

Comprehensive Annual Financial Report

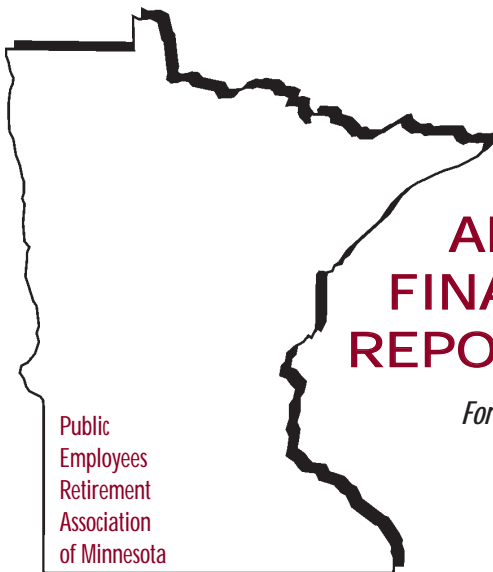
For Fiscal Year Ended June 30, 2002



Public Employees
Retirement Association
of Minnesota



Pension Trust Funds of the State of Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2002

71 Years of Service to Minnesota's Public Employees

Pension Trust Funds of the State of Minnesota

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Executive Director
Mary Most Vanek

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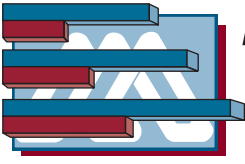


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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees Retirement
Association of Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director

GFOA

The Government Finance Officers Association (GFOA) recognizes public retirement systems that meet its rigorous standards for financial reporting with its annual Certificate of Achievement for Excellence in Financial Reporting. It is the highest form of recognition for accounting and financial reporting in the public pension sector. This is the 17th time in the last 18 years PERA has been so honored.

President's Report

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Saint Paul, Minnesota 55103-2088
Member Information Services: 651-296-7460 or 1-800-652-9026
Employer Response Lines: 651-296-3636 or 1-888-892-7372
PERA Fax Number: 651-297-2547
PERA Website: www.mnpera.org



December 11, 2002

Dear Members, Annuitants, Beneficiaries and Governmental Employers:

This 71st annual financial report of the Public Employees Retirement Association (PERA) discloses financial, actuarial, and other related information about PERA and the funds it administers. On June 30, 2002, PERA's net assets available for benefits at fair value exceeded \$12.7 billion. This reflects an annualized increase in net assets of approximately 9.5% over the past 10 years.

Though the stock market fell sharply for the second year in a row, investment returns for PERA's portfolio outperformed the composite index on a 3 and 5-year basis. The total rate of return for the assets of the active employees covered by PERA was -8.2 percent for the 12 months ended June 30, 2002. Over the past five years these investments have had an annualized return of 5.0 percent, above the 4.8 percent return of the composite index.

As the active employees of PERA retire, assets required to cover expected benefits are transferred to the Minnesota Post Retirement Investment Fund (MPRIF) in which PERA has a pooled interest with other Minnesota statewide pension systems. The MPRIF supports the annuities payable to retirees and their joint annuitants, and also finances the annual post-retirement increases from investment earnings in excess of 6 percent. Since July 1, 1997, the MPRIF has outperformed the composite market return benchmark by three-tenths (0.3) of one percentage point, with an annualized return of 4.5 percent, allowing us to provide outstanding post-retirement increases over those 5 years.

Two years ago we were confronted with higher contribution requirements due to the changing demographics of our membership. At that time, we made a commitment to our members and their employers to continually study what is going on within the plan so we can better anticipate our future funding needs. We have kept that commitment by requesting various studies from our actuarial consultant. The information we are gaining is being used to plan for the needs of our members and their beneficiaries as we service the retirements of the baby boom generation over the next decade.

Legislation passed in 1999 allowed PERA and the other two statewide retirement systems to build or purchase a facility for co-location. Believing that in the long run it is financially advantageous to own a facility rather than to rent space, we purchased land and began construction of a new facility to house all three retirement systems. During fiscal year 2002 we watched the dream become reality. We moved into the new Retirement Systems of Minnesota building in September 2001 and are excited about the



Terri Heaton
Board President

new opportunities we have to serve our members in this facility. We are now able to conduct educational workshops on-site, and members with combined service can visit PERA, the Teacher's Retirement Association, and the Minnesota State Retirement System all within the same building.

As always, our commitment as trustees of the Association is the preservation and growth of the assets of PERA's funds, and the protection and furtherance of the interests of our members, annuitants, beneficiaries, employer units and the State of Minnesota. I believe our efforts over the past year have amply illustrated this continuing dedication.

Terri Heaton

Terri Heaton
President
PERA Board of Trustees

Letter of Transmittal

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Saint Paul, Minnesota 55103-2088
Member Information Services: 651-296-7460 or 1-800-652-9026
Employer Response Lines: 651-296-3636 or 1-888-892-7372
PERA Fax Number: 651-297-2547
PERA Website: www.mnpera.org



Mary Most Vanek
Executive Director

December 9, 2002

Board of Trustees
Public Employees Retirement Association of Minnesota
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103

Dear Trustee:

We are pleased to present this Comprehensive Annual Financial Report of the Public Employees Retirement Association (PERA) for the fiscal year ended June 30, 2002—our 71st year of operation. The information contained in this report is accurate in all material respects and is intended to present fairly the financial status and results of operations of the association. The report consists of five sections:

Introductory Section contains this letter of transmittal, the president's report, a summary of the membership requirements and the benefit structures of PERA's funds, a directory of the Board of Trustees and a description of the administrative organization;

Financial Section includes the basic financial statements, supplementary information, supporting schedules, management's discussion and analysis of PERA's financial activities, and the independent auditor's report on the financial statements;

Investment Section contains a summary of investment returns, asset allocation, list of largest assets and asset cost and market values;

Actuarial Section includes the independent actuary's certification letter, summaries of the actuarial assumptions and methods used in the annual valuation, results of the July 1, 2002 actuarial valuation, and other actuarial information; and

Statistical Section contains tables and schedules of significant data pertaining to the Association and identifies affiliated employers.

Responsibility for the contents of this report, including the financial statements, rests solely with the management of the association. We trust you will find this publication is helpful in understanding PERA and its funds, and contains sufficient information to allow valid comparisons of operating results with similar public employee retirement systems.

Letter of Transmittal

(Continued)

Plan Overview

PERA was established in 1931 by the Minnesota legislature. For financial reporting purposes, PERA is considered a pension trust fund of the State of Minnesota. The State acts as a trustee of the pension plan, and reports our assets in the State's annual report as pension trust fund assets. The Plan is funded on an actuarial reserve basis, with money being set aside for benefits while the benefits are being earned and before they are paid.

PERA serves over 2,000 separate local governmental entities. These participating employers include cities, counties, townships, and school districts located throughout the state. At June 30, 2002, PERA's membership included 151,027 current, active employees and 56,912 retirees and beneficiaries.

Accounting Systems and Reports

All financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB) in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. This CAFR also complies with Minnesota Statutes, Section 356.20. PERA's transactions of its Public Employees Retirement Fund (PERF), Public Employees Police and Fire Fund (PEPFF), Public Employees Correctional Fund (PECF) and Public Employees Defined Contribution Plan (PEDCP) are reported on the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is made.

PERA's internal accounting controls are designed to provide reasonable assurance for the safekeeping of assets and the reliability of all financial records. Our independent auditors have audited the accompanying financial statements and reviewed our internal control structure. They reported no material weaknesses in our internal controls. Management believes that an adequate system of internal control is in place and that the accompanying statements, schedules and tables are fairly presented.

Investments

In accordance with Minnesota Statutes, Section 353.06, assets of the PERA Funds are invested by the Minnesota State Board of Investment (SBI). All investments undertaken by the SBI are governed by the common law prudent person rule and other standards codified in Chapter 11A of the Minnesota Statutes. The board is comprised of the state's elected officers: Governor Jesse Ventura; State Auditor Judith H. Dutcher; State Treasurer Carol C. Johnson; Secretary of State Mary Kiffmeyer; and State Attorney General Mike Hatch.

The SBI appoints a 17-member Investment Advisory Council (IAC) to advise the State Board on asset allocation and other policy matters relating to investments. The IAC also advises the SBI on methods to improve the rate of return while assuring adequate security of the assets under management. The executive director of PERA is a standing member of the IAC.

The IAC has formed three committees organized around broad investment subjects relevant to the board's decision making: asset allocation, stock and bond managers, and alternative investments. All proposed investment policies are reviewed by the appropriate committee and the full council before they are presented to the board for action.

The SBI also employs investment consultants to monitor and evaluate the investment management firms' performance and to evaluate or suggest various alternatives for asset allocation and other investment policy matters.

Active Funds

Pension assets of the currently working members of the Association are managed externally by private money managers retained under contract with the SBI. These assets are pooled with the assets of other active members of statewide retirement funds into the Basic Retirement Fund. The greatest share of these assets, approximately 62 percent, is invested in domestic and international common stocks in order to maximize the long-term rate of return. Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio. For the year ended June 30, 2002, the Basic Retirement Funds produced a negative rate of return on active member assets of -8.2 percent.

Fair Value of Investments,

June 30, 2002 (in thousands)

<u>Fund</u>	<u>Active Members</u>	<u>Retired Members</u>
PERF	\$4,160,957	\$4,732,681
PEPFF	2,115,518	1,576,641
PECF	34,236	409
Totals	\$6,310,711	\$6,309,731

The SBI has one overriding responsibility in the management of these funds: to ensure that sufficient funds are available to finance promised retirement benefits. Within this context, SBI has established a long-term investment objective: to outperform a composite market index weighted to reflect the long-term asset allocation policy over a five-year period. Performance is measured net of all fees and costs to assure the SBI's focus is on true net return. The Basic Funds' five-year annualized rate of return at June 30, 2002 was 5.0 percent, above its target index of 4.8 percent.

Post Retirement Investment Fund

The SBI has responsibility for investment of the assets of the Minnesota Post Retirement Investment Fund (MPRIF). When a member retires, a sum of money sufficient to finance a fixed monthly annuity is transferred from the Basic Retirement Fund to the MPRIF. Assets of the retired members of the Association and their joint annuitants are pooled in the MPRIF. These assets are also managed externally, sharing the same domestic stock, domestic bond, and international stock managers as the Basic Funds.

In contrast to the investment goals of the Basic Fund, invested for current working members, the MPRIF's goal is to ensure returns are adequate to meet the actuarially assumed return of 6 percent on its invested assets on an annualized basis and are sufficient to finance lifetime benefit increases.

The SBI measures performance of the MPRIF against a composite of market indices that is weighted to reflect its long-term asset allocation policy. The MPRIF is expected to exceed the composite index over a five-year period. Similar to the Basic Fund, MPRIF performance is reported net of all fees and costs to assure the SBI's focus is on true net return. For the five-year period ending June 30, 2002, the MPRIF outperformed its composite index by three-tenths of one percent with an annualized return of 4.5 percent.

Benefit increases are granted based on two components—an inflation component and an investment component. This year the MPRIF will provide a benefit increase of 0.745 percent, payable January 1, 2003, based on the following:

➡ **Inflation adjustment of 0.745%.** This equals 100 percent of the reported Consumer Price Index for wage earners (CPI-W) for the 12 months ended June 30, 2002. This inflation component is always granted, regardless of investment performance. The formula sets a maximum, or cap, of 2.5 percent in order to maintain the actuarial soundness of the plan. This amount is the difference between the 8.5 percent return assumption for the Basic Funds and the 6 percent return assumption for the MPRIF.

➡ **Investment adjustment of 0%.** This represents a portion of the investment gains that exceed the amount needed to finance the actuarial assumed rate of return (6%) and the inflation component (2.5%). The formula requires that investment gains and losses be spread forward over five years to adjust for the volatility of short-term returns. Also, all accumulated investment losses must be recovered before an investment adjustment is granted. Since investment returns have been negative for two years in a row, there are no excess investment gains to apply toward a benefit increase.

Over the last 9 years (including this year), annual benefit increases have averaged 7.1 percent while inflation has averaged 2.3 percent.

Economic Conditions and Outlook

After experiencing the longest economic expansion in U.S. history, the national economy finally fell into a recession beginning in March of 2001. Just as economists believed we were hitting bottom in late summer of 2001, terrorists attacked the East Coast and economic recovery was delayed. The Federal Reserve, which had already lowered interest rates six times in the first six months of 2001, lowered rates another five times during the second half of 2001. The discount rate was lowered a full two percentage points, from 3.25% to 1.25%. Rates remained at those very low levels throughout the rest of fiscal year 2002. Mortgage rates followed suit and fell to all-time low levels.

Interest rates, however, were not enough to pull the economy out of the doldrums. Because of the recession and the economic impact of terrorist attacks, 1.3 million jobs were shed during fiscal year 2002. Unemployment rates increased from 4.5% in June 2001 to 5.9% in June 2002. After falling for four consecutive years, the poverty rate rose from 11.3% to 11.7% in 2001. Personal income growth slowed to 2.7%, the weakest growth since the trough of the 1990-91 recession. Median household income fell \$900 in 2001 from the all-time high levels of 2000. GDP, which had been growing over 4% per year, slowed considerably in 2001 to 0.3%. Consumer confidence plunged during the last half of 2001.

The economic downturn coupled with news of corrupt accounting practices that brought huge companies to their knees was reflected in the stock market. The Basic Retirement Fund and the MPRIF had annualized rates of return of negative 8.2% and negative 7.8%, respectively, while the S&P 500 posted a negative return of 18% for the year.

Letter of Transmittal

(Continued)

Although the link between the state and national economies has led to a slowing of Minnesota's employment growth, Minnesota continued to outperform the nation with 4.0% unemployment at the end of the fiscal year. The number of persons employed increased 15,864 during the fiscal year, though the potential labor force increased over 26,000. Minnesota had a greater share of the total population in the labor force than any other state. Overall labor force participation rates in Minnesota were 76.1% compared to 66.9% for the nation. Median household income in Minnesota was \$52,681 in 2001, the fourth best in the country, compared to \$42,228 for the nation as a whole. Per capita personal income in Minnesota was \$32,791 in 2001, the eighth best in the country. Low interest rates continued to help boost the housing industry. The median price of a home in the Twin Cities increased 9 percent during the fiscal year.

The economic outlook for Minnesota and the rest of the country is difficult to assess. The short-term outlook is unfavorable given the possibility of a war with Iraq and uncertain company earnings. Most economists, however, paint a rosier picture long-term. Interest rates are very low; inflation remains in check; the government continues to pump money into the economy; and foreign economies appear to be emerging from recessions. Stock markets, though off to a shaky start, are poised for a rebound, and historically begin to rise before the economy bottoms. Fortunately, SBI's policy of diversification is designed to provide some insulation against high inflationary or deflationary environments, and to avoid excessive return volatility. As long as the Basic Retirement Fund earns the assumed 8.5 percent annual rate of return, PERA's funding status should improve.

Current Funding Ratios

The primary funding objectives of the Association are: 1) to establish contribution rates which, when expressed as a percentage of active members payroll, will remain level from generation to generation; and 2) to meet the required deadlines for full funding. A pension plan is fully funded when it has present and projected assets sufficient to cover the liabilities for present and future annuities, benefits and refunds and the projected cost of fund administration. Minnesota Statutes, Section 356.215, subd. 4(g), requires that the PEPFF and PECF be fully funded by the year 2020.

Legislation enacted in 2001 changed the amortization period for the PERF. The full funding target date was extended from the year 2020 to 2031. This will allow increases in contributions to be kept to a minimum and allows PERA more time to become fully funded while adhering to generally accepted government accounting standards. This law is effective for actuarial valuations prepared after June 1, 2001.

An important measure of the health of a retirement system is the level of funding. The better the level of funding, the larger the ratio of assets to accrued liabilities and the greater the level of investment income potential. Also, a better level of funding gives the participants a higher degree of assurance that their pensions are secure.

The Association's progress toward meeting the full funding objective is displayed on the Schedule of Funding Progress on page 30. This report shows the funding levels using the entry age normal actuarial cost method. At the end of fiscal year 2002, the ratio of assets to liabilities of the PERF was 85.02 percent. For the PEPFF and the PECF, the ratios were 121.12 percent and 95.16 percent, respectively.

Association's Status Report

"Building on a Record of Service" was PERA's theme for Fiscal Year 2002. The first half of the fiscal year was consumed with the move to, and getting settled into, our new facilities. Construction of the building was complete when we moved to 60 Empire Drive in September 2001, but as with any new construction, adjusting to the new environment and fixing all the little things that weren't yet quite right was all consuming.

We prided ourselves on making sure that although the physical location of our operations was changing and being modified, the delivery of services to our members was minimally interrupted. Now co-located with the Minnesota State Retirement System (MSRS) and Teachers Retirement Association (TRA), our members who have service with the other two systems can receive all of their information in one visit to the building. The counseling rooms in our offices provide privacy and comfort to our members as they study their retirement payment options and seek a clearer understanding of the steps needed to complete the retirement application process.

Many of the educational seminars we conduct for our members and those for employers are now held in our new building. The large training room accommodates up to 70 participants at the retirement planning sessions and is used by both PERA and TRA staff to share a broad range of planning information with members preparing for retirement.

The most significant legislative outcome of the 2002 session was the repeal of prorated service credit.

Enacted in 2001, the provision would have granted only partial credit to members newly enrolled in PERA who worked less than 80 hours a month. The provision was intended to align PERA's structure for awarding credit to part-time employees with what is generally the structure found in public employee pension plans. We were told the provision was to be repealed because during the late hours of the 2001 legislative session, it had been agreed that the prorated service credit provision would not be included in the final bill; but for some reason, it was included. In 2002, we were also asked to take over responsibility for monitoring compliance with the Section 218 agreement to help employers determine the appropriate social security coverage for public employees.

The PERA Board of Trustees spent many hours reviewing the provisions governing disability benefits and other plan provisions. We continue to receive special reports from our actuary to monitor the progress of the Coordinated Plan and the Police and Fire Plan. The market results have not helped the funding of any of PERA's plans, but we will continue to study what events other than market returns impact the funding needs of the pension plans before we propose the next possible steps we may seek to improve our financial picture.

Many exciting changes are in the planning stages, with some already in the design and development phases. The members responding to a survey conducted in the spring of 2002 told us that they prefer to conduct their business with us by phone. We are using that information to determine better ways of ensuring our phone services will adequately meet the needs of the many "baby boom generation" retirees we expect to interact with over the next several years. Watch PERA's web site (www.mnpera.org) for news on what we have in store for collecting more accurate and timely information about our members so that we can continue to deliver the services our members have grown to value and trust.

Professional Services

The FY01 actuarial valuation of the PERA defined benefit plans was conducted by Milliman USA, and completed in November 2001. Actuarial consulting services during the fiscal year were provided by Mercer Human Resources. In addition to providing a thorough review of Milliman's FY01 actuarial valuation, Mercer also developed cost estimates for a variety of legislative proposals.

The State's Attorney General continued to provide PERA with legal counsel. The State Board of Investment continued to manage and invest the assets of PERA's funds. KPMG Peat Marwick assisted in the development of our new payment system. Finally, the State's Legislative Auditor continued to provide professional financial auditing services. The comments of the Legislative Auditor are found on page 16 of this report.

Reports to the Membership

This report is complemented by an annual financial newsletter that discloses, in summary form, the contents of this report. This financial newsletter is mailed in January of each year to all PERA members, and annuity and benefit recipients.

National Recognition

Finally, PERA is justly proud of the abilities, knowledge, drive and dedication of its employees. PERA recently received national recognition as a leader in pension fund administration and disclosure of financial information. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERA for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. PERA has received this honor for 17 of the last 18 years.

The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to the certificate requirements and we are submitting it to the GFOA.

Acknowledgments

We are sure you join with us in expressing gratitude and appreciation to the staff and PERA's advisors for their efforts in producing this report and for their loyal and dedicated service to the Association and its members, annuitants, beneficiaries, and governmental unit employers.

Respectfully submitted,

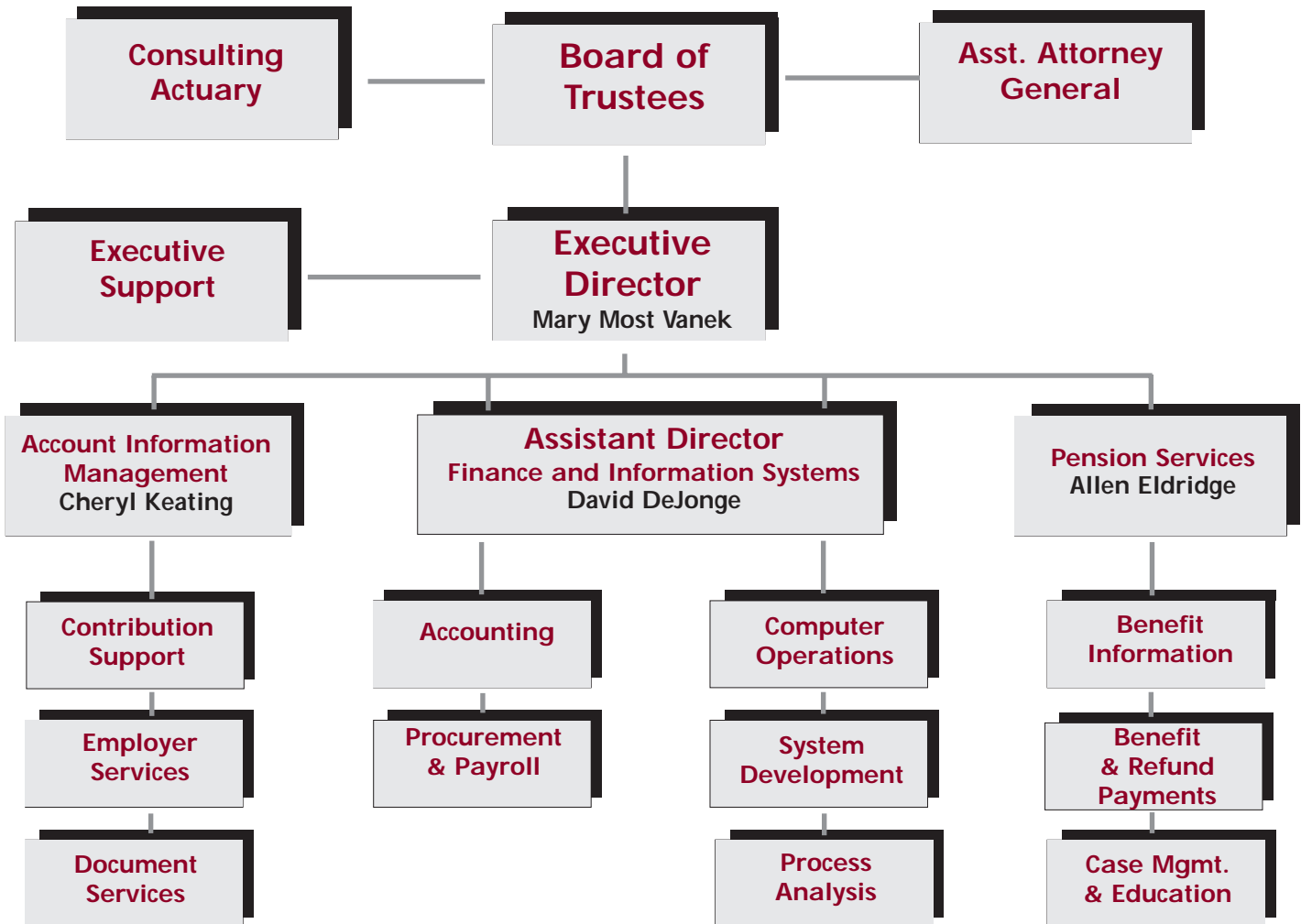


Mary Most Vanek
Executive Director



David DeJonge
Assistant Executive Director
Finance and IS

Administrative Organization



Mission Statement

PERA's mission is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services, that members will value and trust.

PERA's Vision:

PERA is seen by its members as an important part of their retirement solution because we:

Develop creative methods that enable them to make sound retirement and life-planning decisions;

Display relentless efforts to protect the fund and provide the best public pension packages; and

Deliver exceptional services any time, any place!

Board of Trustees

Board President



Terri Heaton
Cities Representative
85 7th Place E., Suite 100
St. Paul, Minnesota 55101

Board Vice President



Dawn M. Hulmer
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8794 100th Avenue
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Police and Fire Representative
St. Paul Police Department
100 E. 11th St.
St. Paul, Minnesota 55101

The PERA Board consists of 11 trustees as follows: The State Auditor is a trustee by virtue of office. The governor appoints five trustees to represent counties, cities, school boards, retired annuitants, and the general public. PERA active members elect five representatives—three general membership, one retiree/disabilitant, and one Police and Fire trustee—to serve four-year terms.

Summary of Retirement System Plan

Public Employees Retirement Association of Minnesota

Note:

* PERA's Basic Plan was closed to new membership in 1968 with the creation of the Coordinated Plan. Basic members had the option of remaining in that plan or transferring to the new Coordinated Plan following its establishment.

Purpose

Established by the Minnesota Legislature in 1931, the Minnesota Public Employees Retirement Association (PERA) administers pension funds that serve approximately 200,000 county, school and local public employees, benefit recipients, their survivors, and dependents.

Funds administered by the association provide a variety of retirement pensions, and survivor and disability benefits. In the case of Coordinated and Correctional plans, these pensions and benefits are in addition to those provided by Social Security.

PERA's Board of Trustees is responsible for administering these funds in accordance with statutes passed by the Minnesota Legislature and has a fiduciary obligation to PERA's members, their governmental employers, the state, and its taxpayers.

Administration

The PERA Board of Trustees is composed of 11 members. The State Auditor is a member by statute. Five trustees are appointed by the Governor. Serving four-year terms, these five trustees represent cities, counties, school boards, retired annuitants, and the general public, respectively.

The remaining five board members are elected by the PERA membership at large to serve four-year terms. Three represent the general active membership, one trustee represents Police and Fire Fund members, and one trustee represents annuitants and benefit recipients. All five membership representatives were elected in January 1999.

The board appoints an executive director to serve as chief administrative officer of PERA. With approval of the board, the director develops the annual administrative budget, determines staffing requirements, contracts for actuarial and other services, and directs the day-to-day operations of the association. The director also serves as a member of the State Investment Advisory Council, which advises the Minnesota State Board of Investment on the management

and investment of public pension funds and other assets.

Multi-Employer Participation

Approximately 2,000 separate units of government in Minnesota participate in the PERA-administered retirement system. These units include counties, cities, townships, and school districts.

Employee Membership

With certain statutory exceptions, an employee performing personal services for a governmental employer whose salary is paid, in whole or in part, from revenues derived from taxation, fees, assessments, or other sources, is a member of PERA. Plan participation is dependent on the occupation of the member. In the case of Basic Plan members, it also depends upon when the individual was hired into public service. PERA has approximately 150,000 active members.

Funds

PERA administers four separate funds. Each has specific membership, contribution, benefit, and pension provisions.

The **Public Employees Retirement Fund** encompasses two plans — the PERA Coordinated Plan and the PERA Basic Plan. The Coordinated Plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security. The Basic Plan, established in 1931, is not coordinated with the federal program.*

The **Public Employees Police and Fire Fund**, established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all paid Minnesota police officers and firefighters hired since 1980. Legislation in 1999 also merged members of the former Police and Fire Consolidation Plan of PERA into the Police and Fire Plan.

The **Local Government Correctional Service Retirement Fund** was created in 1999 for correctional officers serving in county and regional adult and juvenile corrections facilities. Participants must be responsible for the security, custody and control of the facilities and their inmates.

Also administered by PERA is the **Public Employees Defined Contribution Plan**. Established by the Minnesota Legislature in 1987 to provide a retirement plan for personnel employed by public ambulance services, the plan has been expanded to include physicians and locally-elected public officials, except for county sheriffs.*

Contributions

The table below shows contribution rates for employees and employers under the various plans administered by PERA as of June 30, 2002. Rates are applied to total salary and are set by statute.

<u>Fund</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
Public Employees Retirement Fund		
Coordinated	5.10%	5.53%**
Basic	9.10%	11.78%**
Public Employees Police and Fire Fund	6.20%	9.30%
Local Government Correctional Fund	5.83%	8.75%
Defined Contribution Plan	5.00%	5.00%***

In addition to contributions to the funds administered by PERA, Coordinated and Correctional plan members contribute to Social Security and are eligible for benefits earned through those deductions.

Credited Service and Salary

Members of PERA's defined benefit plans receive one service credit for each month for which they are paid. Individuals may earn a maximum of 12 service credits per year. Salary used in retirement and disability benefit calculations is the average monthly salary over an individual's highest-paid 60 consecutive months of public service, or all months of service if less than 60.

Retirement Benefits

Eligibility and Annuity Formulas

Basic and Coordinated Members

Two methods are used to compute benefits for Coordinated and Basic Plan members—a step-rate benefit accrual formula (Method 1) and a level accrual formula (Method 2). Members hired prior to July 1, 1989 receive the higher of the two calcu-

lated amounts. Only Method 2 is used for members hired after June 30, 1989.

Method 1: Coordinated members accrue 1.2 percent of the average salary they were paid over their five highest-paid consecutive years of service for each of the first 10 years of public employment, and 1.7 percent of that average salary for each successive year. Basic members receive 2.2 percent of their average salary for each of their first 10 years of service and 2.7 percent for each year thereafter.

Using this calculation, members are eligible for a full (unreduced) retirement annuity if:

- ◆ They are age 65 or over with at least one year of public service; or
- ◆ Their age plus years of public service equal 90 (Rule of 90).

A reduced retirement annuity is payable as early as age 55 with three or more years of service. The reduction is .25 percent for each month under age 65. A member with 30 or more years of service may retire at any age with the .25 percent reduction made from age 62 rather than 65.

Method 2: Coordinated members earn 1.7 percent of their average salary for every year of public service while Basic members earn 2.7 percent of their average salary for each year.

This calculation provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989, and at the age for unreduced Social Security benefits, capped at age 66, for those first hired into public service on or after that date.

Early retirement results in an actuarial reduction with augmentation (about 6 percent per year) for members retiring prior to full retirement age.

Police and Fire Members

Members receive 3 percent of average salary for each of their years of service.

An unreduced retirement annuity is payable to members when they meet the following conditions:

- ◆ Age 55 with a minimum of three years of service; or
- ◆ Age plus years of service equal at least 90.

A reduced retirement annuity is available to members between the ages of 50 and 55. There is a 1.2 percent reduction in benefits

Note:

* Under legislation enacted in 2001, officials elected to governing bodies, such as city councils or county boards, may only participate in the Defined Contribution Plan if their first term in office began after June 30, 2002.

** Contribution rates for Coordinated and Basic Plan members increased in January 2002. Previous employee and employer rates were 4.75% and 5.18%, respectively, for the Coordinated Plan, and 8.75% and 11.43% for the Basic Plan.

*** This is the rate established for elected public officials and physicians. For ambulance service personnel, participation in the program and contributions made for employees are at the discretion of employers. Salaried employees may match this contribution.

Summary

(Continued)

Note:

* Former Police and Fire Consolidation Fund members who have not elected Police and Fire Plan benefits may do so when they terminate public service. Those who do not are covered under the benefit provisions of their local relief associations.

** Since most Correctional Plan members were previously members of PERA's Coordinated Plan, they will qualify for a pension from both plans following retirement. However, they must meet the age requirements of each plan and begin benefits within a year of each other to qualify for combined service.

*** Selection of a Survivor Option will result in a reduction in the amount of the pension from the Single-life pension level. The amount of the reduction depends on the age of both the retiring member and the survivor.

All survivor pension options incorporate an automatic "bounce back" feature. This returns the amount of the pension to the level of the Single-life benefit in the event the designated survivor predeceases the retiree. The cost of this protection is borne by the funds, not by the retiree.

for each year a member retires prior to qualifying for an unreduced retirement benefit.*

Correctional Service Members

Correctional Plan members earn 1.9 percent of their average salary for every year of public service under the plan.

A full, unreduced pension, is earned at:

- Age 55 with three or more years of service; or
- Age plus years of service total at least 90.

An actuarial reduction with augmentation is made in a member's benefit for retirement prior to qualification for an unreduced pension.**

Defined Contribution Plan Members

The Defined Contribution Plan's benefit amount is determined by the performance of the funds in which contributions are invested. The entire market value of the member's account is payable upon termination of public service, disability, retirement, or death.

Types of Pensions Available

Members of the PERA Basic, Coordinated, Correctional, and Police and Fire plans may select from several types of retirement benefits.

Single-life Pension — A Single-life Pension, formerly known as a Normal annuity, is a lifetime annuity that ceases upon the death of the retiree. No survivor benefit is payable.

Survivor Options — Upon retirement, members may choose from one of four Survivor Options. All these pensions are payable for the lifetime of the retiree. At the time of the retiree's death, the designated survivor continues to receive monthly benefit payments at varying levels for his or her lifetime. Depending on the Survivor Option chosen by the member, survivor payments are at a 25, 50, 75 or 100 percent level of that received by the member.***

Pre-Age 62 Increase — This pension option allows a member who retires before age 62 to receive a greater monthly payment until he or she becomes eligible for Social Security at age 62. The monthly benefit amount is then reduced by at least \$100 at age 62.

Deferred Pension — A vested member who terminates public service may leave contributions in the fund or funds in which he or she participated and qualify for a pension at age 55 or over. The benefit amount, calculated as of the date of termination, will increase at a rate of 3 percent per year, compounded annually, until the first of the year following the member's 55th birthday. It will then increase at a rate of 5 percent per year, compounded annually.

Combined Service and Proportionate Pensions — Retiring members may elect to combine service in a PERA-covered position with service in any of 14 other Minnesota pension funds and qualify for a retirement benefit from each fund in which they participate. These funds are designated by statute. Members with three or more years of total service qualify for a combined service pension if they have six or more months of service in each fund and have not begun to receive a benefit from any of the designated funds. Pensions are based upon the formula of each fund and the member's average salary over the five highest-paid years of service, no matter when it was earned.

Public employees who retire at age 65 or older with between one and three years of service in one or more of 11 designated funds may qualify for a proportionate pension. Benefits are paid by each applicable fund in which the employee has credit and are based upon the formula of each fund and the member's average salary during the period of service covered by that fund.

Earnings Limitation

Retirees who return to work in a PERA-covered position are subject to the same earnings limitations as Social Security recipients. Under legislation passed in 2000, benefit reductions are escrowed, earning 6 percent interest compounded annually. At age 65 or a year after leaving the position, whichever is later, the retiree may request repayment of these funds.

The earnings limitation only applies to PERA-covered employment. Self- or private employment and elected service will result in no benefit reduction for retirees.

Disability Benefits

Members may be eligible for benefits from PERA if they are unable to work because of a physical or mental disability. Disability is defined by statute, and PERA may require periodic medical examinations of those receiving these benefits.

Disability benefit calculations are based upon years of service and average salary earned during the five highest-paid consecutive years of service for Basic and Coordinated members. The same is true for Police and Fire and Correctional plan members disabled outside the line of duty. In the case of Police and Fire members, there is a minimum non-duty disability benefit of 45 percent of that salary. The minimum benefit for Correctional Plan members is 19 percent of salary.

For Police and Fire members disabled in the line of duty, the minimum benefit is 60 percent of salary, while the minimum duty-related disability benefit for Correctional members is 47.5 percent.*

Basic and Coordinated members qualify for disability with three or more years of service and by meeting the statutory definition. Police and Fire and Correctional members qualify by meeting the definition with one or more years of service if disabled outside the line of duty. If disabled in the line of duty, there is no minimum service requirement.

Survivor Benefits

PERA also provides survivor (death) benefits for families of members who qualify for such coverage. The qualifications and types of benefits vary with each fund.

A Lifetime Survivor Benefit is available to the surviving spouse of a Basic, Coordinated, Correctional, or Police and Fire member. For Police and Fire, and Basic members, this benefit is based on either 50 percent of the member's average salary during six months prior to death or a formula using the member's total years of service, average salary during the highest-paid five consecutive years of service, age at death and age of the spouse. The surviving spouse benefit for Coordinated and Correctional members is only based on the formula. This benefit is payable to the spouse of a deceased member for life, even upon remarriage.**

For the surviving spouse of a Basic or Coordinated member, there are alternative term-certain benefits of 5, 10, 15, or 20 years

duration. The monthly payment, however, may not exceed 75 percent of the member's average high five-year salary. The same alternative benefits are available to the surviving spouse of a Correctional member, with the exception of the 5 percent option.

Survivor benefits are immediately suspended for any survivor charged with causing the death of an association member. The benefit is permanently revoked upon conviction of such a crime.

Dependent children of active or disabled Basic, and Police and Fire members are eligible for benefits until age 18, or age 23 if full-time students. In this case, the maximum family benefit is 70 percent of the member's average monthly salary. If a Coordinated or Correctional member dies and there is no surviving spouse, any children under age 20 qualify to receive a monthly term-certain benefit.

Instead of a monthly benefit, the surviving spouse, if a designated beneficiary, may elect a refund of any remaining employee contributions in the account, plus 6 percent interest compounded annually. However, a refund may not be elected if there are dependent children who are eligible for benefits.

Refunds

Refunds of contributions are available at any time to members who leave public service and have not yet begun receiving a pension. The refund includes employee contributions plus 6 percent interest, compounded annually.

A refund of member contributions plus interest may also be elected by the designated beneficiary of a member or former member who dies before reaching retirement. If there is no beneficiary, payment is made to the surviving spouse or, if none, to the estate of the deceased member or former member.

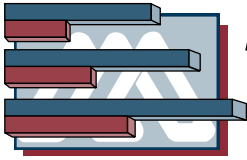
If a retiree and designated survivor, if any, die before all employee contributions are paid in the form of a pension or benefits, the remaining balance would be paid in the same manner outlined for beneficiaries.

No interest is paid to beneficiaries on the balance in an account if the member was receiving retirement benefits.

Note:

* Minimum non-duty disability benefits for Police and Fire members are equivalent to unreduced pensions for 15 years of service, and 10 years of service for Correctional members. Duty-related minimum benefits are equivalent to unreduced pensions for 20 years of service for Police and Fire members and 25 years for Correctional members.

** Lifetime Survivor Benefits are also available to the spouse of disabled Basic, and Police and Fire Fund members, and to survivors of disabled Coordinated and Correctional members who choose a Survivor Option to their disability benefit.



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Board of Trustees
Public Employees Retirement Association of Minnesota, and
Ms. Mary Most Vanek, Executive Director
Public Employees Retirement Association of Minnesota

We have audited the accompanying basic financial statements of the Public Employees Retirement Association of Minnesota as of and for the year ended June 30, 2002, as listed in the Table of Contents. These financial statements are the responsibility of the Public Employees Retirement Association of Minnesota's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees Retirement Association of Minnesota at June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B (2) to the financial statements, the Public Employees Retirement Association of Minnesota implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments for the year ended June 30, 2002. This statement establishes new financial reporting requirements for state and local governments throughout the United States.

The required supplementary information contained in Management's Discussion and Analysis on pages 17 to 19 and also on pages 30 to 32 is not a required part of the basic financial statements of the Public Employees Retirement Association of Minnesota, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted mainly 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.

The accompanying financial information listed as supporting schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Public Employees Retirement Association of Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Room 140 Centennial Building, 658 Cedar Street, Saint Paul, Minnesota 55155 • Tel: 651/296-4708 • Fax:
E-mail: auditor@state.mn.us • TDD Relay: 651/297/5353 • Website: www.auditor.leg.state.mn.us

The Introductory, Investment, Actuarial, and Statistical Sections listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2002, on our consideration of the Public Employees Retirement Association of Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen,
CPA
Deputy Legislative Auditor

December 5, 2002

The following discussion and analysis of the financial activities of the Public Employees Retirement Association of Minnesota (PERA) for the year ended June 30, 2002 (FY02) is intended to supplement the financial statements which follow this discussion. It should be read in conjunction with the transmittal letter, which begins on page 5 of this annual report.

Overview of the Financial Statements

This Comprehensive Annual Financial Report (CAFR) contains two basic financial statements: the *Statement of Plan Net Assets* and the *Statement of Changes in Plan Net Assets*. These financial statements, in conjunction with the accompanying *Notes to the Financial Statements*, report information about PERA's financial condition in an attempt to answer the question: "Is PERA better off or worse off as a result of this year's activities?" These statements are prepared using the accrual basis of accounting as is required by generally accepted accounting principles laid out in statements issued by the Government Accounting Standards Board (GASB).

The Statement of Plan Net Assets provides a snapshot of account balances at year-end. It reports the assets available for future payments to benefit recipients, along with any liabilities that are owed as of the statement date. The difference between assets and liabilities, called "Net Assets," represents the value of assets held in trust for future benefit payments. Over time, increases and decreases in Net Assets can be one measurement of whether PERA's financial position is increasing or decreasing.

The Statement of Changes in Plan Net Assets, on the other hand, shows additions and deductions to Net Assets during the year. The increase or decrease in Net Assets reflects the change in Net Assets found on the Statement of Plan Net Assets from the prior year to the current year.

The Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. The Notes describe the accounting and administrative policies under which PERA operates, and provide additional levels of detail for selected financial statement items.

These financial statements should be reviewed along with the Schedule of Funding Progress and Schedule of Employer Contributions to determine whether PERA is becoming financially stronger or weaker over time. PERA's funding objective is to meet long-term benefit obligations through contributions received and the income derived by investing those contributions during the working career of our members. These two schedules, created by an actuary, show the ratio of the actuar-

Management Discussion and Analysis

ial value of assets to the actuarial accrued liability, and to what extent contributions needed to fully fund the plan are being received.

Financial Highlights

- PERA's Net Assets decreased during the year from \$14.1 billion in 2001 to \$12.7 billion in FY02.
- Total additions for FY02 were (\$552,158,000), comprised of contributions of \$539,617,000, investment losses (realized and unrealized) of \$1,097,416,000 and other income of \$5,641,000. Total additions for FY01 were (\$625,110,000).
- Total deductions for the year increased from \$819,849,000 in fiscal year 2001 to \$885,222,000 this year due to pension benefit increases.
- Total administrative expenses equaled 7/100 of 1 percent of Net Assets.
- As of June 30, 2002 the Public Employees Retirement Fund is actuarially funded at 85.02%. PERA's Police and Fire Fund is actuarially funded at 121.12%, and PERA's Correctional Fund is 95.16% funded.

Financial Analysis of PERA's Funds

PERA is the administrator of three defined benefit plans and one defined contribution plan. In a defined benefit plan, pension benefits are determined by a member's salary and credited years of service, regardless of contribution amounts and investment returns for those contributions over the working career of a member. PERA administers three such plans: the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Public Employees Local Government Correctional Services Retirement Fund (which we call the Public Employees Correctional Fund or PCEF). In a defined contribution plan, pension benefits are determined by contributions made to a member's account and investment returns for those contributions. PERA administers one such plan: the Public Employees Defined Contribution Plan (PEDCP).

PERF

Total assets as of June 30, 2002 were \$9.7 billion in the PERF, a decrease of \$1.1 billion or 10.5 percent from the

Financial Section

Discussion and Analysis

(Continued)

prior year. The decrease is due to a drastic decline in market conditions and investment earnings. Total liabilities as of June 30, 2002 were \$781 million, a decrease of \$102 million or 11.6 percent from the prior year. Total net assets, the difference between total assets and total liabilities, decreased about \$1 billion or roughly 10 percent from the prior year.

As a mature fund, the PERF relies heavily on investment earnings to help pay benefits. Cash coming into the fund (i.e. contributions) is not enough to cover cash leaving the fund (i.e. benefits, refunds and administrative expenses). This year we received roughly \$400 million in contributions, but spent \$670 million in benefits, refunds and administrative expenses. We also had a \$765 million investment loss due to the adverse market conditions.

Revenues-Additions to Plan Net Assets

The reserves needed to finance retirement are accumulated through the collection of member and employer contributions and through earnings on investments. Contributions and net investment losses for FY02 totaled (\$363,223,000).

Total employer contributions increased from the previous year by \$18,774,000 and member contributions increased by \$18,042,000, largely due to an increase in salaries and an increase in contribution rates. Average earnings per active member rose from \$26,042 to \$27,050 in fiscal year 2002. Effective January 1, 2002 contribution rates increased 0.35 percent for both members and employers. Net investment losses in FY02 totaled \$765,319,000, a decrease of \$11 million from fiscal year 2001. The Investment Section of this report reviews results of investment activity for 2002.

Expenses-Deductions from Plan Net Assets

The largest deduction was for retirement benefits to members and beneficiaries. Total benefits increased 8.4 percent to \$642 million in FY02. The increase in benefits resulted from an increase in the

number of benefit recipients and a 4.5 percent cost of living increase for most retirees effective January 1, 2002. The amount of refunds decreased \$2.5 million in FY02 due to fewer people taking refunds. Administrative expenses increased less than 4 percent in FY02.

Overall Financial Position

Despite two years of a declining stock market, the PERF is still 85.02% funded. In general, this indicates that for every dollar of benefits we expect to pay out, we already have 85 cents in our reserves to cover it. Since we smooth investment gains and losses over 5 years for actuarial purposes, however, much of the investment loss is yet to be recognized in our actuarial funding ratio. Our actuary also tells us that our contributions are not sufficient to get the plan 100% funded by July 1, 2031 as required by law.

PEPFF

Total assets as of June 30, 2002 were \$4.1 billion in the Public Employees Police and Fire Fund, a decrease of \$465 million or 10.2 percent from the prior year. The decrease is due to a drastic decline in market conditions and investment earnings. Total liabilities as of June 30, 2002 were \$312 million, a decrease of \$50 million or 13.7 percent from the prior year. Total net assets, the difference between total assets and total liabilities, decreased about \$415 million or roughly 10 percent from the prior year.

Revenues-Additions to Plan Net Assets

Contributions and net investment losses for FY02 totaled (\$201,758,000). Total employer contributions increased from the previous year by \$37,704,000, though \$35.9 million of that increase was due to recognizing future payments some municipalities will be paying to cover unfunded actuarial accrued liabilities they had when their consolidated police or fire unit was closed and assets were merged with the PEPFF in 1999, in accordance with GASB 25.

Member contributions increased \$2,460,000, largely due to an increase in salaries and an increase in the number of active members. Average earnings per active member rose

Net Assets— Defined Benefit Plans (Dollars in Thousands)

	PERF		PEPFF		PECF	
	2002	2001	2002	2001	2002	2001
Assets						
Cash and Receivables	\$ 17,253	\$ 20,896	\$ 80,053	\$ 43,011	\$ 486	\$ 610
Investments	8,893,638	9,913,584	3,692,159	4,145,771	34,645	23,014
Securities Lending Collateral	754,199	866,388	310,341	359,474	1,649	3,392
Fixed Assets and Other	13,267	12,129	-	-	-	-
Total Assets	\$9,678,357	\$10,812,997	\$4,082,553	\$4,548,256	\$36,780	\$27,016
Liabilities						
Accounts Payable	\$ 14,720	\$ 4,430	\$ 2,205	\$ 2,999	\$ 284	\$ 463
Accrued Compensated Absences	603	590	-	-	-	-
Securities Lending Collateral	754,199	866,388	310,341	359,474	1,649	3,392
Bonds Payable	11,373	11,513	-	-	-	-
Total Liabilities	\$ 780,895	\$ 882,921	\$ 312,546	\$ 362,473	\$ 1,933	\$ 3,855
Total Net Assets	\$8,897,462	\$ 9,930,076	\$3,770,007	\$4,185,783	\$34,847	\$23,161

from \$50,423 to \$51,162 in fiscal year 2002. The number of active members increased from 9,858 to 9,940. Net investment losses in FY02 totaled \$328,160,000, an increase of \$6 million from fiscal year 2001. The Investment Section of this report reviews results of investment activity for 2002.

Expenses-Deductions from Plan Net Assets

The largest deduction was for retirement benefits to members and beneficiaries. Total benefits increased 10.4 percent to \$212 million in FY02. The increase in benefits resulted from an increase in the number of benefit recipients (especially disabilitants) and a 4.5 percent cost of living increase for most retirees effective January 1, 2002. The amount of refunds decreased \$2.6 million in FY02 largely due to a refund we paid in fiscal year 2001 to a consolidated police and fire fund unit that was overfunded when the account was closed in 1999.

Overall Financial Position

The Police and Fire Plan was 121.12% funded as of July 1, 2002. The plan has been more than 100% funded since 1989, despite large benefit increases over the past several years. Recent studies, however, show that some of our basic assumptions may need to be adjusted based on the actual experience of our demographics. If those assumptions are changed, we would expect our funding ratio to decline in future years.

PECF

In the Public Employees Correctional Fund, total assets as of June 30, 2002 were \$36,780,000, an increase of \$9,764,000 or 36% from the prior year. The PECF is a very new fund with few assets invested in the stock market, and brings in more cash through contributions than it spends paying benefits and refunds. Total liabilities as of June 30, 2002 were \$1.9 million, a decrease of \$1.9 million or 50 percent from the prior year, due to fewer securities being loaned out at year end. Total net assets, the difference between total assets and total liabilities, increased \$11.7 million in fiscal year 2002.

Revenues-Additions to Plan Net Assets

Contributions and net investment income for FY02 totaled \$12,434,000.

Employer and member contributions increased roughly 10% to \$8.8 million and \$5.9 million respectively, due to salary increases and an increase in the number of members participating in the plan. Net investment losses in FY02 totaled \$2,290,000, a decrease of \$1.5 million from fiscal year 2001. The Investment Section of this report reviews results of investment activity for 2002.

Expenses-Deductions from Plan Net Assets

Expenses for this plan are still quite small. Retirement benefits just about doubled in size from \$173,000 in fiscal year 2001 to \$338,000 in FY02 as more members became eligible to retire. Refunds increased 70% to \$272,000. Administrative expenses increased \$7,000 and represent less than four-tenths of one percent of total net assets.

Overall Financial Position

The Public Employees Correctional Fund is 95.16% funded. With only three years of experience it is difficult to know if our long-term assumptions are accurate, but we believe contribution levels are sufficient to fully fund this plan within the next 20 years.

Agency Summary

PERA's combined net assets have increased consistently over the last three decades, with the exception of the last two fiscal years due to the national economic slowdown. We believe the current financial position will continue to improve due to a prudent investment program, cost controls, and strategic planning.

This financial report is designed to provide a general overview of PERA's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to PERA at 60 Empire Drive in St. Paul, Minnesota 55103-2088.

Changes in Net Asset— Defined Benefit Plan Funds (Dollars in Thousands)

	PERF		PEPF		PECF	
	2002	2001	2002	2001	2002	2001
Additions						
Employer Contributions	\$ 206,982	\$ 188,208	\$ 90,664	\$ 52,960	\$ 8,830	\$ 8,054
Member Contributions	191,422	173,380	33,801	31,341	5,882	5,308
Investment Income (Loss)	(765,319)	(754,349)	(328,160)	(334,406)	(2,290)	(750)
Other	3,692	1,907	1,937	2,744	12	20
Total Additions	\$ (363,223)	\$ (390,854)	\$(201,758)	\$(247,361)	\$12,434	\$12,632
Deductions						
Retirement Benefits	\$ 642,088	\$ 592,210	\$ 212,405	\$ 192,246	\$ 338	\$ 173
Refund of Contributions	16,267	18,768	711	3,358	272	160
Administrative Expenses	8,680	8,344	647	639	137	130
Other	2,356	2,441	255	447	1	1
Total Deductions	\$ 669,391	\$ 621,763	\$ 214,018	\$ 196,690	\$ 748	\$ 464
Increase (Decrease) in Net Assets	<u>\$(1,032,614)</u>	<u>\$(1,012,617)</u>	<u>\$(415,776)</u>	<u>\$(444,051)</u>	<u>\$11,686</u>	<u>\$12,168</u>

Financial Section

Statement of Plan Net Assets

As of June 30, 2002 (in thousands)

	Defined Benefit Funds			Public Employees Defined Contribution Plan	Total
	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund		
Assets					
Cash	\$ 390	\$ 322	\$ 64	\$ 9	\$ 785
Receivables					
Accounts Receivable	\$ 15,326	\$ 78,362	\$ 370	\$ 89	\$ 94,147
Due from Other Funds	1,537	1,369	52	15	2,973
Total Receivables	\$ 16,863	\$ 79,731	\$ 422	\$ 104	\$ 97,120
Investments at fair value					
Equity in Minnesota Post					
Retirement Investment Fund	\$4,732,681	\$1,576,641	\$ 409	\$ 0	\$ 6,309,731
External Equity Pool	1,298,809	665,957	9,151		1,973,917
Fixed Income Pool	996,526	511,902	7,021		1,515,449
Global Equity Pool	662,855	339,811	4,670		1,007,336
Passive Equity Pool	608,757	313,016	4,197		925,970
Venture Capital Pool	326,714	169,150	2,302		498,166
Real Estate Pool	145,755	75,462	1,027		222,244
Resources Pool	69,644	36,057	491		106,192
Short-Term Cash Equivalent	51,897	4,163	5,377		61,437
Investments for Defined Contrib.	0	0	0	15,770	15,770
Total Investments	\$8,893,638	\$3,692,159	\$34,645	\$15,770	\$12,636,212
Securities Lending Collateral	\$ 754,199	\$ 310,341	\$ 1,649	\$ 689	\$ 1,066,878
Fixed Assets					
Equipment Net of					
Accumulated Depreciation	\$ 1,446	\$ 0	\$ 0	\$ 0	\$ 1,446
Property Net of					
Accumulated Depreciation	11,607	0	0	0	11,607
Total Fixed Assets	\$ 13,053	\$ 0	\$ 0	\$ 0	\$ 13,053
Prepaid Expenses	\$ 74	\$ 0	\$ 0	\$ 0	\$ 74
Deferred Bond Charges	\$ 140	\$ 0	\$ 0	\$ 0	\$ 140
Total Assets	\$9,678,357	\$4,082,553	\$36,780	\$16,572	\$13,814,262
Liabilities					
Accounts Payable	\$ 13,284	\$ 975	\$ 67	\$ 0	\$ 14,326
Payable to Other Funds	\$ 1,436	\$ 1,230	\$ 217	\$ 90	\$ 2,973
Securities Lending Collateral	\$ 754,199	\$ 310,341	\$ 1,649	\$ 689	\$ 1,066,878
Accrued Compensated Absences	\$ 603	\$ 0	\$ 0	\$ 0	\$ 603
Bonds Payable	\$ 11,373	\$ 0	\$ 0	\$ 0	\$ 11,373
Total Liabilities	\$ 780,895	\$ 312,546	\$ 1,933	\$ 779	\$ 1,096,153
Net Assets held in trust for					
Pension Benefits	\$8,897,462	\$3,770,007	\$34,847	\$15,793	\$12,718,109

(A schedule of funding progress for each plan is presented on page 30.)

Statement of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2002 (in thousands)

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>	<u>Public Employees Correctional Fund</u>	<u>Public Employees Defined Contribution Plan</u>	<u>Total</u>
<u>Additions</u>					
Contributions					
Employer	\$ 206,982	\$ 90,664	\$ 8,830	\$ 1,078	\$ 307,554
Plan member	<u>191,422</u>	<u>33,801</u>	<u>5,882</u>	<u>958</u>	<u>232,063</u>
Total Contributions	\$ 398,404	\$ 124,465	\$ 14,712	\$ 2,036	\$ 539,617
Investments					
Net depreciation in fair value	\$(1,528,313)	\$ (618,538)	\$ (3,445)	\$ (1,762)	\$ (2,152,058)
Interest	92,252	47,346	599	109	140,306
Dividends	95,738	49,496	563	0	145,797
Distributed income of the Minnesota Post Retirement Investment Fund	<u>575,200</u>	<u>194,272</u>	<u>19</u>	<u>0</u>	<u>769,491</u>
Total investment activity loss	\$ (765,123)	\$ (327,424)	\$ (2,264)	\$ (1,653)	\$ (1,096,464)
Less investment expenses	<u>6,099</u>	<u>3,148</u>	<u>38</u>	<u>0</u>	<u>9,285</u>
Net loss from investment activity	\$ (771,222)	\$ (330,572)	\$ (2,302)	\$ (1,653)	\$ (1,105,749)
From securities lending activities:					
Securities lending income	\$ 24,384	\$ 9,890	\$ 54	\$ 26	\$ 34,354
Securities lending expenses:					
Borrower rebates	(16,489)	(6,657)	(38)	(18)	(23,202)
Management fees	<u>(1,992)</u>	<u>(821)</u>	<u>(4)</u>	<u>(2)</u>	<u>(2,819)</u>
Net income from securities lending	\$ 5,903	\$ 2,412	\$ 12	\$ 6	\$ 8,333
Total Net Investment Loss	\$ (765,319)	\$ (328,160)	\$ (2,290)	\$ (1,647)	\$ (1,097,416)
Other additions	\$ 3,692	\$ 1,937	\$ 12	\$ 0	\$ 5,641
Total Additions	\$ (363,223)	\$ (201,758)	\$ 12,434	\$ 389	\$ (552,158)
<u>Deductions</u>					
Benefits	\$ 642,088	\$ 212,405	\$ 338	\$ 0	\$ 854,831
Refunds of contributions	16,267	711	272	980	18,230
Administrative expenses	8,680	647	137	85	9,549
Other deductions	<u>2,356</u>	<u>255</u>	<u>1</u>	<u>0</u>	<u>2,612</u>
Total Deductions	\$ 669,391	\$ 214,018	\$ 748	\$ 1,065	\$ 885,222
Net Increase (Decrease)	\$ (1,032,614)	\$ (415,776)	\$ 11,686	\$ (676)	\$ (1,437,380)

Net assets held in trust for pension benefits

Beginning of year	<u>\$ 9,930,076</u>	<u>\$ 4,185,783</u>	<u>\$ 23,161</u>	<u>\$ 16,469</u>	<u>\$ 14,155,489</u>
End of year	<u>\$ 8,897,462</u>	<u>\$ 3,770,007</u>	<u>\$ 34,847</u>	<u>\$ 15,793</u>	<u>\$ 12,718,109</u>

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

A. Plan Description

1. Organization

The Public Employees Retirement Association (PERA) is the administrator of three cost-sharing, multiple-employer retirement plans, the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Public Employees Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF). In addition, PERA administers one multiple-employer deferred compensation plan, the Public Employees Defined Contribution Plan (PEDCP). The plans, including benefit provisions and the obligation to make contributions, are established and administered in accordance with Minnesota Statutes, Chapters 353, 353A, 353B, 353D, 353E and 356. It is also these statutes that define financial reporting requirements.

2. Participating Employers

PERA serves approximately 2000 separate units of government in the PERF, 500 units of government in the PEPFF, 80 counties in the PECF, and 1000 units in the PEDCP. These units of government are made up of counties, cities, townships, school districts, and generally other units of government whose revenues are derived from taxation, fees, or assessments. The defined contribution plan serves any local unit of government whose current or former elected officials elect to participate. The PEDCP also serves any publicly operated ambulance service that receives an operating subsidy from a governmental entity, and elects to participate.

3. Participating Members

The PERF covers employees of counties, cities, townships and employees of schools in non-certified positions throughout the State of Minnesota. The

PEPFF, originally established for police officers and fire-fighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and fire-fighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA. The PECF covers employees in county correctional institutions who have direct contact with inmates. Coverage under the PEDCP is open to elected local government officials (except elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Elected officials and ambulance personnel who are covered by a public or private pension plan because of their employment are not eligible to participate in the PEDCP. At June 30, 2002, there were 4,414 members in the plan.

Shown in **Figure 1** below are the membership totals in the PERA defined benefit plans as of June 30, 2002.

4. Benefit Provisions and Contribution Rates-Defined Benefit Plans

a) PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. All benefits vest after three years of credited service. Retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERF members belong to either the Basic or Coordinated Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. Two methods are used to compute benefits for Coordinated and Basic members. The retiring member

PERA is the administrator of three cost-sharing, multiple-employer retirement plans and one multiple-employer deferred compensation plan.

Plan Participation
(Total Membership)



Fig. 1 PERA Membership— Defined Benefit Plans

	PERF	PEPFF	PECF	Total
Retirees and beneficiaries receiving benefits	50,878	5,971	63	56,912
Terminated employees entitled to benefits/refunds but not yet receiving them:				
Vested	29,353	637	282	30,272
Non-Vested	87,114	663	488	88,265
Current, active employees:				
Vested	96,323	8,108	1,827	106,258
Non-Vested	41,494	1,832	1,443	44,769
Total	305,162	17,211	4,103	326,476

receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2).

Under **Method 1**, the annuity accrual rate for Basic members is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. For a Coordinated member, the annuity accrual rate is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under **Method 2**, the annuity accrual rate is 2.7 percent of average salary for Basic members and 1.7 percent for Coordinated members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For PERF members whose annuity is calculated using Method 1, and for all PEPFF and PECF members, a full annuity is available when age plus years of service equal at least 90. A reduced retirement annuity is also available to eligible members seeking early retirement. The annuity accrual rate for PECF members is 1.9 percent of average salary for each year of service in that plan.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

- b) Pension benefits are funded from member and employer contributions, and income from the investment of fund assets. Current contribution rates for the PERA defined benefit plans are set by Minnesota Statutes, Chapters 353, 353A, 353B, 353E, and 356, and are shown in **Figure 2** below.

- c) Legislation enacted in 2001 increased contribution rates 0.35% for PERF members and employers. Effective January 1, 2002, Coordinated Plan rates for members increased from 4.75% to 5.10% and employer rates increased from 5.18% to 5.53%. Basic Plan rates for members increased from 8.75% to 9.10% while employer rates increased from 11.43% to 11.78%.

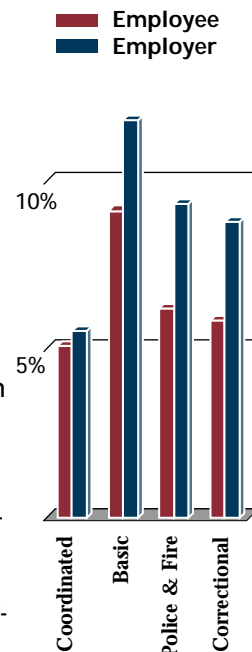
5. Benefit Provisions and Contribution Rates—Defined Contribution Plan

The Public Employees Defined Contribution Plan (PEDCP) is a multiple-employer deferred compensation plan. The PEDCP is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal. (See Notes A.2 and A.3 for employer and employee membership requirements.) The plan is established and administered in accordance with Minnesota Statutes, Chapter 353D.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official or physician who decides to participate contributes 5 percent of salary, which is matched by the employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share.

Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. Investment options include the Income Share, Growth Share, Common Stock Index, Bond Market, Money Market, International Share, and the Fixed

Contribution Rates



Pension benefits are funded from member and employer contributions, and income from the investment of fund assets.

Fig 2. Retirement Plan Contribution Rates 6/30/02

	Employee	Employer	Additional Employer
<i>Public Employees Retirement Fund:</i>			
Basic Plan *	9.10%	9.10%	2.68%
Coordinated Plan *	5.10%	5.10%	0.43%
<i>Public Employees Police & Fire Fund</i>	6.20%	9.30%	n/a
<i>Public Employees Correctional Fund</i>	5.83%	8.75%	n/a

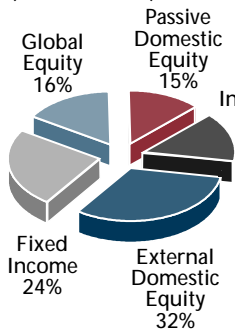
*NOTE: Contribution rates for these plans changed effective January 1, 2002. Until January 1st, rates for the Basic Plan were 8.75% for employees and employers, with an additional employer rate of 2.68%. Contribution rates for the Coordinated Plan were 4.75% for employees and employers, with an additional employer rate of 0.43%.

Notes

(Continued)

Active Funds Pooled Accounts

(Portfolio Allocation)



Interest (formerly the Guaranteed Return) accounts. For administering the plan, PERA receives 2 percent of employer contributions paid during the year, plus four-tenths of one percent (0.4%) of the assets in each member's account each year.

There is no vesting period required to receive benefits in the PEDCP. At the time of retirement or termination, PERA distributes the market value of a member's account to the member or transfers it to another qualified plan or individual retirement arrangement. Upon the member's death, PERA distributes the value of the account to the member's designated beneficiary.

The PEDCP is reported as a pension trust fund. Obligations under the plan include an amount payable to other funds of \$85,000 to cover administrative expenses that were paid during the year by the PERF.

3. Investment Policies

a) Pursuant to Minnesota Statutes, Section 11A.04, the state's retirement fund assets are commingled in various pooled investment accounts, administered by the State Board of Investment (SBI). As of June 30, 2002, the participation shares in the pooled accounts at fair value, excluding the Minnesota Post Retirement Investment Fund (MPRIF), totaled 24.64 percent for the PERF, 12.61 percent for the PEPFF and 0.19 percent for the PECF. The funds' shares of net assets of the Minnesota Post Retirement Investment Fund, at fair value, totaled 28.00 percent, 9.58 percent and 0.001 percent, respectively.

b) Minnesota Statutes, Section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality; restricted participation as a limited partner in venture capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments.

c) Investments are categorized to give an indication of the level of risk that is assumed. Risk category 1 includes investments that are insured or registered, or for which the securities are held by the state or its agent in the state's name. Risk category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the state's name. Risk

B. Summary of Significant Accounting Policies and Plan Asset Matters

1. Reporting Entity

PERA functions as a separate statutory entity. The association maintains rights to sue or be sued in its own name and to hold property in its own name. For financial reporting purposes, PERA is considered a pension trust fund of the State of Minnesota and is included in the State's Comprehensive Annual Financial Report with its fiduciary funds. PERA does not have any component units.

2. Basis of Accounting

PERA financial statements for all funds are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which they are earned and become measurable. Expenses are recorded when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. PERA adopted the provisions of GASB No. 34 this year. There was no accumulated effect on the basic financial statements.

PERA functions as a separate statutory entity. The association maintains rights to sue or be sued in its own name and to hold property in its own name. For financial reporting purposes, PERA is considered a pension trust fund of the State of Minnesota.

Fig 3. PERA Investments -- All Funds (in thousands)

	Cost June 30, 2002	Fair Value June 30, 2002
Pooled Accounts		
External Domestic Equity	2,513,260	1,973,917
Fixed Income	1,549,454	1,515,449
Global Equity	1,150,439	1,007,336
Passive Domestic Equity	1,026,358	925,970
Venture Capital	651,740	498,166
Real Estate	207,177	222,244
Resources	105,613	106,192
Total Pooled Accounts	7,204,041	6,249,274
Short Term Pooled Cash	61,437	61,437
Post Retirement Investment Account	7,861,846	6,309,731
Cash and Investments for Deferred Comp. Benefits	15,770	15,770
Totals	15,143,094	12,636,212

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 state's name. PERA does not own any investments that are considered securities for purposes of assessing credit risk. All PERA investments are held in Minnesota State Board of Investment-administered pools or open-end mutual funds. These investments are not considered securities for purposes of credit risk classification. The investments in any one organization do not represent 5 percent or more of plan net assets for any of the plans PERA administers.

- d) In accordance with Minnesota Statutes, SBI has the authority to enter into, and has entered into, derivative transactions including put and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. Any agreements for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or security. As of June 30, 2002, PERA's exposure to market risk is minimal as the derivatives outstanding represent approximately one percent of the total investment balance.
- e) Information about the primary government's (State of Minnesota) investments, including credit risk classification, can be obtained from the Minnesota Department of Finance, 400 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155. Information on investment activity and a

listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment at Suite 330, Retirement Systems of Minnesota Building, 60 Empire Drive, St. Paul, Minnesota 55103.

4. Method Used to Value Investments

- a) Investments in the pooled accounts, including assets of the PEDCP, are reported at fair value. **Figure 3** provides a summary of cost and fair values of the investments as of June 30, 2002 as reported on the Statement of Plan Net Assets. The fair value of investments is based upon valuations provided by a recognized pricing service. Securities traded on a national or international exchange are valued using the last reported trade price. Short-term investments are reported at cost, which approximates fair value. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.
- b) Investment income is recognized as earned. Accrued investment income of the pooled investment accounts is included in participation in the accounts. Gains and losses on sales or exchanges are recognized on the transaction date.
- c) The cost of security transactions is included in the transaction price. Administrative expenses of the State Board of Investment and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the

Information on investment activity and a listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment.

Administrative expenses of the State Board of Investment and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts.

Fig 4. Capital Assets

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
Capital assets not being depreciated:				
Land	\$ 170,308	\$ 0	\$ 0	\$ 170,308
Capital assets being depreciated:				
Building	\$ 10,869,932	\$860,066	0	\$ 11,729,998
Furniture & Fixtures	423,324	502,370	(404,169)	521,525
Data Processing Equipment	1,640,812	348,730	(359,076)	1,630,466
Office Equipment	131,141	2,670	(32,191)	101,620
Automobile	14,533	0	0	14,533
Total capital assets being depreciated	\$13,079,742	\$1,713,836	\$(795,436)	\$13,998,142
Less accumulated depreciation for:				
Building	\$ 0	\$ (293,250)	\$ 0	\$ (293,250)
Equipment, Furniture & Fixtures	(1,251,298)	(249,371)	693,123	(807,546)
Automobile	(14,533)	0	0	(14,533)
Total accumulated depreciation	\$(1,265,831)	\$(542,621)	\$ 693,123	\$(1,115,329)
Total capital assets, net of accumulated dep.	\$11,984,219	\$1,171,215	\$(102,313)	\$13,053,121

Notes

(Continued)

pooled investment accounts. PERA's share of these expenses totaled \$6,099,000 for PERF, \$3,148,000 for PEPFF, and \$38,000 for PECF.

5. Fixed Assets

Fixed assets are capitalized at the time of acquisition at cost. Depreciation is computed on a straight-line method over the useful life of the related assets. The estimated useful lives are three to 10 years for furniture and equipment, and three years for automobiles.

Fixed assets are presented on the June 30, 2002 Statement of Plan Net Assets at historical cost, net of accumulated depreciation, as summarized in **Figure 4**.

6. Building and Land

Legislation was passed in 1999 allowing PERA, the Minnesota Teacher's Retirement Association and the Minnesota State Retirement System to purchase land and construct a 130,000 square foot building to house all three retirement systems. The systems moved into the facility in September 2001. Ownership of the facility is pro-rated based on the amount of square footage each retirement system will occupy in the building. PERA's ownership share is 39.8 percent. PERA's share of construction costs is \$11,729,998. PERA's share of the cost to purchase the 4.3 acres of land is \$170,308.

In June 2000 the State of Minnesota, under the authority of the Commissioner of Finance, issued revenue bonds totaling \$29 million on behalf of the three retirement systems to pay for the construction of the facility. Those bonds are backed by the assets of the three retirement systems, excluding equity in the Minnesota Post Retirement Investment Fund and assets in the Defined Contribution Plans, and both principal and interest payments will be made by the retirement systems using the same ownership ratio to determine amounts. At year end, PERA's share of the bonds payable is \$11,372,850. We will depreciate the facility over 40 years. PERA's share of

bond issuance costs are shown on the Statement of Plan Net Assets as Deferred Bond Charges and are being amortized over 30 years, the life of the bonds. The bond repayment schedule is shown in **Figure 5**. During FY02, PERA paid \$169,150 in principal and \$663,289 in interest payments

7. Accrued Compensated Absences

PERA's employees accrue vacation leave, sick leave and compensatory leave at various rates within limits specified in collective bargaining agreements. Accumulated amounts for compensated absences are accrued when incurred. Such leave is liquidated in cash primarily at the time of termination of employment. We estimate that \$39,357 is considered a short-term liability and the remainder of \$563,955 is considered a long-term liability. The total, \$603,312, is shown on the Statement of Plan Net Assets.

8. Securities Lending

PERA does not own specific securities, but instead owns shares in pooled funds invested by the State Board of Investments (SBI). The SBI is authorized to enter into securities lending transactions in accordance with Minnesota Statutes, Chapter 356A.06, subd. 7

Legislation was passed in 1999 allowing PERA, the Minnesota Teacher's Retirement Association and the Minnesota State Retirement System to purchase land and construct a 130,000 square foot building to house all three retirement systems. The systems moved into the facility in September 2001.

Fig 5. Remaining Revenue Bond Repayment Schedule (In Dollars)

Fiscal Year	PERA		
	Principal	Interest	Total P & I
2003	\$ 179,100	\$ 654,198	\$ 833,298
2004	189,050	644,571	833,621
2005	199,000	634,410	833,410
2006	208,950	623,713	832,663
2007	218,900	612,482	831,382
2008	228,850	600,716	829,566
2009	238,800	588,416	827,216
2010	248,750	575,580	824,330
2011	268,650	562,210	830,860
2012	278,600	547,703	826,303
2013	298,500	532,519	831,019
2014	308,450	516,102	824,552
2015	328,350	498,983	827,333
2016	348,250	480,595	828,845
2017	368,150	460,919	829,069
2018	388,050	439,934	827,984
2019	417,900	417,621	835,521
2020	437,800	393,592	831,392
2021	467,650	368,200	835,850
2022	497,500	340,725	838,225
2023	527,350	311,497	838,847
2024	557,200	280,515	837,715
2025	597,000	247,780	844,780
2026	626,850	212,706	839,556
2027	666,650	175,879	842,529
2028	716,400	136,713	853,113
2029	756,200	93,729	849,929
2030	805,950	48,357	854,307
Totals	<u>\$11,372,850</u>	<u>\$12,000,365</u>	<u>\$23,373,215</u>

and has, pursuant to a Custodial Trust Agreement, authorized State Street Bank and Trust Company to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street lent, on behalf of the SBI, certain securities held by State Street as custodian. It also received cash (both United States and foreign currency), as well as securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100% of the market value of the loaned securities.

The SBI did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf, and State Street indemnified the SBI by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2002 SBI had no credit risk exposure to borrowers. PERA's portion of the cash collateral held and the

fair value of securities on loan from the SBI covered by that cash collateral as of June 30, 2002 were \$1,066,878,170 and \$1,039,749,227 respectively. Cash collateral is reported on the Statement of Plan Net Assets as an asset. Liabilities resulting from these securities lending transactions are also reported on the Statement of Plan Net Assets.

C. Changes in Assumptions and Provisions

1. Changes in Actuarial Assumptions and Methods
Effective this year for the PERF, PEPFF and PECF we are assuming a greater number of members will retire with combined service from the other two state retirement systems. That assumption change added \$18,449,000 to the actuarial accrued liability for the PEPFF and \$491,000 for the PECF. Several other actuarial assumptions were changed in the PERF. Post-Retirement mortality tables were set back one year for males. Salary increases were adjusted slightly, as were the number of expected retirements for members eligible under the Rule of 90. The form of annuity selected by married members was also adjusted slightly. The assumption changes added \$319,362,000 to the actuarial accrued liability for the PERF. Unfunded actuarial accrued liabilities are calculated using the formula shown in **Figure 6**.

2. Changes in Benefit Provisions
Legislation enacted in 2001 increased contribution rates in the PERF by 0.35 percent for both the members and the employers, effective January 1, 2002. That same legislation extended the amortization period for the unfunded accrued liability from the year 2020 to the year 2031, and provided for pro-rated service credits for members who work less than half-time. The pro-rated service credit legislation was repealed in the

Effective this year for the PERF, PEPFF and PECF we are assuming a greater number of members will retire with combined service from the other two state retirement systems.

Legislation enacted in 2001 increased contribution rates in the PERF by 0.35 percent for both the members and the employers, effective January 1, 2002. That same legislation extended the amortization period for the unfunded accrued liability from the year 2020 to the year 2031.

Fig 6. Unfunded Actuarial Accrued Liability (in thousands)

	PERF	PEPFF	PECF
Mkt. Value of Assets Available for Benefits	\$ 10,032,586	\$ 4,158,060	\$ 34,911
Less (Plus) Unrecognized Asset Return Adjustment	(984,828)	(549,195)	(5,194)
Actuarial Value of Assets	\$11,017,414	\$4,707,255	\$40,105
Actuarial Accrued Liability	\$ 12,958,105	\$ 3,886,311	\$ 42,144
Less Actuarial Value of Assets	11,017,414	4,707,255	40,105
Unfunded Accrued Liability/(Surplus Assets)	\$ 1,940,691	\$ (820,944)	\$ 2,039

Notes

(Continued)

Minnesota Statutes require the PERF to be fully funded by the year 2031 and the PEPFF and PECF to be fully funded by the year 2020.

2002 legislative session. There were no 2002 benefit provision changes that had a material affect on the actuarial accrued liability of the funds.

D. Contributions Required and Contributions Made

Minnesota Statutes, Chapters 353, 353A, 353B, 353E and 356 set the rates for employer and employee contributions. Contribution rates are shown in **Figure 2**. Minnesota Statutes require the PERF to be fully funded by the year 2031 and the PEPFF and PECF to be fully funded by the year 2020. As part of the annual actuarial valuation, PERA's actuary determines the sufficiency of the statutory contribution rates toward meeting the required full funding deadlines. The actuary compares the actual contribution rate to an actuarially derived "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 dates required for full funding; and
- (c) an allowance for administrative expenses.

As shown in **Figure 7**, there is a projected contribution deficiency on June 30, 2002 of \$22,935,000 in the PERF, a contribution sufficiency of \$13,065,000 in the PEPFF, and a

sufficiency of \$519,000 in the PECF. Significant actuarial assumptions used to compute contribution requirements are listed in the notes to the schedules of trend information on page 32. Six-year historical trend information designed to provide information about PERA's funding progress and employer contributions can be found on pages 30 and 31.

Legislation passed in 1999 closed the Police and Fire Consolidation Fund and moved members and necessary assets to the PEPFF. Some consolidation units were not fully funded at the time, and an amortization schedule was created that allowed those units to pay off the unfunded liability over a 10-year period. The method for calculating yearly payments was set forth in Minnesota Statutes and calculated by an actuary. Payments are due by January 31st each year through the year 2009. This year we recognized the remaining principle portion of the payments, \$34,575,720, as a receivable and employer contribution revenue in accordance with GASB #25. Of that amount, \$3,816,095 is due January 31, 2003.

E. Minnesota Post Retirement Investment Fund (MPRIF) Reserve

For all retiring members, except those in the PEPFF who have not elected to have their post retirement adjustments determined by the MPRIF formula, the reserves required to pay the cost of the members' annuities are

Funding Surplus (Deficiency)

(In thousands)

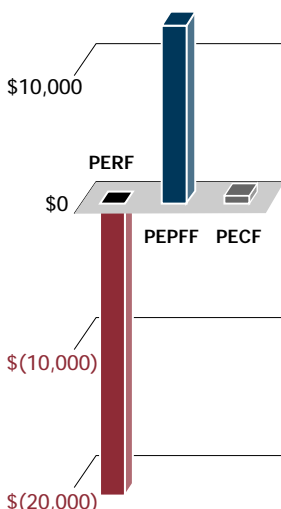


Fig. 7 Funding Surplus (in thousands)

	PERF	% of FY03 Estimated Covered Payroll	PEPFF	% of FY03 Estimated Covered Payroll	PECF	% of FY03 Estimated Covered Payroll
Contributions statutorily required:						
Employee share	\$ 202,715	5.11%	\$ 33,558	6.20%	\$ 6,203	5.83%
Employer share	219,990	5.55%	50,336	9.30%	9,310	8.75%
Subtotal--Actual	\$ 422,705	10.66%	\$ 83,894	15.50%	\$ 15,513	14.58%
Contributions actuarially required:						
Normal Cost	\$ 341,299	8.60%	\$ 109,474	20.22%	\$ 14,717	13.83%
Supplemental contribution						
amortization of UAAL	95,216	2.40%	(39,295)	-7.26%	128	0.12%
Allowance for administrative expenses	9,125	0.23%	650	0.12%	149	0.14%
Subtotal--Actuarially Required	\$ 445,640	11.23%	\$ 70,829	13.08%	\$ 14,994	14.09%
Funding surplus (deficiency)	\$ (22,935)	-0.57%	\$ 13,065	2.42%	\$ 519	0.49%
Estimated FY03 Covered Payroll	\$3,967,335		\$541,250		\$106,400	

transferred to the MPRIF. These funds are invested along with funds from the other statewide retirement systems. Increases in annuities are based upon earnings of the MPRIF, as defined in Minnesota Statutes, Section 11.18, Subd. 9.

The MPRIF is a legally required reserve account, and is, by definition, fully funded. PERA's share of the MPRIF investments is shown at fair value, and is calculated based on each fund's level of participation in the pooled investments. Participation in the MPRIF is based on the actuarially determined required reserves level in accordance with Minnesota Statutes, Section 11A.18, Subd. 7. It includes a 6 percent assumed income distribution, in accordance with Minnesota Statutes, Section 11A.18, and any mortality gains or losses as determined by an independent actuary hired by the state legislature. As of June 30, 2002, the Public Employees Retirement Fund's share of net assets of the MPRIF, at participation, is \$5,857,549,000 and at fair value is \$4,732,681,000. The Public Employees Police and Fire Fund's share of net assets of the MPRIF, at participation, is \$2,003,877,000 and at fair value is \$1,576,641,000. The Public Employees Correctional Fund's share of net assets of the MPRIF, at participation, is \$420,000 and at fair value is \$409,000.

Beginning in fiscal year 1993, the MPRIF income available for distribution is determined using a post-retirement benefit increase formula based on total investment return rather than realized earnings. This formula contains both an inflation adjustment and an investment component. Stated as a percentage of eligible required reserves, annuitants and other individuals receiving benefits at May 31, 2001 are eligible to receive the following January 1, 2003 benefit increase:

Inflation Based Benefit Increase	0.745%
Investment Based Benefit Increase	<u>0.000%</u>
Total Benefit Increase	0.745%

F. Other Notes

1. Cash

Cash on deposit consists of year-end receipts not processed as of the investment cutoff deadline on June 30 and revenue bond proceeds remaining to pay facility construction costs. PERA cash funds are held in the state treasury, commingled with other state funds. Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. Such insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 2002, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all PERA deposits.

2. Administrative Expenses

Administrative expenses of the Public Employees Retirement Association are paid during the year from the Public Employees Retirement Fund. At year-end, a portion of the expenses are allocated to the Public Employees Police and Fire Fund and the Public Employees Correctional Fund, based on membership counts. The PEDCP reimburses the PERF to the extent of fees collected for recovery of administrative costs. The applicable amounts are reported as expenses of the four funds and reported on the Statement of Plan Net Assets. Administrative costs are funded from investment income for the defined benefit plans.

For fiscal year 2002, administrative expenses allocated to PERF, PEPFF, PECF, and PEDCP totaled \$8,680,000, \$647,000, \$137,000, and \$85,000 respectively.

The MPRIF income available for distribution is determined using a post-retirement benefit increase formula based on total investment return rather than realized earnings. This formula contains both an inflation adjustment and an investment component.

Financial Section

Schedule of Funding Progress

(last six years, in thousands, unaudited)

Public Employees Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/1997	\$ 6,658,410	\$ 8,049,666	\$1,391,256	82.7%	\$2,979,260	46.7%
6/30/1998	7,636,668	8,769,303	1,132,635	87.1%	3,271,737	34.6%
6/30/1999	8,489,177	9,443,678	954,501	89.9%	3,302,808	28.9%
6/30/2000	9,609,367	11,133,682	1,524,315	86.3%	3,437,954	44.3%
6/30/2001	10,527,270	12,105,337	1,578,067	87.0%	3,466,587	45.5%
6/30/2002	11,017,414	12,958,105	1,940,691	85.0%	3,809,864	50.9%

Public Employees Police and Fire Fund*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/1997	\$1,974,635	\$ 1,556,483	\$ (418,152)	126.9%	\$ 346,319	-120.7%
6/30/1998	2,337,313	1,741,344	(595,969)	134.2%	375,131	-158.9%
6/30/1999	2,626,817	1,956,263	(670,554)	134.2%	352,066	-190.5%
6/30/2000	4,145,351	3,383,187	(762,164)	122.5%	392,796	-194.0%
6/30/2001	4,510,134	3,712,360	(797,774)	121.5%	500,839	-159.3%
6/30/2002	4,707,255	3,886,311	(820,944)	121.1%	522,153	-157.2%

Police and Fire Consolidation Fund (terminated 7/1/99)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/1997	\$ 876,171	\$ 880,211	\$ 4,040	99.5%	\$ 50,274	8.0%
6/30/1998	1,011,362	971,286	(40,076)	104.1%	49,117	-81.6%
6/30/1999	1,092,684	1,030,917	(61,767)	106.0%	45,086	-137.0%

Public Employees Correctional Fund (established 7/1/99)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2000	\$ 11,116	\$ 10,195	\$ (921)	109.0%	\$ 70,690	-1.3%
6/30/2001	25,014	25,453	439	98.3%	91,025	0.5%
6/30/2002	40,105	42,144	2,039	95.2%	101,309	2.0%

Schedule of Employer Contributions

(last six years, in thousands, unaudited)

Public Employees Retirement Fund

<u>Year Ended June 30</u>	<u>Actuarially Required Contribution Rate (a)</u>	<u>Actual Covered Payroll (b)</u>	<u>Actual Member Contributions (c)</u>	<u>Annual Required Contribution [(a) x (b)] - (c)</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
1997	9.75%	\$2,979,260	\$128,234	\$162,244	\$136,686	84.25%
1998	9.62%	3,271,737	140,385	174,356	151,499	86.89%
1999	9.63%	3,302,808	158,475	159,585	173,370	108.64%
2000	9.22%	3,437,954	171,073	145,906	186,637	127.92%
2001	11.84%	3,466,587	173,380	237,064	188,208	79.39%
2002	11.85%	3,809,864	191,422	260,047	206,982	79.59%

Public Employees Police and Fire Fund*

<u>Year Ended June 30</u>	<u>Actuarially Required Contribution Rate (a)</u>	<u>Actual Covered Payroll (b)</u>	<u>Actual Member Contributions (c)</u>	<u>Annual Required Contribution [(a) x (b)] - (c)</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
1997	15.11%	\$ 346,319	\$ 26,354	\$ 25,975	\$ 39,508	152.10%
1998	15.69%	375,131	28,552	30,306	42,786	141.18%
1999	12.32%	352,066	30,897	12,478	46,280	370.89%
2000	12.87%	392,796	31,214	19,339	53,178	274.98%
2001	12.21%	500,839	31,341	29,811	52,960	177.65%
2002	12.61%	522,153	33,801	32,042	90,664	282.95%

Police and Fire Consolidation Fund (terminated 7/1/99)*

<u>Year Ended June 30</u>	<u>Actuarially Required Contribution Rate (a)</u>	<u>Actual Covered Payroll (b)</u>	<u>Actual Member Contributions (c)</u>	<u>Annual Required Contribution [(a) x (b)] - (c)</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
1997	34.72%	\$ 50,274	\$ 3,950	\$ 13,509	\$ 13,509	100%
1998	8.53%	49,117	3,733	455	13,229	2,909%
1999	-4.20%	45,086	3,429	(5,323)	11,569	NA

Public Employees Correctional Fund (established 7/1/99)

<u>Year Ended June 30</u>	<u>Actuarially Required Contribution Rate (a)</u>	<u>Actual Covered Payroll (b)</u>	<u>Actual Member Contributions (c)</u>	<u>Annual Required Contribution [(a) x (b)] - (c)</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
2000	15.03%	\$ 70,690	\$ 4,382	\$ 6,243	\$ 6,487	103.91%
2001	14.36%	91,025	5,308	7,763	8,054	103.75%
2002	14.21%	101,309	5,882	8,514	8,830	103.71%

* Members and assets from the Police and Fire Consolidation Plan were transferred to the Public Employees Police and Fire Fund on 7/1/99.

Required Supplementary Information Notes

(unaudited)

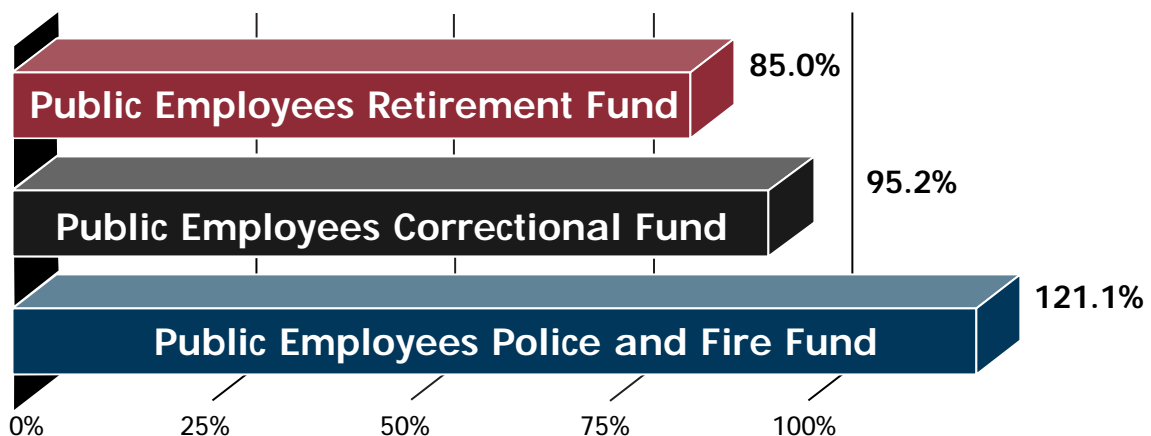
	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police & Fire Fund</u>	<u>Public Employees Correctional Fund</u>
Valuation Date	6/30/2002	6/30/2002	6/30/2002
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	29 years	30 years	18 years
Asset Valuation Method	Fair Market Value Smoothed Over 5 Years	Fair Market Value Smoothed Over 5 Years	Fair Market Value Smoothed Over 5 Years

Actuarial Assumptions:

Investment Rate of Return	8.5%	8.5%	8.5%
Projected Salary Increases	5.0% - 6.40%	5.25% - 11.5%	5.25% - 7.75%
Assumed Inflation Rate	5.0%	5.0%	5.0%
Payroll Growth Rate	6.0%	6.0%	6.0%
Mortality Table - Active	1983 GAM Set Back 8 Years, Males; 7 Years, Females	1983 GAM Set Back 5 Years	1983 GAM Set Back 1 Year, Males
Mortality Table - Retired	1983 GAM Set Back 1 Year	1983 GAM	1983 GAM Set Forward 2 Years
Cost of Living Adjustment	No Assumption	No Assumption	No Assumption

Funding Ratios

(Percent Funded)



The chart above reflects funding ratios for the three defined benefit funds administered by PERA, as reported on page 30.

Schedule of Investment Expenses

For the Fiscal Year Ended June 30, 2002 (in thousands)

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Total (Memorandum Only)
Outside Money Managers—Equities	\$4,886	\$2,522	\$30	\$7,438
Outside Money Managers—Bonds	972	502	6	1,480
Minnesota State Board of Investment	212	109	2	323
Financial Control Systems	29	15	0	44
Total	<u>\$6,099</u>	<u>\$3,148</u>	<u>\$38</u>	<u>\$9,285</u>

Schedule of Commissions and Payments to Consultants

For the Fiscal Year Ended June 30, 2002 (in thousands)

Individual or Firm Name	Nature of Service	Fee Paid
BearingPoint, Inc.	System Development	\$443
Benefacts, Inc.	Management	94
Mercer Human Resources Consulting	Actuarial	82
Richards & Tierney	Investment	46
Milliman USA	Actuarial	39
First Data Corp.	Management	30
Independent Medical Consultants (15)	Medical Services	18
Van Wagner Consulting Services	Medical Services	16
Pension Consulting Alliance	Investment	11
Hewlett Packard	Moving	9
Eastman Kodak	Moving	4
Berwyn Group	Management	4
Berger Transfer & Storage	Moving	3
Equipment Moving Companies	Moving	3
Kusske Financial Mgmt.	Management	2
State of Minnesota —		
Attorney General	Legal	83
Administrative Law Judge Department of Health	Medical Services	28
	Medical Services	15
Total		<u>\$930</u>

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2002 (in thousands)

Personal Services:

Staff Salaries	\$5,117	
Part-Time, Seasonal Labor	178	
Other Benefits	<u>108</u>	
Total Personal Services		\$5,403

Professional Services:

Actuarial	\$ 121	
Legal	83	
Investment Consultants	57	
Management Consultants	130	
Medical Evaluations	77	
Moving Expenses	19	
System Development	<u>443</u>	
Total Professional Services		930

Communication:

Printing & Advertising	\$ 216	
Mail & Telephone Services	<u>584</u>	
Total Communication		800

Maintenance & Supplies:

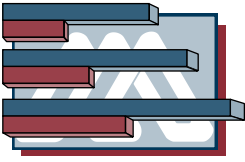
Maintenance	\$ 251	
Supplies and Materials	<u>246</u>	
Total Maintenance & Supplies		497

Other:

Operating Costs	\$ 76	
Travel	65	
Employee Development	56	
Indirect Costs	111	
Depreciation	543	
Building Expenses	406	
Bond Interest Expense	<u>662</u>	
Total Other		<u>1,919</u>
Total Administrative Expense		<u>\$9,549</u>

Allocation of Administrative Expense:

Defined Benefit Plans		
Public Employees Retirement Fund		\$ 8,680
Public Employees Police and Fire Fund		647
Public Employees Correctional Fund		137
Defined Contribution Plans		
Public Employees Defined Contribution Plan		<u>85</u>
Total Administrative Expenses		<u>\$9,549</u>



MINNESOTA STATE BOARD OF INVESTMENT



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State Auditor Judi Dutcher

State Treasurer Carol C. Johnson

Secretary of State Mary Kiffmeyer

Attorney General Mike Hatch

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Howard J. Bicker

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An Equal Opportunity Employer

Investment Authority

The assets of the Public Employees Retirement Association are invested under the direction and authority of the State Board of Investment (SBI) in accordance with Minnesota Statutes, Chapters 11A and 356A. The SBI is made up of the State Governor, State Auditor, State Treasurer, Secretary of State, and the Attorney General. The Legislature has also established a 17-member Investment Advisory Council to advise the SBI and its staff on investment-related matters. The Executive Director of PERA is a permanent member of this Council.

Investment Policy

Investment policy states that the SBI will operate within standard investment practices of the prudent person. The SBI is to "exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom." The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, mutual funds, resource investments, and real estate interests subject to specific parameters. Above all, pension fund assets are to be invested for the exclusive benefit of the members of the fund.

Investment Objectives

Pension fund assets are managed and accounted for separately in the Basic Funds and the Post Fund. The SBI reviews the performance of all the assets in the Combined Funds.

Pension contributions of PERA members are invested in the Basic Funds along with pension contributions from active members in seven other statewide retirement funds. PERA does not own any underlying assets, but instead owns a participation in these pooled Basic Funds. Because these assets normally accumulate in the Basic Funds for thirty to forty years, SBI's objective is to take advantage of the long investment time horizon offered by equities and alternative assets in order to meet its actuarial return target of 8.5 percent per year and ensure that sufficient funds are available to finance promised benefits at the time of retirement.

When a member retires, PERA transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (MPRIF). The assets of the Post Fund, which include the eight plans which participate in the Basic Funds as well as the Legislative and Survivors Retirement Fund, finance monthly annuity payments paid to retirees. Investments in the Post Fund are generally invested a bit more conservatively, but still invest heavily in equities to take advantage of the 15-20 year time horizon associated with the length of time a typical retiree can be expected to draw benefits. The actuarial return target for the Post Fund is 6 percent.

The Combined Funds, while not existing under statute, represents the assets of both the active and retired public employees who participate in the defined benefit plans administered by PERA, the Minnesota State Retirement System, and the Teachers Retirement Association. They are used by the SBI for comparison purposes only, since most public pension plans do not separate the assets of their active employees and retirees. The long term objectives of the Combined Funds are: (1) provide returns that are

3-5 percentage points greater than inflation over the latest 10-year period; (2) outperform a composite market index weighted in a manner that reflects the actual asset mix of the Combined funds over the latest 5-year period; and (3) provide returns that are ranked in the top half of a universe of public and corporate plans over the latest 5-year period. The Combined Funds returned 6.9 percentage points above the CPI over the last 10 years. The Combined Funds outperformed the Composite Index by 0.3 percentage points over the past five years, and ranked in the 72nd percentile, below the median fund in the Trust Universe Comparison Service.

Investment Presentation

Data reported in the investment section of this CAFR is presented in conformance with the presentation standards of the Association for Investment Management and Research (AIMR). Investment returns were prepared using a time-weighted rate of return methodology in accordance with those standards.

Howard Bicker

Howard Bicker Executive Director State Board of Investment

Investment Section

Investment Results

Fund Performance

Fund	Rates of Return (Annualized)		
	<u>FY 2002</u>	<u>3-Year</u>	<u>5-Year</u>
Basic Funds (Active Accounts)	-8.2%	-2.0%	5.0%
Basic Composite Market Index	-8.1	-2.4	4.8
MPRIF Fund (Retiree Accounts)	-7.8%	-2.3%	4.5%
MPRIF Composite Market Index	-7.4	-2.6	4.2
Combined Funds (Active/Retiree)*	-8.0%	-2.2%	4.8%
Combined Composite Market Index	-7.8	-2.5	4.5

* Percentages are net of all management fees. Amounts include Basic and MPRIF funds.

Note: All composite indices are composed of the following market indicators, weighted according to asset allocation:
Stocks—Wilshire 5000 Investable; Int'l. Stocks—EAFE Free plus Emerging Markets Free; Domestic Bonds—Lehman Aggregate; Alternative Assets—Wilshire Real Estate Index, Venture Capital Funds, Resource Funds; Unallocated Cash—91 Day T-Bills.

Investment Returns by Sector

Performance of Asset Pools (Net of Fees)

	Rates of Return (Annualized)		
	<u>FY 2002</u>	<u>3-Year</u>	<u>5-Year</u>
Domestic Stock Pool	-18.0%	-9.0%	3.0%
Wilshire 5000 Investable	-17.3	-8.9	3.1
Bond Pool	8.2%	8.2%	7.6%
Lehman Agg.	8.6	8.1	7.6
International Stock Pool	-7.0%	-5.4%	-1.3%
Composite Index	-8.7	-6.8	-2.4
Real Estate Pool (Basic Funds Only)	2.9%	9.2%	14.4%
Private Equity Pool (Basic Funds Only)	-7.6%	7.1%	12.9%
Resource Pool (Basic Funds Only)	-3.2%	18.9%	9.6%
Yield Oriented Pool (Post Fund Only)	6.7%	12.5%	13.6%

Asset Allocation

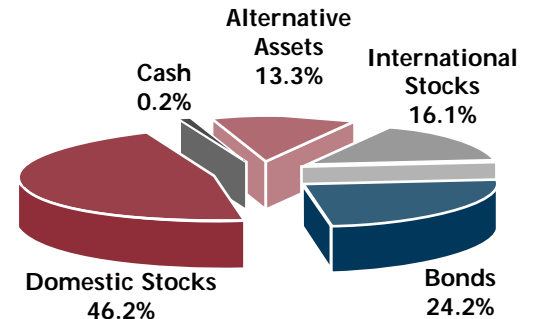
Asset Allocation (at June 30, 2002)*

Asset allocation will have a dominant effect on returns. SBI has focused considerable attention on the selection of the appropriate long-term asset allocation policy for the Basic and MPRIF funds.

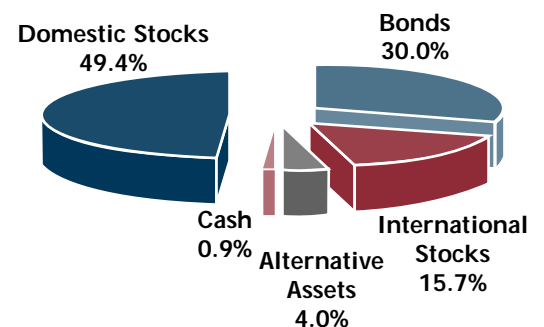
Investment Type	Basic		MPRIF	
	Actual Asset Mix	Long-term Policy Target	Actual Asset Mix	Long-term Policy Target
Domestic Stocks	46.2%	45.0%	49.4%	50.0%
International Stocks	16.1	15.0	15.7	15.0
Bonds	24.2	24.0	30.0	27.0
Alternative Assets**	13.3	15.0	4.0	5.0
Cash	0.2	1.0	0.9	3.0
Total	100%	100%	100%	100%*

* Source: Minnesota State Board of Investment (SBI) FY 2002 Annual Report.
 ** Alternative assets include real estate, venture capital and resource (oil, gas, etc.) funds.

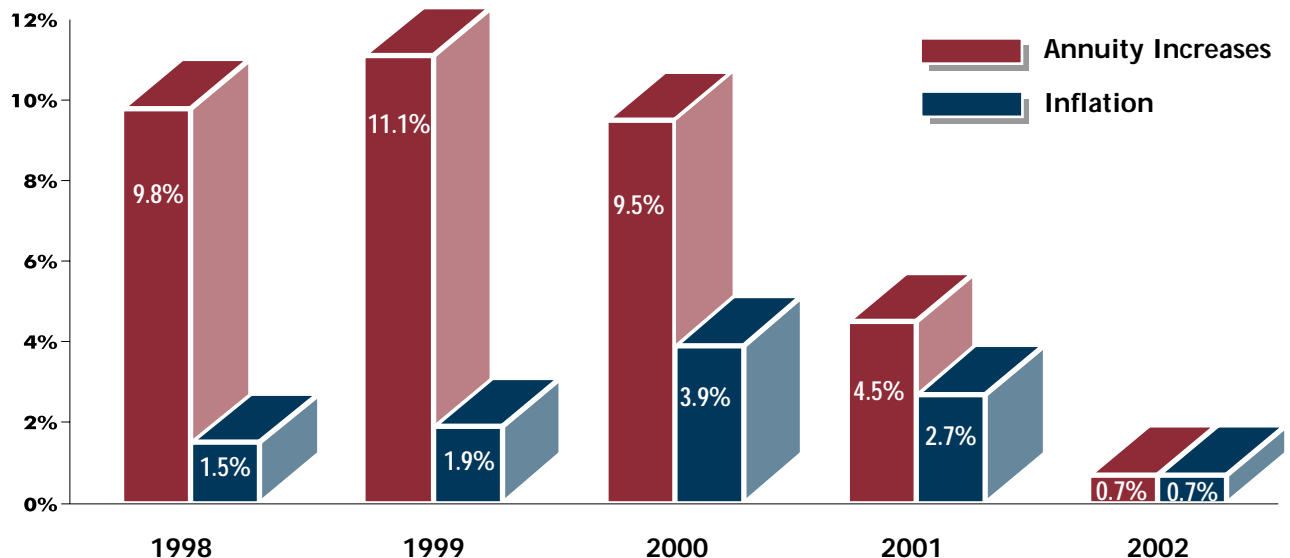
Basic Funds



Post Retirement Investment Fund



Annuity Increase vs. Inflation (Last 5 Years)



Over the past five years, total increases awarded to PERA retirees under the MPRIF have greatly outpaced inflation. The 2002 increase, however, just matches inflation due to the increase formula's reliance on investment performance. Increases and inflation are both measured as of June 30, the end of PERA's fiscal year. Increases are effective January 1 of the following year.

List of Largest Assets Held

June 30, 2002

Composite of Top Ten Equity Holdings (by Fair Value)

<u>Security</u>	<u>Fair Value (In thousands)</u>	<u>% of Portfolio</u>
Microsoft Corp.	\$171,150	1.35%
General Electric Co.	163,127	1.29
Citigroup Inc.	155,039	1.23
Exxon Mobile Corp.	144,685	1.14
Pfizer Inc.	144,123	1.14
Wal Mart Stores Inc.	132,637	1.05
American International Group Inc.	112,227	0.89
Johnson & Johnson	110,138	0.87
Proctor & Gamble Co.	91,463	0.72
Home Depot Inc.	83,975	0.66

Composite of Top Ten Bond Holdings (by Fair Value)

<u>Security</u>	<u>Coupon</u>	<u>Rating</u>	<u>Fair Value (In thousands)</u>	<u>% of Portfolio</u>
GNMA	6.500%	AAA	\$105,434	0.83%
FNMA	7.000	AAA	58,693	0.46
FNMA	7.000	AAA	35,597	0.28
United States Treasury Notes	6.125	AAA	31,670	0.25
FNMA	6.000	AAA	30,337	0.24
FHLMC	6.500	AAA	28,807	0.23
GNMA	6.000	AAA	27,283	0.22
GNMA	7.000	AAA	25,805	0.20
United States Treasury Bonds	3.629	AAA	23,872	0.19
United States Treasury Bonds	8.508	AAA	23,477	0.19

PERA's assets are commingled in various pooled investment accounts administered by the State Board of Investment. PERA does not own specific values of the underlying assets. Amounts shown above are approximate. The percentages shown are those of the total pooled accounts. Information on investment activity, a listing of specific investments owned by the pooled accounts and a schedule of fees and commissions can be obtained from the Minnesota State Board of Investment.

Investment Summary at Cost

For the Fiscal Year Ended June 30, 2002 (in thousands)

Public Employees Retirement Fund

	<u>Cost</u> <u>June 30, 2001</u>	<u>Total</u> <u>Acquisitions</u>	<u>Total</u> <u>Dispositions</u>	<u>Cost</u> <u>June 30, 2002</u>
Pooled Accounts				
Equity in MPRIF	\$ 5,598,061	\$ 870,555	\$ 611,067	\$ 5,857,549
External Domestic Equity	1,693,881	163,369	216,421	1,640,829
Passive Domestic Equity	559,243	105,024	2,426	661,841
Global Equity	725,760	78,137	50,150	753,747
Fixed Income	1,096,960	122,499	200,737	1,018,722
Real Estate	141,238	22,959	29,591	134,606
Resources	66,431	11,723	8,457	69,697
Venture Capital	385,178	72,938	31,055	427,061
Short-term Cash Equivalents	47,964	527,714	523,781	51,897
Total Pooled Accounts	<u>\$10,314,716</u>	<u>\$1,974,918</u>	<u>\$1,673,685</u>	<u>\$10,615,949</u>

Public Employees Police and Fire Fund

	<u>Cost</u> <u>June 30, 2001</u>	<u>Total</u> <u>Acquisitions</u>	<u>Total</u> <u>Dispositions</u>	<u>Cost</u> <u>June 30, 2002</u>
Pooled Accounts				
Equity in MPRIF	\$ 1,913,055	\$ 308,323	\$ 217,501	\$ 2,003,877
External Domestic Equity	903,635	93,710	135,764	861,581
Passive Domestic Equity	310,585	55,146	6,564	359,167
Global Equity	382,631	45,601	36,453	391,779
Fixed Income	568,806	68,349	113,543	523,612
Real Estate	76,589	11,060	16,183	71,466
Resources	34,275	5,703	4,543	35,435
Venture Capital	203,263	36,140	17,497	221,906
Short-term Cash Equivalents	24,138	202,860	222,835	4,163
Total Pooled Accounts	<u>\$ 4,416,977</u>	<u>\$ 826,892</u>	<u>\$ 770,883</u>	<u>\$ 4,472,986</u>

Public Employees Correctional Fund

	<u>Cost</u> <u>June 30, 2001</u>	<u>Total</u> <u>Acquisitions</u>	<u>Total</u> <u>Dispositions</u>	<u>Cost</u> <u>June 30, 2002</u>
Pooled Accounts				
Equity in MPRIF	\$ 193	\$ 329	\$ 102	\$ 420
External Domestic Equity	7,070	4,947	1,167	10,850
Passive Domestic Equity	3,053	2,302	5	5,350
Global Equity	2,960	2,344	391	4,913
Fixed Income	4,657	3,479	1,016	7,120
Real Estate	754	555	204	1,105
Resources	286	248	53	481
Venture Capital	1,587	1,346	160	2,773
Short-term Cash Equivalents	3,906	26,467	24,996	5,377
Total Pooled Accounts	<u>\$ 24,466</u>	<u>\$ 42,017</u>	<u>\$ 28,094</u>	<u>\$ 38,389</u>

Investment Section

Investment Summary at Fair Value

For the Fiscal Year Ended June 30, 2002 (in thousands)

Public Employees Retirement Fund

	<u>Fair Value</u> <u>June 30, 2001</u>	<u>Fair Value</u> <u>June 30, 2002</u>	<u>Percent of</u> <u>Portfolio</u>
Pooled Accounts			
Equity in MPRIF	\$ 5,434,051	\$ 4,732,681	53%
External Domestic Equity	1,504,735	1,298,809	15
Passive Domestic Equity	640,402	608,757	7
Global Equity	627,142	662,855	7
Fixed Income	1,086,230	996,526	11
Real Estate	170,317	145,755	2
Resources	68,213	69,644	1
Venture Capital	334,530	326,714	3
Short-term Cash Equivalents	47,964	51,897	1
Total Pooled Accounts	<u>\$9,913,584</u>	<u>\$8,893,638</u>	<u>100%</u>

Public Employees Police and Fire Fund

	<u>Fair Value</u> <u>June 30, 2001</u>	<u>Fair Value</u> <u>June 30, 2002</u>	<u>Percent of</u> <u>Portfolio</u>
Pooled Accounts			
Equity in MPRIF	\$ 1,819,152	\$ 1,576,641	43%
External Domestic Equity	779,811	665,957	18
Passive Domestic Equity	333,675	313,016	8
Global Equity	324,436	339,811	9
Fixed Income	563,342	511,902	14
Real Estate	89,492	75,462	2
Resources	35,867	36,057	1
Venture Capital	175,858	169,150	5
Short-term Cash Equivalents	24,138	4,163	0
Total Pooled Accounts	<u>\$4,145,771</u>	<u>\$3,692,159</u>	<u>100%</u>

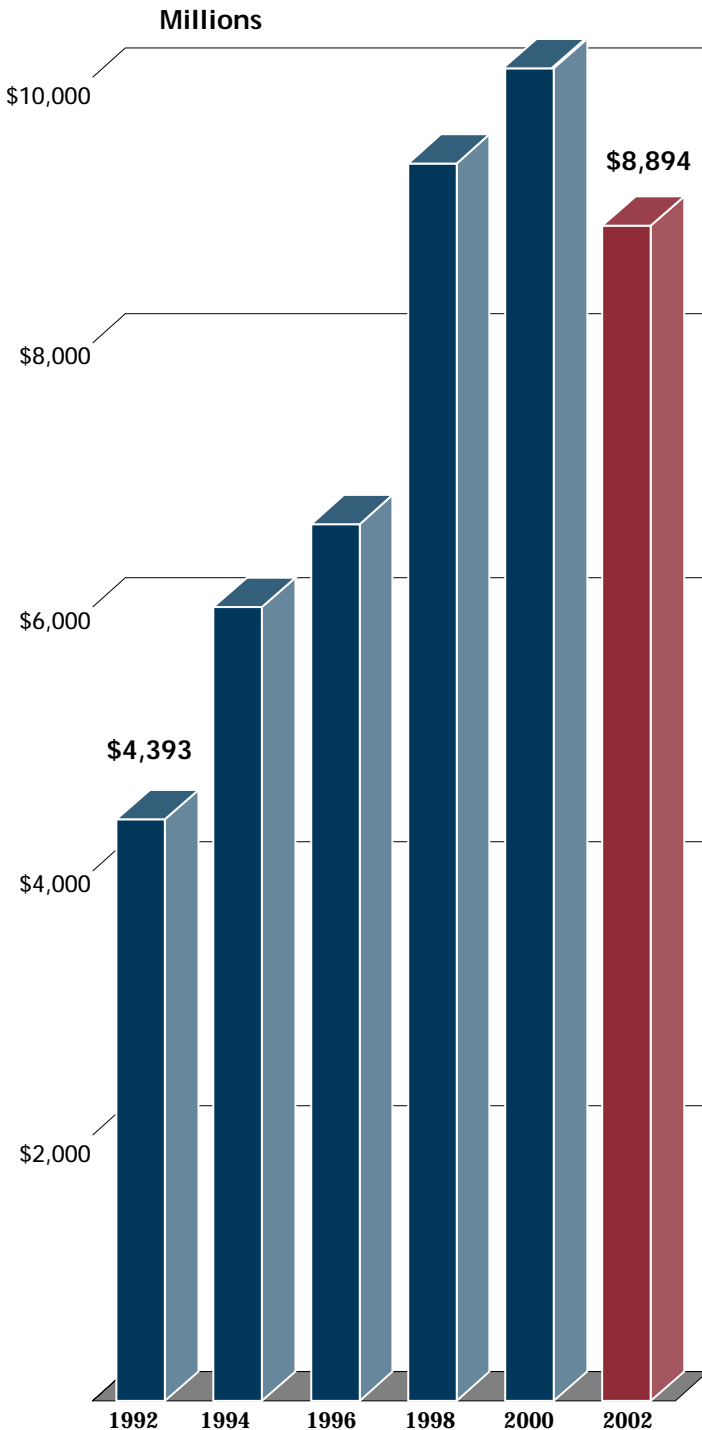
Public Employees Correctional Fund

	<u>Fair Value</u> <u>June 30, 2001</u>	<u>Fair Value</u> <u>June 30, 2002</u>	<u>Percent of</u> <u>Portfolio</u>
Pooled Accounts			
Equity in MPRIF	\$ 121	\$ 409	1%
External Domestic Equity	6,446	9,151	26
Passive Domestic Equity	2,743	4,197	12
Global Equity	2,687	4,670	14
Fixed Income	4,653	7,021	20
Real Estate	737	1,027	3
Resources	290	491	1
Venture Capital	1,431	2,302	7
Short-term Cash Equivalents	3,906	5,377	16
Total Pooled Accounts	<u>\$ 23,014</u>	<u>\$ 34,645</u>	<u>100%</u>

Fair Value of Investments

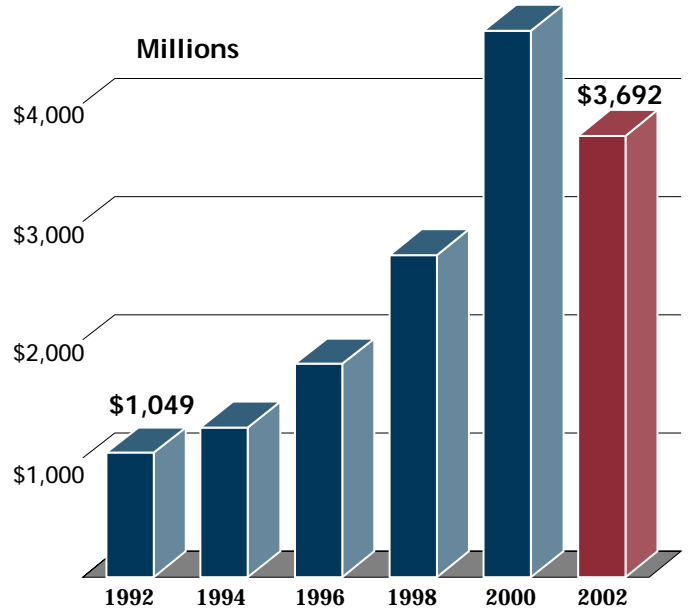
Last 10 Years

Public Employees Retirement Fund*



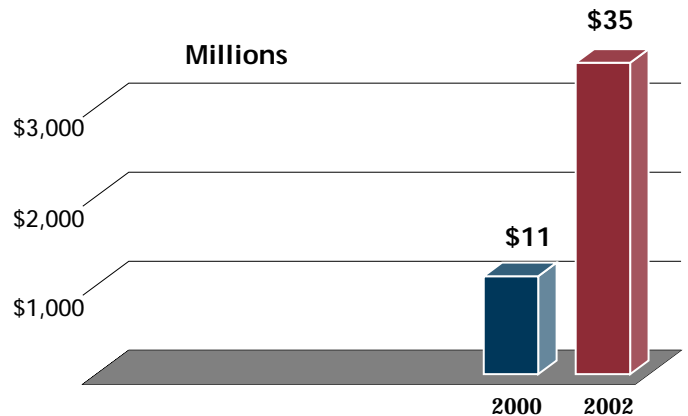
Over the past 10 years, the value of investments of the Public Employees Retirement Fund has grown from \$4.4 billion to 8.9 billion.

Police and Fire Fund*



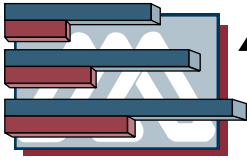
Fair value of Police and Fire Fund investments increased from \$1 billion in 1992 to \$3.7 billion in 2002.

Public Employees Correctional Fund*



Created in 1999, the Public Employees Correctional Fund now has investments valued at \$35 million.

* Charts indicate value of both Active and MPRIF holdings.



Certification Letter

A MILLIMAN GLOBAL FIRM



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November 25, 2002

Board of Trustees
Public Employees Retirement
Association of Minnesota
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103-2088

Members of the Board:

We have completed our annual actuarial valuation of the Public Employees Retirement Association of Minnesota to test how well the fundamental financing objectives are being achieved and to determine the actuarial status of the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Public Employees Correctional Fund (PECF) as of June 30, 2002.

The fundamental financing objectives of the funds are to establish contribution rates which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding.

The results of the valuation indicate that the PEPFF is already fully funded and the PECF is ahead of schedule to be fully funded by 2023. The valuation of the PERF resulted in a funding deficiency of 0.57% of payroll, calculated using fiscal year 2002-03 contribution rates.

The actuarial valuation was based upon applicable GASB 25 and statutory provisions and the Standards for Actuarial Work in effect on July 1, 2002. In the aggregate, the basic financial and membership data provided to us by the association office appears reasonable in comparison to last year, and we have relied upon the data as submitted in performing the actuarial valuation and preparing trend data schedules. It is our understanding that the data has subsequently been audited with no significant changes made. We are responsible for providing the numbers for each of the supporting schedules in the Actuarial section of PERA's comprehensive annual financial report. We are also responsible for preparing both of the Required Supplementary Information schedules found in the Financial section of this annual report.

The three valuations were performed by using the actuarial cost methods and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by the PERA Board and approved by the Legislative Commission on Pensions and Retirement.

Beginning with this valuation, we added or modified a combined service annuity load factor to the liability for deferred members in all three funds to

account for the large number of members who have combined service with other state-wide retirement plans. We also modified several assumptions in the PERF including salary increase; post-retirement mortality; retirement age; separation decrement; and form of annuity selected.

The following table shows the funding percentages for the 2002 valuation. The funding percentage expresses current actuarial assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

Fund	Funding Percentage
PERF	85.0%
PEPFF	121.1%
PECF	95.2%

We certify that to the best of our knowledge and belief, this actuarial valuation was performed in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work.

Respectfully submitted,

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

OFFICES IN PRINCIPAL CITIES WORLDWIDE

Summary of Actuarial Assumptions and Methods

Public Employees Retirement Fund

Actuarial Cost Method	Entry Age Normal, with costs allocated as a level percentage of payroll. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*
Actuarial Assumptions	
1. Mortality	
a. Active	1983 GAM Mortality Table set back 8 years for males and 7 years for females.†††
b. Retired	1983 GAM Mortality Table set back 1 year.††††
c. Disabled	1965 Railroad Workers Select Mortality Table through age 54. 1983 GAM Table set back 1 year for females after age 64. Graded rates from age 55 to 64.†††
2. Retirement Age	Age related table from age 55 to 70.††††
3. Disability	Graded rates.†††
4. Termination	Select & Ultimate Table with select rates applicable to the first 3 years of employment.††††
5. Allowance for Expenses	Prior year expenses expressed as a percentage of prior year payroll.***
6. Earnings Progression	Select & Ultimate Table incorporating a 5.0% base inflation assumption.††††
7. Active Member Payroll Growth	6.0% per year.**
8. Investment Return	8.5% compounded annually, pre-retirement.*** 6.0% compounded annually, post-retirement.†
Asset Valuation Method	Market value smoothed over 5 years.†††

Public Employees Police & Fire Fund

Actuarial Cost Method	Entry Age Normal, with costs allocated as a level percentage of payroll. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*
Actuarial Assumptions	
1. Mortality	
a. Active	1983 GAM Mortality Table set back 5 years.†
b. Retired	1983 GAM Mortality Table. †
c. Disabled	1965 Railroad Workers Select Mortality Table.***
2. Retirement Age	Age related table from age 50 to 70.†
3. Disability	Graded rates.**
4. Termination	Graded rates.****
5. Allowance for Expenses	Prior year expenses expressed as a percentage of prior year payroll.***
6. Earnings Progression	Age related table which incorporates a 5% base inflation assumption.†
7. Active Member Payroll Growth	6.0% per year.†
8. Investment Return	8.5% compounded annually, pre-retirement.*** 6.0% compounded annually, post-retirement.†
Asset Valuation Method	Market value smoothed over 5 years.†††

Adoption Dates

* 1960	*** 1989	† 1997	††† 2000
** 1984	**** 1990	†† 1999	†††† 2002

Summary of Actuarial Assumptions and Methods

(Continued)

Public Employees Correctional Fund

Actuarial Cost Method Entry Age Normal, with costs allocated as a level percentage of payroll. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*

Actuarial Assumptions

1. Mortality
 - a. Active 1983 GAM Mortality Table set back 1 year for males.††
 - b. Retired 1983 GAM Mortality Table set forward 2 years for retirees.††
 - c. Disabled Graded rates.††
 2. Retirement Age Age related table from age 50 to 70.††
 3. Disability Graded rates.††
 4. Termination Graded rates.††
 5. Allowance for Expenses Prior year expenses expressed as a percentage of prior year payroll.††
 6. Earnings Progression Age related table incorporating a 5.0% base inflation assumption.†††
 7. Active Member Payroll Growth 6.0% per year.††
 8. Investment Return 8.5% compounded annually, preretirement.††
6.0% compounded annually, post-retirement.††
- Asset Valuation Method** Market value smoothed over 5 years.†††

Other Assumptions

Salary Increases

PERF uses Select Table for first 10 years— $[0.3\% \times (10-T)]$ where T is completed years of service—added to the ultimate rate.

Separation

PERF uses Select Table for first three years.

Year	Percent
1	0.40%
2	0.15%
3	0.10%

Family Composition

85% of males and 65% of female members are married. Female is four years younger than male.

Special Consideration

Married members are assumed to elect the following forms of annuities:

Public Employees Retirement Fund

Gender	Benefit Option (% chosen)				
	Single-life	25%	50%	75%	100%
Male	30%	10%	20%	10%	30%
Female	70	5	5	5	15

Public Employees Police and Fire Fund

Gender	Benefit Option (% chosen)				
	Single-life	25%	50%	75%	100%
Male	15%		40%		45%
Female	70		15		15

Public Employees Correctional Fund

Gender	Benefit Option (% chosen)				
	Single-life	25%	50%	75%	100%
Male	50%		25%		25%
Female	90		5		5

Actuarial Tables

Sample Annual Rates per 10,000 Employees, June 30, 2002

Public Employees Retirement Fund

Age	Mortality		Disability		Termination		Salary Increase
	Male	Female	Male	Female	Male	Female	
20	3	1	1	1	840	840	6.40%
25	3	2	1	1	690	690	6.40%
30	4	2	2	2	540	540	6.20%
35	5	3	5	4	390	420	6.00%
40	7	4	9	6	300	350	5.80%
45	10	6	14	9	250	300	5.60%
50	15	8	23	16	200	250	5.40%
55	28	14	49	26	-	-	5.20%
60	48	21	82	46	-	-	5.00%
65	71	35	-	-	-	-	5.00%

Public Employees Police and Fire Fund

Age	Mortality		Disability		Termination		Salary Increase
	Male	Female	Male	Female	Male	Female	
20	3	1	11	11	859	859	11.50%
25	4	2	13	13	463	463	9.50%
30	5	3	16	16	280	280	8.00%
35	6	3	19	19	183	183	7.00%
40	9	5	26	26	126	126	6.00%
45	12	7	36	36	91	91	5.50%
50	22	10	69	69	50	50	5.25%
55	39	16	135	135	11	11	5.25%
60	61	25	-	-	-	-	5.25%
65	92	42	-	-	-	-	5.25%

Public Employees Correctional Plan

Age	Mortality		Disability		Termination		Salary Increase
	Male	Female	Male	Female	Male	Female	
20	4	2	4	4	2,400	1,600	7.75%
25	4	3	6	6	1,470	1,420	7.00%
30	6	3	8	8	910	1,350	7.00%
35	8	5	11	11	600	1,290	7.00%
40	11	7	18	18	440	1,040	6.50%
45	19	10	29	29	340	640	5.75%
50	35	16	50	50	240	470	5.50%
55	57	25	88	88	140	330	5.25%
60	84	42	141	141	-	-	5.25%
65	129	71	-	-	-	-	5.25%

Actuarial Section

Solvency Test

Last Six Years (in Thousands)

Public Employees Retirement Fund

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-97	\$1,074,489	\$3,795,580	\$3,179,597	\$ 6,658,410	100%	100%	56.2%
6-30-98	1,151,861	4,307,232	3,310,210	7,636,668	100	100	65.8
6-30-99	1,248,385	4,788,636	3,406,657	8,489,177	100	100	71.9
6-30-00	1,351,224	5,757,420	4,025,038	9,609,367	100	100	62.1
6-30-01	1,459,256	6,354,527	4,291,554	10,527,270	100	100	63.2
6-30-02	1,572,688	6,946,877	4,438,540	11,017,414	100	100	56.3

Public Employees Police and Fire Fund*

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-97	\$ 230,492	\$ 567,300	\$ 758,691	\$1,974,635	100%	100%	155.1%
6-30-98	245,499	711,514	784,331	2,337,313	100	100	176.0
6-30-99	260,239	867,514	828,510	2,626,817	100	100	180.9
6-30-00	304,430	1,983,413	1,095,344	4,145,351	100	100	169.6
6-30-01	323,110	2,225,362	1,163,188	4,510,134	100	100	168.6
6-30-02	328,635	2,357,578	1,200,098	4,707,255	100	100	168.4

Police and Fire Consolidation Fund (terminated 7/1/99)*

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-97	\$ 51,500	\$ 583,784	\$ 244,926	\$ 876,171	100%	100%	98.3%
6-30-98	48,581	702,706	219,999	1,011,362	100	100	118.2
6-30-99	45,620	777,960	207,337	1,092,684	100	100	129.0

Public Employees Correctional Fund (established 7/1/99)

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-00	\$ 4,055	\$ 473	\$ 5,667	\$ 11,116	100%	100%	116.3%
6-30-01	9,241	2,726	13,486	25,014	100	100	96.7
6-30-02	14,757	6,734	20,653	40,105	100	100	90.1

Schedule of Active Members Valuation Data

Last 6 Years

Public Employees Retirement Fund

<u>Valuation Date</u>	<u>Number</u>	<u>Valuation Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6-30-97	130,865	\$3,036,000,000	\$23,199	3.5%
6-30-98	136,166	3,199,000,000	23,494	1.3
6-30-99	137,528	3,350,000,000	24,355	3.5
6-30-00	135,560	3,416,000,000	25,202	3.4
6-30-01	138,759	3,614,000,000	26,042	3.3
6-30-02	137,817	3,728,000,000	27,050	3.9

Public Employees Police and Fire Fund*

<u>Valuation Date</u>	<u>Number</u>	<u>Valuation Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6-30-97	8,079	\$ 347,187,000	\$42,974	4.3%
6-30-98	8,499	375,460,000	44,177	2.8
6-30-99	8,778	403,619,000	45,980	4.1
6-30-00	9,627	465,186,000	48,321	4.8
6-30-01	9,858	497,070,000	50,423	4.4
6-30-02	9,940	508,550,000	51,162	1.4

Police and Fire Consolidation Fund (terminated 7/1/99)

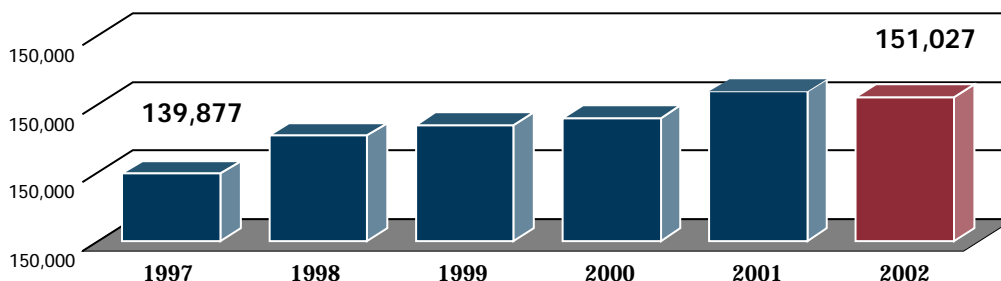
<u>Valuation Date</u>	<u>Number</u>	<u>Valuation Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6-30-97	933	\$ 50,274,000	\$53,884	3.5%
6-30-98	797	45,027,000	56,496	4.8
6-30-99	699	41,753,000	59,733	5.7

Public Employees Correctional Fund (established 7/1/99)

<u>Valuation Date</u>	<u>Number</u>	<u>Valuation Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6-30-00	2,781	\$ 76,427,000	\$27,482	n/a
6-30-01	3,238	94,737,000	29,258	6.5%
6-30-02	3,270	100,801,000	30,826	5.4

* Members and assets from the Police and Fire Consolidation Plan were transferred to the Public Employees Police and Fire Fund on 7/1/99.

Retirement Fund Active Members



The number of active employees participating in PERA's three defined benefit plans has increased 8 percent during the past six fiscal years. However, the number declined by 828 members between 2001 and 2002.

Actuarial Section

Schedule of Retirees and Beneficiaries

Last Six Years

Public Employees Retirement Fund

Year Ended	Number Added	Number Removed	Year-End Total		% Increase in Annual Allowances	Average Annual Allowances
			Number	Annual Allowances		
6-30-97	2,917	1,483	40,814	\$367,718,000	18.1%	\$ 9,010
6-30-98	3,805	1,477	43,142	421,981,000	14.8	9,781
6-30-99	3,714	1,597	45,259	475,555,000	12.7	10,507
6-30-00	3,778	1,690	47,347	538,720,000	13.3	11,378
6-30-01	3,760	1,693	49,414	598,709,000	11.1	12,116
6-30-02	3,428	1,964	50,878	629,052,000	5.1	12,364

Public Employees Police and Fire Fund*

Year Ended	Number Added	Number Removed	Year-End Total		% Increase in Annual Allowances	Average Annual Allowances
			Number	Annual Allowances		
6-30-97	206	67	2,294	\$ 49,633,000	26.1%	\$21,636
6-30-98	311	81	2,524	61,262,000	23.4	24,272
6-30-99	338	90	2,772	74,656,000	21.9	26,932
6-30-00	601	182	5,678	178,965,000	19.9	31,519
6-30-01	505	185	5,998	203,033,000	13.4	33,850
6-30-02	368	395	5,971	218,719,000	7.7	36,630

Police and Fire Consolidation Fund (terminated 7/1/99)*

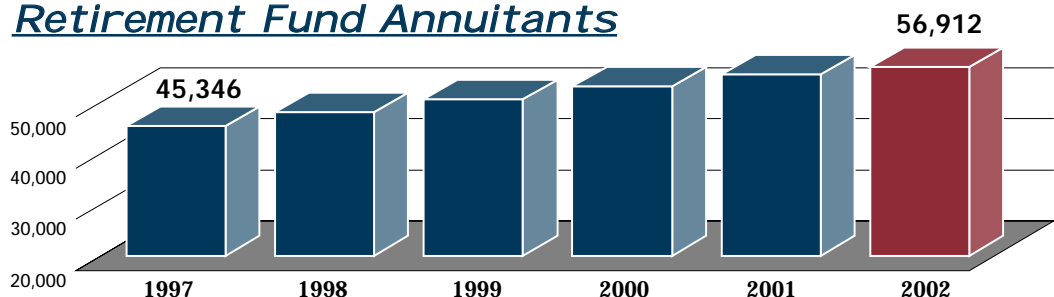
Year Ended	Number Added	Number Removed	Year-End Total		% Increase in Annual Allowances	Average Annual Allowances
			Number	Annual Allowances		
6-30-97	273	91	2,238	\$ 54,949,000	25.2%	\$24,552
6-30-98	280	101	2,417	65,775,506	19.7	27,213
6-30-99	177	107	2,487	74,564,533	13.0	29,982

Public Employees Correctional Fund (established 7/1/99)

Year Ended	Number Added	Number Removed	Year-End Total		% Increase in Annual Allowances	Average Annual Allowances
			Number	Annual Allowances		
6-30-00	12	0	12	\$ 35,100	n/a	\$2,925
6-30-01	25	0	37	179,997	412.8%	4,865
6-30-02	27	1	63	377,187	109.6	5,987

* Members and assets from the Police and Fire Consolidation Plan were transferred to the Public Employees Police and Fire Fund on 7/1/99.

Retirement Fund Annuitants

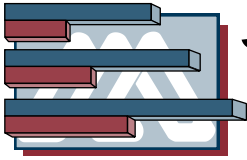


The number of annuitants from PERA's three defined benefit plans has increased at an annualized rate of 4 percent since 1997.

Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL)

(in thousands)

	<u>PERF</u>	<u>PEPFF</u>	<u>PECF</u>
A. UAAL at Beginning of Year (7/1/01)	\$1,578,067	\$(797,774)	\$ 439
B. Change Due to Interest Requirements and Current Rate of Funding			
1. Normal Cost and Expenses	369,672	107,593	14,254
2. Contributions	(398,404)	(124,465)	(14,712)
3. Interest on A, B1 and B2	<u>132,915</u>	<u>(68,528)</u>	<u>18</u>
C. Expected UAAL at End of Year (A+B)	\$1,682,250	\$(883,174)	\$ (1)
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from Expected			
1. Salary Increases. If there are smaller salary increases than assumed, there is a gain; if larger, a loss.	(221,668)	(64,490)	376
2. Investment Return. If there is greater investment return than assumed, there is a gain; if less, a loss.	235,075	130,589	1,585
3. MPRIF Mortality. If Post Fund annuitants live longer than assumed, there is a loss; if not as long, a gain.	(65,340)	(39,182)	55
4. Mortality of Other Benefit Recipients. If annuitants live longer than assumed, there is a loss; if not as long, a gain.	(57,647)	(3,234)	87
5. Other Items. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	<u>48,659</u>	<u>20,098</u>	<u>(554)</u>
E. UAAL at End of Year Before Plan Amendments and changes in Actuarial Assumption (C+D)	\$1,621,329	\$(839,393)	\$ 1,548
F. Change in Actuarial Accrued Liability Due to Plan Amendments	0	0	0
G. Change in Actuarial Accrued Liability Due to Changes in Actuarial Assumptions	<u>319,362</u>	<u>18,449</u>	<u>491</u>
H. UAAL at End of Year 6/30/02 (E+F+G)	<u>\$1,940,691</u>	<u>\$(820,944)</u>	<u>\$ 2,039</u>



Schedule of Revenue by Source

(in thousands)

Public Employees Retirement Fund

Fiscal Year	Member Contribution	Employer Contribution		Net Investment Income	Other	Total
		Amount	Percent of Covered Payroll			
1997	\$128,234	\$136,686	4.5%	\$1,389,595	\$ 1,133	\$1,655,648
1998	140,386	151,499	4.7%	1,581,550	1,382	1,874,817
1999	158,475	173,370	5.2%	1,052,303	2,405	1,386,553
2000	171,073	186,637	5.4%	914,574	1,299	1,273,583
2001	173,380	188,208	5.4%	(754,349)	1,907	(390,854)
2002	191,422	206,982	5.4%	(765,319)	3,692	(363,223)

Public Employees Police and Fire Fund*

Fiscal Year	Member Contribution	Employer Contribution**		Net Investment Income	Other	Total
		Amount	Percent of Covered Payroll			
1997	\$ 26,354	\$ 39,508	11.4%	\$ 392,640	\$ 59	\$ 458,561
1998	28,552	42,786	11.4%	491,525	193	563,056
1999	30,897	46,280	11.4%	323,707	310	401,194
2000	31,213	53,178	13.5%	439,566	503	524,460
2001	31,341	52,960	10.6%	(334,406)	2,744	(247,361)
2002	33,801	90,664	17.4%	(328,160)	1,937	(201,758)

Police and Fire Consolidation Fund (terminated 7/1/99)*

Fiscal Year	Member Contribution	Employer Contribution	Net Investment Income	Other	Total
1997	\$ 3,950	\$ 13,509	\$ 179,895	\$33,647	\$ 231,001
1998	3,733	13,229	230,710	24,222	271,894
1999	3,429	11,569	136,094	2,077	153,169

Public Employees Correctional Fund (established 7/1/99)

Fiscal Year	Member Contribution	Employer Contribution		Net Investment Income	Other	Total
		Amount	Percent of Covered Payroll			
2000	\$ 4,382	\$ 6,487	9.1%	\$ 253	\$ 32	\$ 11,154
2001	5,308	8,054	8.8%	(750)	20	12,632
2002	5,882	8,830	8.7%	(2,290)	12	12,434

* Members and assets from the Police and Fire Consolidation Plan were transferred to the Public Employees Police and Fire Fund on 7/1/99.

** Includes additional municipal contributions for former Police and Fire Consolidation Fund cities that were underfunded when the fund was terminated.

Schedule of Expense by Type

Last Six Years (in thousands)

***P**ublic Employees Retirement Fund*

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1997	\$342,155	\$16,267	\$5,667	\$1,119	\$365,208
1998	412,745	16,922	7,076	1,301	438,044
1999	467,601	17,219	9,631	1,618	496,069
2000	527,119	19,366	8,329	1,527	556,341
2001	592,210	18,768	8,344	2,441	621,763
2002	642,088	16,267	8,680	2,356	669,391

***P**ublic Employees Police and Fire Fund**

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1997	\$ 43,045	\$ 933	\$ 426	\$ 161	\$ 44,565
1998	56,034	1,182	525	129	57,870
1999	68,672	1,076	737	222	70,707
2000	165,719	94,754	679	1,549	262,701
2001	192,246	3,358	639	447	196,690
2002	212,405	711	647	255	214,018

***P**olice and Fire Consolidation Fund (terminated 7/1/99)**

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1997	\$ 47,322	\$ 8	\$ 159	\$ 138	\$ 47,627
1998	61,106	296	221	405	62,028
1999	70,780	30	278	188	71,276

***P**ublic Employees Correctional Fund (established 7/1/99)*

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
2000	\$ 20	\$ 30	\$ 111	\$ 0	\$ 161
2001	173	160	130	1	464
2002	338	272	137	1	748

* Members and assets from the Police and Fire Consolidation Plan were transferred to the Public Employees Police and Fire Fund on 7/1/99.

Benefit Expense by Type

Last Six Years (in thousands)

Public Employees Retirement Fund

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1997	\$320,236	\$14,022	\$ 7,897	\$16,267	\$358,422
1998	387,629	15,343	9,773	16,922	429,667
1999	439,892	16,603	11,106	17,219	484,820
2000	497,357	17,282	12,480	19,366	546,485
2001	559,482	18,650	14,078	18,768	610,978
2002	609,849	16,719	15,520	16,267	658,355

Public Employees Police and Fire Fund*

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1997	\$ 36,190	\$ 2,730	\$ 4,125	\$ 933	\$ 43,978
1998	46,849	3,297	5,888	1,182	57,216
1999	57,470	3,702	7,500	1,076	69,748
2000	140,927	9,858	14,934	94,754	260,473
2001	162,863	11,149	18,234	3,358	195,604
2002	178,965	11,691	21,749	711	213,116

Police and Fire Consolidation Fund (terminated 7/1/99)*

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1997	\$ 42,207	\$ 3,277	\$ 1,838	\$ 8	\$ 47,330
1998	54,246	4,177	2,683	296	61,402
1999	61,797	4,927	4,056	30	70,810

Public Employees Correctional Fund (established 7/1/99)

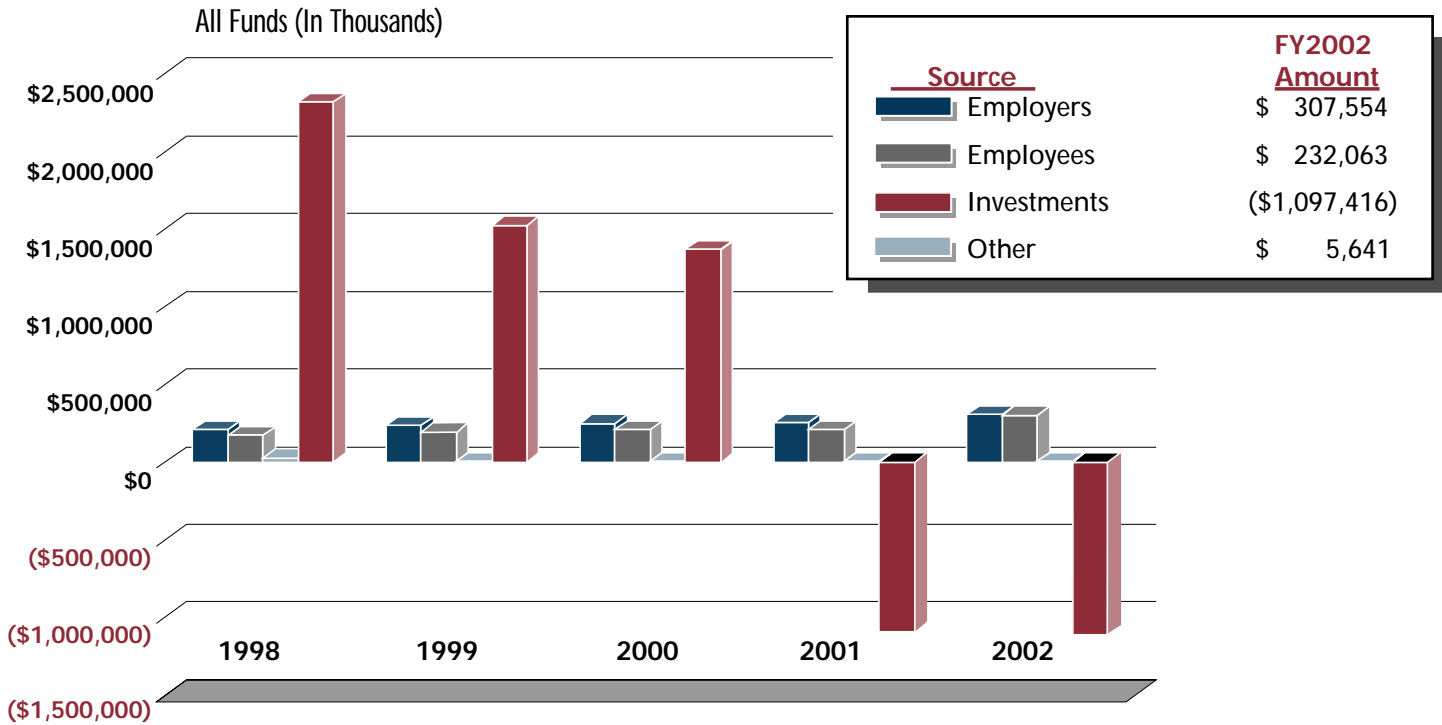
<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
2000	\$ 2	\$ 0	\$ 18	\$ 30	\$ 50
2001	12	0	161	160	333
2002	32	0	306	272	610

* Members and assets from the Police and Fire Consolidation Plan were transferred to the Public Employees Police and Fire Fund on 7/1/99.

Revenues

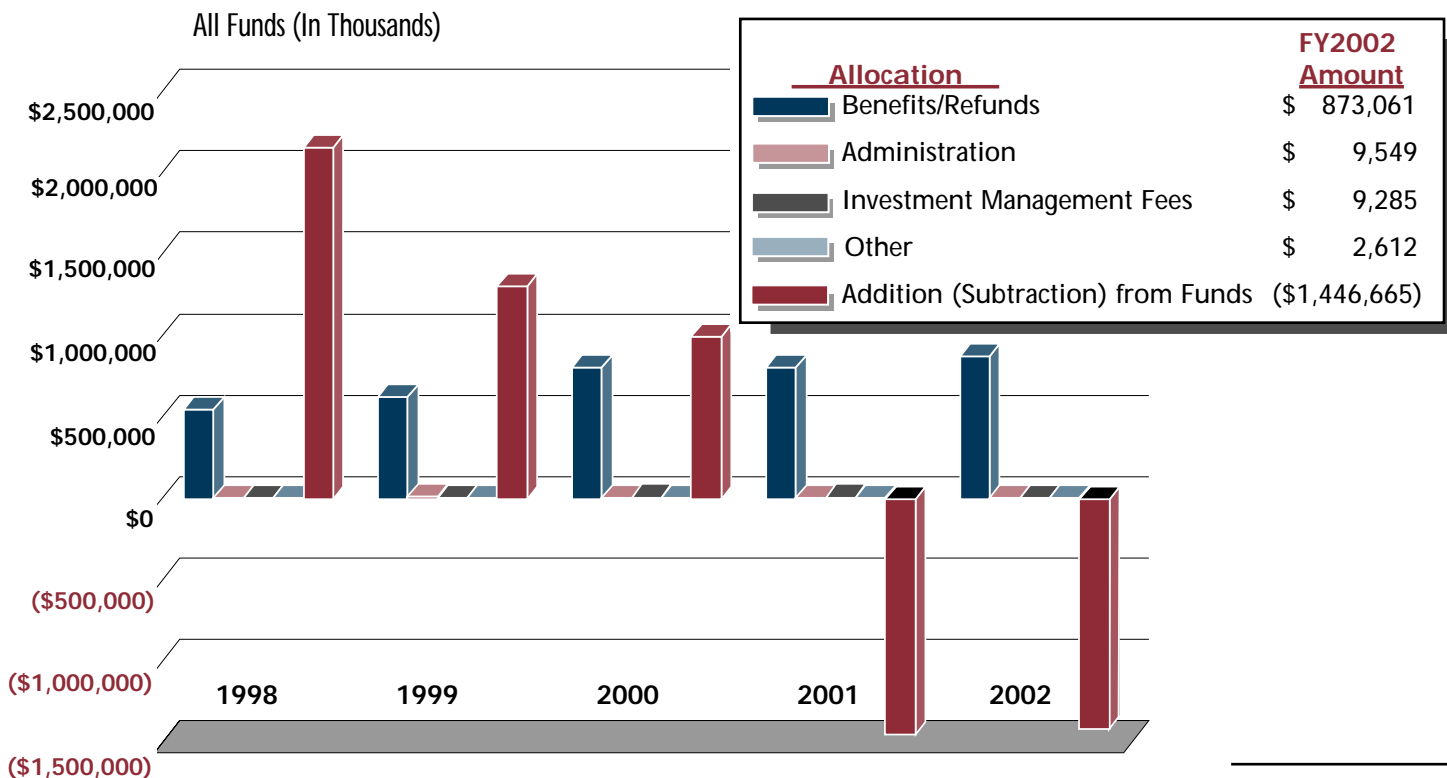
by Source and Allocation

Revenues by Source



Until the market downturn in FY2001, investment earnings represented the bulk of PERA's revenues for over a decade.

Revenue Allocation



Fund allocations have exceeded revenues for the second consecutive year. The last such occurrence was in 1988.

Schedule of Retired Members

by Amount and Type of Benefit

Public Employees Retirement Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 500	18,560	1,503	632	784	21,479
501-1,000	10,009	1,062	479	501	12,051
1,001-1,500	5,007	585	253	287	6,132
1,501-2,000	2,513	405	122	212	3,252
2,001-2,500	1,801	252	30	108	2,191
2,501-3,000	1,421	154	15	50	1,640
3,001-3,500	1,058	117	10	26	1,211
3,501-4,000	834	76	8	7	925
4,001-4,500	585	51	8	4	648
4,501-5,000	397	25	5	4	431
Over 5,000	<u>852</u>	<u>58</u>	<u>3</u>	<u>5</u>	<u>918</u>
Total	43,037	4,288	1,565	1,988	50,878

Public Employees Police and Fire Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 500	187	38	10	56	291
501-1,000	151	56	21	82	310
1,001-1,500	204	125	28	113	470
1,501-2,000	220	156	53	113	542
2,001-2,500	358	172	69	123	722
2,501-3,000	525	42	75	26	668
3,001-3,500	706	29	98	17	850
3,501-4,000	779	19	71	18	887
4,001-4,500	475	5	58	5	543
4,501-5,000	269	4	44	2	319
Over 5,000	<u>317</u>	<u>5</u>	<u>47</u>	<u>0</u>	<u>369</u>
Total	4,191	651	574	555	5,971

Public Employees Correctional Fund*

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 500	35	0	8	2	45
501-1,000	0	0	7	0	7
1,001-1,500	0	0	4	0	4
1,501-2,000	0	0	5	0	5
2,001-2,500	0	0	1	0	1
2,501-3,000	0	0	1	0	1
3,001-3,500	0	0	0	0	0
3,501-4,000	0	0	0	0	0
4,001-4,500	0	0	0	0	0
4,501-5,000	0	0	0	0	0
Over 5,000	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	35	0	26	2	63

* Since PECF members participated in the PERF prior to 7/1/99, most of the plan's annuitants derive the majority of their benefit from the latter fund.

Average Benefit Payments

Last 5 Years

Public Employees Retirement Fund

Retirement Effective Dates	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 1997 to June 30, 2002							
Period 7/1/97 to 6/30/98:							
Average Monthly Benefit	\$124.71	\$212.59	\$418.99	\$612.39	\$870.36	\$1,345.08	\$2,796.36
Number of Current Retirees	261	431	505	527	491	391	366
Period 7/1/98 to 6/30/99:							
Average Monthly Benefit	\$89.52	\$206.36	\$370.82	\$574.98	\$797.50	\$1,128.13	\$2,489.85
Number of Current Retirees	288	427	534	496	440	396	374
Period 7/1/99 to 6/30/00:							
Average Monthly Benefit	\$91.02	\$196.05	\$340.47	\$535.75	\$740.42	\$1,104.56	\$2,099.38
Number of Current Retirees	291	419	536	493	463	433	402
Period 7/1/00 to 6/30/01:							
Average Monthly Benefit	\$86.95	\$176.88	\$326.38	\$523.10	\$750.17	\$1,093.59	\$2,038.47
Number of Current Retirees	288	463	513	463	501	382	405
Period 7/1/01 to 6/30/02:							
Average Monthly Benefit	\$96.91	\$227.62	\$399.50	\$785.57	\$1,362.86	\$1,054.14	\$2,179.72
Number of Current Retirees	216	292	416	398	517	366	452
Period 7/1/97 to 6/30/02:							
Average Monthly Benefit	\$81.74	\$201.89	\$303.33	\$600.29	\$620.60	\$1,145.58	\$2,305.81
Number of Current Retirees	1,344	2,032	2,504	2,377	2,412	1,968	1,999

Statistical Section

Average Benefit Payments

Last Five Years

Public Employees Police and Fire Fund

Retirement Effective Dates	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 1997 to June 30, 2002							
Period 7/1/97 to 6/30/98:							
Average Monthly Benefit	\$355.09	\$1,119.34	\$1,607.03	\$2,055.62	\$2,654.93	\$3,583.16	\$4,548.71
Number of Current Retirees	11	13	20	26	87	144	106
Period 7/1/98 to 6/30/99:							
Average Monthly Benefit	\$357.76	\$1,186.07	\$1,823.11	\$1,644.42	\$2,539.72	\$3,470.76	\$4,283.70
Number of Current Retirees	17	8	20	18	60	137	70
Period 7/1/99 to 6/30/00:							
Average Monthly Benefit	\$551.34	\$ 893.43	\$1,141.96	\$1,676.38	\$2,415.13	\$3,357.59	\$3,887.73
Number of Current Retirees	12	10	14	20	84	202	85
Period 7/1/00 to 6/30/01:							
Average Monthly Benefit	\$355.22	\$1,845.55	\$ 966.43	\$1,890.46	\$2,574.30	\$3,127.35	\$3,661.95
Number of Current Retirees	14	7	8	18	67	146	44
Period 7/1/01 to 6/30/02:							
Average Monthly Benefit	\$248.23	\$ 931.28	\$1,532.32	\$1,723.42	\$2,766.47	\$3,461.21	\$4,075.64
Number of Current Retirees	3	8	10	11	43	116	28
Period 7/1/97 to 6/30/02:							
Average Monthly Benefit	\$391.61	\$1,159.64	\$1,495.07	\$1,823.21	\$2,573.81	\$3,393.01	\$4,167.34
Number of Current Retirees	57	46	72	93	341	745	333

*Public Employees Correctional Fund**

Retirement Effective Dates	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
July 1, 1999 to June 30, 2002							
Period 7/1/99 to 6/30/00:							
Average Monthly Benefit	\$36.51	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	11	0	0	0	0	0	0
Period 7/1/00 to 6/30/01:							
Average Monthly Benefit	\$87.66	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	12	0	0	0	0	0	0
Period 7/1/01 to 6/30/02:							
Average Monthly Benefit	\$163.79	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	15	0	0	0	0	0	0
Period 7/1/99 to 6/30/02:							
Average Monthly Benefit	\$102.91	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	38	0	0	0	0	0	0

* Since PECF members participated in the PERF prior to 7/1/99, most of the plan's annuitants derive the majority of their benefit from the latter fund.

Participating Employers

Employers listed below have employees in PERA's Basic, Coordinated, Correctional or Police and Fire benefit plans

CITIES

ADA	BERTHA	CHISHOLM	DEERWOOD	FERTILE	HACKENSACK
ADAMS	BETHEL	CHISHOLM-	DELANO	FERTILE FAIR MEAD-	HADLEY
ADRIAN	BIG FALLS	HIBBING AIRPORT	DELAVAN	OW NURSING HOME	HALLOCK
AFTON	BIG LAKE	AUTHORITY	DELLWOOD	FIFTY LAKES	HALSTAD
AITKIN	BIGELOW	CHOKIO	DENT	FINLAYSON	HAM LAKE
AKELEY	BIGFORK	CIRCLE PINES	DETROIT LAKES	FLENSBURG	HAMBURG
ALBANY	BINGHAM LAKE	CLARA CITY	DEXTER	FLOODWOOD	HAMPTON
ALBERT LEA	BIRCHWOOD	CLARA CITY	DILWORTH	FOLEY	HANCOCK
ALBERTA	BIRD ISLAND	CARE CENTER	DODGE CENTER	FOREST LAKE	HANLEY FALLS
ALBERTVILLE	BISCAVY	CLAREMONT	DONNELLY	FORESTON	HANOVER
ALDEN	BIWABIK	CLARISSA	DOVER	FOSSTON	HANSKA
ALEXANDRIA	BLACKDUCK	CLARKFIELD	DULUTH	FOUNTAIN	HARDWICK
ALPHA	BLAINE	CLARKFIELD	DULUTH AIRPORT	FRANKLIN	HARMONY
ALTURA	BLOOMING PRAIRIE	CARE CENTER	AUTHORITY	FRAZEE	HARRIS
ALVARADO	BLOOMINGTON	CLARKS GROVE	DUMONT	FREEBORN	HARTLAND
AMBOY	BLUE EARTH	CLEAR LAKE	DUNDAS	FREEPORT	HASTINGS
ANDOVER	BOVEY	CLEARBROOK	DUNDEE	FRIDLEY	HAWLEY
ANNANDALE	BOYD	CLEARWATER	DUNNELL	FROST	HAYFIELD
ANOKA	BRAHAM	CLEMENTS	EAGAN	FULDA	HAYFIELD FIELD
APPLE VALLEY	BRAINERD	CLEVELAND	EAGLE BEND	GARFIELD	CREST CARE CENTER
APPLETON	BRANDON	CLIMAX	EAGLE LAKE	GARRISON	HAYWARD
ARDEN HILLS	BRECKENRIDGE	CLINTON	EAST BETHEL	GARVIN	HECTOR
ARGYLE	BREEZY POINT	CLONTARF	EAST GRAND FORKS	GARY	HENDERSON
ARLINGTON	BREWSTER	CLOQUET	EAST GULL LAKE	GAYLORD	HENDRICKS
ASHBY	BRICELYN	COATES	EASTON	GAYLORD LAKEVIEW	HENDRUM
ASKOV	BROOK PARK	COHASSET	ECHO	HOME	HENNING
ATWATER	BROOKLYN CENTER	COKATO	EDEN PRAIRIE	GENEVA	HERMAN
AUDUBON	BROOKLYN PARK	COLD SPRING	EDEN VALLEY	GEORGETOWN	HERMANTOWN
AURORA	BROOTEN	COLERAINE	EDGERTON	GHENT	HERON LAKE
AUSTIN	BROWERVILLE	COLOGNE	EDINA	GIBBON	HEWITT
AVOCA	BROWNS VALLEY	COLUMBIA HEIGHTS	EITZEN	GILBERT	HIBBING
AVON	BROWNSDALE	COMFREY	ELBOW LAKE	GILMAN	HILL CITY
BABBITT	BROWNSVILLE	CONGER	ELGIN	GLENCOE	HILLS
BACKUS	BROWNTON	COOK	ELIZABETH	GLENCOE REGIONAL	HILLTOP
BADGER	BUFFALO	COON RAPIDS	ELK RIVER	HEALTH CENTER	HINCKLEY
BAGLEY	BUFFALO LAKE	CORCORAN	ELKO	GLENVILLE	HITTERDAL
BALATON	BUHL	CORRELL	ELKTON	GLENWOOD	HOFFMAN
BARNESVILLE	BURNSVILLE	COSMOS	ELLENDALE	GLYNDON	HOKAH
BARNUM	BUTTERFIELD	COTTAGE GROVE	ELLSWORTH	GOLDEN VALLEY	HOLDINGFORD
BARRETT	BYRON	COTTONWOOD	ELLSWORTH PARKVIEW	GONVICK	HOLLAND
BATTLE LAKE	CALEDONIA	COURTLAND	MANOR NURSING	GOOD THUNDER	HOLLANDALE
BATTLE LAKE NURSING	CALLAWAY	CROMWELL	ELMORE	GOODHUE	HOLLOWAY
HOME	CALUMET	CROOKSTON	ELY	GOODRIDGE	HOPKINS
BAUDETTE	CAMBRIDGE	CROSBY	ELYSIAN	GOODVIEW	HOUSTON
BAXTER	CAMPBELL	CROSSLAKE	EMILY	GRACEVILLE	HOWARD LAKE
BAYPORT	CANBY	CROSSLAKE	EMMONS	GRANADA	HOYT LAKES
BEARDSLEY	CANNON FALLS	TELEPHONE	ERHARD	GRAND MARAIS	HUGO
BEAVER BAY	CANTON	CRYSTAL	ERSKINE	GRAND MEADOW	HUTCHINSON
BEAVER CREEK	CARLOS	CURRIE	EVANSVILLE	GRAND RAPIDS	INDEPENDENCE
BECKER	CARLTON	CYRUS	EVELETH	GRANITE FALLS	INTERNATIONAL
BEJOU	CARVER	DALTON	EXCELSIOR	GRANT	FALLS
BELGRADE	CASS LAKE	DANUBE	EYOTA	GRASSTON	INVER GROVE
BELLE PLAINE	CEDAR MILLS	DANVERS	FAIRFAX	GREEN ISLE	HEIGHTS
BELLECHESTER	CENTER CITY	DARWIN	FAIRMONT	GREENBUSH	IONA
BELLINGHAM	CENTERVILLE	DASSEL	FALCON HEIGHTS	GREENFIELD	IRONTON
BELVIEW	CEYLON	DASSEL NURSING	FARIBAULT	GREENWOOD	ISANTI
BELVIEW	CHAMPLIN	HOME	FARMINGTON	GREY EAGLE	ISLE
PARKVIEW HOME	CHANDLER	DAWSON	ELTON	GROVE	IVANHOE
BEMIDJI	CHANHASSEN	DAYTON	FERGUS FALLS	GRYGLA	JACKSON
BENA	CHASKA	DE GRAFF			
BENSON	CHATFIELD	DEEPHAVEN			
	CHISAGO	DEER CREEK			
		DEER RIVER			

Statistical Section

JANESVILLE	LONG LAKE	MORRIS	PINE CITY	SLEEPY EYE	WABASSO
JANESVILLE NURSING HOME	LONG PRAIRIE	MORRISTOWN	PINE ISLAND	SOUTH HAVEN	WACONIA
JASPER	LONGVILLE	MORTON	PINE RIVER	SOUTH ST PAUL	WADENA
JEFFERS	LONSDALE	MOTLEY	PIPESTONE	SPICER	WAHKON
JENKINS	LORETTO	MOUND	PLAINVIEW	SPRING GROVE	WAITE PARK
JORDAN	LUCAN	MOUNDS VIEW	PLATO	SPRING LAKE PARK	WALDORF
KANDIYOHI	LUVERNE	MOUNTAIN IRON	PLUMMER	SPRING PARK	WALKER
KARLSTAD	LYLE	MOUNTAIN LAKE	PLYMOUTH	SPRING VALLEY	WALNUT GROVE
KASOTA	LYND	MURDOCK	PRESTON	SPRINGFIELD	WANAMINGO
KASSON	MABEL	NASHWAUK	PRINCETON	ST ANTHONY	WANDA
KEEWATIN	MADELIA	NERSTRAND	PRINSBURG	ST BONIFACIUS	WARREN
KELLIHER	MADISON	NEVIS	PRIOR LAKE	ST CHARLES	WARROAD
KELLOGG	MADISON LAKE	NEW AUBURN	PROCTOR	ST CLAIR	WASECA
KENNEDY	MAHNOMEN	NEW BRIGHTON	RACINE	ST CLOUD	WATERTOWN
KENSINGTON	MAHTOMEDI	NEW GERMANY	RAMSEY	ST FRANCIS	WATERVILLE
KENT	MANKATO	NEW HOPE	RANDALL	ST HILAIRE	WATKINS
KENYON	MANTORVILLE	NEW LONDON	RANDOLPH	ST JAMES	WATSON
KERKHOVEN	MAPLE GROVE	NEW MUNICH	RANIER	ST JOSEPH	WAUBUN
KETTLE RIVER	MAPLE LAKE	NEW PRAGUE	RAYMOND	ST LEO	WAVERLY
KIESTER	MAPLE PLAIN	NEW RICHLAND	RED LAKE FALLS	ST LOUIS PARK	WAYZATA
KIMBALL	MAPLETON	NEW ULM	RED WING	ST MICHAEL	WELCOME
KINNEY	MAPLEVIEW	NEW YORK MILLS	REDWOOD FALLS	ST PAUL	WELLS
LA CRESCENT	MAPLEWOOD	NEWFOLDEN	REMER	ST PAUL PARK	WENDELL
LAFAYETTE	MARBLE	NEWPORT	RENDSVILLE	ST PETER	WEST CONCORD
LAKE BENTON	MARIETTA	NICOLLET	RENVILLE	ST STEPHEN	WEST ST PAUL
LAKE BRONSON	MARINE ON ST CROIX	NIELSVILLE	RENVILLE NURSING HOME	STACY	WESTBROOK
LAKE CITY	MARSHALL	NISSWA	RICE	STAPLES	WHEATON
LAKE CRYSTAL	MAYER	NORTH BRANCH	RICHFIELD	STARBUCK	WHITE BEAR LAKE
LAKE ELMO	MAYNARD	NORTH MANKATO	RICHMOND	STEPHEN	WILLERNIE
LAKE LILLIAN	MAZEPPA	NORTH OAKS	ROBBINSDALE	STEWART	WILLIAMS
LAKE PARK	MC GRATH	NORTH ST PAUL	ROCHESTER	STEWARTVILLE	WILLMAR
LAKE SHORE	MC GREGOR	NORTHFIELD	ROCK CREEK	STILLWATER	WILMONT
LAKE ST CROIX BEACH	MC INTOSH	NORTHHOME	ROCKFORD	STOCKTON	WINDOW
LAKE WILSON	MC KINLEY	NORTHROP	ROCKVILLE	STORDEN	WINGER
LAKEFIELD	MEADOWLANDS	NORWOOD	ROGERS	STURGEON LAKE	WINNEBAGO
LAKEFIELD COLONIAL	MEDFORD	YOUNG AMERICA	ROLLINGSTONE	SWANVILLE	WINONA
NURSING HOME	MEDINA	OAK GROVE	ROSE CREEK	TACONITE	WINSTED
LAKELAND	MELROSE	OAK PARK HEIGHTS	ROSEAU	TAYLORS FALLS	WINTHROP
LAKEVIEW HOME	MENAHA	OAKDALE	ROSEMOUNT	THIEF RIVER FALLS	WINTON
LAKEVILLE	MENAHA	ODESSA	ROSEVILLE	THOMSON	WOLF LAKE
LAMBERTON	NURSING HOME	OGEMA	ROTHSAY	TINTAH	WOLVERTON
LAMBERTON VALLEY VIEW MANOR	MENDOTA HEIGHTS	OGILVIE	ROUND LAKE	TONKA BAY	WOOD LAKE
LANCASTER	MENTOR	OKABENA	ROYALTON	TOWER	WOODBURY
LANDFALL	MIDDLE RIVER	OKLEE	RUSH	TRACY	WOODLAND
LANESBORO	MILACA	OLIVIA	RUSHFORD	TRIMONT	WORTHINGTON
LAPRAIRIE	MILAN	ONAMIA	RUSHFORD VILLAGE	TRIMONT HEALTH CARE CENTER	WRENSHALL
LAUDERDALE	MILLERVILLE	ORONO	RUSHMORE	TRUMAN	WYKOFF
LE CENTER	MILLVILLE	ORONOCO	RUSSELL	TWIN LAKES	WYOMING
LE SUEUR	MILROY	ORR	RUTHTON	TWIN VALLEY	ZIMMERMAN
LENGBY	MILTON	ORTONVILLE	SACRED HEART	TWO HARBORS	ZUMBRO FALLS
LEROY	MILTONA	OSAKIS	SANBORN	TYLER	ZUMBROTA
LESTER PRAIRIE	MINNEAPOLIS	OSLO	SANDSTONE	ULEN	
LEWISTON	MINNEOTA	OSSEO	SARTELL	ULEN VIKING MANOR	
LEWISVILLE	MINNESOTA LAKE	OSTRANDER	SAUK CENTRE	UNDERWOOD	
LEXINGTON	MINNETONKA	OTSEGO	SAUK RAPIDS	UPSALA	
LILYDALE	MINNETONKA BEACH	OWATONNA	SAVAGE	VADNAIS HEIGHTS	
LINDSTROM	MINNETRISTA	PALISADE	SCANLON	VENTURA	
LINO LAKES	MONTEVIDEO	PARK RAPIDS	SEBEKA	VERGAS	
LISMORE	MONTGOMERY	PARKERS PRAIRIE	SHAFER	VERMILLION	
LITCHFIELD	MONTICELLO	PAYNESVILLE	SHAKOPEE	VERNDALE	
LITTLE CANADA	MONTROSE	PELICAN RAPIDS	SHELLY	VERNON CENTER	
LITTLE FALLS	MOORHEAD	PEMBERTON	SHERBURN	VESTA	
LITTLEFORK	MOOSE LAKE	PENNOCK	SHOREVIEW	VICTORIA	
LONG BEACH	MORA	PEQUOT LAKES	SHOREWOOD	VIKING	
	MORGAN	PERHAM	SILVER BAY	VILLARD	
		PETERSON	SILVER LAKE	VIRGINIA	
		PIERZ	SLAYTON	WABASHA	
		PILLAGER			

TOWNSHIPS

ACOMA
ADAMS
ADRIAN
AETNA
AITKIN
ALBA
ALBERT LEA
ALBION
ALDRICH
ALTON
ALVWOOD
AMHERST
ANDOVER

ANN LAKE	BROWNSVILLE	DAGGETT BROOK	FOX LAKE	HERON LAKE	LAKE GEORGE
ANTRIM	BRUNSWICK	DAHLGREN	FRAMNAS	HIGDEM	LAKE HANSKA
ARBO	BUFFALO	DALBO	FRANCONIA	HIGH FOREST	LAKE MARSHALL
ARDENHURST	BUH	DARLING	FRANKFORT	HIGHWATER	LAKE PLEASANT
ARENDAHL	BURNHAMVILLE	DARWIN	FRANKLIN	HINES	LAKE SARAH
ARLINGTON	BURNS	DEAD LAKE	FRASER	HIRAM	LAKESIDE
ARNA	BURTON	DECORIA	FREDENBERG	HOBART	LAKETOWN
ARTHUR	BUTTERFIELD	DEERWOOD	FREEDOM	HOFF	LAKEVIEW
ASHLAND	BUTTERNUT VAL- LEY	DELL GROVE	FREEMAN	HOKAH	LAKEWOOD
ATHENS	BUZZLE	DENVER	FRENCH	HOLDEN	LAKIN
ATKINSON	BYRON	DERRYNANE	FRENCH LAKE	HOLDING	LAND
AVON	CAIRO	DES MOINES RIVER	FRIBERG	HOLLAND	LANESBURGH
BADOURA	CALEDONIA	DEWALD	GARDEN CITY	HOLLY	LANGOLA
BAKER	CAMBRIA	DEXTER	GARFIELD	HOLLYWOOD	LAWRENCE
BALDWIN	CAMBRIDGE	DORA	GARNES	HOLT	LE SAUK
BALKAN	CAMBRIDGE	DOUGLAS	GARRISON	HOLYOKE	LEAF LAKE
BALL BLUFF	CAMDEN	DOVER	GENNESSEE	HOME	LEAF RIVER
BALSAM	CAMP	DOVRAY	GETTY	HOMEBROOK	LEECH LAKE
BANDON	CANNON FALLS	DRESBACH	GIRARD	HOMESTEAD	LEEDS
BARCLAY	CANOSIA	DRYDEN	GLEN	HONNER	LENT
BARRY	CANTON	DULUTH	GLENDORADO	HOUSTON	LEON
BARTLETT	CARIMONA	DUNN	GNESEN	IDA	LERAY
BASHAW	CARLOS	EAGLE LAKE	GOOD HOPE	IDEAL	LIBERTY
BASS BROOK	CARPENTER	EAGLE VIEW	GOOSE PRAIRIE	IDUN	LIDA
BASSETT	CARROLTON	EAGLES NEST	GRACEVILLE	INDUSTRIAL	LIME
BAY LAKE	CARSON	EAST SIDE	GRAHAM	INGUADONA	LIME LAKE
BEARVILLE	CASCADE	EASTERN	GRAHAM LAKES	INMAN	LINCOLN
BEATTY	CASTLE ROCK	EDEN LAKE	GRANBY	IONA	LINDEN
BEAULIEU	CEDAR	EDNA	GRAND LAKE	IRON RANGE	LINWOOD
BEAVER CREEK	CEDAR MILLS	EFFINGTON	GRAND MEADOW	IRONDALE	LITCHFIELD
BEAVER FALLS	CENTER	ELDORADO	GRAND PRAIRIE	IRVING	LITTLE ELBOW
BECKER	CHANARAMBIE	ELGIN	GRAND RAPIDS	ISANTI	LITTLE FALLS
BELGRADE	CHARLESTOWN	ELIZABETH	GRANITE FALLS	ISLAND LAKE	LITTLE PINE
BELLE CREEK	CHASKA	ELK LAKE	GRANT VALLEY	JANESVILLE	LIVONIA
BELLE PLAINE	CHATHAM	ELLINGTON	GREAT SCOTT	JAY	LONE PINE
BELLE PRAIRIE	CHENGWATANA	ELLSBURG	GREENBUSH	JO DAVIS	LONE TREE
BELLE RIVER	CHERRY	ELM CREEK	GREENLEAF	JOHNSONVILLE	LONG LAKE
BELLEVUE	CHERRY GROVE	ELM DALE	GREENVALE	KANABEC	LOUISVILLE
BELMONT	CHESTER	ELMER	GREENWAY	KANARANZI	LUXEMBURG
BELVIDERE	CHIPPEWA FALLS	ELMIRA	GREENWOOD	KANDIYOHI	LYLE
BEMIDJI	CHISAGO LAKE	EMBARRASS	GREY CLOUD ISLAND	KASOTA	LYNDEN
BENTON	CLAYTON	EMPIRE	GREY EAGLE	KATHIO	LYNN
BERGEN	CLEAR LAKE	ERIN	GULLY	KEGO	MACVILLE
BERNADOTTE	CLEARWATER	ESPELIE	GUTHRIE	KENYON	MAGNOLIA
BIG LAKE	CLIFTON	EVANSVILLE	HALDEN	KETTLE RIVER	MAINE
BIG STONE	CLOVER	EVERGREEN	HALSTAD	KIESTER	MAINE PRAIRIE
BIRCH CREEK	COKATO	FAIR HAVEN	HAMMER	KILKENNY	MANANNAH
BISMARCK	COLLEGEVILLE	FAIRBANKS	HAMPTON	KIMBERLY	MANFRED
BIWABIK	COLUMBIA	FAIRFIELD	HARMONY	KING	MANKATO
BLACKBERRY	COLUMBUS	FAIRMONT	HARRIS	KINGSTON	MANTORVILLE
BLACKHOOF	COLVIN	FAIRVIEW	HARRISON	KNIFE LAKE	MANTRAP
BLAKELEY	COMPTON	FALL LAKE	HASSAN	KNUTE	MAPLE LAKE
BLIND LAKE	CONCORD	FALUN	HAUGEN	KRAGERO	MAPLE RIDGE
BLOOMFIELD	COON CREEK	FARM ISLAND	HAVANA	KRAIN	MARBLE
BLOOMING GROVE	CORINNA	FARMINGTON	HAVEN	KROSCHER	MARCELL
BLUE HILL	CORMORANT	FAYAL	HAVERHILL	LA CRESCENT	MARION
BOGUS BROOK	COSMOS	FENTON	HAWLEY	LA CROSSE	MARSHALL
BONDIN	COTTON	FILLMORE	HAY CREEK	LA GARDE	MARSHAN
BOWSTRING	COTTONWOOD	FISH LAKE	HAYLAND	LA GRANDE	MARTIN
BOY LAKE	CRATE	FLEMING	HAYWARD	LAFAYETTE	MARYSVILLE
BRADFORD	CREDIT RIVER	FLOODWOOD	HAZELTON	LAKE ANDREW	MASON
BRANDON	CROOKED LAKE	FLORENCE	HEGBERT	LAKE EDWARD	MAXWELL
BREITUNG	CROW RIVER	FLORIDA	HEIGHT OF LAND	LAKE ELIZABETH	MAY
BREMEN	CROW WING	FOLDAHL	HELEN	LAKE EMMA	MAYHEW LAKE
BRIGHTON	CROW WING LAKES	FOREST	HELENA	LAKE FREMONT	MAYVILLE
BRISTOL	CRYSTAL BAY	FOREST CITY	HELGA		
BROCKWAY	CULDRUM	FOREST LAKE	HENDERSON		
BROWNS VALLEY	CULVER	FORESTVILLE	HENRIETTA		

Statistical Section

MAZEPPA	OSAGE	ROOSEVELT	STORDEN	WHITE OAK	KITTSOON
MCDAVITT	OSBORNE	ROSEHILL	STURGEON	WILKINSON	KOOCHICHING
MEADOWLANDS	OSHKOSH	ROSENDALE	STURGEON LAKE	WILLIAMS	LAC QUI PARLE
MEHURIN	OTENEAGEN	ROSEVILLE	SUMMIT	WILMINGTON	LAKE
MERTON	OTISCO	ROSS	SUMNER	WILMONT	LAKE OF THE WOODS
MICKINOCK	OTREY	ROSS LAKE	SUMTER	WILSON	LE SUEUR
MIDDLETOWN	OTTERTAIL PENIN-	ROUND GROVE	SUNDOWN	WINDEMERE	LINCOLN
MIDDLEVILLE	SULA TOWNSHIP	ROUND LAKE	SUNRISE	WING RIVER	LYON
MIDWAY	OTTO	ROYALTON	SVERDRUP	WINNEBAGO	MAHNOMEN
MILACA	OWATONNA	RUSHEBA	SWAN RIVER	WINONA	MARSHALL
MILFORD	OXFORD	RUTLAND	SWANVILLE	WINSOR	MARTIN
MILLERVILLE	PALMYRA	SALEM	SWEET	WINSTED	MCLEOD
MILO	PARKERS PRAIRIE	SAND LAKE	SYLVAN	WISCOY	MEEKER
MINDEN	PAXTON	SANTIAGO	TANSEM	WOLF LAKE	MILLE LACS
MINNEOTA	PAYNESVILLE	SARGEANT	THOMSON	WOLFORD	MORRISON
MINNEWASKA	PEACE	SAUK RAPIDS	THUNDER LAKE	WOOD LAKE	MOWER
MISSION	PELICAN	SAVANNAH	TRANSIT	WOODLAND	MURRAY
MOE	PELICAN LAKE	SCANDIA VALLEY	TRELIPE	WOODROW	NICOLLET
MOLTKE	PEMBINA	SCHROEDER	TROUT LAKE	WOODSIDE	NOBLES
MONEY CREEK	PENN	SCOTT	TUMULI	WOODVILLE	NORMAN
MONTGOMERY	PETERSBURG	SEAVEY	TURNER	WORKMAN	OLMSTED
MONTICELLO	PIKE BAY	SEVERANCE	TURTLE CREEK	WRENSHALL	OTTERTAIL
MOONSHINE	PIKE CREEK	SHAMROCK	TURTLE LAKE	WRIGHT	PENNINGTON
MORAN	PILOT MOUND	SHELBURNE	TWIN LAKES	WUORI	PINE
MORANVILLE	PINE CITY	SHELBY	TWO RIVERS	WYANETT	PIPESTONE
MORKEN	PINE ISLAND	SHELL LAKE	URNES	WYOMING	POLK
MORRISON	PINE LAKE	SHERIDAN	VAIL	YORK	POPE
MORSE	PINE RIVER	SHETEK	VAN BUREN	YOUNG AMERICA	RAMSEY
MOTLEY	PLAINVIEW	SHIELDSVILLE	VASA	YUCATAN	RED LAKE
MOUNT VERNON	PLEASANT PRAIRIE	SHINGOBBE	VERDI	ZUMBRO	REDWOOD
MOUNTAIN LAKE	PLINY	SIBLEY	VERMILLION	ZUMBROTA	RENVILLE
MUNSON	POKEGAMA	SILVER BROOK	VERNON		RICE
NASHVILLE	POPPLE GROVE	SILVER CREEK	VESTA		ROCK
NASHWAUK	POSEN	SILVER LAKE	VICTOR		ROSEAU
NELSON	POWERS	SINCLAIR	VIKING		ST LOUIS
NESSSEL	PRAIRIE VIEW	SIoux AGENCY	VILLARD	AITKIN	SCOTT
NEVADA	PREBLE	SKANDIA	VINELAND	ANOKA	SHERBURNE
NEVIS	PRESTON	SKELTON	VIVIAN	BECKER	SIBLEY
NEW AUBURN	PRINCETON	SOLEM	WABEDO	BELTRAMI	STEARNS
NEW HAVEN	PRIOR	SOLWAY	WACONIA	BENTON	STEELE
NEW LONDON	PROVIDENCE	SOUTH BEND	WACOUTA	BIG STONE	STEVENS
NEW PRAIRIE	PULASKI	SOUTH BRANCH	WAKEFIELD	BLUE EARTH	SWIFT
NEW RICHLAND	QUEEN	SOUTH HARBOR	WALDEN	BROWN	TODD
NEW SCANDIA	QUINCY	SOUTHFORK	WALTHAM	CARLTON	TRAVERSE
NEW SOLUM	RABBIT LAKE	SOUTHSIDE	WANAMINGO	CARVER	WABASHA
NEWBURG	RACINE	SPARTA	WANG	CASS	WADENA
NOKAY LAKE	RANDOLPH	SPENCER	WARD	CHIPPEWA	WASECA
NORA	RANSOM	SPENCER BROOK	WARREN	CHISAGO	WASHINGTON
NORDLAND	RAPIDAN	SPRING GROVE	WARSAW	CLAY	WATONWAN
NORMAN	RAVENNA	SPRING LAKE	WASIOJA	CLEARWATER	WILKIN
NORTH HERO	RED LAKE FALLS	SPRINGDALE	WATAB	COOK	WINONA
NORTH STAR	RICE LAKE	SPRINGHILL	WATERBURY	COTTONWOOD	WRIGHT
NORTHERN	RICH VALLEY	SPRINGVALE	WATERTOWN	CROW WING	YELLOW MEDICINE
NORTHFIELD	RICHARDSON	SPRINGWATER	WATERVILLE	DAKOTA	
NORWAY	RICHMOND	SPRUCE GROVE	WATOPA	DODGE	
NORWEGIAN	RIVER FALLS	ST JAMES	WAWINA	DOUGLAS	
GROVE	RIVERSIDE	ST JOSEPH	WEBSTER	FARIBAULT	
OAK LAWN	ROCHESTER	ST MARTIN	WEIMER	FILLMORE	
OAK PARK	ROCK DELL	ST OLAF	WELCH	FREEBORN	
OAK VALLEY	ROCKFORD	STANCHFIELD	WELLINGTON	GOODHUE	
OAKLAND	ROCKSBURY	STANFORD	WELLS	GRANT	
ODESSA	ROCKWOOD	STANTON	WEST HERON	HENNEPIN	
ORION	ROGERS	STAPLES	LAKE	HOUSTON	
ORROCK	ROLLING GREEN	STAR LAKE	WEST NEWTON	HUBBARD	
ORTON	ROLLINGSTONE	STERLING	WESTBROOK	ISANTI	
		STILLWATER	WHEATLAND	ITASCA	
		STOCKHOLM	WHITE	JACKSON	
		STONY RUN	WHITE BEAR	KANABEC	
				KANDIYOHI	

COUNTIES

AITKIN	ROSEAU
ANOKA	ST LOUIS
BECKER	SCOTT
BELTRAMI	SHERBURNE
BENTON	SIBLEY
BIG STONE	STEARNS
BLUE EARTH	STEELE
BROWN	STEVENS
CARLTON	SWIFT
CARVER	TODD
CASS	TRAVERSE
CHIPPEWA	WABASHA
CHISAGO	WADENA
CLAY	WASECA
CLEARWATER	WASHINGTON
COOK	WATONWAN
COTTONWOOD	WILKIN
CROW WING	WINONA
DAKOTA	WRIGHT
DODGE	YELLOW MEDICINE

SCHOOLS

ACORN DUAL LANGUAGE
COMMUNITY ISD-4018
ADA-BORUP ISD-2854
ADRIAN ISD-511
AITKIN ISD-162
AKELEY-HACKENSACK-WALKER ISD 113
ALBANY ISD-745
ALBERT LEA ISD-241
ALBERTA-CHOKIO ISD-771
ALDEN-CONGER ISD-242
ALEXANDRIA ISD-206
AMBOY-MAPLETON-
MINNESOTA LAKE ISD-2135

ANNANDALE ISD-876
 ANOKA-HENNEPIN ISD-11
 ARROWHEAD REGIONAL COMPUTING
 ASHBY ISD-261
 ASKOV-SANDSTONE ISD-2580
 ATWATER-COSMOS-GROVE CITY ISD-2396
 AUDUBON ISD-21
 AURORA CHARTER SCHOOL
 AURORA-HOYT-BIWABIK ISD-2711
 AUSTIN ISD-492
 BABBITT-TOWER-ST LOUIS CO ISD-2142
 BACKUS-PINE RIVER ISD-2174
 BADGER ISD-676
 BAGLEY ISD-162
 BALATON ISD-411
 BARNESVILLE ISD-146
 BARNUM ISD-91
 BATTLE LAKE ISD-542
 BECKER ISD-726
 BELGRADE-BROOTEN ISD-2364
 BELLE PLAINE ISD-716
 BELLINGHAM ISD-371
 BELVIEW-DANUBE-
 RENVLL-SAC HRT ISD-3001
 BEMIDJI ISD-31
 BEMIDJI REGIONAL
 INTERDISTRICT COUNCIL
 BENSON ISD-777
 BENTON-STEARNS
 SPECIAL EDUCATION
 BERTHA-HEWITT ISD-786
 BIG LAKE ISD-727
 BIRD ISLAND -OLIVIA ISD-2534
 BLACKDUCK ISD-32
 BLOOMING PRAIRIE ISD-756
 BLOOMINGTON ISD-271
 BLUE EARTH-WINNEBAGO ISD-2860
 BLUFFVIEW MONTESSORI ISD-4001
 BORDER REGION ED DIST ISD-6020
 BOYD-DAWSON ISD-378
 BRAHAM ISD-314
 BRAINERD ISD-181
 BRANDON ISD-207
 BRECKENRIDGE ISD-846
 BREWSTER ISD-513
 BRICELYN-EASTON-REEBORN-
 WELL ISD-2134
 BROOKLYN CENTER ISD-286
 BROWERVILLE ISD-787
 BROWNS VALLEY ISD-801
 BUFFALO ISD-877
 BUFFALO LAKE ISD-647
 BUFFALO LAKE-
 HECTOR ISD-2159
 BUHL-MOUNTAIN IRON ISD-712
 BURNSVILLE ISD-191
 BUTTERFIELD ISD-836
 BYRON ISD-531
 CALEDONIA ISD-299
 CAMBRIDGE-ISANTI ISD-911
 CAMPBELL TINTAH ISD-852
 CANBY ISD-891
 CANNON FALLS ISD-252
 CANTON-MABEL ISD-238
 CARLTON ISD-93
 CARVER-SCOTT EDUCATIONAL COOP #930
 CASS LAKE ISD-115
 CEDAR-RIVERSIDE COMMUNITY ISD-4004
 CENTENNIAL ISD-12
 CENTRAL MINNESOTA DEAF SCHOOL ISD-
 4022
 CENTRAL MINNESOTA E R D C
 CHASKA ISD-112
 CHISAGO LAKES ISD-2144
 CHISHOLM ISD-695
 CHOSEN VALLEY ISD-227
 CIRCLE PINES ISD-12
 CITY ACADEMY ISD-4000
 CLARA CITY ISD-2180
 CLAREMONT-DODGE CNTR-
 W CONCOR ISD-2125
 CLEARBROOK-GONVICK ISD-2311
 CLEVELAND ISD-391
 CLIMAX ISD-592
 CLINTON-GRACEVILLE-BEARDSLEY ISD-55
 CLOQUET ISD-94
 COKATO-DASSEL ISD-466
 COLD SPRING ISD-750
 COLERAINE ISD-316
 COLUMBIA HEIGHTS ISD-13
 COMFREY ISD-81
 COMMUNITY OF PEACE ACADEMY ISD-4015
 CONCORDIA EARLY LEARNING SCHOOL
 COOK -ISD166
 COON RAPIDS LEARNING CENTER
 COTTONWOOD-WOOD LAKE ISD-2167
 CROMWELL ISD-95
 CROOKSTON ISD-593
 CROSBY-IRONTON ISD-182
 CROSSLAKE COMMUNITY SCHOOL
 CYBER VILLAGE ACADEMY ISD-4025
 CYRUS ISD-611
 DAKOTA INTERMEDIATE DIST-917
 DEER RIVER ISD-317
 DELANO ISD-879
 DETROIT LAKES ISD-22
 DETROIT LAKES NW TECH COLLEGE ISD-
 2200
 DILWORTH-GLYNDON-FELTON ISD-2164
 DOVER-EYOTA ISD-533
 DULUTH ISD-709
 E CHAIN-GRANADA-HUNTLEY ISD-2536
 EAGLE BEND ISD-2759
 EAST CENTRAL ISD 2580
 EAST GRAND FORKS ISD-595
 ECI NOOMPA WOONSPE
 CHARTER SCH ISD-4028
 EDEN PRAIRIE ISD-272
 EDEN VALLEY-WATKINS ISD-463
 EDGERTON ISD-581
 EDINA ISD-273
 ELGIN ISD-806
 ELK RIVER ISD-728
 ELLSWORTH ISD-514
 ELY ISD-696
 EMILY ISD-4012
 ESKO ISD-99
 ESV REGION V COMPUTER SERVICE
 EVANSVILLE ISD-208
 EVELETH-GILBERT ISD-2154
 FAIRMONT-CEYLON ISD-2752
 FARIBAULT ISD-656
 FARMINGTON ISD-192
 FERGUS FALLS ISD-544
 FERGUS FALLS SPECIAL EDUCATION 935
 FERTILE ISD-599
 FISHER ISD-600
 FLOODWOOD ISD-698
 FOLEY ISD-51
 FOREST LAKE ISD-831
 FORT SNELLING ACADEMY
 FOSSTON ISD-601
 FOUR DIRECTIONS CHARTER SCHOOL
 FRAZEE-VERGAS ISD-23
 FREDERICK DOUGLASS ACADEMY ISD-4010
 FRESHWATER EDUC DIST-6004
 FRIDLEY ISD-14
 FULDA ISD-505
 GARFIELD ISD 215
 GFW ISD-733
 GLENCOE-SILVER LAKE ISD-2859
 GLENVILLE ISD-245
 GOODHUE EDUCATION DISTRICT ISD-60
 GOODHUE ISD-253
 GOODRIDGE ISD-561
 GRAND MEADOW ISD-495
 GRAND RAPIDS ISD-318
 GRANITE FALLS-LARKFIELD-ECHO ISD-2190
 GREENBUSH-MIDDLE RIVER ISD-2683
 GRYGLA ISD-447
 HALSTAD-HENDRUM ISD-2527
 HANCOCK ISD-768
 HARMONY-PRESTON-FOUNTAIN ISD-2198
 HARTLAND-N RICHLAND-ELLEDALE ISD-2168
 HASTINGS ISD-200
 HAWLEY ISD-150
 HAYFIELD ISD-203
 HEART OF THE EARTH CENTER, AM INDIAN ED
 HENDERSON-LE SUEUR ISD-2397
 HENDRICKS ISD-402
 HENNEPIN ISD-287
 HENNING ISD-545
 HERMAN ISD-264
 HERMANTOWN ISD-700
 HERON LAKE-OKABENA ISD-330
 HIAWATHA VALLEY ISD-6013
 HIBBING ISD-701
 HIGH SCHOOL FOR THE RECORDING ARTS
 HIGHER GROUND ACADEMY
 HILL CITY ISD-2
 HILLS BEAVER CREEK ISD-671
 HINCKLEY-FINLAYSON ISD-2165
 HITTERDAL-ULEN ISD-914
 HOLDINGFORD ISD-738
 HOPKINS ISD-270
 HOUSTON ISD-294
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ST JAMES ISD-840
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ST LOUIS PARK ISD-283
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ST PAUL ISD-625
ST PETER ISD-508
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SW & W CENTRAL EDUC SERVICE
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WORTHINGTON ISD-518
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MISCELLANEOUS

ADAMS HEALTH CARE CENTER
AFSCME COUNCIL 65
AITKIN COUNTY SWCD
ALEXANDRIA LAKE AREA SANITARY DISTRICT
ANOKA COUNTY SWCD
AREA II MINNESOTA RIVER BASIN PRODUCTS
ARROWHEAD LIBRARY SYSTEM
ARROWHEAD REGIONAL
DEVELOPMENT COMMISSION
ASSOCIATION OF MINNESOTA COUNTIES
BATTLE LAKE AREA LANDFILL ASSOCIATION
BATTLE LAKE MOTOR PATROL ASSOCIATION
BECKER COUNTY SWCD
BELLE CREEK WATERSHED DISTRICT
BELTRAMI COUNTY SWCD
BENTON COUNTY SWCD

BIG STONE COUNTY SWCD
BLUE EARTH COUNTY SWCD
BLUE EARTH RIVER BASIN INITIATIVE
BOARD OF PUBLIC DEFENDERS
BOIS DE SIOUX WATERSHED DISTRICT
BOVEY COLERAINE TREATMENT PLANT
COMM
BRAHAM-ISANTI-MILACA JPB
BROWN COUNTY SWCD
CALLAWAY OGEMA POLICE DEPARTMENT
JPB
CARLTON COUNTY SWCD
CARVER COUNTY SWCD
CASS COUNTY SWCD
CCLNS JOINT POWERS BOARD #3
CEDAR RIVER EDUC SERVICE COOP
CENTENNIAL LAKES POLICE DEPT
CENTRAL MINNESOTA COUNTY SWCD -
CLUSTER 5
CENTRAL ST CROIX VALLEY CABLE
CHISAGO COUNTY SWCD
CITY EMPLOYEES' UNION 363
CLAY COUNTY SWCD
CLEARWATER COUNTY SWCD
CLEARWATER RIVER WATERSHED DISTRICT
COOK COUNTY SWCD
COON CREEK WATERSHED DISTRICT
CORRECTIONS AGENCY
COTTONWOOD COUNTY SWCD
COTTONWOOD-JACKSON HEALTH SERVICE
CROW RIVER RECREATION DEPARTMENT
CROW WING COUNTY SWCD
DAKOTA COUNTY SWCD
DELAVIN-EASTON PUBLIC SAFETY
DEPT OF MILITARY AFFAIRS
DODGE COUNTY SWCD
DOUGLAS COUNTY SWCD
DOVER-EYOTA ST CHARLES
SANITARY DISTRICT
EAST CENTRAL COOPERATIVE CENTER
EAST CENTRAL REGIONAL
DEVELOPMENT COMM
EAST CENTRAL REGIONAL LIBRARY
EAST OTTER TAIL COUNTY SWCD
EAST POLK COUNTY SWCD
EAST RANGE JOINT POWERS BOARD
EDUCATION MINNESOTA
EFSD JOINT RECREATION BOARD
ESSENTIAL HEALTH PLAN JOINT
POWERS BOARD
FARIBAUT COUNTY SWCD
FREEBORN COUNTY SWCD
GLENWOOD JOINTPOWER SCH DIST
GOODHUE COUNTY SWCD
GOVERNMENT TRAINING SERVICE
GRANT COUNTY SWCD
GREAT RIVER REGIONAL LIBRARY
GREENWAY JOINT RECREATION
ASSOCIATION
HAWLEY AREA EMS JPB
HEADWATER NUTRITION PROJECT
HEADWATERS REGIONAL
DEVELOPMENT COMM
HERON LAKE WATERSHED DISTRICT
HIGHLAND VOCATIONAL
HUBBARD COUNTY SWCD
HUMAN SERVICE BOARD MARTIN-
FARIBAUT CO
IMPACK 6 JOINT POWERS BOARD
INTERNATIONAL UNION

OPERATING ENGINEERS
ISANTI COUNTY SWCD
ITASCA COUNTY SWCD
JOINT POWERS BOARD
JPB ZONE 10
KANABEC COUNTY SWCD
KANDIYOHI AREA TRANSIT JPB
KANDIYOHI COUNTY SWCD
KITCHIGAMI REGIONAL LIBRARY
KITTSOON COUNTY SWCD
KITTSOON-MARSHALL RURAL WATER SYST
KOOCHICHING COUNTY SWCD
LAC QUI PARLE COUNTY SWCD
LAC QUI PARLE/YELLOW MEDICINE
WATERSHED
LAKE AGASSIZ REGIONAL LIBRARY
LAKE COUNTY SWCD
LAKE MINNETONKA
COMMUNICATION COMMISSION
LAKE MINNETONKA
CONSERVATION DISTRICT
LAKE OF THE WOODS COUNTY SWCD
LAKES AREA RECREATION
LEAGUE OF MINNESOTA CITIES
LINCOLN
LINCOLN COUNTY SWCD
LOCAL 132
LOGIS
LONG LAKE CONSERVATION CENTER
LOW INCOME ENERGY ASSISTANCE
LOWER MINNESOTA RIVER
WATERSHED DISTRICT
LYON COUNTY SWCD
MAHNOMEN COUNTY SWCD
MAHNOMEN HEALTH CENTER JPB
MAPE
MARSHALL COUNTY SWCD
MARSHALL- POLK RURAL WATER SYSTEM
MARSHALL-BELTRAMI COUNTY SWCD
MARTIN COUNTY SWCD
MARTIN-FARIBAUT CO
PRAIRIELAND WASTE BD
MC LEOD COUNTY SWCD
MEEKER COUNTY SWCD
METRO II
METRO INTER-COUNTY ASSOCIATION
METRO WASTE CONTROL COMMISSION
METRONET
METROPOLITAN AIRPORTS COMMISSION
METROPOLITAN CABLE NETWORK
METROPOLITAN COUNCIL
METROPOLITAN COUNCIL TRANSIT OPS
METROPOLITAN LIBRARY SERVICE AGENCY
METROPOLITAN MOSQUITO
CONTROL DISTRICT
METROPOLITAN SPORTS
FACILITY COMMISSION
MIDDLE RIVER/SNAKE RIVER WD
MID-MINNESOTA DEVELOPMENT
COMMISSION
MILLE LACS
MILLE LACS COUNTY SWCD
MINNEAPOLIS YOUTH COOR BOARD
MINNEHAHA CREEK WD
MINNESOTA COUNTIES
COMPUTER COOPERATIVE
MINNESOTA COUNTIES INS TRUST

Statistical Section

MINNESOTA MUNICIPAL
UTILITY ASSOCIATION
MINNESOTA RIVER SOURCE JPB
MINNESOTA STATE SHERIFFS ASSOCIATION
MINNESOTA TEAMSTER PUBLIC & LAW #320
MINNESOTA VALLEY REGIONAL LIBRARY
MINNESOTA VALLEY TRANSIT AUTHORITY
MOOSE LAKE-WINDEMERE
MORRISON COUNTY SWCD
MOTOR PATROL ASSOCIATION
MOWER COUNTY SWCD
MULTI NURSING SERVICE
NEW RICHLAND CARE CENTER
NICOLLET TRI-CITY JOINT POWERS BD
NICOLLET COUNTY SWCD
NOBLESCOUNTY SWCD
NORMAN COUNTY SWCD
NORTH CENTRAL MINNESOTA
COUNTY SWCD JPB
NORTH COUNTRY LIBRARY COOPERATIVE
NORTH COUNTRY VOCATIONAL
COOP CENTER
NORTH FORK CROW RIVER
WATERSHED DISTRICT
NORTH KITTSON RWS
NORTH METRO MAYORS ASSOCIATION
NORTH METROPOLITAN
TELECOMMUNICATIONS
NORTH SHORE COLLABORATIVE JPB
NORTH ST LOUISCOUNTY SWCD
NORTH SUBURBAN CABLE COMMISSION
NORTHEAST MINNESOTA OFFICE
JOB TRAINING
NORTHERN DAKOTA CABLE COMMISSION
NORTHERN LIGHTS LIBRARY NETWORK
NORTHWEST HENNEPIN HUMAN SERVICE
NORTHWEST REGIONAL DEVELOPMENT COMM
NORTHWEST SUBURBAN CABLE
COMMUN COMM
NORTHWESTERN MINNESOTA
JOINT POWER BOARD
OAK TERRACE NURSING HOME
OLMSTED COUNTY SWCD
OTTERTAIL WATER MANAGMENT DIST
PACT 4 FAMILIES COLLABORATIVE
PELICAN RIVER WD
PENNINGTON COUNTY SWCD
PENNINGTON-RED LAKE NURSING SERVI
PINE COUNTY SWCD
PINE RIVER SD
PINE TO PRAIRIE COOP CENTER
PIONEERLAND LIBRARY SYSTEM
PIPESTONE COUNTY SWCD
PLAINVIEW-ELGIN WATER DISTRICT
PLUM CREEK LIBRARY SYSTEM
POLICE DEPT OF SHERBURN AND WELCOME
POPE COUNTY SWCD
PRAIRIE LAKES DETENTION CENTER
PRIME WEST HEALTH SYSTEM JPB
PRIOR LAKE-SPRING LAKE WD
PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION
QUAD CITY CABLE COMMISSION
QUAD CITY COOPERATIVE
RAINBOW RIDER TRANSIT BOARD
RAMSEY-WASHINGTON SUBURBAN
CABLE COMM
RANGE ASSOCIATION OF MUNICIPALITIES
RED LAKE COUNTY SWCD
RED LAKE WD
RED RIVER VALLEY VOCATIONAL COOP CTNR
REDWOOD COUNTY SWCD
REDWOOD-COTTONWOOD RIVERS
CONTROL AREA
REGION IX DEVELOPMENT COMMISSION
REGION V DEVELOPMENT COMMISSION
RENVILLE COUNTY SWCD
RICE COUNTY SWCD
RICE CREEK WD
RICE-STEELE CONSOLIDATED DISPATCH
RICH PRAIRIE SEWER AND WATER DISTRICT
ROCK RWS
ROSEAU
ROSEAU COUNTY SWCD
ROSEAU RIVER WATERSHED DISTRICT
RUNESTONE COOPERATIVE CENTER
RUSH LAKE AREA SD
SAND HILL RIVER WATERSHED DISTRICT
SAUK CENTRE WD
SCOTT COUNTY SWCD
SCOTT JOINT CITY PROSECUTION
SERPENT LAKE SANITARY SEWER DISTRICT
SERVICE EMPLOYEES LOCAL 63
SHERBURNE COUNTY SWCD
SIBLEY COUNTY SWCD
SOUTH CENTRAL MINNESOTA
INTERLIBRARY EXC
SOUTH LAKE MINNETONKA POLICE DEPT
SOUTH ST LOUIS COUNTY SWCD
SOUTH WASHINGTON WATERSHED DISTRICT
SOUTHEAST COUNTY SWCD TECH
SUPPORT JPB
SOUTHERN MN -BASED PURCHASING JPB
SOUTHERN MN MUNICIPAL POWER AGENCY
SPRING GROVE AMBULANCE CORP
SPRING LAKE PARK-BLAINE-
MOUNDS VIEW FIRE
SPRING LAKE PARK FIRE JPB
ST BONIF/MINNESTRISTA
POLICE COMMISSION
ST CLOUD AREA PLAN ORGINIZATION
ST CLOUD METRO TRANSIT COMMISSION
ST LOUIS & LAKE REGIONAL RAILROAD
ST PAUL ARENA COMPANY
STATE SUPREME COURT JUDICIAL DISTRICT
STEARNS COUNTY SWCD
STEELE COUNTY SWCD
STEVENS COUNTY SWCD
STMA ARENA JPB
SUB SCH EMP #284
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SW MULTI-CO INTERLIB EXCHG
SW REGIONAL DEVEL COMM
SWIFT COUNTY SWCD
THE RURAL FIRE ASSOCIATION
TODD COUNTY SWCD
TOWNSHIP MAINTANCE ASSOCIATION
TRA EMPLOYER
TRAILBLAZER JOINT POWERS BOARD
TRAVERSE COUNTY SWCD
TRAVERSE DES SIOUX REGIONAL LIBRARY
TRI-CITY BIOSOLIDS DISPOSAL AUTHORITY
TSES PLANNING
TURTLE CREEK WD
TWO RIVER WATERSHED DISTRICT
UNITED AUTO WORKERS
UNIVERSITY OF MINNESOTA
UPPER MINNESOTA RIVER WD
UPPER MINNESOTA VALLEY REG DEVEL COMM
UTILITIES PLUS
VADNAIS LAKE AREA
VIKING LIBRARY SYSTEM
WABASHA COUNTY SWCD
WADENA COUNTY SWCD
WASECA COOPERATIVE CENTER
WASECA COUNTY SWCD
WASHINGTONCOUNTY SWCD
WATONWAN COUNTY SWCD
WEST CENTRAL AREA AGENCY ON AGING
WEST CENTRAL MINNESOTA JPB
WEST HENNEPIN PUBLIC SAFETY
WEST METRO FIRE-RESCUE DISTRICT
WEST COUNTY SWCD
WEST POLK COUNTY
WESTERN AREA CITY & COOPERATIVE
WESTERN LAKE SUPERIOR SANITARY DISTRICT
WHITewater WATERSHED PROJECT JPB
WILKIN COUNTY SWCD
WINONA COUNTY SWCD
WORTHINGTON CABLE 3
JOINT POWERS BOARD
WWWRRR
YELLOW MEDICINE COUNTY SWCD
YELLOW MEDICINE RIVER WD



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