u>\$ 139,513,003</u>	<u>\$ 269,144,385</u>	<u>\$ 56,960,372</u>	<u>\$ (51,107,761)</u>

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

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting policies

Principal business—The principal business of the Association is the management and control of funds obtained from contributions by members, public taxes and income from investments. The Association uses these funds to pay annuities and other benefits to members of the Association.

Effective July 1, 1978, the Association established a plan, coordinated with Social Security, in accordance with Minnesota State Statutes. Teachers who become members of the Association subsequent to June 30, 1978 automatically become members of the coordinated plan. Teachers who were members of the Association prior to July 1, 1978, referred to as basic members, were given an opportunity to elect coverage under the coordinated plan. Members' contributions and benefits under the coordinated plan have been adjusted to reflect contributions to and benefits from Social Security. As described in Note 7, separate actuarial valuations are required for the basic and coordinated plans of the Association.

Basis of accounting—The financial statements reflect a modified accrual basis of accounting in which revenues are recognized as described below under "revenues", and expenditures are recognized when services are rendered or plan benefits and claims are payable. Fixed assets are not capitalized but instead are charged to expenditures in the year purchased.

The Association's financial statements include the consolidated accounts of the Association, MRT Properties, Inc., Min-Tex Foods, Inc. and Min-Tex Foods Ltd. MRT Properties, Inc. is a wholly owned subsidiary of the Association and its principal activity consists of investing in real estate in the State of Minnesota. Min-Tex Foods Ltd. is a limited partnership of which the Association is the sole limited partner, with Min-Tex Foods, Inc. (a Texas corporation) as the general partner, and its principal activity consists of investing in real estate in the State of Texas. Min-Tex Foods, Inc. and the limited partnership were organized to allow the Association's real estate acquisitions to qualify as tax-exempt transactions in Texas.

The Association is tax-exempt as an organization under Section 501(c)(11) of the Internal Revenue Code and is subject to Federal income tax only on net unrelated business income. The Association had no unrelated business income in 1984 or 1983.

Revenues—Members contribute 8½% of compensation paid if they are basic plan members and 4½% of compensation paid if they are coordinated plan members. Contributions are recorded as revenues when received.

Effective January 1, 1983, the Minnesota Legislature passed into law a requirement that members of state public employee retirement plans contribute, in addition to the percentages specified above, an additional 2% of compensation paid. This requirement was repealed effective July 1, 1983. During 1984 \$720,208 was disbursed to the Association's members, representing an amount equal to the additional 2% of compensation paid to the Association in 1983.

State contributions are based upon a specific formula applied to teacher compensation used to fund all teachers' retirement plans in the State of Minnesota and are recorded when earned.

District contributions are based on a specific formula applied to teacher compensation funded primarily by Federal grants and are recorded when received from the Minneapolis School District.

Interest income is recorded when earned and dividend income is recorded as of the date of record. Average cost is used in determining net realized gains and losses upon disposal of investment securities.

Rental income from investments in real estate is recorded when earned.

Investments—Common stocks, bonds and real estate mortgages, commercial paper and certificates of deposit are carried at cost, reduced by provisions for losses on certain securities with apparent permanent declines in the underlying value and earning power of the individual issuers.

Rental properties have been classified as operating leases and are carried at cost less accumulated depreciation (Note 3). Depreciation has been provided using the straight-line method over the estimated useful lives of approximately 30 to 35 years.

Property held for sale or lease is stated at the lower of depreciated cost or net realizable value.

Annuity reserve fund—At the time a member ceases to teach in the public schools of Minneapolis, the accumulation of the member's deposits and, under certain conditions, State deposits may be applied by the member for the purchase of an annuity from the Association. Funds to the member's credit in the Retirement Deposit Fund are then transferred to the Annuity Reserve Fund from which annuities are paid. Interest is added annually at a rate of 5% to the fund.

Retirement deposit fund—All amounts received for deposit by or on behalf of members, plus interest at a rate of 5% annually for basic members only, are held in the Retirement Deposit Fund for providing of benefits until withdrawal, death or retirement.

Reserve for investments and other losses—Includes investment income in excess of amounts credited to the Retirement Deposit Fund less provisions for losses and other costs related to maintaining the investment portfolio.

Funding deficiency, State of Minnesota, represents the cumulative excess of the actual cost of annuities purchased upon members' retirement, credits to members' accounts as State deposits for such year and administrative expenses in excess of revenues received from the State of Minnesota.

Unfunded accrued actuarial liability represents the excess of the present value of future benefits over current plan net assets.

Reclassifications—Certain amounts reported in the 1983 financial statements have been reclassified to conform to classifications used in the current year.

(2) Investments in Marketable Securities

Investments in marketable securities at December 31, 1984 and 1983, are summarized as follows:

	Carrying value	Approximate market value	Unrealized appreciation (depreciation)
December 31, 1984:			
Commercial paper and certificates of deposit	\$ 48,395,958	\$ 48,395,958	
Bonds	19,905,360	16,953,130	\$ (2,952,230)
Common stocks	66,881,411	108,868,547	41,987,136
	<u>\$ 135,182,729</u>	<u>\$ 174,217,635</u>	<u>\$ 39,034,906</u>
December 31, 1983:			
Commercial paper and certificates of deposit	\$ 47,756,047	\$ 47,756,047	
Bonds	18,878,429	15,265,582	\$ (3,612,847)
Common stocks	59,012,057	100,155,109	41,143,052
	<u>\$ 125,646,533</u>	<u>\$ 163,176,738</u>	<u>\$ 37,530,205</u>



and



Subsidiaries



Notes to Consolidated Financial Statements (continued)

Market values for investments are based on published market quotations.

Management of the Association believes that unrealized depreciation of bonds is primarily a function of the rise in interest rates since dates of purchase and does not reflect unfavorably on the ability of the underlying issuers to meet principal payments upon maturity.

(3) Description of Leasing Arrangements

The Association is the lessor of real estate (land and buildings) to various franchise operations with lease terms ranging from twenty to twenty-five years. The Association purchases the land and building and leases it back to the franchise operator. The franchise operations are primarily in the restraint industry. The lease obligations are generally guaranteed by individuals and/or corporations.

The Association's investment in rental properties under lease consists of the following as of December 31:

	<u>1984</u>	<u>1983</u>
Land	\$26,493,609	\$22,457,809
Buildings	<u>49,798,680</u>	<u>44,216,218</u>
	76,292,289	66,674,027
Less accumulated depreciation	<u>(5,771,445)</u>	<u>(4,443,106)</u>
	<u>\$70,520,844</u>	<u>\$62,230,921</u>

Under the terms of the various lease agreements the Association is entitled to receive minimum lease payments as follows:

Years ending December 31,

1985	\$ 9,298,000
1986	9,353,000
1987	9,335,000
1988	9,348,000
1989	9,326,000
Later years	<u>103,235,000</u>
Total minimum future rentals	<u>\$149,895,000</u>

The Association is also entitled to receive contingent rentals which are determined on the basis of a percentage of sales in excess of contractually stated minimums. Contingent rentals were \$695,428 in 1984 and \$392,653 in 1983.

The Association has reported all real estate leases as operating leases even though such leases meet the criteria for classification as direct financing leases in accordance with the provisions of Financial Accounting Standards Board Statement No. 13. The Association's "revenues in excess of expenditures and provision for losses" and net assets would have been \$165,000 and \$2,640,000 more in 1984 and \$490,000 and \$2,475,000 more in 1983, respectively, had the Association reported these leases as direct financing leases.

The Association is a plaintiff in litigation against certain lessees that have defaulted on contractual payments. In the opinion of the Association's management, the ultimate disposition of these lawsuits will not have a material effect on the financial position of the Association.

(4) Property Held for Sale or Lease

The Association holds for sale or subsequent lease property on which the lessee has discontinued operations and defaulted on contractual monthly payments. Property held for sale or lease at December 31, 1984 consists of ten properties with an aggregate depreciated cost of \$2,418,696, which is net of an allowance for loss of \$1,174,000.

(5) District Contributions

District contributions relate to teachers' compensation funded primarily by Federal grants and, in accordance with Association policy, are recognized as revenue upon receipt. At December 31, 1984, the District owes the Association \$519,662 for teachers' compensation funded in 1984.

During 1984 the Association received district contributions of \$634,381, all of which related to 1983. The Association did not receive contributions in 1983.

(6) Lump Sum Post-Retirement Benefits

A lump sum post-retirement benefit is declared if the Association, on an annual basis, has excess investment income as defined by the Articles of Incorporation. The amount of the benefit, if payable, is determined by applying a percentage of up to 1% to the Association's total assets at year-end and is payable to eligible annuitants and benefit recipients. In 1984, the Association paid \$1,160,908 and recorded a payable of \$1,590,000 based on total assets at December 31, 1983 and 1984, respectively.

(7) Actuarial Valuations

The laws of Minnesota require that actuarial valuations show separately the actuarial valuation of the Basic and Coordinated plans. Assets for the two plans are accounted for by the Association on a combined basis. The assets are divided by carrying forward the prior year's valuation assets for each Plan separately with interest at the current year's estimated rate, adding the net of deposits and annuity payouts with interest at the current year's estimated rate on a time-weighted basis. The values thus computed are used to divide the actual assets available for Plan benefits into Basic and Coordinated valuation assets on a pro rata basis.

The allocation of net assets available for plan benefits and the unfunded accrued actuarial liability is as follows:

	<u>Basic plan</u>	<u>Coordinated plan</u>	<u>Total</u>
December 31, 1984:			
Net assets available for plan benefits (a)	<u>\$207,083,650</u>	<u>\$3,238,968</u>	<u>\$210,322,618</u>
Unfunded accrued actuarial liability	<u>\$268,207,501</u>	<u>\$ 936,884</u>	<u>\$269,144,385</u>
December 31, 1983:			
Net assets available for plan benefits	<u>\$192,011,136</u>	<u>\$2,026,668</u>	<u>\$194,037,804</u>
Unfunded accrued actuarial liability	<u>\$312,461,800</u>	<u>\$1,253,804</u>	<u>\$313,715,604</u>

(a) Net assets available for plan benefits are reflected at cost with no adjustment for unrealized gains or losses. For actuarial valuation purposes, assets are valued at cost plus one-third of unrealized gains and losses. Net assets available for plan benefits for actuarial valuation purposes were as follows at December 31, 1984:

	<u>Basic plan</u>	<u>Coordinated plan</u>	<u>Total</u>
	<u>\$219,894,906</u>	<u>\$3,439,347</u>	<u>\$223,334,253</u>



and



Subsidiaries



Notes to Consolidated Financial Statements (continued)

The actuarial valuations of the "Basic Retirement Program" and the "Coordinated Retirement Program" of the Minneapolis Teachers' Retirement Fund Association were determined by the actuarial firm of William M. Mercer-Meindinger, Incorporated. To the best of their knowledge, the valuations have been prepared in accordance with the Temporary Rules for 1984 actuarial valuation contents and procedures adopted by the Minnesota Legislative Commission on Pensions and Retirement.

The Temporary Rules and State Statutes required a change in actuarial assumptions for the December 31, 1984 valuations. The most significant of these changes was to increase the investment return assumption from 5% to 8% and the salary increase assumption from 3-1/2% to 6-1/2%. In addition the retirement age assumption was reduced from age 63 to age 61 for the Basic plan. The December 31, 1984 valuation also includes valuation of the new "Rule of 85" early retirement benefit and the present value of future lump sum post-retirement benefit payments to retirees.

A reconciliation of the 1984 change in the unfunded accrued actuarial liability is summarized as follows:

	<u>Basic plan</u>	<u>Coordinated plan</u>	<u>Total</u>
Increase in unfunded accrued actuarial liability calculated using old actuarial assumptions (assumptions in effect prior to 1984)	\$ 29,150,047	\$ 240,833	\$ 29,390,880
Reduction of unfunded accrued actuarial liability resulting from changes in actuarial assumptions during 1984	(73,404,346)	(557,753)	(73,962,099)
Change in unfunded accrued actuarial liability during 1984 (decrease)	<u>\$ (44,254,299)</u>	<u>\$ (316,920)</u>	<u>\$ (44,571,219)</u>

(8) Commitments

The Association has entered into commitments to purchase and lease back property totaling approximately \$12,258,000 at December 31, 1984. All of these commitments are subject to the seller meeting various terms of the commitments.

Report of Independent Certified Public Accountants

The Board of Trustees
Minneapolis Teachers' Retirement Fund Association

We have examined the consolidated statement of net assets available for plan benefits of Minneapolis Teachers' Retirement Fund Association and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of revenues, expenditures and provision for losses, and changes in obligations for plan benefits, reserves and funding deficiency for the 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, such consolidated financial statements present fairly the net assets available for plan benefits of Minneapolis Teachers' Retirement Fund Association and subsidiaries at December 31, 1984 and 1983, and their revenues, expenditures and provision for losses, and changes in obligations for plan benefits, reserves and funding deficiency for the years

then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations referred to above were directed primarily toward formulating an opinion on the consolidated financial statements of Minneapolis Teachers' Retirement Fund Association and subsidiaries, taken as a whole. The accompanying information included in Schedules 1 through 6 are presented for purposes of additional analysis and are not necessary for a fair presentation of the net assets available for plan benefits and revenues, expenditures and provision for losses and changes in obligations for plan benefits, reserves and funding deficiency of Minneapolis Teachers' Retirement Fund Association and subsidiaries. Such accompanying information has been subjected to the auditing procedures applied in the examinations of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects only when considered in conjunction with the consolidated financial statements taken as a whole.

MAIN HURDMAN
Certified Public Accountants

Minneapolis, Minnesota
March 22, 1985 (except as to the
Actuarial Valuations note which
is as of April 12, 1985)



and



Subsidiaries



Years ended December 31:

Annuity Reserve Fund—Schedule 1

	1984	1983
Balance at beginning of year	\$ 59,574,245	\$ 55,008,672
Add (deduct):		
Interest at 5%	3,038,510	2,782,220
Annuity expenditures	(5,115,842)	(4,702,932)
	<u>(2,077,332)</u>	<u>(1,920,712)</u>
Members' accumulations transferred from retirement deposit fund for purchase of annuities	7,460,091	6,486,285
Balance at end of year	<u>\$ 64,957,004</u>	<u>\$ 59,574,245</u>

Retirement Deposit Fund—Schedule 2

	1984	1983
Balance at beginning of year	\$ 130,312,507	\$ 120,689,101
Add:		
Members' contributions:		
Required	7,188,683	7,151,550
Other	20,298	16,741
	<u>7,208,981</u>	<u>7,168,291</u>
Tax revenue credited to members—stipulated state deposits	4,911,602	3,818,204
Interest at 5%	6,062,720	5,679,800
	<u>18,183,303</u>	<u>16,666,295</u>
Deduct:		
Death benefits	33,341	57,460
Withdrawals by members	739,601	421,088
Withdrawals by member contributions	720,208	
Transfer to annuity reserve fund for purchase of annuities	7,460,091	6,486,285
Cancellation of employer's contributions in accordance with the Articles of Incorporation	29,566	78,056
	<u>8,982,807</u>	<u>7,042,889</u>
Balance at end of year	<u>\$ 139,513,003</u>	<u>\$ 130,312,507</u>

Annuity Expenditures—Schedule 3

	1984	1983
Charged to the annuity reserve fund	\$ 5,115,842	\$ 4,702,932
Charged to the contingent fund:		
In accordance with Articles of Incorporation, Article IX, sections:		
8	792	1,003
9	444,395	434,876
11	9,231,657	8,561,573
14	1,571,841	1,501,734
15	101,071	108,747
	<u>11,349,756</u>	<u>10,607,933</u>
Charged to the reserve for investment and other losses in accordance with Articles of Incorporation, Article IX, Section:		
18	1,773,908	975,052
General annuities	242,510	217,944
	<u>13,366,174</u>	<u>11,800,929</u>
	<u>\$ 18,482,016</u>	<u>\$ 16,503,861</u>



and



Subsidiaries



Years ended December 31:

Tax Revenue and District Contributions*—Schedule 4

	1984	1983
Tax revenue collected:		
State contributions	\$ 9,939,899	\$ 7,555,297
District contributions	634,381	
Total revenue	<u>\$ 10,574,280</u>	<u>\$ 7,555,297</u>
Application of tax revenue:		
Credited to:		
Contingent fund:		
Payments made to annuitants	\$ 11,349,756	\$ 10,607,933
Expenses of management	992,183	1,033,508
General annuities	<u>242,510</u>	<u>217,944</u>
	12,584,449	11,859,385
Retirement deposit fund for stipulated deposits	4,911,602	3,818,204
Funding deficiency—State of Minnesota	<u>(6,921,771)</u>	<u>(8,122,292)</u>
	<u>\$ 10,574,280</u>	<u>\$ 7,555,297</u>

*Note: Amounts charged during the year to the contingent fund are the unfunded portion of annuity expenditures and only those general and administrative expenses incurred by the Association. State contributions in excess of stipulated deposits are credited to the contingent fund. At the end of each year, the remaining deficiency in the contingent fund is added to the funding deficiency—State of Minnesota.

Administrative Expenses—Schedule 5

	1984	1983
Personal service:		
Staff payroll	\$ 203,553	\$ 195,271
Social Security taxes	12,842	12,636
Professional fees	<u>187,245</u>	<u>165,525</u>
	<u>403,640</u>	<u>373,432</u>
Investment and travel:		
Air transportation	15,655	9,802
Conference fees, tuition and registration	9,580	10,889
Hotels and meals	46,065	27,909
Investment expense	<u>15,583</u>	<u>11,989</u>
	<u>86,883</u>	<u>60,589</u>
Other expenses:		
Postage and mailing	14,221	15,055
Telephone and electricity	10,685	12,955
Printing, binding and address plates	31,853	22,671
Office supplies	5,494	6,876
Office rent	60,447	61,717
Employees' hospitalization insurance	7,771	14,481
Other insurance	27,415	39,448
Office equipment purchased	5,452	59,817
Data processing	14,976	14,217
Other (unclassified)	<u>1,281</u>	<u>4,674</u>
	<u>179,595</u>	<u>251,911</u>
	<u>\$ 670,118</u>	<u>\$ 685,932</u>



and



Subsidiaries



Years ended December 31:

Other Rental Property Expenses—Schedule 6

	1984	1983
Legal fees	\$ 197,096	\$ 176,338
Transportation, hotels and meals	32,348	33,068
Property taxes	19,412	73,010
Insurance	27,449	44,712
Utilities	3,078	10,067
Repairs	28,134	
Other (unclassified)	4,835	10,453
	<u>\$ 312,352</u>	<u>\$ 347,648</u>

Membership

The membership of the MTRF Association includes, as **Active Members**, teachers and administrative personnel employed by the Board of Education of Special School District #1—City of Minneapolis. The membership also includes, as **Inactive Members**, those who have left the employ of the Minneapolis Board of Education but who are entitled to a present or future benefit. **Annuitants** are also members of the Association.

Active Members	Women	Men	Total
January 1, 1984	1928	1173	3101
December 31, 1984	1956	1143	3099
Inactive Members			
January 1, 1984	375	220	595
December 31, 1984	372	211	583
Annuitants:			
January 1, 1984	1647	537	2184
December 31, 1984	1628	588	2216
Total Membership	3956	1942	5898

Annuities paid to beneficiaries of deceased active and annuitant members (in accordance with Article IX, Section 2, Sub-sections (b) and (c)):

January 1, 1984	156
December 31, 1984	155

Deceased:

Name	Status	Date of Death
Dennis T. Sutton	Active	7-29-84



Statement showing mean ledger assets, as adjusted and amount and rate of interest for the years 1926 to 1984 inclusive

Year ended December 31	Mean Ledger Assets, as adjusted	Interest Earned Amount	Rate
'84	\$191,288,860.50	\$19,894,051.00	10.400%
'83	177,343,230.50	17,622,614.00	9.937
'82	163,539,313.00	17,382,258.00	10.629
'81	149,966,838.00	15,590,934.00	10.396
'80	137,369,213.00	12,110,211.00	8.809
'79	127,441,400.00	9,555,212.00	7.498
'78	119,002,976.00	8,244,038.00	6.928
'77	109,690,047.00	7,080,484.00	6.455
'76	102,482,504.00	6,031,834.00	5.886
'75	96,021,440.00	5,356,739.00	5.579
'74	89,803,630.00	4,748,985.00	5.288
'73	82,860,227.00	4,248,383.00	5.127
'72	73,156,501.00	3,507,766.00	4.794
'71	63,956,260.00	3,082,911.00	4.820
'70	57,281,444.00	2,680,399.00	4.679
'69	50,987,871.61	2,291,990.27	4.495
'68	46,162,651.99	2,111,541.20	4.575
'67	42,365,970.56	1,884,841.39	4.448
'66	39,281,614.43	1,756,422.58	4.471
'65	37,449,239.33	1,611,580.12	4.303
'64	35,391,079.71	1,517,775.56	4.288
'63	33,647,847.97	1,349,232.98	4.009
'62	31,899,302.87	1,247,245.82	3.909
'61	30,437,359.43	1,164,795.25	3.826
'60	29,080,638.95	1,142,686.48	3.929
'59	27,846,792.94	1,126,328.62	4.045
'58	26,560,860.62	991,336.08	3.732
'57	25,230,130.36	912,070.82	3.615
'56	23,958,498.11	810,268.45	3.381
'55	22,627,156.81	751,597.06	3.321
'54	21,429,372.66	703,029.44	3.281
'53	20,370,891.76	658,579.25	3.233
'52	19,457,766.21	607,935.49	3.124
'51	18,559,601.68	566,824.11	3.054
'50	17,550,340.60	520,238.90	2.964
'49	16,547,387.66	472,841.11	2.858
'48	15,695,815.67	415,271.39	2.646
'47	14,536,784.39	373,731.25	2.571
'46	13,384,728.20	391,046.39	2.921
'45	12,714,006.41	379,850.01	2.987
'44	12,240,130.42	354,096.35	2.892
'43	11,752,470.13	349,777.19	2.976
'42	11,303,712.07	344,634.06	3.049
'41	10,817,852.83	325,629.10	3.010
'40	10,196,598.63	333,087.48	3.267
'39	9,524,180.18	329,502.33	3.460
'38	8,836,807.22	318,229.50	3.601
'37	8,154,626.79	301,951.16	3.703
'36	7,452,624.01	283,542.42	3.805
'35	6,741,092.30	275,790.07	4.091
'34	6,036,087.19	256,574.71	4.251
'33	5,395,507.11	227,254.57	4.212
'32	4,810,177.70	207,277.66	4.309
'31	4,173,207.88	182,277.63	4.368
'30	3,513,913.19	156,459.89	4.453
'29	2,895,964.01	129,892.32	4.485
'28	2,364,529.38	106,684.96	4.512
'27	1,897,742.32	86,296.42	4.547
'26	1,448,643.89	64,792.71	4.473

Notes:

(1) The mean ledger assets, as adjusted, have been computed in accordance with the formula approved by State Insurance Commissioners and represent the average of the net ledger assets at the beginning and end of each year, less one-half of the interest earned. The non-ledger assets excluded from the computation include "Interest due and accrued on investment," and "Taxes due and accrued."

(2) For the years 1941 to 1945, inclusive, amounts aggregating \$197,284.21 representing the net premiums realized from the sale of securities (principally tax exempt) have been applied against purchases in determining costs for the reason that, in effect, the transactions amount to an exchange. In view of the change in investment policy, profits or losses on security sold or called have been credited to income account, but have been excluded from the interest earned in the above tabulation.

Summary of Actuarial Valuations as of December 31, 1984



Basic and



Coordinated



Retirement



Programs



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Actuaries' Reports

April 12, 1985

Basic Program

Dear Trustees,

This report presents the results of the actuarial valuation as of December 31, 1984 of the "Basic Retirement Program" of the Minneapolis Teachers' Retirement Fund Association. In preparing this valuation report, we have relied upon the accuracy of employee data provided by the Association and upon financial information provided by Main Hurdman, Certified-Public Accountants, the Auditors for the Association.

To the best of our knowledge, this valuation has been prepared in accordance with the Temporary Rules for 1984 actuarial valuation contents and procedures adopted by the Legislative Commission on Pensions and Retirement (LCPR).

This report contains the information required by Minnesota Statute Sections 356.215 through 356.23 except Section 356.215 Subdivision (4), which conflicts with the Temporary Rules. According to the Executive Secretary of the LCPR, this conflict is the result of a technical error in the statute. A bill to

amend the statute to correct this error has already passed the State House.

The Temporary Rules and State Statutes required a change in actuarial assumptions for this valuation. The most significant of these changes were to increase the investment return assumption from 5% to 8% and the salary increase assumption from 3½% to 6½%. In addition the retirement age assumption was reduced from age 63 to age 61.

This December 31, 1984 valuation also includes valuation of the new "Rule of 85" early retirement benefit and the present value of future "Bonus" or "Thirteenth Check" payments to retirees.

In our opinion, this report fairly presents the results of the December 31, 1984 actuarial valuation based upon the employee and asset data provided and upon the requirements of the Temporary Rules.

Coordinated Program

Dear Trustees,

This report presents the results of the actuarial valuation as of December 31, 1984 of the "Coordinated Retirement Program" of the Minneapolis Teachers' Retirement Fund Association. In preparing this valuation report, we have relied upon the accuracy of employee data provided by the Association and upon financial information provided by Main Hurdman, Certified-Public Accountants, the Auditors for the Association.

To the best of our knowledge, this valuation has been prepared in accordance with the Temporary Rules for 1984 actuarial valuation contents and procedures adopted by the Legislative Commission on Pensions and Retirement (LCPR).

This report contains the information required by Minnesota Statute Sections 356.215 through 356.23 except Section 356.215 Subdivision (4), which conflicts with the Temporary Rules. According to the Executive Secretary of the LCPR, this

conflict is the result of a technical error in the statute. A bill to amend the statute to correct this error has already passed the State House.

The Temporary Rules and State Statutes required a change in actuarial assumptions for this valuation. The most significant of these changes were to increase the investment return assumption from 5% to 8% and the salary increase assumption from 3½% to 6½%.

This December 31, 1984 valuation also includes the present value of future "Bonus" or "Thirteenth Check" payments to retirees.

In our opinion, this report fairly presents the results of the December 31, 1984 actuarial valuation based upon the employee and asset data provided and upon the requirements of the Temporary Rules.


Mark D. Meyer, F.S.A.
Associate



Basic and



Coordinated



Retirement



Programs

**Summary of Costs as of December 31, 1984 OLD ASSUMPTIONS—Exhibit I***

Basic Program	<u>Normal Cost</u>	<u>Accrued Liability</u>	Coordinated Program	<u>Normal Cost</u>	<u>Accrued Liability</u>
Active Members			Active Members		
Retirement Benefits	\$ 7,199,894	\$ 262,909,201	Retirement Benefits	\$ 812,082	\$ 3,852,440
Disability Benefits	443,778	15,013,420	Disability Benefits	78,916	384,054
Withdrawal Benefits	833,798	26,019,890	Withdrawal Benefits	103,297	386,906
Death Benefits	696,769	20,191,863	Death Benefits	31,346	104,688
Deferred Annuitants and Former Members			Deferred Annuitants and Former Members		
Without Vested Rights	0	16,232,500	Without Vested Rights	0	5,517
Annuitants	0	208,328,623	Annuitants	0	0
Total	\$ 9,174,239	\$ 548,695,497	Total	\$ 1,025,641	\$ 4,733,605
Member deposits (8½% of compensation for basic active Plan participants)	\$ 6,134,574		Member deposits (4½% of compensation for all coordinated Plan participants)	\$ 470,519	
Employer normal cost	\$ 3,039,665		Employer normal cost	\$ 555,122	
Valuation Assets		\$ 207,083,650	Valuation Assets		\$ 3,238,968
Actual Unfunded Accrued Liability		<u>\$ 341,611,847</u>	Actual Unfunded Accrued Liability		<u>\$ 1,494,637</u>
Total 1984 Payroll	\$ 72,171,463		Total Payroll	\$ 9,864,433	

Summary of Costs as of December 31, 1984 NEW ASSUMPTIONS—Exhibit II**

Basic Program	<u>Normal Cost</u>	<u>Accrued Liability</u>	Coordinated Program	<u>Normal Cost</u>	<u>Accrued Liability</u>
Active Members			Active Members		
Retirement Benefits	\$ 6,837,208	\$ 213,758,727	Retirement Benefits	\$ 669,155	\$ 2,888,846
Disability Benefits	283,294	7,402,710	Disability Benefits	62,893	273,839
Withdrawal Benefits	791,797	21,025,759	Withdrawal Benefits	85,117	275,467
Death Benefits	484,956	10,454,309	Death Benefits	26,488	76,733
Early Retirement (Rule of 85)	(19,667)	1,536,938	Deferred Annuitants and Former Members		
Deferred Annuitants and Former Members			Without Vested Rights	0	1,991
Without Vested Rights	0	16,903,338	Annuitants	0	0
Annuitants	0	162,047,512	Lump Sum Post Retirement Adjustment	\$ 237,082	\$ 859,355
Lump Sum Post Retirement Adjustment	\$ 2,475,814	\$ 54,973,114	Total	\$ 1,080,735	\$ 4,376,231
Total	\$ 10,853,402	\$ 488,102,407	Member deposits (4½% of compensation for all coordinated Plan participants)	\$ 470,519	
Member deposits (8½% of compensation for basic Plan participants)	\$ 6,134,574		Employer Normal Cost	\$ 610,216	
Employer Normal Cost	\$ 4,718,828		Valuation assets (cost plus ½ of unrealized gains and losses)		\$ 3,439,347
Valuation assets (cost plus ½ of unrealized gains and losses)		\$ 219,894,906	Actual Unfunded Accrued Liability		<u>\$ 936,884</u>
Actual Unfunded Accrued Liability		<u>\$ 268,207,501</u>	Total Payroll	\$ 9,864,433	
Total 1984 Payroll	\$ 72,171,463				

*Assumed retirement age is 63, 5% Interest and ½ of 1970 Turnover

**Assumed retirement age is 61, 8% Interest and Turnover based on 1979-1983 Experience Study

**Summary of Contribution Levels for Two Years OLD ASSUMPTIONS — Exhibit III**

Basic Program	Dec. 31, 1984	Dec. 31, 1983	Coordinated Program	Dec. 31, 1984	Dec. 31, 1983
Employer normal cost	\$ 3,039,665	\$ 3,338,249	Employer normal cost	\$ 555,122	\$ 411,960
Percentage of Payroll	4.21%	4.88%	Percentage of Payroll	5.63%	5.50%
Unfunded accrued liability	\$ 341,611,847	\$ 312,461,800	Unfunded accrued liability	\$ 1,494,637	\$ 1,253,804
Employer contribution required to meet normal cost and amortize unfunded accrued liability by December 31, 2009 assuming payment at the beginning of the Plan Year	\$ 26,123,665	\$ 24,039,384	Employer contribution required to meet normal cost and amortize unfunded accrued liability by December 31, 2009 assuming payment at the beginning of the Plan Year	\$ 656,120	\$ 495,027
Percentage of payroll	36.20%	35.12%	Percentage of payroll	6.65%	6.61%
Employer contribution required to meet normal cost and amortize unfunded accrued liability as equal percents of pay over future working life of present employees, assuming payment at the beginning of the Plan Year	\$ 33,743,098	\$ 30,838,112	Employer contribution required to meet normal cost and amortize unfunded accrued liability by December 31, 2009 assuming payment at the beginning of the Plan Year	\$ 657,610	\$ 495,248
Percentage of payroll	46.75%	45.05%	Percentage of payroll	6.67%	6.61%
Employer contribution required to meet normal cost and prevent unfunded accrued liability from increasing, assuming payment at the end of the Plan Year	\$ 20,272,241	\$ 19,128,251	Administrative expense	\$ 37,078	\$ 37,953
Percentage of payroll	28.09%	27.94%	Percentage of payroll	.38%	.51%
Administrative expense	\$ 633,040	\$ 647,979	Employer contribution required to meet normal cost and administrative expense and amortize unfunded accrued liability by December 31, 2009 assuming payment at the beginning of the Play Year	\$ 693,198	\$ 532,980
Percentage of payroll	.88%	.95%	Percentage of payroll	7.03%	7.12%
Employer contribution required to meet normal cost and administrative expense and amortize unfunded accrued liability by December 31, 2009 assuming payment at the beginning of the Play Year	\$ 26,756,705	\$ 24,687,363	Employer contribution required to meet normal cost and administrative expense and amortize unfunded accrued liability as equal percents of pay over future working life of present employees, assuming payment at the beginning of the Plan Year	\$ 696,542†	\$ 535,099†
Percentage of payroll	37.07%	36.06%	Percentage of payroll	7.06%	7.15%
Employer contribution required to meet normal cost and administrative expense and amortize unfunded accrued liability as equal percents of pay over future working life of present employees, assuming payment at the beginning of the Plan Year	\$ 34,376,138	\$ 31,488,416			
Percentage of payroll	47.63%	46.00%			
Employer contribution required to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing, assuming payment at the end of the Plan Year**	\$ 20,936,933*	\$ 19,808,629*			
Percentage of payroll	29.01%	28.94%			

*Includes interest on administrative expense.

**Under this method of funding, the contribution as a percentage of payroll will increase as the payroll for active members decreases due to no new entrants in the Plan.

†Includes interest on administrative expense.



Summary of Contributions Levels Under Both OLD and NEW ASSUMPTIONS —Exhibit IV

	Dec. 31, 1984 Old Assumptions	Dec. 31, 1984 New Assumptions		Dec. 31, 1984 Old Assumptions	Dec. 31, 1984 New Assumptions
Basic Program			Coordinated Program		
Payroll	\$ 72,171,463	\$ 72,171,463	Payroll	\$ 9,864,433	\$ 9,864,433
Employer normal cost	\$ 3,039,665	\$ 4,718,828	Employer normal cost	\$ 555,122	\$ 610,216
Percentage of Payroll	4.21%	6.54%	Percentage of Payroll	5.63%	6.19%
Unfunded accrued liability	\$ 341,611,847	\$ 268,207,501	Unfunded accrued liability	\$ 1,494,637	\$ 936,884
Employer contribution required to meet normal cost and amortize unfunded accrued liability as a level percentage of pay assuming payment at the middle of the Plan Year	\$ 19,672,096	\$ 18,037,059	Employer contribution required to meet normal cost and amortize unfunded accrued liability as a level percentage of pay assuming payment at the middle of the Plan Year	\$ 641,111	\$ 680,488
Percentage of payroll	27.26%	24.99%	Percentage of payroll	6.50%	6.90%
Administrative expense	\$ 633,040	\$ 633,040	Administrative expense	\$ 37,078	\$ 37,078
Percentage of payroll	.88%	.88%	Percentage of payroll	.38%	.38%

The payroll for members in the Coordinated program is \$9,864,433. The employer contribution to meet normal cost and amortize unfunded accrued liability as a level percent of pay is \$680,488. Thus, the combined contributions of the two Plans are \$18,717,547 based on a payroll of \$81,035,896. This represents a contribution of 23.10% of payroll.

Comparison of Contributions with Total Income From Governmental Units—Exhibit V

Basic Program

Old Assumptions

Employer contribution as of June 30, 1985 to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing	\$ 12,304,819
Percentage of 1984 payroll	17.05%
Total 1984 City and State contributions	\$ 10,044,562
Percentage of 1984 payroll	13.92%

New Assumptions

Employer contribution as of June 30, 1985 to meet normal cost and administrative expense and amortize unfunded accrued liability as a level percent of pay, assuming payment at the middle of the Plan Year, including interest on administrative expenses.	\$ 18,695,423
Percentage of 1984 payroll	25.90%

Coordinated Program

Old Assumptions

Employer contribution as of June 30, 1985 to meet normal cost and administrative expense and prevent unfunded accrued liability from increasing	\$ 696,452
Percentage of payroll on December 31, 1984	7.06%
Total 1984 City and State contributions	\$ 529,718
Percentage of payroll on December 31, 1984	5.37%

New Assumptions

Employer contribution as of June 30, 1985 to meet normal cost and administrative expense and amortize unfunded accrued liability as a level percent of pay, assuming payment at the middle of the Plan Year, including interest on administrative expenses.	\$ 719,049
Percentage of payroll on December 31, 1984	7.29%



Basic and



Coordinated



Retirement



Programs



Covered Earnings of Active Coordinated Members Included in December 31, 1984 Valuation—Exhibit VI

By Service Group

Service Group	Basic Program			Coordinated Program		
	Participants	Earnings	Average Earnings	Participants	Earnings	Average Earnings
0	0	\$ 0	\$ 0	0	\$ 0	\$ 0
1	43	31,643	753	145	1,035,464	7,141
2	5	96,068	19,214	96	1,479,198	15,408
3	11	175,055	15,914	94	1,686,766	17,944
4	16	317,306	19,832	61	1,192,201	19,544
0- 4	75	620,072	8,379	396	5,393,629	13,620
5- 9	209	4,056,222	19,408	230	4,090,333	17,784
10-14	500	13,145,732	26,291	14	278,608	19,901
15-19	927	28,787,861	31,055	5	86,092	17,218
20-24	388	13,028,678	33,579	0	0	0
25-29	244	8,809,936	36,106	1	4,801	4,801
30-34	89	3,109,078	34,933	3	10,969	3,656
35-39	18	613,882	34,105	0	0	0
40+	0	0	0	0	0	0
Total	2,450	\$ 72,171,463	\$ 29,470	649	\$ 9,864,433	\$ 15,199

Covered Earnings of Active Coordinated Members Included in December 31, 1984 Valuation—Exhibit VII

By Age Group

Age Group	Basic Program			Coordinated Program		
	Participants	Earnings	Average Earnings	Participants	Earnings	Average Earnings
0-19	0	\$ 0	\$ 0	0	\$ 0	\$ 0
20-24	0	0	0	35	318,743	9,107
25-29	4	59,027	14,757	130	1,607,991	12,369
30-34	115	1,709,748	14,867	153	2,303,036	15,053
35-39	492	13,018,942	26,461	139	2,426,209	17,455
40-44	540	15,815,518	29,288	88	1,549,020	17,603
45-49	411	13,039,319	31,726	52	933,292	17,948
50-54	398	13,345,742	33,532	20	354,939	17,747
55-59	313	9,811,919	31,348	22	323,309	14,696
60-64	133	4,099,113	30,820	10	47,893	4,789
65-69	39	1,199,105	30,746	0	0	0
70-74	3	73,026	24,343	0	0	0
75-79	1	0	0	0	0	0
80-84	0	0	0	0	0	0
85+	0	0	0	0	0	0
Total	2450	\$ 72,171,463	\$ 29,470	649	\$ 9,864,433	\$ 15,199



Calculation of Actuarial Gain or Loss During 1984 — Exhibit VIII

Basic Program

(a) Actual unfunded accrued liability as of December 31, 1983 for basic members	\$ 312,461,800
(b) Normal cost as of December 31, 1983	8,980,449
(c) Interest at 5% of (a) and (b)	16,072,115
(d) Employee contribution during 1984	6,733,768
(e) Employer contribution during 1984	10,044,562
(f) Estimated interest on (d) and (e)	419,458
(g) Expected unfunded accrued liability as of December 31, 1984 = (a) + (b) + (c) - (d) - (e) - (f)	320,316,626
(h) Actual unfunded accrued liability as of December 31, 1984	341,611,847
(i) Actuarial gain (loss) = (g) - (h)	(21,295,221)

Coordinated Program

(a) Actual unfunded accrued liability as of December 31, 1983 for coordinated members	\$ 1,253,804
(b) Normal cost as of December 31, 1983	748,903
(c) Interest at 5% of (a) and (b)	100,135
(d) Employee contribution during 1984	475,213
(e) Employer contribution during 1984	529,718
(f) Estimated interest on (d) and (e)	25,123
(g) Expected unfunded accrued liability as of December 31, 1984 = (a) + (b) + (c) - (d) - (e) - (f)	1,072,788
(h) Actual unfunded accrued liability as of December 31, 1984	1,494,637
(i) Actuarial gain (loss) = (g) - (h)	(421,849)

Summary of Active Membership and Annuitants — Exhibit IX

Basic Program

Active Members	Number	Annual Covered Payroll
As of December 31, 1983	2,402	\$ 68,430,455
Reentrants and status changes	162	394,363
Salary increases	—	6,465,606
Retirements and Withdrawal from Service	(114)	(3,118,961)
As of December 31, 1984	<u>2,450</u>	<u>72,171,463</u>

Annuitants	Number	Annual Amount Payroll
As of December 31, 1983	2,340	\$ 16,045,198
New entrants	110	1,419,263
Terminations	(11)	(54,877)
Deaths	(68)	(288,628)
Cost-of-living increases and other adjustments	—	145,004
As of December 31, 1984	<u>2,371</u>	<u>\$ 17,265,960</u>

Coordinated Program

Active Members	Number	Annual Covered Payroll
As of December 31, 1983	566	\$ 7,487,627
New entrants, reentrants and other adjustments	182	911,299
Salary changes	—	2,541,843
Withdrawals from Service	(99)	(1,076,336)
Retirements	0	0
As of December 31, 1984	<u>649</u>	<u>\$ 9,864,433</u>



Approximate Breakdown of the Change in Unfunded Accrued Liability as of December 31, 1984 — Exhibit X

<i>Basic Program</i>		<i>Coordinated Program</i>	
1. Unfunded accrued liability as of December 31, 1984, on old assumptions	\$ 341,611,847	1. Unfunded accrued liability as of December 31, 1984, on old assumptions	\$ 1,494,637
2. Actual unfunded accrued liability as of December 31, 1983	312,461,800	2. Actual unfunded accrued liability as of December 31, 1983	1,253,804
3. Increase in unfunded accrued liability = (1)-(2)	<u>29,150,047</u>	3. Increase in unfunded accrued liability = (1)-(2)	<u>240,833</u>
Sources of Increase and (Decrease)		Sources of Increase and (Decrease)	
Amortization of unfunded accrued liability	\$ 7,854,826*	Amortization of unfunded accrued liability	\$ (181,016)†
Experience (gains) and losses		Experience (gains) and losses	
Interest—excluding capital gains	\$ (10,171,000)	Interest—excluding capital gains	\$ (159,000)
Realized capital gains	(284,000)	Realized capital gain	(6,000)
Salary change experience	18,341,000	Salary change experience	472,000
Turnover experience	3,162,000	Turnover experience	(18,000)
Reentrant and status change experience	1,623,000	Reentrant and status change experience	128,000
Retirement experience	1,548,000	Mortality experience	(12,000)
Annuitant Mortality experience	3,658,000	Disability experience	48,000
Active Mortality and Disability Experience	1,383,000	New entrants	9,000
Other—unallocated**	2,035,221	Other, unallocated††	<u>(40,151)</u>
Total	<u>\$ 29,150,047</u>	Total	<u>421,849</u>
			240,833

*The 1984 contribution did not cover the normal cost plus administrative expenses plus interest on the unfunded accrued liability as of December 31, 1983, and this shortfall caused an increase in the unfunded accrued liability of \$7,854,826. This is derived from Exhibit VIII as the excess of item (g) over item (a) therein.

**Most of this unallocated loss appears to be attributable to differences in actuarial techniques from the prior year. However, there were no significant changes in the methods used.

†The portion of the 1984 contribution applied to amortize the unfunded accrued liability is \$181,016. This is derived from Exhibit VIII as the excess of item (a) over item (g) therein.

††Most of this unallocated loss appears to be attributable to differences in actuarial techniques from the prior year. However, there were no significant changes in the methods used.

**Actuarial Balance Sheet as of December 31, 1984—Exhibit XI****Basic Program**

I. Current and Expected Future Assets		
A. Current Assets		
1. Cash and Equivalents	\$ 49,086,378	
2. Fixed Income Investments	18,629,895	
3. Equity Investments	<u>152,178,633</u>	
Total		\$ 219,894,906
B. Expected Future Assets		
1. Present Value of Expected Future Supplemental Contributions	\$ 52,026,218	
2. Present Value of Future Normal Costs	<u>\$ 111,057,135</u>	
Total		<u>\$ 163,083,353</u>
C. Total Current and Expected Future Assets		\$ 382,978,259
II. Current and Expected Future Benefit Obligation		
A. Current Benefit Obligations—Present value of benefit obligations in account of service rendered to date		
1. Annuitants		
a. Retirement annuities (including survivor annuities)	\$ 157,717,226	
b. Disability annuities	<u>4,330,286</u>	
Total		\$ 162,047,512
2. Former members without vested rights and Deferred Annuitants		\$ 16,903,338
3. Active Members		
a. Retirement	\$ 111,568,096	
b. Disability	3,863,474	
c. Withdrawal	10,973,344	
b. Death	<u>5,456,104</u>	
Total		<u>\$ 131,861,018</u>
Total		\$ 310,811,868
B. Expected Future Benefit Obligations— Present value of benefit obligations on account of future service for active employees		\$ 288,986,637
C. Total current and expected future benefit obligations		\$ 599,798,505
III. Current Unfunded Liability		
A. Current benefit obligations less current assets		
1. Amount	\$ 90,916,962	
2. Percent of expected future payroll		12.18%
IV. Current and Future Unfunded Liability		
A. Current and expected future benefit obligation less current and expected future		
1. Amount	\$ 216,820,246	
2. Percent of expected future payroll		29.05%

This is a new exhibit. It is shown for the first time in 1984 because it is required by Minnesota Statute Section 356.215, subd.4(6). Item IV(A)(2) quantifies the deficiency in terms of the increase in contributions required, expressed as a percent of current and future payroll.



Actuarial Balance Sheet as of December 31, 1984—Exhibit XII

Coordinated Program

I. Current and Expected Future Assets		
A. Current Assets		
1. Cash and Equivalents	\$ 767,754	
2. Fixed Income Investments	291,388	
3. Equity Investments	<u>2,380,205</u>	
Total		\$ 3,439,347
B. Expected Future Assets		
1. Present Value of Expected Future Supplemental Contributions*	\$ (4,229,223)	
2. Present Value of Future Normal Costs	<u>\$ 17,336,931</u>	
Total		<u>\$ 13,107,708</u>
C. Total Current and Expected Future Assets		\$ 16,547,055
II. Current and Expected Future Benefit Obligations		
A. Current Benefit Obligations—Present value of benefit obligations in account of service rendered to date		
1. Annuitants		
a. Retirement annuities (including survivor annuities)	\$ 0	
b. Disability annuities	0	
c. Surviving spouse annuities	0	
c. Surviving children annuities	<u>0</u>	
Total		\$ 0
2. Former members without vested rights and Deferred Annuitants		\$ 1,991
3. Active Employees		
a. Retirement	\$ 534,636	
b. Disability	50,688	
c. Withdrawal	51,729	
b. Death benefits	<u>14,203</u>	
Total		<u>\$ 651,256</u>
Total		\$ 653,247
B. Expected Future Benefit Obligations—Present value of benefit obligations on account of future service for active employees		\$ 21,059,915
C. Total current and expected future benefit obligations		\$ 21,713,162
III. Current Unfunded Liability		
A. Current benefit obligations less current assets		
1. Amount	\$ (2,786,100)	
2. Percent of expected future payroll		(1.91%)
IV. Current and Future Unfunded Liability		
A. Current and expected future benefit obligation less current and expected future assets		
1. Amount	\$ 5,166,107	
2. Percent of expected future payroll		3.55%

This is a new exhibit. It is shown for the first time in 1984 because it is required by Minnesota Statute Section 356.215, subd. 4(6). Item IV(A)(2) quantifies the deficiency in terms of the increase in contributions required, expressed as a percent of current and future payroll.

*This is negative because the present value of future normal costs exceeds the present value of future employer and employee contributions.