

St. Paul Teachers' Retirement Fund Association

Annual Report of the **Board of Trustees**

Fiscal Year Ended June 30, 2001

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Minn. Stat. 356.215 Subd. 3

St. Paul Teachers' Retirement Fund Association

> Annual Report of the Board of Trustees

> > Fiscal Year Ended June 30, 2001



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Mission Statement

The Mission of St. Paul Teachers' Retirement Fund Association is to:

- Provide our members and their beneficiaries with retirement, survivor and disability benefits as specified in law and the Association Articles and Bylaws.
- Assist our members in planning a secure retirement by providing friendly, high quality, consumer oriented service, pre-retirement education and information in a professional and cost effective manner.
- Prudently invest the assets of the fund to provide the optimum return while preserving principal by controlling the portfolio risk.

St. Paul Teachers' Retirement Fund Association

Board of Trustees



James P. Gillach President

Carol J. Adams

Vice President

Feryle W. Borgeson Trustee



John R. Kunz Trustee





Eugene R. Waschbusch Secretary-Treasurer

Mary Thornton Phillips

Ex-Officio Trustee

F. Michael McCollor Trustee











W. Matthew Bogenschultz Trustee

Richard K. Wagenknecht Trustee



St. Paul Teachers' Retirement Jund Association

OFFICERS

BOARD OF TRUSTEES

MEMBERS

W. Matthew Bogenschultz F. Michael McCollor Feryle W. Borgeson Erma E. McGuire John R. Kunz Richard K. Wagenknecht Mary Thornton Phillips, Ex-Officio James P. Gillach Carol J. Adams Eugene R. Waschbusch

President Vice President Isch Secretary-Treasurer 1619 Dayton Avenue, Room 309 Saint Paul, MN 55104-6206 Phone (651) 642-2550 Fax (651) 642-2553

The Board of Trustees of the St. Paul Teachers' Retirement Fund Association (SPTRFA) submits herewith the Financial Report for the fiscal year July 1, 2000 to June 30, 2001 in accordance with the provisions of Minnesota Statutes 356.20.

The financial statements of the Association were audited by the Office of the State Auditor. A copy of the report is included in this document.

Portions of the Actuarial Valuation from the actuary retained by the Legislative Commission on Pensions and Retirement, Milliman USA, are also included in this report. The complete actuarial valuation is on file in our office.

Consulting actuarial work was performed by Gabriel, Roeder, and Smith.

Legal services were performed by the firm of Oppenheimer, Wolfe & Donnelly, LLP, our legal counsel.

Callan Associates is the Investment Consultant for the Association.

REVENUES

The reserves required to finance benefits come from employee and employer contributions and through investment gains. During fiscal year 2000-2001, total contributions amounted to \$36,721,420. Net investment income including unrealized market appreciation/depreciation for the same period was (\$31,081,240).

EXPENSES

Benefits to annuitants, disabilitants, survivors and dependent children paid in this fiscal year totaled \$53,404,649. Refunds to members who left the Association totaled \$794,756. Administrative expenses amounted to \$443,745.

INVESTMENTS

The investments of SPTRFA had a rate of return of (2.35%) for the fiscal year ending June 30, 2001. This return is under the 8.5% rate the actuaries assume when determining our funding status. Although negative, this return is over the return of our benchmark portfolio, which is (7.17%). The market value of the net assets of the fund held in trust for pension benefits decreased from \$873,227,927 on June 30, 2000 to \$824,224,957 on June 30, 2001.

MEMBER SERVICES

SPTRFA sent detailed benefit estimates to each vested member over age 40. All other members received a statement of account. The SPTRFA web site, "SPTRFA.ORG" is currently being upgraded to be more informative and useful to our members. This reconstruction of our web page is expected to be completed by March 1, 2002.

* note: values in (parenthesis) are negative

The document you are reading is the complete Annual Report of the Board of Trustees. A copy of this report has been mailed to each school building and location where members work. To save printing costs, each member has been sent a summary version of this report, which contains all of the relevant information but less detail. A complete Annual Report will be sent to any member on request.

FUNDING

The actuary for the State of Minnesota, Milliman USA determines the funding status of our Association. This year, the funding ratio is 81.91%. This is an increase from the 80.32% funding ratio for fiscal year 2000. This increase shows that SPTRFA is on track to attain full funding by our target date of 2020.

LEGISLATION

The 2001 legislative session produced two important pieces of legislation for our members. Active members of our plan are now allowed to use tax sheltered money to purchase service credit in SPTRFA. Retired members who have been receiving the Supplemental Bonus Payment each December 1st will now receive the bonus amount earlier. A change in law allows SPTRFA to pay the Supplemental Bonus Payment by increasing the monthly benefit starting January 1, 2002.

ADMINISTRATIVE SERVICE CHARGE

This annual report contains a summary of the calculation of the member service charge as required by law. Again this year, members will not be assessed a service charge because the administrative expense of SPTRFA was less than our benchmark. The benchmark we use is the comparable per member cost of the State TRA plan.

As SPTRFA enters its 93rd year of providing pensions and benefits to teachers in the public schools, charter schools, and the technical college in the City of Saint Paul, we are proud to look back on our record. There are 4,924 active teaching members of SPTRFA. The number of retirees, disabilitants, and survivors receiving benefits is 2,050. The average retiree benefit, for all our retirees whose teaching careers in St. Paul range from one year to 40+ years, is \$28,453. To offset the effects of this year's 2.6% inflation, all retirees who have been retired for at least one year will receive an increase of 3.70% on January 1, 2002.

On behalf of the members of the Board of Trustees we wish to express our gratitude to the Association staff, ISD #625, and to others who have helped assure our successful operation. We pledge to continue to administer the affairs of the Association in the most competent and efficient manner possible.

Respectfully submitted,

ames P. Gillach

James P. Gillach President

Eugene R. Waschbusch Secretary-Treasurer

St. Paul Teachers' Retirement Fund Association

Professional Listing (as of June 30, 2001)

Actuaries

Milliman USA Gabriel, Roeder, Smith & Company

Auditor

Office of the State Auditor

Investment Counsel

Alliance Capital Barclays Global Investors Barrow, Hanley, Mewhinney & Strauss, Inc. The Boston Company Asset Management Capital Guardian Trust Company Capital International, Inc. The Clifton Group Dimensional Fund Advisors, Inc. Morgan Stanley Asset Management Paladin Investment Associates RWI Group Voyageur Asset Management Wellington Management Company, LLP

> Investment Consultant Callan Associates

Legal Counsel Oppenheimer, Wolfe & Donnelly, LLP

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JUDITH H. DUTCHER STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 400 525 PARK STREET SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice) (651) 296-4755 (Fax) stateauditor@osa.state.mn.us (E-Mail) 1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees St. Paul Teachers' Retirement Fund Association

We have audited the basic financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the years ended June 30, 2001 and 2000, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the St. Paul Teachers' Retirement Fund Association as of June 30, 2001 and 2000, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information referred to in the table of contents is not a required part of the basic financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the information in the schedules, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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JUDITH H. DUTCHER STATE AUDITOR

GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

November 20, 2001

COMPARATIVE STATEMENT OF PLAN NET ASSETS JUNE 30, 2001 AND 2000

	2001			2000		
Assets						
Cash	\$	458,692	\$	509,211		
Receivables						
Employer and employee contributions	\$	2,537,265	\$	2,105,416		
Interest		1,103,525		1,616,333		
Dividends		148,135		30,468		
Sales of securities		-		2,385,388		
Variation margins receivable		439,068		218,734		
Other		11,464		5,913		
Total receivables	\$	4,239,457	\$	6,362,252		
Investments, at fair value						
Commercial paper	\$	12,258,645	\$	34,975,158		
U.S. government securities		46,811,727		77,930,577		
Corporate bonds		31,682,741		56,167,942		
Corporate stocks		177,427,465		118,976,168		
Commingled investment funds		, ,				
Pooled international equity trust		100,679,724		118,522,587		
Government/credit bond index fund		96,203,146		76,504,932		
Equity index fund		160,206,343		217,104,007		
Small capital index fund		-		3,782,437		
U.S. debt index fund		50,267,369		-		
Extended equity market fund		44,486,638		51,293,995		
Russell 2000 equity index fund		6,128,987		12,226,460		
International emerging markets growth fund		20,924,780		31,743,754		
Mutual fund		34,520,026		23,264,972		
International small capital equity fund		23,251,033		38,982,537		
Money market funds		14,654,898		12,775,609		
Limited partnership		940,000				
Total investments, at fair value	\$	820,443,522	\$	874,251,135		
Invested securities lending collateral	\$	104,857,591	\$	47,316,488		
Furniture and fixtures (at cost, less accumulated depreciation of \$44,651 and \$39,176 in 2001 and 2000,						
respectively)	\$	33,138	<u>_</u> \$	26,465		
Total Assets	\$	930,032,400	\$	928,465,551		

The notes to the financial statements are an integral part of this statement.

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COMPARATIVE STATEMENT OF PLAN NET ASSETS JUNE 30, 2001 AND 2000

	2001		2000		
Liabilities					
Accounts payable Security purchases payable Variation margins payable Securities lending collateral	\$	583,363 366,489 104,857,591	\$	562,172 7,358,964 47,316,488	
Total Liabilities	\$	105,807,443	\$	55,237,624	
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is Presented on Page 17)	\$	824,224,957	\$	873,227,927	

The notes to the financial statements are an integral part of this statement.

COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	<u></u>	2001	2000		
Additions					
Contributions					
Employer	\$	19,996,142	\$	19,049,291	
Members		13,152,552		13,183,734	
Other sources					
State of Minnesota		3,572,726		3,572,726	
Total contributions	\$	36,721,420	\$	35,805,751	
Investment income (loss)					
From investing activity					
Net appreciation (depreciation) in fair value					
of investments	\$	(43,366,168)	\$	71,476,118	
Interest		10,516,685		10,736,539	
Dividends		4,329,565		3,874,291	
Other		111,755		86,295	
Total investing activity income (loss)	\$	(28,408,163)	\$	86,173,243	
Less: investing activity expense		(2,769,232)		(2,664,418)	
Net income (loss) from investing activity	\$	(31,177,395)	\$	83,508,825	
From securities lending activity					
Securities lending income	\$	5,291,894	\$	3,831,020	
Less: securities lending expense					
Borrower rebates	\$	(5,131,671)	\$	(3,665,564)	
Management fees		(64,068)		(66,169)	
Total securities lending expense	\$	(5,195,739)	\$	(3,731,733)	
Net income from securities lending activity	\$	96,155	\$	99,287	
Net investment income (loss)	\$	(31,081,240)	\$	83,608,112	
Total Additions	\$	5,640,180	\$	119,413,863	

The notes to the financial statements are an integral part of this statement.

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COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	 2001	2000		
Deductions				
Benefits to participants				
Retirement	\$ 48,276,142	\$	42,701,378	
Disability	761,224		752,641	
Survivor	4,349,331		3,700,905	
Dependent children	17,952		12,654	
Withdrawals and refunds	 794,756		524,937	
Total benefits, withdrawals, and refunds	\$ 54,199,405	\$	47,692,515	
Administrative expenses	443,745		447,458	
Total Deductions	\$ 54,643,150	\$	48,139,973	
Net Increase (Decrease)	\$ (49,002,970)	\$	71,273,890	
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	 873,227,927		801,954,037	
End of Year	\$ 824,224,957	\$	873,227,927	

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2001

1. <u>Summary of Significant Accounting Policies</u>

Reporting Entity

The St. Paul Teachers' Retirement Fund (Fund) is a single-employer defined benefit pension fund administered by the St. Paul Teachers' Retirement Fund Association (Association), pursuant to the Association's bylaws and Minn. Stat. chs. 354A and 356. The Fund's membership consists of eligible employees of Independent School District 625, St. Paul, employees formerly employed by Independent School District 625, charter schools, and the employees of the Association. The Association is governed by a ten-member Board of Trustees.

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Basis of Accounting

The basis of accounting is the method by which revenues and expenses are recognized in the accounts and reported in the financial statements. The Association uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when the liability is incurred.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on an exchange are valued at the last reported sales price at current exchange rates. Market values of investments in limited partnerships are determined by reference to published financial information of the partnership. Investments that do not have an established market are reported at estimated fair value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade date basis.

1. Summary of Significant Accounting Policies

Investments (Continued)

The Association participates in a securities lending program. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, investments lent under the program are reported as assets on the balance sheet and collateral received on those investments is reported as an asset and a liability.

Derivative Investments

The Association invests in futures contracts using a static asset allocation investment strategy.

Upon entering into a futures contract, each party is required to deposit with the broker an amount, referred to as the initial margin, equal to a percentage of the purchase price indicated by the futures contract. In lieu of a cash initial margin, the Association holds certain investments in its account for the broker as collateral. Subsequent deposits, referred to as variation margins, are received or paid each day by each party equal to the daily fluctuations in the fair value of the contract. These amounts are recorded by each party as unrealized gains or losses. When a contract is closed, each party records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Futures contracts involve, to varying degrees, credit and market risks. The Association enters into contracts only on exchanges or boards of trade where the exchange or board of trade acts as the counterparty to the transactions. Thus, credit risk on such transactions is limited to the failure of the exchange or board of trade. Losses in value may arise from changes in the value of the underlying instruments or if there is an illiquid secondary market for the contracts.

Investment Income

Interest income is recognized when earned on an accrual basis. Dividend income is recorded on the ex-dividend date.

Contributions

Member employee contributions are recognized when withheld or when paid directly by the member employee. Employer contributions are recognized as a percentage of covered payroll as earned. Direct state aid and state amortization aid are recognized pursuant to state statute.

1. Summary of Significant Accounting Policies (Continued)

Benefits and Refunds

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Furniture and Fixtures

Furniture and fixtures are carried at cost less accumulated depreciation. Depreciation has been provided using the straight-line method over estimated useful lives ranging from five to ten years.

2. Description of Plans

The following brief description of the plans is provided for general information purposes only. Participants should refer to the plan agreements for more complete information.

The plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974.

General

The Association was created to provide retirement and other specified benefits for its members. The Association maintains two defined benefit pension plans covering teachers in the St. Paul public school system.

Effective July 1, 1978, the Association established a plan, coordinated with Social Security, in accordance with Minnesota statutes (the Coordinated Plan). Teachers who became members of the Association subsequent to June 30, 1978, automatically became members of the Coordinated Plan. Members' contributions and benefits under the Coordinated Plan have been adjusted to reflect contributions to and benefits from Social Security. Teachers who were members of the Association prior to July 1, 1978, are generally covered under the Basic Plan, which provides all retirement benefits for its members.

2. <u>Description of Plans</u> (Continued)

<u>Membership</u>

At June 30, 2001 and 2000, the Association's membership consisted of:

	2001	2000
Retirees and beneficiaries currently receiving benefits Terminated employees entitled to but not yet receiving	2,050	1,964
benefits	324	243
Terminated, non-vested	1,671	1,697
Current active plan members (including members on		
leave)	4,924	4,728
Total Membership	<u> </u>	8,632

Pension Benefits

Members who satisfy required length-of-service and minimum age requirements are entitled to annual pension benefits equal to a certain percentage of final average salary (as defined in each plan) multiplied by the number of years of accredited service.

Disability Benefits

Active members who become totally and permanently disabled and satisfy required length-of-service requirements are entitled to receive annual disability benefits as calculated under each plan.

Other Benefits

Limited service pensions, deferred pensions, survivor benefits, and family benefits are available to qualifying members and their survivors.

3. Deposits and Investments

Deposits

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees. At June 30, 2001, the carrying amount of the Association's deposits was \$458,492 and the bank balance was \$350,960. At June 30, 2000, the carrying amount of the Association's deposits was \$509,011 and the bank balance was \$511,019.

Minnesota statutes require that all Association deposits be covered by deposit insurance, surety bond, or pledged collateral.

The following is a summary of the June 30, 2001 and 2000, insurance and collateral as it relates to the Association's custodial credit risk for its deposits.

	Bank Balance				
		2001		2000	
Covered Deposits					
Insured, or collateralized with securities held by the Association or its agent in the Association's name	\$	350,960	\$	511,019	
Uncollateralized		-		-	
Total	<u>\$</u>	350,960	<u>\$</u>	511,019	

Investments

The Association's investments are categorized to give an indication of the level of custodial credit risk assumed by the Association at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Association or its agent in the Association's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Association's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Association's name.

Minn. Stat. § 356A.06 authorizes the types of securities available to the Association for investment. Following are the Association's investments at June 30, 2001 and 2000, and the level of custodial credit risk for these investments.

3. Deposits and Investments

Total

Investments (Continued)

2001	Risk <u>Category</u>	Carrying and Fair Value
Commercial paper	3	\$ 12,258,645
U.S. government securities	1	18,600,278
Corporate bonds	1	30,851,690
Corporate stocks	1	104,985,431
Repurchase agreements - invested securities		-
lending collateral	3	62,000,000
Total		\$ 228,696,044
Add		
Investments held by broker-dealers under securities loans		
U.S. government securities		28,211,449
Corporate bonds		831,051
Corporate stocks		72,442,034
Pooled cash equivalents - invested securities		72,772,007
lending collateral		42,857,591
Mutual fund		34,520,026
Commingled investment funds		516,802,918
Limited partnership		940,000
Total Investments		<u>\$925,301,113</u>
	Risk	Carrying and
2000	Category	Fair Value
Commercial paper	1	\$ 10,123,510
Commercial paper	3	24,851,648
U.S. government securities	1	50,873,707
Corporate bonds	1	53,014,344
Corporate stocks	1	102,815,180
Repurchase agreements - invested securities		
lending collateral	3	43,921,384

285,599,773

\$

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3. Deposits and Investments

Investments (Continued)

2000	Risk <u>Category</u>	Carrying and Fair Value
Add		
Investments held by broker-dealers under		
securities loans		
U.S. government securities		27,056,870
Corporate bonds		3,153,598
Corporate stocks		16,160,988
Pooled cash equivalents - invested securities		
lending collateral		3,395,104
Mutual fund		23,264,972
Commingled investment funds		562,936,318
Total Investments		<u>\$ 921,567,623</u>

The Association has no concentration of five percent or more of the plan's net investments in securities of a single organization.

The investments of the Association are governed primarily by an investment authority known as the "prudent person rule." The prudent person rule, as set forth in Minn. Stat. § 356A.04, subd. 2, establishes a standard for all fiduciaries, which includes any party that has authority with respect to the system.

4. Securities Lending Program

The Association participates in a securities lending program. On June 30, 2001 and 2000, 40 and 18 percent, respectively, of its U.S. government securities, corporate bonds, and corporate stocks were loaned out.

Minn. Stat. § 356A.06, subd. 7, permits the Association to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Loans may be made only to pre-approved borrowers. The Association's securities custodian is the agent in lending the Association's securities for collateral of at least 102 percent of the market

4. <u>Securities Lending Program</u> (Continued)

value of loaned securities. Loaned investments are marked to market daily. If the collateral provided by the borrower falls below 100 percent of the market value of the loaned investment, the borrower is required to provide additional collateral to bring the collateral to 102 percent of the current market value. Collateral may be provided in securities or cash.

All of the collateral at June 30, 2001 and 2000, was provided in cash. The Association has no credit risk exposure to borrowers because the amounts the Association owes borrowers exceed amounts borrowers owe the Association. The contract with the trust company does not require the trust company to indemnify the Association if borrowers fail to return the securities but does provide for the trust company to deliver collateral up to the market value of the loaned securities to the Association.

All securities loans may be terminated on demand by either the Association or the borrower. The term to maturity of the securities loans is matched with the term of maturity of the investment of the cash collateral by investing in overnight repurchase agreements and short-term investment pools.

5. <u>Contributions</u>

Funding

Benefit and contribution provisions are established by state law and may be amended only by the State of Minnesota Legislature.

Minn. Stat. § 354A.12 sets the rate for employee and employer contributions that, expressed as a percentage of annual covered payroll, are sufficient to fully fund the pension plan by the year 2020. The requirement to reach full funding by the year 2020 is set in Minn. Stat. § 356.215, subd. 4g. As part of the annual actuarial valuation, the actuary determines the sufficiency or deficiency of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the required date for full funding, and (c) an allowance for administrative expenses.

5. <u>Contributions</u> (Continued)

Required Contributions

For the fiscal years ended June 30, 2001 and 2000, the contribution rates required by statute were as follows:

		ntage of s' Salaries
	Basic Plan	Coordinated Plan
Employee contribution Employer contribution	8.00% 11.64	5.50% 8.34

Other Contributions

Minn. Stat. § 354A.12, requires the state to annually provide the Association with direct aid until it reaches the same funded status as the Minnesota Teachers' Retirement Association (TRA). The direct state aid contribution was \$2,827,000 for fiscal years 2001 and 2000.

Minn. Stat. § 423A.02, subd. 3, requires the state to annually provide certain aid to the Association until it is fully funded. The state amortization aid contribution was \$745,726 for fiscal years 2001 and 2000. Beginning in fiscal year 1998, the School District must make an additional annual contribution to the Association in order for the Association to continue receiving state amortization aid. The School District contributed \$800,000 and \$600,000 for fiscal years 2001 and 2000, respectively.

Statutes also require active and retired members of the Association to provide contributions for the relative difference (per member) between the administrative expenses incurred by the Association and the TRA.

<u>Reserve</u>

At June 30, 2001 and 2000, \$6,874,713 and \$5,128,162, respectively, of the net assets is considered reserved as it represents the amount of state amortization aid which, pursuant to legislation, must be separately accounted for and may not be used in determining benefit increases. This is considered to be fully funded.

6. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. To cover its liabilities, the Association purchases commercial insurance. There were no significant reductions in insurance coverage from coverage in the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

Schedule 1

Actuarial Valuation Date	ctuarial Value of an Assets (a)	Liab	Actuarial Accrued ility (AAL) - ntry Age (b)	Jnfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	(Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1996	\$ 494,931	\$	664,072	\$ 169,141	74.53%	\$	145,677	116.11%
1997	556,406		805,066	248,660	69.11		151,363	164.28
1998	625,053		861,584	236,531	72.55		168,564	140.32
1999	704,233		938,847	234,614	75.01		178,254	131.62
2000	801,823		998,253	196,430	80.32		187,950	104.51
2001	869,045		1,060,931	191,886	81.91		202,915	94.56

SCHEDULE OF FUNDING PROGRESS (IN THOUSANDS OF DOLLARS)

(Unaudited)

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION ST. PAUL, MINNESOTA

Schedule 2

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SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES (IN THOUSANDS OF DOLLARS)

Fiscal Year	Annual Required Contributions		Employer Percentage Contributed	State ontributions		State Percentage ontributed
1996	\$	17,071	82.75%	\$	974	5.71%
1997		16,202	92.70		1,023	6.31
1998		23,246	69.66		5,509	23.70
1999		21,899	79.98		3,551	16.22
2000		20,814	91.52		3,573	17.17
2001		20,444	97.81		3,573	17.48

Note:

The annual required contributions are actuarially determined. The employer and state are required by statute to make contributions, all of which have been made.

(Unaudited)

NOTES TO SCHEDULE 1 AND SCHEDULE 2 AS OF AND FOR THE YEAR ENDED JUNE 30, 2001 (Unaudited)

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on July 1. Significant methods and assumptions are as follows:

- The most recent actuarial valuation date is July 1, 2001.
- Actuarial cost is determined using the Entry Age Normal Actuarial Cost Method.
- The amortization method assumes a level percentage of payroll each year is used to pay the unfunded actuarial accrued liability.
- The amortization period is closed.
- The remaining amortization period at July 1, 2001, is 19 years.
- The actuarial value of assets is determined using market value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. Unrecognized asset return is the difference between actual net return on market value of assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 actuarial valuation of the fiscal year). Transition rules apply between July 1, 2000, and July 1, 2003, when the method is fully in effect.
- Actuarial Assumptions:
 - Investment rate of return is 8.5 percent.
 - Inflation and projected salary increases are based on an age-related table with rates ranging from 5.25 to 7.25 percent.
 - Two percent annual post-retirement adjustment.
 - Pre-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table with rates set back five years for males and three years for females.

Actuarial Methods and Assumptions (Continued)

- Post-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table with rates set back three years for males and one year for females.
- Post-disability mortality assumptions are based on the 1987 Railroad Retirement Board Mortality Table for Disabled Annuitants.

Significant Plan Provision and Actuarial Methods and Assumption Changes

<u>1996</u>

- Additional state and employer funding.

<u>1997</u>

- Coordinated Plan benefit formula increased by 0.2 percent for each year of service in both tiers.
- Change in methodology used to determine post-retirement benefit increases.
- Additional state and employer funding.
- Coordinated Plan member contribution rate increased from 4.5 to 5.5 percent.
- Normal retirement age for post July 1, 1989, hires capped at age 66.
- Salary increase assumption changed to age-based system ranging from 5.25 to 7.25 percent individual increases and five percent for total payroll growth.

<u>2000</u>

- Asset valuation method changed to employ a more effective asset smoothing technique which is market-value based and which eliminates artificial bias related to manager style (effective July 1, 2000).

<u>2001</u>

- The annual lump sum benefits payable to pre-1974 retirees will be paid as monthly installments (effective January 1, 2002).

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<u>Actuarial Section</u>





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November 28, 2001

Legislative Commission on Pensions and Retirement 55 State Office Building St. Paul, Minnesota 55155

RE: St. Paul Teachers' Retirement Fund July 1, 2001 Actuarial Valuation Report

Commission Members:

Pursuant the terms of our actuarial services contract, we have performed an actuarial valuation of the St. Paul Teachers' Retirement Fund as of July 1, 2001.

The results of our calculations are set forth in the following report, as are the actuarial assumptions upon which our calculations have been made. We have relied on the basic employee data and asset figures as submitted by the St. Paul Teachers' Retirement Fund.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards of Actuarial Work, adopted by the Commission.

We, Thomas K. Custis and Lance M. Burma, are actuaries for Milliman USA. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Milliman USA

Thomas K. Custis, F.S.A., M.A.A.A. Consulting Actuary

Lance M. Burma, F.S.A., M.A.A.A. Consulting Actuary

St. Paul Teachers' Retirement Fund Report Highlights

(dollars in thousands)

1

	July 1, 2000 Valuation			ily 1, 2001 Valuation
A. CONTRIBUTIONS % OF PAYROLL (Table 11)				
1. Statutory Contributions - Chapter 354A		17.29%		17.07%
2. Required Contributions - Chapter 356		16.57%		15.81%
3. Sufficiency / (Deficiency)		0.72%		1.26%
B. FUNDING RATIOS				
1. Accrued Benefit Funding Ratio				
a. Current Assets (Table 1)	· \$	801,823	\$	869,045
b. Current Benefit Obligations (Table 8)		946,827		1,009,535
c. Funding Ratio		84. 69%		86.08%
2. Accrued Liability Funding Ratio				
a. Current Assets (Table 1)	\$	801,823	\$	869,045
b. Actuarial Accrued Liability (Table 9)		998,253		1,060,931
c. Funding Ratio		80.32%		81.91%
3. Projected Benefit Funding Ratio (Table 8)				
a. Current and Expected Future Assets	\$	1,163,430	\$	1,247,302
b. Current and Expected Future Benefit Obligations	. <u></u>	1,156,863		1,226,096
c. Funding Ratio		100.57%		101.73%
C. PLAN PARTICIPANTS				
1. Active Members				
a. Number (Table 3)		4,445		4,671
b. Projected Annual Earnings	\$	198,974	\$	214,775
c. Average Annual Earnings (Actual dollars)	\$	42,283	\$	43,441
d. Average Age		43.1		43.1
e. Average Service		10.8		10.5
f. Additional Members on Leave of Absence*		283		253
2. Others				
a. Service Retirements (Table 4)		1,728		1,807
b. Disability Retirements (Table 5)		23		23
c. Survivors (Table 6)		213		220
d. Deferred Retirements (Table 7)		243		324
e. Terminated Other Non-Vested (Table 7)		1,697		1,671
f. Total		3,904		4,045

* Valued as deferred retirements, liability included with actives.

St. Paul Teachers' Retirement Fund Accounting Balance Sheet

(dollars in thousands)

July 1, 2001

			Market Value	 Cost Value
A. ASSETS				
1. Cash, Equivalents, Short-Term Securities		\$	12,717	\$ 12,717
2. Investments				-
a. Fixed Income			235,604	157,445
b. Equity			567,625	534,432
c. Real Estate			-	. –
d. Alternative			4,957	4,973
3. Equity in Minnesota Post-Retirement Investment Fund				-
4. Other Assets*			4,272	 4,272
B. TOTAL ASSETS			825,175	\$ 713,839
C. AMOUNTS CURRENTLY PAYABLE		\$	950	\$ 950
D. ASSETS AVAILABLE FOR BENEFITS				
1. Member Reserves		\$	106,786	\$ 106,786
2. Employer Reserves			717,439	606,103
3. MPRIF Reserves			-	-
4. Non-MPRIF Reserves				
5. Total Assets Available for Benefits		\$	824,225	\$ 712,889
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND				
ASSETS AVAILABLE FOR BENEFITS		\$	825,175	 713,839
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS				
 Market Value of Assets Available for Benefits (D.5) Unrecognized Asset Returns 		\$	824,225	
a. June 30, 2001	\$ (104,645))		
b. June 30, 2000	15,965	, ,		
c. June 30, 1999	97,722			
3. UAR Adjustment: $.80 * 2(a) + .60 * 2(b) + .30 * 2(c)$		-	(44,820)	
4. Actuarial Value of Assets (F.1 - F.3)		\$	869,045	

*See "Asset Information" in the Commentary Section of this report.

St. Paul Teachers' Retirement Fund Change In Assets Available for Benefits

(dollars in thousands)

June 30, 2001

-

	Market Value			Cost Value		
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$	873,228	\$	685,832		
B. OPERATING REVENUES						
1. Member Contributions	\$	13,170	\$	13,170		
2. Employer Contributions		19,996		19,996		
3. Supplemental Contributions		3,573		3,573		
4. Investment Income		12,847		12,847		
5. MPRIF Income		-		-		
6. Investment Expenses		(2,769)		(2,769)		
7. Net Realized Gain / (Loss)		34,804		34,804		
8. Other		-		-		
9. Net Change in Unrealized Gain / (Loss)		(76,060)		-		
10. Total Operating Revenue	\$	5,561	\$	81,621		
C. OPERATING EXPENSES						
1. Service Retirements	\$	48,197	\$	48,197		
2. Disability Benefits		761		761		
3. Survivor Benefits		4,367		4,367		
4. Refunds		795		795		
5. Administrative Expenses		444		444		
6. Total Operating Expenses	\$	54,564	\$	54,564		
D. OTHER CHANGES IN RESERVES	\$	-	\$	-		
E. ASSETS AVAILABLE AT END OF PERIOD	\$	824,225	\$	712,889		
F. DETERMINATION OF CURRENT YEAR UNRECOGNIZED ASSET I 1. Average Balance	RETUR	Ń				
(a) Assets Available at Beginning of Period	\$	873,228				
(b) Assets Available at End of Period		824,225				
 (c) Average Balance {[(a) + (b) - Net Investment Income] / 2} {Net Investment Income: B.4+B.5+B.6+B.7+B.8+B.9} 	\$	864,316				
2. Expected Return: .085 * F.1		73,467				
3. Actual Return		(31,178)				
4. Current Year UAR: F.3 - F.2	\$	(104,645)				

St. Paul Teachers' Retirement Fund Actuarial Balance Sheet

(dollars in thousands)

July 1, 2001

A. CURRENT ASSETS (Table 1; Line F.6)			\$ 869,045
 B. EXPECTED FUTURE ASSETS 1. Present Value of Expected Future Statutory 2. Present Value of Future Normal Costs 3. Total Expected Future Assets 	Supplemental Contribut	ions	\$ 213,092 165,165 378,257
C. TOTAL CURRENT AND EXPECTED FUTU	RE ASSETS		 1,247,302
D. CURRENT BENEFIT OBLIGATIONS 1. Benefit Recipients	Non-Vested	Vested	 Total

1. Benefit Recipients					
a. Retirement Annuities			\$	554,796	\$ 554,796
b. Disability Benefits				7,384	7,384
c. Surviving Spouse and Child Benefits				42,443	42,443
2. Deferred Retirements				7,302	7,302
3. Former Members Without Vested Rights				936	936
4. Active Members					
a. Retirement Annuities *	\$	125,121		240,514	365,635
b. Disability Benefits		10,989		-	10,989
c. Surviving Spouse and Child Benefits		4,110		· -	4,110
d. Deferred Retirements		4,090		8,560	12,650
e. Refund Liability Due to Death or Withdrawal		•		3,290	 3,290
5. Total Current Benefit Obligations	\$	144,310	\$	865,225	\$ 1,009,535
E. EXPECTED FUTURE BENEFIT OBLIGATIONS					\$ 216,561
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS					\$ 1,226,096
G. CURRENT UNFUNDED ACTUARIAL LIABILITY	(D.5	5 - A)			\$ 140,490
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)					\$ (21,206)
* Includes members on leave of absence.					

* Includes members on leave of absence.

St. Paul Teachers' Retirement Fund Determination of Unfunded Actuarial Accrued Liability (UAAL) and Supplemental Contribution Rate

(dollars in thousands)

July 1, 2001

· ·	Actuarial Present Value of Projected Benefits		Actuarial Present Value of Future Normal Costs		Actuarial Accrued Liability	
 A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL) 1. Active Members a. Retirement Benefits b. Disability Benefits c. Surviving Spouse and Child Benefits d. Deferred Retirements e. Refund Liability Due to Death or Withdrawal f. Total 2. Deferred Retirements 3. Former Members Without Vested Rights 4. Annuitants in MPRIF 5. Annuitants Not in MPRIF 6. Total 	\$ \$ \$	557,398 18,861 7,254 22,920 6,802 613,235 7,302 936 - 604,623 1,226,096	\$	127,029 8,017 2,933 16,795 10,391 165,165	\$ \$ \$	430,369 10,844 4,321 6,125 (3,589) 448,070 7,302 936 - - - 604,623 1,060,931
 B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) Actuarial Accrued Liability (A.6) Current Assets (Table 1; Line F.6) Unfunded Actuarial Accrued Liability (B.1 - B.2) C. DETERMINATION OF SUPPLEMENTAL CONTR Present Value of Future Payrolls Through the Amortization Date of June 30, 2020 Supplemental Contribution Rate (B.3 / C.1) 		TION RATE	5		\$	1,060,931 869,045 191,886 2,932,070 6.54%
St. Paul Teachers' Retirement Fund Changes in Unfunded Actuarial Accrued Liability (UAAL)

(dollars in thousands)

June 30, 2001

A. UAAL AT BEGINNING OF YEAR	\$	196,430
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1. Normal Cost and Expenses	\$	19,097
2. Contributions	Ψ	(36,739)
3. Interest		16,758
4. Total	\$	(884)
C. EXPECTED UAAL AT END OF YEAR (A. + B.4)	\$	195,546
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
1. Age and Service Retirements *	\$	_
2. Disability Retirements *	Ψ	-
3. Death-in-Service Benefits *		-
4. Withdrawal *		-
5. Salary Increases		(2,602)
6. Contribution Income *		-
7. Investment Income **		(8,279)
8. Mortality of Annuitants		(2,475)
9. Other Items		9,695
10. Total	\$	(3,660)
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.10)	\$	191,886
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS		 –
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		.
H. UAAL AT END OF YEAR $(E + F + G)$	\$	191,886

* Included in Item D.9.

** Includes a gross investment gain of \$17,650, offset by \$9,371 used to provide next year's cost of living adjustments to retirees.

St. Paul Teachers' Retirement Fund Determination of Contribution Sufficiency

(dollars in thousands)

July 1, 2001

	Percent of Payroll	Dol	lar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A			
1. Employee Contributions	5.97%	\$	12,831
2. Employer Contributions	8.97%	-	19,256
3. Supplemental Contribution			,
a. 1996 Legislation	0.81%		1,750
b. 1997 Legislation	1.32%		2,827
4. Administrative Expense Assessment	0.00%		-
5. Total	17.07%	\$	36,664
 B. REQUIRED CONTRIBUTIONS - CHAPTER 356 1. Normal Cost 			
a. Retirement Benefits	6.96%	\$	14,938
b. Disability Benefits	0.45%		974
c. Surviving Spouse and Child Benefits	0.15%		324
d. Deferred Retirements	0.89%		1,914
e. Refund Liability Due to Death or Withdrawal	0.60%		1,297
f. Total	9.05%	\$	19,447
2. Supplemental Contribution Amortization	6.54%		14,056
3. Allowance for Administrative Expenses	0.22%		466
4. Total	15.81%	\$	33,969
C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.5 - B.4)	1.26%		2,695
Projected Annual Payroll for Fiscal Year Beginning on the Valuation I	Date:	\$	214,775

St. Paul Teachers' Retirement Fund Summary of Actuarial Assumptions and Methods

Interest:	Pre-Retirement: Post-Retirement:	8.50% per annum 8.50% per annum					
Salary Increases:		or prior fiscal year increased through the salary to current fiscal year. Graded rates are shown					
Mortality:	Pre-Retirement:						
	Male:	1983 Group Annuity Mortality Table male rates set back 5 years.					
	Female:	1983 Group Annuity Mortality Table female rates set back 3 years.					
	Post-Retirement:						
	Male:	1983 Group Annuity Mortality Table male rates set back 3 years.					
	Female:	1983 Group Annuity Mortality Table female rates set back 1 years.					
	Post-Disability:						
	Male:	1987 Railroad Retirement Board Mortality for Disabled Annuitants					
	Female:	1987 Railroad Retirement Board Mortality for Disabled Annuitants					
Retirement Age:	Active Members:						
:		assumed to retire according to the graded rates le. Rates are applied beginning at the ly retirement age.					
	Deferred Members:						
	Members are assume	assumed to retire at age 60. Coordinated ed to retire at age 63. If over the assumed year from valuation date.					

Other Non-Vested Members:

Return of contributions is assumed to occur immediately.

Separation:	Graded rates shown in the rate table.				
Disability:	Graded rates	shown in the rate table.			
Administrative Expenses:	•	ministrative expenses (excluding investment expenses) a percentage of prior year payroll.			
Return of Contributions:	deferred bene	es withdrawing after becoming eligible for a efit were assumed to take the larger of their accumulated with interest or the value of their deferred			
Family Composition:	be married.	Members and 60% of female Members are assumed to Female is assumed to be four years younger than male. hbers are assumed to have two children.			
Social Security:	N/A				
Benefit Increases After Retirement:	2.0% per annum				
Special Consideration:	Additional post retirement benefit increase is accounted for by increasing the reserve value for all service retirements, disability retirements and survivors eligible for the increase by an amount that equals the excess of the five year time weighted total rate of return over the assumed interest rate of 8.50% multiplied by the quantity of one minus the rate of contribution deficiency.				
Optional Benefit Forms:	Married Mer benefit:	nbers are assumed to elect the following forms of			
	Males:	35% elect life annuity option 15% elect 50% J&S option 50% elect 100% J&S option			
	Females:	80% elect life annuity option 10% elect 50% J&S option 10% elect 100% J&S option			
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method with normal costs expressed as a level percentage of earnings. Under this method Actuarial Gains (Losses) reduce (increase) the Unfunded Actuarial Accrued Liability.				

Asset Valuation Method: Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less of a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year). Transition rules apply between July 1, 2000 and July 1, 2003, when the method is fully in effect.

The Unfunded Actuarial Accrued Liability is amortized as level percentage of payroll each year to the statutory amortization date assuming payroll increases of 5.00% per annum.

The submitted participant data has been reviewed for reasonableness and constancy with data submitted for prior valuations. We have not audited this data, and the results of this valuation may change based on the accuracy of the underlying data. In cases where submitted data was missing or incomplete, the following assumptions were applied:

Date of Birth:	Average age of participant group based on prior years valuation report.						
Date of Hire:	Current valuation date minus years of service.						
Years of Service:	Years of service on last year's valuation plus one year.						
Sex:	Male.						
Deferred Benefit:	Calculated. Salary at termination is estimated based on termination date. Estimated salary is \$51,459 for 2000/2001 terminations and is decreased by 6.5% for each year that actual termination precedes July 1, 2001.						
The St. Paul School District and the State of Minnesota are							

Supplemental Contributions:

Payment on the

Missing Data:

Unfunded Actuarial Accrued Liability:

> The St. Paul School District and the State of Minnesota are scheduled to make the following supplemental contributions to the plan:

1996 Legislation:

١,

Supplemental contributions according to the following schedule (thousands of dollars):

<u>Year</u>	<u>State</u>	<u>School</u>
06/30/02	950	800
06/30/03+	1,050	800

1997 Legislation:

Annual supplemental contributions of \$2,827,000 made on October 1.

St. Paul Teachers' Retirement Fund Association **Investment Manager Returns** For the Period Ended June 30, 2001

	Assets Under Management (Market Value)	Investment Performance
Domestic Equity	\$ 431,081,254	(2.84 %)
Alliance Capital	37,116,606	(27.66)
Barclays Global Investors—S & P 500 Index	160,206,343	(14.77)
Barclays Global Investors—Russell 2000 Index *	6,128,987	(
Barclays Global Investors—Extended Market Index	44,486,638	(13.27)
Barrow, Hanley, Mewhinney & Strauss, Inc. *	61,110,587	(
The Boston Company Asset Management	35,642,489	48.94
Dimensional Fund Advisors, Inc.	34,520,026	29.49
Paladin Investment Associates	23,471,741	(3.16)
Wellington Management Company, LLP	28,397,837	24.05
International Equity	\$ 144,855,537	(16.71 %)
Capital Guardian Trust, Co.	23,251,033	(37.04)
Capital International, Inc.	20,924,780	(29.32)
Morgan Stanley Asset Management	100,679,724	(6.31)
Fixed Income	\$ 228,526,797	11.57 %
Barclays Global Investors—Government/Corp Index	96,203,146	11.34
Barclays Global Investors—US Debt Index	50,267,369	11.22
Voyageur Asset Management	82,056,282	12.00
Alternative	\$ 4,957,002	(49.53 %)
Clifton Group	4,017,002	(49.53)
RWI Group *	940,000	
Short Term	\$ 12,258,645	6.20 %
In-House Cash & Cash Equivalents	12,258,645	6.20
Total Fund	\$ 821,679,235	(2.35 %)

* Management for less than one year ** note: values in (parenthesis) are negative.

Active Fixed Income Accounts

As of June 30, 2001

Jame LBS DVI Receivables .CE INA Holdings .bbott Labs .comcast Cable Comm concast Cable Comm connecticut Special conseco Fncl Securitizations constellation Energy Group continental Airlines continental Cablevision aaimler Chrysler North Am Hdlgs Detroit Edison Securitization Cl Paso Corp "HLM 00469 "HLM 00553 "HLM 00541	Rate 7.220 8.300 5.625 8.000 5.880 8.375 6.210 7.875 6.580 7.707 8.300 7.750 5.510 7.000 6.500	Maturity 11/13/2007 \$ 08/15/2006 07/01/2006 05/01/2031 05/20/2003 05/01/2007 12/30/2011 02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007 05/15/2011	\$	Par 1,060,000 \$ 950,000 \$ 800,000 1,100,000 675,000 725,000 1,000,000 \$ 850,000 600,000 1,000,000 1,490,000	Cost 1,059,917 \$ 960,336 \$ 797,368 \$ 1,111,000 674,865 673,266 \$ 999,780 \$ 849,761 \$ 598,500 \$ 1,012,969 \$	Market 1,080,593 1,023,321 798,800 1,099,131 682,904 786,284 990,916 885,665 635,340
CE INA Holdings abbott Labs libertsons Inc RG Funding concast Cable Comm connecticut Special conseco Fncl Securitizations constellation Energy Group continental Airlines continental Airlines continental Cablevision Daimler Chrysler North Am Hdlgs betroit Edison Securitization Cl Paso Corp FHLM 00469 FHLM 00853 FHLM 00541	8.300 5.625 8.000 5.880 8.375 6.210 7.870 7.875 6.580 7.707 8.300 7.750 5.510 7.000	08/15/2006 07/01/2006 05/01/2031 05/20/2003 05/01/2007 12/30/2011 02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		$\begin{array}{c} 950,000\\ 800,000\\ 1,100,000\\ 675,000\\ 725,000\\ 1,000,000\\ 850,000\\ 600,000\\ 1,000,000\end{array}$	960,336 797,368 1,111,000 674,865 793,266 999,780 849,761 598,500 1,012,969	1,023,321 798,800 1,099,131 682,904 786,284 990,916 885,665
Abbott Labs Abbott Labs Albertsons Inc ARG Funding Concast Cable Comm Connecticut Special Conseco Fncl Securitizations Constellation Energy Group Continental Airlines Continental Airlines Continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization Cl Paso Corp FHLM 00469 FHLM 00453 FHLM 00541	5.625 8.000 5.880 8.375 6.210 7.870 7.875 6.580 7.707 8.300 7.750 5.510 7.000	07/01/2006 05/01/2031 05/20/2003 05/01/2007 12/30/2011 02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		800,000 1,100,000 675,000 725,000 1,000,000 850,000 600,000 1,000,000	797,368 1,111,000 674,865 793,266 999,780 849,761 598,500 1,012,969	798,800 1,099,131 682,904 786,284 990,916 885,665
libertsons Inc RG Funding concast Cable Comm connecticut Special conseco Fncl Securitizations constellation Energy Group continental Airlines continental Airlines continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization Cl Paso Corp FHLM 00469 HLM 00853 HLM 00541	8.000 5.880 8.375 6.210 7.870 7.875 6.580 7.707 8.300 7.750 5.510 7.000	05/01/2031 05/20/2003 05/01/2007 12/30/2011 02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		1,100,000 675,000 725,000 1,000,000 850,000 600,000 1,000,000	1,111,000 674,865 793,266 999,780 849,761 598,500 1,012,969	1,099,131 682,904 786,284 990,916 885,665
RG Funding concast Cable Comm connecticut Special conseco Fncl Securitizations constellation Energy Group contimortgate Home Equity continental Airlines continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization Cl Paso Corp FHLM 00469 HLM 00853 HLM 00541	5.880 8.375 6.210 7.870 7.875 6.580 7.707 8.300 7.750 5.510 7.000	05/20/2003 05/01/2007 12/30/2011 02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		675,000 725,000 1,000,000 850,000 600,000 1,000,000	674,865 793,266 999,780 849,761 598,500 1,012,969	682,904 786,284 990,916 885,665
Concast Cable Comm Connecticut Special Conseco Fncl Securitizations Constellation Energy Group Contimental Airlines Continental Airlines Continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization Corp HLM 00469 HLM 00853 HLM 00541	8.375 6.210 7.870 7.875 6.580 7.707 8.300 7.750 5.510 7.000	05/01/2007 12/30/2011 02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		725,000 1,000,000 850,000 600,000 1,000,000	793,266 999,780 849,761 598,500 1,012,969	786,284 990,910 885,665
Connecticut Special Conseco Fncl Securitizations Constellation Energy Group Contimortgate Home Equity Continental Airlines Continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization 21 Paso Corp HLM 00469 HLM 00853 HLM 00541	6.210 7.870 7.875 6.580 7.707 8.300 7.750 5.510 7.000	12/30/2011 02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		1,000,000 850,000 600,000 1,000,000	999,780 849,761 598,500 1,012,969	990,910 885,66
Conseco Fncl Securitizations constellation Energy Group contimortgate Home Equity continental Airlines continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization 1 Paso Corp HLM 00469 HLM 00453 HLM 00541	7.870 7.875 6.580 7.707 8.300 7.750 5.510 7.000	02/15/2031 04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		850,000 600,000 1,000,000	849,761 598,500 1,012,969	885,66
Constellation Energy Group Contimental Airlines Continental Airlines Continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization 21 Paso Corp HLM 00469 HLM 00853 HLM 00541	7.875 6.580 7.707 8.300 7.750 5.510 7.000	04/01/2005 12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		600,000 1,000,000	598,500 1,012,969	
Contimortgate Home Equity Continental Airlines Continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization Cl Paso Corp PHLM 00469 PHLM 00853 PHLM 00541	6.580 7.707 8.300 7.750 5.510 7.000	12/15/2018 10/02/2022 05/15/2006 05/27/2003 03/01/2007		1,000,000	1,012,969	
Continental Airlines Continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization El Paso Corp PHLM 00469 PHLM 00853 PHLM 00541	7.707 8.300 7.750 5.510 7.000	10/02/2022 05/15/2006 05/27/2003 03/01/2007				1,021,09
Continental Cablevision Daimler Chrysler North Am Hdlgs Detroit Edison Securitization El Paso Corp FHLM 00469 FHLM 00853 FHLM 00541	8.300 7.750 5.510 7.000	05/15/2006 05/27/2003 03/01/2007		1,490,000	1,520,636	1,570,89
Daimler Chrysler North Am Hdlgs Detroit Edison Securitization El Paso Corp FHLM 00469 FHLM 00853 FHLM 00541	7.750 5.510 7.000	05/27/2003 03/01/2007		1,000,000	1,045,143	1,073,43
Detroit Edison Securitization El Paso Corp FHLM 00469 FHLM 00853 FHLM 00541	5.510 7.000	03/01/2007		1,300,000	1,309,018	
2) Paso Corp FHLM 00469 FHLM 00853 FHLM 00541	7.000					1,356,66
THLM 00469 THLM 00853 THLM 00541		05/15/2011		1,075,000	1,080,492	1,079,72
THLM 00853 THLM 00541	6.500			855,000	853,478	823,06
THLM 00541		12/01/2011		1,159,740	1,140,441	1,176,04
	7.000	01/01/2028		1,214,090	1,237,613	1,226,98
	7.000	06/01/2026		937,066	956,686	948,03
HLM G10952	6.500	09/01/2014		832,415	820,059	839,04
THLM C33000	7.000	11/01/2029		763,513	753,015	768,99
THLMC C00901	8.000	12/01/2029		2,710,474	2,748,802	2,806,58
THLMC C41471	7.500	08/01/2030		2,389,214	2,368,682	2,439,22
THLMC C01050	7.500	09/01/2030		2,399,676	2,388,802	2,449,90
FHLMC	6.875	01/15/2005		2,710,000	2,859,082	2,847,93
FHLMC C50907	7.500	05/01/2031		1,299,116	1,327,635	1,326,30
HLMC E83737	6.500	05/01/2016		1,395,519	1,410,019	1,401,39
HLM 00541	6.500	05/01/2031		499,534	495,866	491,88
FNMA 501210	6.500	06/01/2029		798,546	753,627	788,06
SNMA	6.625	09/15/2009		3,085,000	3,151,787	3,195,75
TMA .	6.500	08/15/2004		965,000	1,000,875	1,003,60
NMA 323961	7.000	10/01/2029		1,957,812	1,980,449	1,969,42
NMA 576329	8.000	04/01/2031		383,652	396,300	396,89
NMA 579338	7.000	04/01/2031		499,622	504,462	502,12
FNMA	7.000	07/15/2005		2,070,000	2,209,663	2,194,20
France Telecom	8.500	03/01/2031		1,230,000	1,229,693	1,289,76
GNMA #465579	6.000	12/15/2028		1,389,296	1,372,798	1,346,31
GNMA #491145	6.500	12/15/2028		2,320,343	2,336,658	2,298,94
GNMA #485453	6.500	05/15/2031		1,297,707	1,289,191	1,284,73
GNMA #547728	6.000	02/15/2031		1,398,604	1,363,201	1,354,67
GNMA #557300	6.500	05/15/2031		700,267	695,672	693,26
IQI Transelectric Chile	7.875	04/15/2011		1,230,000	1,216,107	1,234,41
NG Cap Funding	8.439	12/29/2049		1,615,000	1,710,159	1,713,40
B-UST CMO	6.270	06/15/2020		1,246,345	1,252,519	1,245,56
ehman Bros Hldgs	8.250	06/15/2007		610,000	621,502	657,94
Metris Master Trust	7.110	10/20/2005		750,000	749,876	761,25
Midwest Generation	8.560	01/02/2016		475,000	474,288	445,18
Mirant Americas Generation Inc	9.125	05/01/2031		400,000	397,484	413,24
Morgan Stanley Dean Witter	6.750	04/15/2011		1,500,000	1,497,408	1,489,68
NRG Northeast Generating Sr	8.065	12/15/2004		499,219	514,759	513,25
PSEG Power	8.625	04/15/2004		800,000	798,584	797,17
					1,006,373	
Public Service Co Colorado	6.000	04/15/2003		1,000,000		1,012,50
Residential Funding Mtg	6.090	12/25/2015		775,000	774,771	769,06
Royal Bank Scotland Group	7.816	11/29/2049		1,000,000	1,000,000	1,045,93
US Treasury Note	6.750	05/15/2005		245,000	255,288	260,84
US Treasury Note	5.750	08/15/2010		620,000	639,155	634,5
US Treasury Bond	7.875	02/15/2021		2,145,000	2,639,915	2,629,64
US Treasury Bond	8.750	05/15/2017		800,000	1,025,353	1,037,24
US Treasury Bond	8.125	08/15/2019		1,060,000	1,354,274	1,319,70
US Treasury Note	5.000	02/15/2011		405,000	407,030	392,9′
US Treasury Note	4.625	02/28/2003		3,500,000	3,529,395	3,522,96
Valero Asset Trust	6.750	12/15/2002		1,200,000	1,149,264	1,204,68
Verizon Global Fdg	7.750	12/01/2030		450,000	445,113	462,80
Viacom Inc	7.875	07/30/2030		600,000	637,284	632,0
Williams Cos	7.500	06/15/2031		420,000	419,025	405,43
Worldcom Inc	7.500	05/15/2011		700,000	701,589	681,5
SUBTOTAL Voyageur Asset Managen			\$	74,931,768 \$	76,674,123 \$	77,230,90
			Ψ			
Cash & Cash Equivalents TOTAL Voyageur Asset Management			\$	4,825,319 79,757,087 \$	4,825,319 81,499,442 \$	4,825,3 82,056,28

Active Domestic Equity Accounts As of June 30, 2001

	lliance Capital			Barrow Hanley			
Name	Shares	Cost	Market	Name	Shares	Cost	Market
AOL Time Warner	38,499 \$	2,064,675 \$	2,040,447	Allstate	45,500 \$	1,608,292 \$	2,001,545
AT&T Wireless Group	71,000	1,616,554	1,160,850	American Electric Power	33,000	1,279,755	1,523,610
AT&T Liberty Media	91,700	1,801,616	1,603,833	BP Amoco	34,400	1,774,137	1,714,840
American Home Products	7,500	451,890	440,625	Baker Hughes	21,000	740,655	703,500
American Intl Group	5,500	456,138	467,555	Bank America Corp	13,000	581,718	780,390
Anadarko Petroleum	5,400	365,439	291,114	Bristol Myers Squibb	23,200	1,356,645	1,213,360
BP Amoco PLC	6,200	330,646	309,070	Burlington Northern Santa Fe	45,000	1,006,858	1,363,500
Bank One	6,500	252,012	232,700	Cigna Corp	20,600	1,968,037	1,973,892
Checkpoint Software	2,000	126,887	101,140	Citigroup	25,100	1,254,066	1,326,284
Chevron	4,200	406,997	380,100	Conoco	49,900	1,324,270	1,407,180
Cisco Systems	55,000	2,784,000	1,001,000	Crescent Real Estate Equities	36,500	769,781	896,805
Citigroup	41,800	1,603,484	2,208,712	Emerson Electric	18,100	1,178,938	1,095,050
Clear Channel Communications	8,700	500,065	545,490	Entergy	46,200	1,729,079	1,773,618
Comcast A	14,600	572,129	633,640	Fleetboston Financial	46,000	1,673,823	1,814,700
Conoco	9,600	295,823	277,440	Halliburton	33,000	1,274,601	1,174,800
Cox Communications	12,800	572,207	567,040	Hartford Financial Services Grp	30,100	1,907,745	2,058,840
Dell Computer	19,500	482,177	509,925	Illinois Tool Works	26,500	1,523,452	1,677,450
EMC Corp	6,800	476,163	198,900	Imperial TOB Group	25,000	473,375	592,500
Electronic Data System	5,900	362,265	368,750	· · ·		1,631,907	1,507,480
Federal Home Loan Mtg	15,500	832,872	1,054,775	-		617,500	1,147,000
Federal National Mtg Assn	11,600	808,911	987,740	Lyondell Chemical	40,000	509,900	615,200
Fifth Third Bancorp	10,600	492,258	636,530	MGIC Invest	28,000	1,724,374	2,033,920
General Electric	29,100	1,375,471	1,418,625	Northeast Utilities 96,600		1,855,588	2,004,450
Goldman Sachs	5,400	523,396	463,320	Occidental Pete	76,700	1,640,888	2,039,453
	20,600	1,129,815	958,930	PNC Financial Services 8,200		523,242	539,478
Home Depot				,		529,177	1,215,196
Honeywell Intl	13,700	579,610	479,363	Penney, JC 46,100		1,078,038	1,776,250
Household Intl	6,300	351,652	420,210	Phillip Morris	35,000		
I2 Technoligies	8,100	270,720	160,380	Phillips Pete	30,800	1,892,032	1,755,600
IBM	2,800	321,421	316,400	Reliant Energy	58,700	2,408,970	1,890,727 913,368
JP Morgan Chase & Co	8,100	410,081	361,260	SBC Communications	22,800	1,170,805	
Kohls	23,500	1,347,003	1,474,155	Schering Plough	41,000	1,584,514	1,485,840
MBNA	50,300	1,626,810	1,659,900	Sears Roebuck	43,100	1,387,805	1,823,561
Medtronic	6,600	335,699	303,666	USA Education	25,100	1,304,238	1,832,300
Merrill Lynch & Co	9,000	597,568	533,250	UST Inc	55,000	1,316,752	1,587,300
Micron Tech	6,800	328,638	279,480	Verizon Communications	33,400	1,608,964	1,786,900
Microsoft	22,000	1,402,234	1,606,000	Washington Mutual	45,000	1,243,675	1,689,750
Nokia	38,500	1,483,476	854,315	Waste Management	62,400	1,117,066	1,923,168
Novellus System	4,300	231,001	244,197	Wendys International	79,600	1,606,996	2,032,984
Pfizer	42,500	1,822,119	1,702,125	XL Capital Ltd	21,700	1,665,124	1,781,570
Pharmacia	16,000	893,612	735,200	SUBTOTAL Barrow Hanley	\$	51,842,780 \$	58,473,359
Philip Morris Cos	11,500	520,886	583,625	Cash & Cash Equivalents		2,637,228	2,637,228
Safeway	9,500	508,533	456,000	TOTAL Barrow Hanley		54,480,008 🛊	61,110,587
Siebel Systems	3,600	156,519	168,840				
Sun Microsystems	5,500	93,627	86,460				
Target	11,700	444,427	404,820				
Тусо	24,200	1,173,197	1,319,142				
Unitedhealth Group	14,800	871,252	913,900	In-House	Cash & Cash E	quivalents	
Veritas Software	3,100	159,552	206,243	Name			Market
Viacom Inc	13,300	755,588	688,275	Cash & Cash Equivalents		\$	12,258,645
Vodafone Group Plc	43,900	1,535,123	981,165	TOTAL In-House Cash & Cash	Equivalents	\$	12,258,645
Walgreens	26,700	1,057,134	920,082			· · · ·	<u>·</u>
Walgreens Wal Mart Stores	20,700 6,100	311,249	297,680				
SUBTOTAL Alliance Capital	\$	40,272,620 \$	37,014,384				
Cash & Cash Equivalents	φ	102,222	102,222				
TOTAL Alliance Capital	_	··· · · · · · · · · · · · · · · · · ·					
TOTAL AMARCE Capital		40,374,842 \$	37,116,606				

Active Domestic Equity Accounts As of June 30, 2001

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	Company Asset 1	-		The Boston Compan		•	
Stocks	Shares	Cost	Market	Stocks	Shares	Cost	Market
APW Limited	50,700 \$	431,869 \$	514,605	MRO Software	15,300 \$	176,734 \$	241,740
Actel	22,300	549,764	547,465	Macromedia	20,900	468,378	376,200
Agrium	44,000	481,051	440,000	Marine Drilling	5,100	97,179	97,461
Airgas Inc	10,900	85,792	129,710	Massey Energy	33,800	668,505	667,888
Allen Telecom	31,800	473,181	477,000	Mastec Inc	30,200	483,786	398,640
Alpharma Inc	17,100	388,522	465,975	Mattson Tech	14,800	220,614	258,704
Ameritrade Holdings	22,000	176,902	175,120	Maverick Tube	10,800	171,669	183,060
Ames Dept Stores	27,100	263,159	37,669	Maxtor	77,424	453,421	406,476
Andrew Corp	9,500	159,370	175,275	Methanex Corp	40,600	293,029	213,150
Antec	35,400	345,838	438,960	Midway Games	24,100	199,323	445,850
Applied Industrial Tech	11,500	193,962	217,925	Modis Professional Services	44,700	418,357	308,430
Arch Coal	29,600	627,999	765,752	NS Group	400	4,700	5,340
Aremissoft Corp	20,500	312,745	332,100	Network Assoc	22,500	150,988	280,125
Arrow Electronics	14,800	398,777	359,492	Newpark Resources	1,400	10,888	15,540
Art Technology Group	17,400	89,564	100,920	Oak Tech	31,200	181,517	330,408
Artesyn Tech	35,300	537,949	455,370	Oceaneering Intl	10,500	164,772	217,875
Ascential Software	90,150	825,514	526,476	Officemax	77,900	408,887	287,451
Atlas Air Worldwide Holdings	25,300	543,480	358,248	Oxford Health Plans	8,700	268,234	248,820
Avnet	19,100	503,982	428,222	PRI Automation	25,500	484,270	472,515
Barnes & Noble	2,500	89,681	98,375	Papa Johns Intl	15,600	359,913	395,460
Bausch & Lomb	19,200	856,054	695,808	Parker Drilling	67,700	394,663	440,050
B E Aerospace	28,600	533,672	544,830	Patterson-Uti Energy	3,300	62,764	58,971
Bethlehem Steel	39,900	100,112	80,598	Petroleum Geo Services	36,500	340,455	369,015
Briggs & Stranton	13,800	562,835	580,980	Photon Dynamics	400	9,290	10,800
CTS Corp	14,800	336,650	303,400	Pittston Brink's Group	14,800	298,710	329,892
Chesapeake Energy	24,100	160,852	163,880	Polyone Corp	54,200	655,428	564,222
Citizens Communication Co	22,500	271,079	271,125	Power One 19,600		352,415	326,144
Conexant Systems	55,500	518,303	496,725	Quantum Dlt & Storage 27,300		318,117	275,457
Cooper Tire & Rubber	23,400	307,432	332,280	Quintiles Transnational 9,600		197,747	242,400
Credence Systems	15,000	315,655	363,600	RPM Inc Ohio	19,500	178,571	179,400
Crompton	24,200	248,298	263,780	Regis Corp Minn	31,800	466,462	667,482
Dollar Tree Store	8,000	145,116	222,720	Service Corp Intl	52,400	334,032	333,264
Dycom Industries	22,600	373,328	518,218	Silicon Graphics	43,500	172,939	60,465
E-Trade Group	31,400	333,002	202,530	Six Flags	19,800	334,892	416,592
Fairchild Semiconductors Intl	5,400	89,424	124,200	Sonicblue	59,100	519,111	195,030
Finlay Enterprises	8,500	118,313	95,625	Stewart Enterprises	21,700	150,587	158,410
Footstar Inc	1,600	51,941	55,040	Stolt-Nielsen	29,300	570,594	523,005
Forrester Research	6,000	131,951	135,540	Sunoco	17,600	579,551	644,688
Foster Wheeler Ltd	60,500	684,029	547,525	Superior Consultant	3,400	32,300	15,640
Gartner Group	40,500	409,218	445,500	Systems & Computer Tech	23,600	438,719	213,580
Gaylord Container	41,600	264,346	43,680	Technology Solutions	1,900	14,084	3,382
General Semiconductor	2,100	28,572	21,966	Teledyne Tech	20,200	338,393	307,040
Georgia Gulf	11,400	158,970	176,700	Triarc Cos	9,600	249,069	251,520
Grant Prideco Inc	21,600	398,969	377,784	Trico Marine Services	35,400	431,995	376,656
Harman Intl Industries	9,600	259,449	365,664	Trimble Navigation Ltd	25,200	441,749	491,148
Hypercom	21,700	285,378	104,160	Trinity Industries	800	18,278	16,400
ICN Pharmaceutical	24,600	700,461	780,312	Tyson Foods	53,800	643,382	495,498
IMC Global	23,200	358,429	236,640	UCAR Inti	13,900	213,377	166,105
Ikon Office Solutions	23,500	206,360	230,300	US Industries	68,600	444,125	281,260
Infocus Corp	19,200	396,814	391,488	USX-US Steel	18,600	308,476	374,790
KPMG Consulting	27,900	506,192	428,265	Varian Semiconductor	6,000	230,739	252,000
Keane Inc	24,600	509,234	428,205 541,200	Westpoint Stevens	7,800	68,466	10,608
Key Energy Services		•		Wolverine Tube			
Key Energy Services Keynote Systems	48,900	424,492	530,076	Yellow Corp	12,700	173,388	210,439
5	1,800	20,912	19,710		11,900	191,836	225,862
Kforce Com	26,800	259,520	174,200	York Intl Zala	14,500	423,136	507,790
Knight Trading Group	13,800	208,147	147,522	Zale	6,600	186,399	222,420
Landamerica Financial	9,100	263,172	289,835	SUBTOTAL The Boston Compar	ny \$	36,042,592 \$	34,699,316
Louisiana Pacific	24,100	297,410	282,693	Cash & Cash Equivalents	,	943,173	943,173
Continued				TOTAL The Boston Company		36,985,765 \$	35,642,489

Active Domestic Equity Accounts

As of June 30, 2001

Paladin I	Investment Ass	ociates		Wellingto	n Management Co	mpany	
Name	Shares	Cost	Market	Name	Shares	Cost	Market
AOL Time Warner	8,000 \$	354,320 \$	424,000	ATMI Inc	1,500 \$	27,483 \$	45,00
Abbott Labs	11,000	446,590	528,000	Acxiom	14,300	346,582	187,18
lberto Culver	8,500	339,790	357,340	Affiliated Computer Services	3,400	173,734	244,49
lliance Capital Mgmt Holdings	8,000	393,103	424,480	Ambac Financial Group	10,700	580,380	622,7
lliant Techsystems	3,000	199,291	269,700	Aptargroup	8,800	224,169	285,3
Baker Hughes	11,500	486,631	385,250	Atlas Air Worldwide Holdings	13,000	378,299	184,0
Baxter Intl	15,800	569,451	797,900	Atwood Oceanic	3,700	156,034	129,8
Best Buy	4,000	238,956	254,080	Becton Dickinson	16,600	498,489	594,1
Brunswick Corp	9,000	225,006	216,270	Bed Bath & Beyond	4,000	70,723	124,8
C H Robinson Worldwide	12,000	240,774	334,680	Bemis	10,500	385,050	421,7
Concord EFS	3,500	184,625	182,035	Biomet	7,850	177,476	377,2
OST Systems	7,000	371,290	368,900	Black Box Corp	7,800	388,146	525,4
Devry	19,000	507,651	686,280	Calpine	8,100	258,532	306,1
Diamond Offshore Drilling	7,000	313,390	231,350	Catalina Marketing	6,200	160,243	189,1
Donaldson Inc	10,000	297,300	311,500	Commerce Bankshares	14,900	566,610	549,8
Donnelley R R & Sons	10,000	285,580	297,000	Commscope	22,900	685,886	538,1
Exelon Corp	8,000	531,905	512,960	Core Laboratories	14,000	299,581	262,5
Exxon Mobil	6,500	530,516	567,775	DMC Stratex Networks	19,000	453,081	190,0
Fastenal	7,000	361,548	433,860	DST Systems	7,300	312,477	384,7
Rederal National Mortgage Assn	4,000	314,817	340,600	Darden Restaurants	20,600	542,760	574,7
Fiserve	7,500	400,710	479,850	Dionex	6,800	255,194	226,1
Graco	9,000	242,760	297,000	EGL Inc	23,600	608,704	412,0
Harley Davidson	5,000	237,389	235,400	Edwards Lifesciences	23,800 30,300	574,731	798,7
-	6,000	214,259	209,940	Family Dollar Stores	18,800	344,498	481,8
Honeywell	25,000		608,500	Fastenal	5,500	309,115	340,8
Hormel Foods	•	477,340	-		12,500		336,2
Household Intl	11,000	473,963	733,700	G & K Services	-	486,892	359,9
Ilinois Tool Works Intranet Solutions	9,000	511,694	569,700	Genzyme Corp	5,900	196,479	
	5,000	165,650	190,250	Hanover Compressor	11,100	232,670	367,2
Johnson & Johnson	9,800	469,714	490,000	Health Management Assoc	27,700	444,088	582,8
Kraft Foods	8,000	245,580	248,000	Helmerich & Payne	15,800	575,577	486,9
MGIC Investment	9,000	409,671	653,760	Herman Miller Inc	25,300	649,655	612,2
Medtronic	10,000	335,663	460,100	IMS Health	17,500	339,410	498,7
Millipore	8,000	416,213	495,840	Immunex Corp	10,400	164,582	184,6
Minnesota, Mining, Mfg	4,000	396,295	456,400	Investment Tech Group	11,000	368,680	553,1
Noble Affiliates	10,500	475,074	371,175	Ionics	11,200	320,324	352,8
Philips Petro	8,300	440,647	473,100	Laboratory Corp	3,600	247,500	276,8
St Paul Cos	11,000	609,504	557,700	Legg Mason	12,900	616,072	641,9
Sungard Data Systems	22,000	538,764	660,220	Lexmark Intl	7,500	368,055	504,3
ICF Financial	13,000	485,889	602,030	Littelfuse	14,800	364,000	396,4
Target	12,000	402,878	415,200	Liz Claiborne	12,900	598,947	650,8
Union Pacific	10,000	537,996	549,100	M & T Bank Corp	3,400	224,571	256,7
Unitedhealth Group	4,600	254,384	284,050	MacDermid	8,800	281,735	158,4
Walgreens	14,000	406,403	482,440	Macromedia	10,200	452,268	183,6
Wells Fargo	7,000	333,591	325,010	Mercantile Bankshares	6,300	214,499	246,5
Wrigley Wm Jr Co	10,200	468,121	477,870	Millipore	5,900	289,377	365,6
Kcel Energy	25,000	599,375	711,250	Montana Power	16,600	515,596	192,5
SUBTOTAL Paladin Investment	Associates \$	17,742,059 \$	19,961,545	Murphy Oil	4,600	278,554	338,5
Cash & Cash Equivalents		3,510,196	3,510,196	Nova	10,600	220,161	333,3
FOTAL Paladin Investment Ass	ociates \$	21,252,255 \$	23,471,741	Optimal Robotics	11,600	347,376	440,8
			·	Pactive Corp	27,500	399,037	368,5
				Patterson Dental	12,000	397,810	396,0
				Pepsi Bottling Group	13,800	408,904	553,3
				Pinnacle West Cap	4,500	206,929	213,3
				Rational Software	9,700	331,538	272,0
				Reinsurance Group	14,900	448,524	564,7
				Sensormatic Electronics	31,700	466,470	538,9
				Speedway Motorsports	16,400	509,211	413,4
				Staples	37,300	537,067	596,4
				Suncor Energy	200	4,749	5,
				Sungard Data Systems	8,600	109,961	258,0
				Swift Energy	13,200	445,851	397,
				Symbol Technologies	16,600	374,490	368,
				Systems & Computer Tech	9,300	132,229	84,
				TMP Worldwide	5,100	282,360	306,0
				Tekelec	10,400	254,626	281,
				Trigon Healthcare	11,300	608,526	732,
				United Rentals	20,300	416,800	526,7

Veeco Instruments

Wellpoint Health Networks

SUBTOTAL Wellington Management Company \$

TOTAL Wellington Management Company

Westamerica Bankcorp

Cash & Cash Equivalents

Whole Foods Market

Wilmington TR Corp

Verity

6,900

22,300

6,000

5,200

16,600

2,300

\$

324,003

565,447

547,271

168,870

346,151

114,978

25,976,849 \$

1,118,976

27,095,825 \$

274,275

444,885

565,440

204,100

449,860

144,095 27,278,861

1,118,976

28,397,837

Indexed Fixed Income Fund

As of June 30, 2001

Name	Cost		Market
Barclays Global Investors—Government/Corp Index	\$ 75,945,400	\$	96,203,146
Barclays Global Investors—US Debt Index	50,001,685	_	50,267,369
TOTAL Indexed Fixed Income Fund	\$ 125,947,085	\$	146,470,515

Indexed Equity As of June 30, 2001

Name	Cost	Market	
Barclays Global Investors-S & P 500 Index	\$ 93,482,572 \$	160,206,343	
Barclays Global Investors-Russell 2000 Index *	5,651,289	6,128,987	
Barclays Global Investors-Extended Market Index	35,979,166	44,486,638	
TOTAL Indexed Equity	\$ 135,113,027 \$	210,821,968	

International Equity As of June 30, 2001

•

Name	Cost	Market
Capital Guardian Trust, Co.	\$ 21,000,000 \$	23,251,033
Capital International, Inc.	24,567,628	20,924,780
Morgan Stanley Asset Management	46,000,000	100,679,724
TOTAL International Equity	\$ 91,567,628 \$	144,855,537

Commingled Equity Fund As of June 30, 2001

Name		Market	
Dimensional Fund Advisors, Inc.	\$	23,900,022 \$	34,520,026
TOTAL International Equity Fund		23,900,022 \$	34,520,026

Alternative Investment

As of June 30, 2001

Name		Cost	Market
Clifton Group	\$	6,000,000	\$ 4,017,002
RWI Group		940,000	 940,000
TOTAL International Equity Fund	*	6,940,000	\$ 4,957,002

Pre-Retirement Topics

Allowable Service Credit

A full year's service credit equals 170 days worked. Partial years are calculated based on the ratio of days worked to 170 days. No more than one year of service credit is allowable during any fiscal year.

Definition of Salary

Minnesota Statutes Section 354A and the Association Articles and Bylaws define salary. Salary is the entire compensation upon which member contributions are required and made.

Refund of Contributions

In lieu of a monthly retirement benefit, a member who resigns from the place of their employment may apply for a refund of employee contributions, plus interest of 6% compounded annually. Coordinated Plan members have access to a refund of contributions at any age. Basic Plan members must be ineligible for a pension to receive a refund of contributions.

Repaying a Refund of Contributions

A member who received a refund may reinstate previous St. Paul service by repaying the amount refunded plus 8.5% interest compounded annually from the date the refund was taken. The repayment can only be made after the member has accumulated at least two years of allowable service since the last refund was taken.

Purchasing Service

Members may purchase service during a "window period" scheduled to expire on May 16, 2002 if they have the following eligible outside service: military service, out-of-state teaching service, maternity leave, maternity break in service, private or parochial school teaching service, Peace Corps service, VISTA service, and previously-uncredited charter school, part-time, or substitute teaching service. The cost to purchase service is actuarially calculated. Beginning January 1, 2002, active members will be allowed to use tax sheltered money to purchase service credit in SPTRFA.

Beneficiary

A beneficiary is the person, persons or organization designated to receive a refund of employee contributions plus interest upon the death of the member if no survivor or family benefit is payable. If no valid beneficiary form is on file for a member, a refund of contributions plus interest, if applicable, will be paid to the member's estate.

Marriage Dissolution

Minnesota Statutes Section 518 covers marriage dissolutions and requires that SPTRFA receive a copy of the petition and summons, as well as a copy of the affidavit of service before information will be released. In the event that the court orders that future pension benefits be divided, a formula for splitting the benefit should be put into the dissolution decree. All inquires are kept confidential.

Retirement Topics

Basic and Coordinated Plans

"Basic Plan members," all of who were hired prior to July 1, 1978, do not contribute to Social Security. Basic Plan members are vested once they have five years of retirement service credit.

All members hired since July 1, 1978 contribute both to SPTRFA and Social Security and are known as "Coordinated Plan members." Coordinated Plan members are vested once they have three years of retirement service credit.

Steps to Retirement

When planning to retire, members should contact SPTRFA to set up an appointment to apply for pension benefits. All inquiries are kept confidential.

A member may apply for retirement benefits up to 90 days after the last date of employment provided that the member has not returned to employment. The retirement benefits would be retroactive to the first eligible retirement date after the termination of employment.

Deferred Pension

A deferred pension is available to members who terminate employment after they are vested. A deferred benefit may begin to be paid at age 55.

The benefit is computed by applying the normal retirement formula at the time of termination. It will be augmented by 3% each year until the member is age 55 and augmented by 5% each year thereafter. This augmentation continues until the member chooses to begin receiving his/her monthly benefit. If the member begins to receive a benefit before normal retirement age, applicable discounts will apply.

Combined Service

The Combined Service Law provides for the combination of a member's service in all public funds in Minnesota to determine benefits at the time of retirement, as long as the member has at least six months of retirement credit with each eligible retirement fund.

The total credited years of service in all funds will be considered when determining eligibility for benefits. Benefit payments will be made by each fund in which the member has credited service.

Retirement Topics, Continued

Disability Benefit

A disability benefit is payable to members who become totally and permanently disabled. Members must be vested to be eligible for a disability benefit. Members may not have more than 60 sick days remaining at the time of application for the benefit, and they must have used all sick days prior to beginning the benefit.

In the Coordinated Plan, the disability benefit is calculated as the unreduced pension benefit amount using the member's years of service and final average salary at the time of the disability, less any benefits received from Workers' Compensation. The member may also apply for a disability benefit from Social Security.

A Basic Plan member's disability benefit is calculated to be 75% of the member's earnings for the last full year of service, less any benefits received from Workers' Compensation or Social Security.

Basic Plan Retirement Options

Basic Plan members receive a formula benefit payable for life. An automatic survivor benefit is based on the ages of the member and spouse at the time of retirement. The survivor benefit does not cause a reduction in the member's benefit.

Coordinated Plan Retirement Options

At the time of retirement, Coordinated Plan members select one of the five optional annuity plans.

C-1	No Refund	Formula benefit payable for life to the member, with no refund payable to a beneficiary.
C-2	Guaranteed Refund	Formula benefit payable for life to the member that is reduced by use of actuarial tables to provide reduced benefit payments for life to the member and a guaranteed refund of unused member contributions to the beneficiary.
C-3	15-Year Certain	Formula benefit reduced by use of actuarial tables to provide reduced benefit payments for life to the member with the guarantee that payments will be made for at least 15 years. If the retiree dies before receiving payments for the guaranteed 15 years, the beneficiary will be paid the same monthly annuity for the remaining years of the guarantee.
C-4	100% Joint & Survivor	Formula benefit that is reduced by use of actuarial tables to provide reduced payments for life to the member and the same amount payable to the survivor for life with no refund.
C-5	50% Joint & Survivor	Formula benefit that is reduced by use of actuarial tables to provide reduced payments for life to the member and 50% of the reduced amount payable to the survivor for life with no refund.

If a Coordinated Member elects a joint and survivor option, and the spouse dies before the member, the member benefit will be increased to the C-1 amount. This is called the "pop-up" feature.

Post-Retirement Topics

Teaching After Retirement

Prior to age 65, if a retired member of SPTRFA is reemployed by ISD #625 or by a charter school or technical college located within the corporate limits of St. Paul, earnings are limited to the amount that causes a reduction in the primary Social Security benefit for that calendar year. If the retiree earns more than the allowable amount, the following year's pension will be reduced by one dollar for every three dollars the member earns over the limit. The amount of the reduction will be placed into a savings account for the retiree, earning 6% interest compounded annually. When the retiree has terminated service for one year or reaches age 65, whichever is later, the retiree will receive the amount in the savings account, including interest.

After age 65, retired members can be reemployed by ISD #625 or by a charter school or the technical college located within the corporate limits of St. Paul without an earnings limitation.

Retired members can work for any other employer without losing pension benefits.

Period of Separation

A member of SPTRFA shall not be considered to be retired until there exists a complete and continuous separation from employment for a covered employer as a "Teacher" for a period of not less than 30 calendar days.

Post-Retirement Increase

The post-retirement increase is an annual guaranteed 2% compounding increase. An "excess investment earnings increase" will be paid in addition to the guaranteed 2% increase in years when SPTRFA's five year annualized rate of return exceeds 8.5%.

Members must be receiving a benefit for one full year at the end of SPTRFA's fiscal year (July 1-June 30) to qualify for the post retirement increase. Eligible members receive adjustments on January 1st of each year.

Pre-78 Supplemental Bonus

An annual supplemental bonus payment is paid to retirees who retired before July 1, 1978.

Coordinated Plan - Summary of Tier Benefits

Vested members of the Coordinated Plan are eligible to receive a lifetime monthly pension based on the member's Final Average Salary (FAS), Years of Service (YOS) and Applicable Service Factor (ASF). Members first hired after June 30, 1989 are only eligible for Tier II benefits.

The following chart provides an overview of the Tier 1 and Tier 2 retirement benefits:

Benefit	Minimum Age	Minimum Service	Computation of Benefit
Tier 1			
Normal Unreduced Benefit	62	30	Formula = FAS x [YOS (10) x 1.2% ASF + YOS (in excess of 10) x 1.7% ASF].
			The Rule of 90 will also produce an unreduced benefit in Tier 1.
Normal Reduced Benefit	Any Age	30	Formula reduced by discount of 0.25% for each month a member's age is under 62.
Tier 2			
Normal Unreduced Benefit	65 if first employed before July 1, 1989.	3	Formula = FAS x YOS x 1.7% ASF.
	65-66 if first employed after June 30, 1989.		
Normal Reduced Benefit	55	3	Formula reduced by the use of actuarial tables.

Basic Plan - Summary of Tier Benefits

Vested members of the Basic Plan are eligible to receive a lifetime monthly pension based on the member's Final Average Salary (FAS), Years of Service (YOS) and Applicable Service Factor (ASF).

The following chart provides an overview of the Tier 1 and Tier 2 retirement benefits:

Benefit	Minimum Age	Minimum Service	Computation of Benefit
Tier 1			
Normal Unreduced Benefit	60	25	Formula = FAS x YOS x 2.0% ASF.
Dontoju			The Rule of 90 will also produce an unreduced benefit in Tier 1.
Normal Reduced Benefit	55	25	Formula reduced by discount of 0.25% for each month a member's age is under 60.
Tier 2			
Normal Unreduced Benefit	65	5	Formula = FAS x YOS x 2.5% ASF.
Normal Reduced Benefit	55	5	Formula reduced by the use of actuarial tables.

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2002 Administrative Service Charge

As part of the 1993 increased funding package, SPTRFA members, both active and retired, pay an "administrative service charge" to be applied to the fund's administrative expenses.

This charge applies whenever the administrative expenses for the previous fiscal year exceed the comparable administrative expenses in the State of Minnesota Teachers Retirement Association (TRA).

This year, there is no administrative service charge to the active or retired members of SPTRFA because our administrative expenses for the fiscal year 2000-2001 are lower than the comparable expenses of TRA.



Comparison of Administrative Service Charge

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)	Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)
June 1910	15	13	\$ 4,860	December 1975	52	778	\$ 3,765,322
June 1931	8	125	69,024	December 1976	77	883	4,393,513
June 1932	8	130	72,961	December 1977	63	919	5,050,507
June 1933	2	126	74,190	December 1978	48	946	5,523,548
June 1934	6	127	74,120	December 1979	40	946	6,240,309
June 1935	9	131	74,001	December 1980	47	963	6,623,804
June 1936	14	135	75,864	December 1981	47	981	7,139,037
June 1937	19	151	80,747	December 1982	61	996	7,725,617
June 1938	17	160	89,709	December 1983	72	1,042	8,555,099
June 1939	11	161	93,184	December 1984	64	1,061	9,466,664
June 1939 to				January 1985 to			
December 1939	0	158	23,870	June 1985	59	1,103	5,324,727
December 1940	71	222	170,685	June 1986	66	1,134	11,267,144
December 1941	35	246	210,257	June 1987	117	1,191	12,478,180
December 1942	27	266	234,217	June 1988	70	1,210	14,690,455
December 1943	38	286	253,031	June 1989	67	1,236	15,506,957
December 1944	34	311	282,299	June 1990	67	1,270	17,382,410
December 1945	56	350	308,113	June 1991	80	1,309	18,811,677
December 1946	51	378	337,512	June 1992	83	1,357	20,509,335
December 1947	28	387	360,571	June 1993	120	1,426	22,763,806
December 1948	42	413	375,912	June 1994	92	1,469	25,044,494
December 1949	42	441	419,618	June 1995	113	1,539	26,792,534
December 1950	30	461	450,641	June 1996	119	1,595	29,446,215
December 1951	27	476	472,670	June 1997	179	1,720	32,056,967
December 1952	28	486	508,923	June 1998	129	1,789	37,852,099
December 1953	32	487	525,959	June 1999	114	1,861	41,724,751
December 1954	10	482	529,429	June 2000	144	1,964	47,121,179
December 1955 December 1956	38 46	509 529	666,994	June 2001	130	2,050	53,851,893
December 1950	40 59		750,146				
December 1957 December 1958	59 41	560 579	840,883 1,019,502				
December 1958	30	585					
December 1959 December 1960	38	600	1,084,506 1,144,380				
December 1960 December 1961	39	611	1,230,715				
December 1961 December 1962	49	624	1,352,779				
December 1962	42	647	1,467,461				
December 1963	33	653	1,545,252				
December 1965	40	668	1,631,554				
December 1965	43	676	1,770,083				
December 1960	36	682	1,862,249				
December 1968	45	695	1,969,760				
December 1969	53	726	2,319,186				
December 1909	31	719	2,385,868				
December 1971	47	731	2,522,350				
December 1972	51	745	2,742,660				
December 1972	36	744	3,039,253				
December 1974	46	754	3,372,453				
	.0		-,,				