

Legislators Retirement Fund

*Actuarial Valuation and Review
as of July 1, 2004*

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January 14, 2005

*Mr. Dave Bergstrom
Minnesota State Retirement System
Legislators Retirement Fund
60 Empire Drive, Suite 300
St. Paul, Minnesota 55103-1855*

Dear Mr. Bergstrom:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2004. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2005 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by the Minnesota State Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

*Leslie L. Thompson, FSA, MAAA, EA
Senior Vice President and Actuary*

*Wally Malles, ASA, MAAA, EA
Associate Actuary*

*cc: Legislative Commission on Pensions and Retirement (3 copies)
Minnesota Legislative Reference Library (6 copies)
Minnesota Department of Finance (2 copies)*

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SECTION 1: Valuation Summary for the Legislators Retirement Fund

Purpose

This report has been prepared by The Segal Company to present a valuation of the Minnesota State Retirement System (Legislators Retirement Fund) as of July 1, 2004. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- Applicable Minnesota Statutes;
- The benefit provisions of the Retirement Fund; as administered by the Fund;
- The characteristics of covered active participants, inactive vested participants, retired participants and beneficiaries as of July 1, 2004, provided by the Fund;
- The assets of the Fund as of June 30, 2004, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

SECTION 1: Valuation Summary for the Legislators Retirement Fund

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The total dollar cost for the Fund increased slightly (from \$3.34 million to \$3.50 million), and payroll decreased significantly (from \$5.28 million to \$3.34 million). These changes created a large increase in the “percent of payroll” costs.
- The statutory contribution rate under Chapter 3A is equal to 9.00% of payroll compared to the required contribution rate under Chapter 356 of 104.72% of payroll. Therefore, the contribution deficiency is expected to be 95.72% of payroll or \$3,200,627.
- The funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2004 is 55.48% compared to 58.28% as of July 1, 2002. This ratio is a measure of funding status, and its history is a measure of funding progress, and is the ratio required to be reported under GASB 25.
- There were no changes in plan provisions, actuarial assumptions or actuarial cost methods since the prior valuation. This is the first year that The Segal Company prepared the actuarial valuation of the Fund.

SECTION 1: Valuation Summary for the Legislators Retirement Fund

Summary of Key Valuation Results

	2004	2002
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 3A	9.00%	9.00%
Required – Chapter 356	104.72%	63.12%
Sufficiency/(Deficiency)	-95.72%	-54.12%
Funding elements for plan year beginning July 1:		
Normal cost	\$565,086	\$941,000
Market value of assets	46,155,159	45,501,000
Actuarial value of assets (AVA)	46,155,159	45,501,000
Actuarial accrued liability (AAL)	83,197,221	78,070,000
Unfunded/(Overfunded) actuarial accrued liability	37,042,062	32,569,000
Funded ratios:		
<u>Accrued Benefit Funded Ratio</u>	56.27%	59.71%
Current assets (AVA)	\$46,155,159	\$45,501,000
Current benefit obligations	82,020,214	76,203,000
<u>Projected Benefit Funded Ratio</u>	57.01%	60.74%
Current and expected future assets	\$49,118,651	\$50,398,000
Current and expected future benefit obligations (Present Value of Benefits)	86,160,713	82,967,000
GASB 25/27 for plan year beginning July 1:		
Annual required employer contributions	\$2,064,817	\$2,603,000
<u>Accrued Liability Funded Ratio (AVA/AAL)</u>	55.48%	58.28%
Covered actual payroll	\$3,815,256	\$5,089,000
Demographic data for plan year beginning July 1:		
Number of retired participants and beneficiaries	315	297
Number of vested terminated participants	114	97
Number of other non-vested terminated participants	4	5
Number of active participants	87	134
Total projected payroll	\$3,343,323	\$5,284,000
Average projected payroll	38,429	39,433

SECTION 2: Valuation Results for the Legislators Retirement Fund

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the participant population has changed over the past three valuations can be seen in this chart.

CHART 1
Participant Population: 2001 – 2004

Year Ended June 30	Active Participants	Vested Terminated Participants*	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
2001	139	102	293	2.84
2002	134	97	297	2.94
2004	87	114	315	4.93

* Excludes terminated participants due a refund of employee contributions.

SECTION 2: Valuation Results for the Legislators Retirement Fund

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 87 active participants with an average age of 57.1, average years of service of 15.1 years and average projected payroll of \$38,429. The 134 active participants in the prior valuation had an average age of 55.5, average service of 13.3 years and average projected payroll of \$39,433.

Inactive Participants

In this year's valuation, there were 114 participants with a vested right to a deferred or immediate vested benefit.

In addition there were 4 other non-vested terminated participants entitled to a return of their employee contributions.

These graphs show a distribution of active participants by age and by years of service.

CHART 2
Distribution of Active Participants by Age as of June 30, 2004

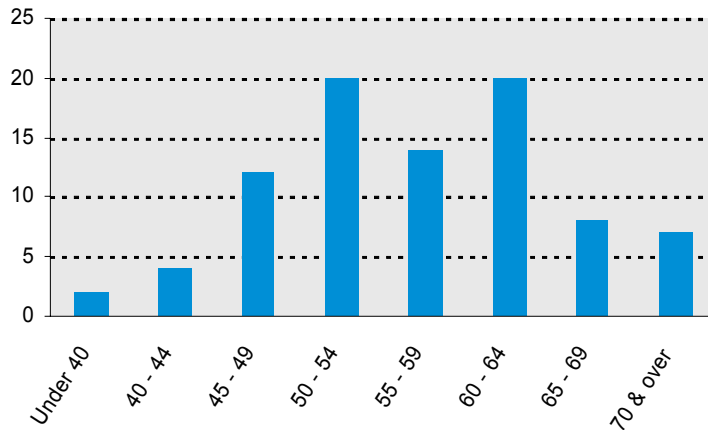
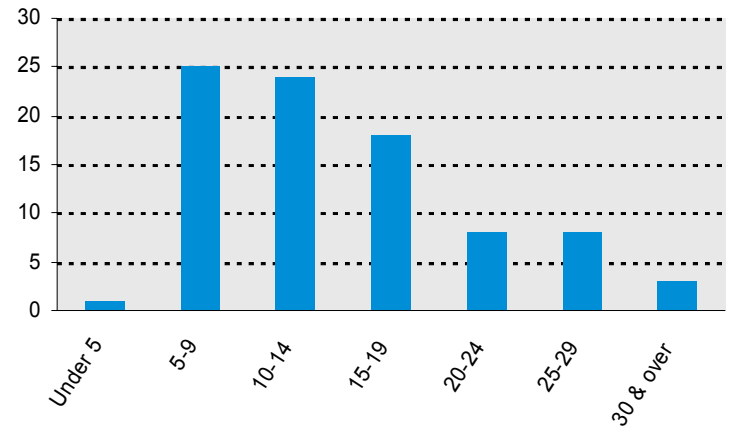


CHART 3
Distribution of Active Participants by Years of Service as of June 30, 2004



SECTION 2: Valuation Results for the Legislators Retirement Fund

Retired Participants and Beneficiaries

As of June 30, 2004, 251 retired participants and 64 beneficiaries were receiving average monthly benefits of \$1,548. For comparison, in the previous valuation, there were 230 retired participants and 67 beneficiaries receiving average monthly benefits of \$1,512.

These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of June 30, 2004

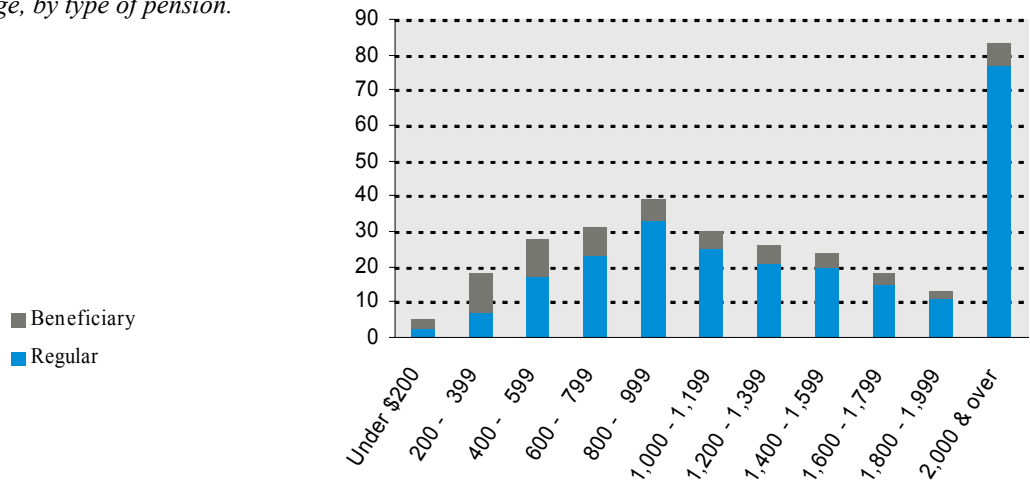
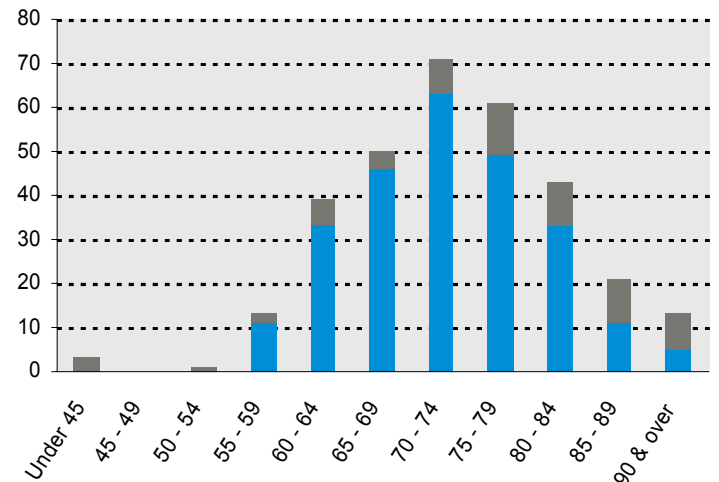


CHART 5
Distribution of Retired Participants and Beneficiaries by Type and by Age as of June 30, 2004



SECTION 2: Valuation Results for the Legislators Retirement Fund

B. FINANCIAL INFORMATION

The actuarial value of assets is equal to the market value of assets. The only assets of this plan are non-segregated member contributions. These assets are shown on an “as reported” basis. Asset smoothing would not be appropriate.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 6

Determination of Actuarial Value of Assets for Year Ended June 30, 2004

1. Actuarial value of assets (market value of assets)	\$46,155,159
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SECTION 2: Valuation Results for the Legislators Retirement Fund

C. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Section 4, Exhibit III presents a schedule of this information for the Fund.

The other critical piece of information regarding the Fund's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

GASB requires that the actuarial value of assets be used to determine the funded ratio, as shown in Section 4, Exhibit IV.

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30		Change From Prior Valuation
	2004	2002	
Active participants in valuation:			
Number	87	134	-35.1%
Average age	57.1	55.5	N/A
Average service	15.1	13.3	N/A
Total projected payroll	\$3,343,323	\$5,284,000	-36.7%
Average projected payroll	38,429	39,433	-2.5%
Total active vested participants	86	114	-24.6%
Vested terminated participants	114	97	17.5%
Retired participants:			
Number in pay status	251	230	9.1%
Average age	72.6	72.3	N/A
Average monthly benefit	1,673	1,653	1.2%
Disabled participants	0	0	0.0%
Beneficiaries:			
Number in pay status	64	67	-4.5%
Average age	75.3	75.5	N/A
Average monthly benefit	\$1,057	\$1,030	2.6%
Other non-vested terminated participants	4	5	-20.0%

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT B

**Participants in Active Service as of June 30, 2004
By Age, Years of Service, and Average Projected Payroll**

Age	Total	Years of Service						
		Under 5	5-9	10-14	15-19	20-24	25-29	30 & over
Under 40	2	--	2	--	--	--	--	--
	\$32,689	--	\$32,689	--	--	--	--	--
40 - 44	4	1	1	2	--	--	--	--
	34,454	\$39,748	32,689	\$32,689	--	--	--	--
45 - 49	12	--	3	5	4	--	--	--
	39,100	--	40,216	39,042	\$38,334	--	--	--
50 - 54	20	--	7	6	4	2	1	--
	38,463	--	37,528	37,629	42,862	\$32,689	\$43,980	--
55 - 59	14	--	3	4	3	1	2	1
	38,134	--	43,980	38,334	36,452	41,173	32,689	\$32,689
60 - 64	20	--	6	2	5	3	3	1
	39,923	--	41,747	38,334	39,463	36,452	40,216	43,980
65 - 69	8	--	1	3	1	1	1	1
	38,334	--	43,980	40,216	32,689	32,689	32,689	43,980
70 & over	7	--	2	2	1	1	1	--
	37,528	--	38,334	43,980	32,689	32,689	32,689	--
Total	87	1	25	24	18	8	8	3
	\$38,429	\$39,748	\$39,379	\$38,541	\$38,713	\$35,161	\$36,923	\$40,216

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT C

Reconciliation of Participant Data

	Active Participants	Vested Terminated Participants	Other Non- Vested Terminated Participants	Disableds	Retired Participants	Beneficiaries	Total
Number as of July 1, 2002	134	97	5	0	230	67	533
Changes	<u>-47</u>	<u>17</u>	<u>-1</u>	<u>0</u>	<u>21</u>	<u>-3</u>	<u>-13</u>
Number as of July 1, 2004	87	114	4	0	251	64	520

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT D

Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2004

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets available at beginning of period	\$7,685,000	\$37,816,000	\$45,501,000
B. Operating revenues:			
1. Member contributions	\$343,373	\$0	\$343,373
2. Employer contributions	0	0	0
3. Contributions from other sources	424,679	0	424,679
4. MPRIF income	0	3,061,257	3,061,257
5. Net investment income			
(a) Interest and dividends	0	0	0
(b) Net appreciation/(depreciation)	2,613,396	0	2,613,396
(c) Investment expenses	<u>0</u>	<u>0</u>	<u>0</u>
(d) Net subtotal	\$2,613,396	\$0	\$2,613,396
6. Other	<u>553</u>	<u>0</u>	<u>553</u>
7. Total additions	\$3,382,001	\$3,061,257	\$6,443,258
C. Operating expenses:			
1. Benefits	\$0	\$5,766,150	\$5,766,150
2. Refunds	0	0	0
3. Administrative expenses	22,949	0	22,949
4. Other	<u>0</u>	<u>0</u>	<u>0</u>
5. Total operating expenses	\$22,949	\$5,766,150	\$5,789,099
D. Other changes in reserves:			
1. Annuities awarded	-\$2,987,474	\$2,987,474	\$0
2. Mortality gain/(loss)	-1,231,837	1,231,837	0
3. Change in MPRIF assumptions	<u>0</u>	<u>0</u>	<u>0</u>
4. Total other changes	-\$4,219,311	\$4,219,311	\$0
E. Assets available at end of period	\$6,824,741	\$39,330,418	\$46,155,159

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT E

Table of Financial Information for Year Ended June 30, 2004

	Market Value	Cost Value
Assets in trust		
Cash, equivalents, short-term securities:	\$0	\$0
Fixed income	0	0
Equity	0	0
Real estate	0	0
Equity in MPRIF	39,330,418	39,330,418
Other	<u>8,082,298</u>	<u>8,082,298</u>
Total assets in trust	\$47,412,716	\$47,412,716
Assets receivable	-\$1,231,560	-\$1,231,560
Total assets	\$46,181,156	\$46,181,156
Amounts currently payable	-\$25,997	-\$25,997
Assets available for benefits		
MPRIF reserves	\$39,330,418	\$39,330,418
Member reserves	6,749,462	6,749,462
Other non-MPRIF reserves	<u>75,279</u>	<u>75,279</u>
Net Assets at Market/Cost Value	<u>\$46,155,159</u>	<u>\$46,155,159</u>
Net Assets at Actuarial Value	<u>\$46,155,159</u>	<u>\$46,155,159</u>

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT F

Development of the Fund Through June 30, 2004

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2002	\$4,135,000	\$458,000	\$3,611,000	\$29,000	\$5,282,000	\$45,501,000
2004	0	343,373	6,099,885	22,949	5,766,150	46,155,159

** Net Investment Return on an Actuarial Value of Assets basis and net of investment fees.*

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT G

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2004

1. Unfunded/(Overfunded) actuarial accrued liability as of the prior valuation date	\$32,569,000
2. Changes due to passage of time and actuarial experience	<u>4,473,062</u>
3. Unfunded/(Overfunded) actuarial accrued liability at end of year	<u>\$37,042,062</u>

SECTION 3: Supplemental Information for the Legislators Retirement Fund

EXHIBIT H

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Fund is calculated including:

- (a) Investment return — the rate of investment yield that the Fund will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability:

The extent to which the actuarial accrued liability of the Fund exceeds the assets of the Fund. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Legislators Retirement Fund

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Fund's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

Accrued Benefit Funded Ratio:

A current year funded status that measures the percent of benefits covered by Current Assets. This ratio is based on benefits earned to the valuation date (accrued service) and includes future salary increases to retirement. The liability for these benefits is defined as the Current Benefit Obligations. The Accrued Benefit Funded Ratio is calculated as the Actuarial Value of Assets (Current Assets) divided by the Current Benefit Obligations.

Projected Benefit Funded Ratio:

A projected funded status that measures contribution sufficiency/deficiency, which is based on a present value of all plan benefits for the lifetime of all plan members. The liability for these benefits is defined as the Current and Expected Future Benefit Obligations, or Present Value of Benefits. The Current and Expected Future Assets are determined as the sum of the Actuarial Value of Assets (Current Assets), the Present Value of Expected Future Statutory Supplemental Contributions and the Present Value of Future Normal Costs. The Projected Benefit Funded Ratio is calculated as the Current and Expected Future Assets divided by the Current and Expected Future Benefit Obligations. If the ratio is equal to or more than 100%, there is a contribution sufficiency, and if it is less than 100% there is a contribution deficiency.

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 64 beneficiaries in pay status)		315
2. Participants inactive during year ended June 30, 2004 with vested rights		114
3. Participants active during the year ended June 30, 2004		87
Fully vested	86	
Not vested	1	

The actuarial factors as of the valuation date are as follows:

1. Normal cost		\$565,086
2. Present value of future benefits		86,160,713
3. Present value of future normal costs		2,963,492
4. Actuarial accrued liability		83,197,221
Retired participants and beneficiaries	\$52,636,954	
Inactive participants with vested rights	17,842,139	
Participants due refunds	57,636	
Active participants	12,660,492	
5. Actuarial value of assets (\$46,155,159 at market value)		46,155,159
6. Unfunded actuarial accrued liability		\$37,042,062

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability			
1. Active participants:			
(a) Death benefits	\$214,997	\$73,908	\$141,089
(b) Disability benefits	0	0	0
(c) Withdrawal benefits	19,391	188,195	-168,804
(d) Retirement benefits	<u>15,389,596</u>	<u>2,701,389</u>	<u>12,688,207</u>
(e) Total	\$15,623,984	\$2,963,492	\$12,660,492
2. Vested terminated participants	\$17,842,139	\$0	\$17,842,139
3. Other non-vested terminated participants	57,636	0	57,636
4. Annuitants in MPRIF	39,330,418	0	39,330,418
5. Annuitants not in MPRIF	<u>13,306,536</u>	<u>0</u>	<u>13,306,536</u>
6. Total	\$86,160,713	\$2,963,492	\$83,197,221
B. Determination of Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability			\$83,197,221
2. Actuarial Value of Assets			<u>46,155,159</u>
3. Unfunded Actuarial Accrued Liability: (1) – (2)			\$37,042,062
C. Determination of Supplemental Contribution Rate			
1. Present value of future payrolls through the amortization date of June 30, 2021			\$42,384,249
2. Supplemental contribution rate: (B.3) / (C.1)			87.40%

SECTION 4: Reporting Information for the Legislators Retirement Fund

**EXHIBIT II
Actuarial Balance Sheet**

A. Current Assets				\$46,155,159
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				\$0
2. Present Value of Future Normal Costs				<u>2,963,492</u>
3. Total Expected Future Assets				\$2,963,492
C. Total Current and Expected Future Assets				\$49,118,651
D. Current Benefit Obligations	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>	
1. Benefit recipients:				
(a) Retirement annuities	\$0	\$46,034,349	\$46,034,349	
(b) Disability benefits	0	0	0	
(c) Beneficiaries	0	6,602,605	6,602,605	
2. Vested terminated participants	0	17,842,139	17,842,139	
3. Other non-vested terminated participants	0	57,636	57,636	
4. Active participants	<u>22,692</u>	<u>11,460,793</u>	<u>11,483,485</u>	
5. Total Current Benefit Obligations	\$22,692	\$81,997,522	\$82,020,214	
E. Expected Future Benefit Obligations				<u>\$4,140,499</u>
F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				\$86,160,713
G. Current Unfunded Actuarial Liability (D.5 - A)				\$35,865,055
H. Current and Future Unfunded Actuarial Liability (F - C)				\$37,042,062

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Year Ended June 30	Actuarially Required Contribution Rate (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Employer Contributions [(a) x (b)] – (c) = (d)	Actual Employer Contributions⁽¹⁾ (e)	Percentage Contributed (e) / (d)
1991	32.62%	\$7,078,000	\$637,000	\$1,672,000	\$1,889,000	112.98%
1992	27.67%	6,556,000	590,000	1,224,000	601,000	49.10%
1993	30.49%	7,322,000	659,000	1,573,000	2,284,000	145.20%
1994	31.12%	6,589,000	593,000	1,457,000	1,618,000	111.05%
1995	38.34%	7,056,000	635,000	2,070,000	2,938,000	141.93%
1996	41.54%	6,267,000	564,000	2,039,000	1,511,000	74.10%
1997	43.96%	7,767,000	699,000	2,715,000	3,176,000	116.98%
1998	48.03%	6,802,000	612,000	2,655,000	5,199,000	195.82%
1999	47.19%	7,490,000	674,000	2,861,000	2,091,000	73.09%
2000	52.72%	5,808,000	523,000	2,539,000	3,192,000	125.72%
2001	47.26%	5,858,000	527,000	2,241,000	5,039,000	224.85%
2002	60.14%	5,089,000	458,000	2,603,000	4,135,000	158.86%
2003	63.12% ⁽²⁾	--	--	--	--	--
2004	63.12% ⁽³⁾	3,815,256	343,373	2,064,817	0	0.00%
2005	104.72%					

⁽¹⁾ Includes contributions from other sources (if applicable).

⁽²⁾ Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 61.36%.

⁽³⁾ Actuarially Required Contribution Rate is equal to prior year's rate since an actuarial valuation was not completed as of July 1, 2003.

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT IV

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
07/01/1991	\$14,694,000	\$30,403,000	\$15,709,000	48.33%	\$7,078,000	221.94%
07/01/1992	15,160,000	33,224,000	18,064,000	45.63%	6,556,000	275.53%
07/01/1993	17,169,000	36,801,000	19,632,000	46.65%	7,322,000	268.12%
07/01/1994	18,738,000	45,448,000	26,710,000	41.23%	6,589,000	405.37%
07/01/1995	21,213,000	50,255,000	29,042,000	42.21%	7,056,000	411.59%
07/01/1996	22,532,000	54,225,000	31,693,000	41.55%	6,267,000	505.71%
07/01/1997	25,678,000	60,055,000	34,377,000	42.76%	7,767,000	442.60%
07/01/1998	31,212,000	62,928,000	31,716,000	49.60%	6,802,000	466.27%
07/01/1999	33,474,000	66,418,000	32,944,000	50.40%	7,490,000	439.84%
07/01/2000	37,265,000	69,364,000	32,099,000	53.72%	5,808,000	552.67%
07/01/2001	42,608,000	75,072,000	32,464,000	56.76%	5,858,000	554.18%
07/01/2002	45,501,000	78,070,000	32,569,000	58.28%	5,089,000	639.99%
07/01/2003*	--	--	--	--	--	--
07/01/2004	46,155,159	83,197,221	37,042,062	55.48%	3,815,256	970.89%

* An actuarial valuation was not completed as of July 1, 2003.

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT V

Determination of Contribution Sufficiency

	July 1, 2004	
	Percent of Payroll	Dollar Amount
A. Statutory Contributions – Chapter 3A		
1. Member Contributions	9.00%	\$300,899
2. Employer Contributions	<u>0.00%</u>	<u>0</u>
3. Total	<u>9.00%</u>	<u>\$300,899</u>
B. Required Contributions – Chapter 356		
1. Normal Cost		
(a) Retirement Benefits	15.34%	\$513,001
(b) Disability Benefits	0.00%	0
(c) Survivors	0.42%	14,166
(d) Deferred Retirement Benefits	<u>1.13%</u>	<u>37,919</u>
(e) Total	16.89%	\$565,086
2. Amortization of Supplemental Contribution UAAL	87.40%	2,922,064
3. Allowance for Expenses	<u>0.43%</u>	<u>14,376</u>
4. Total	<u>104.72%</u>	<u>\$3,501,526</u>
C. Contribution Sufficiency (Deficiency) (A.3 – B.4)	-95.72%	-\$3,200,627
D. Projected annual payroll for fiscal year beginning on the valuation date		\$3,343,323

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT VI

Supplementary Information Required by the GASB

Valuation date	July 1, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Remaining amortization period	17 years remaining as of July 1, 2004
Asset valuation method	The actuarial value of assets is equal to the market value of assets.
Actuarial assumptions:	
Investment rate of return:	
Pre-retirement	8.50% per annum
Post-retirement	8.50% per annum (payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumption)
Plan membership:	
Retired participants and beneficiaries receiving benefits	315
Terminated participants entitled to, but not yet receiving benefits	114
Other non-vested terminated participants	4
Active participants	<u>87</u>
Total	520

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT VII

Actuarial Assumptions and Actuarial Cost Method

Net Investment Return:

Pre-Retirement: 8.50% per annum.

Post-Retirement: 8.50% per annum.

Benefit Increases After Retirement: Payment of earnings on retired reserves in excess of 6.00% accounted for by using a 6.00% post-retirement assumption. For those not yet in pay status, a 5.00% post-retirement interest rate is used to account for the one-time adjustment applicable at retirement.

Salary Increases: 5.00% annually.

Mortality Rates:

Healthy Pre-Retirement: Male: 1983 Group Annuity Mortality Table for males set back four years.
Female: 1983 Group Annuity Mortality Table for females set back two years.

Healthy Post-Retirement: Male: 1983 Group Annuity Mortality Table for males.
Female: 1983 Group Annuity Mortality Table for females.

Disabled: Male: N/A
Female: N/A

Retirement Age: Age 62 or if over age 62, one year from valuation date.

SECTION 4: Reporting Information for the Legislators Retirement Fund

Withdrawal Rates:

Rates based on years of service.

<u>Year</u>	<u>House</u>	<u>Senate</u>
1	0.00%	0.00%
2	30.00	0.00
3	0.00	0.00
4	20.00	25.00
5	0.00	0.00
6	10.00	0.00
7	0.00	0.00
8	5.00	10.00

Disability:

None.

Allowance for Combined Service Annuity:

Liabilities for active members are increased by 0.00% and liabilities for former members are increased by 30.00% to account for the effect of some participants having eligibility for a Combined Service Annuity.

Expenses:

Prior year administration expenses expressed as percentage of prior year payroll.

Return of Contributions:

All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.

SECTION 4: Reporting Information for the Legislators Retirement Fund

Percent Married:	85.00% of members are assumed to be married.
Age of Spouse:	Females are assumed to be three years younger than male.
Eligible Children:	Each member may have two dependent children depending upon member's age. Assumed first child born at member's age 28 and second child is born at member's age 31.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
Asset Valuation Method:	Since the only assets of the plan are MPRIF assets plus non-segregated member deposits identified as receivables of the Plan, all assets are valued on an "as reported" basis.
Payment on the Unfunded Actuarial Accrued Liability:	A level percentage of payroll each year to the statutory amortization date assuming payroll increases of 5.00% per annum. If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount shall be amortized over 30 years as a level percentage of payroll.
Changes in Actuarial Assumptions and Actuarial Cost Methods:	There have been no changes in the actuarial assumptions or actuarial cost methods since the prior valuation.

SECTION 4: Reporting Information for the Legislators Retirement Fund

EXHIBIT VIII

Summary of Plan Provisions

This summary of provisions reflects the interpretation of applicable Statutes for purposes of preparing this valuation. This interpretation is not intended to create or rescind any benefit rights in conflict with any Minnesota Statutes.

Plan Year:	July 1 through June 30
Eligibility:	Members of the State Legislature elected to office before July 1, 1997 and who elect to retain coverage under this plan (i.e., do not elect Social Security coverage.) A member of PERA who is elected to the Legislature may elect to remain a member of PERA and receive credit under PERA for service as a legislator.
Contributions:	
<i>Member:</i>	9.00% of salary.
<i>Employer:</i>	No specified statutory contribution rate. State must contribute an amount equal to the full annuity value at benefit commencement less accumulated member contributions.
Service:	Granted for the full term unless termination occurs before the end of the term. Service during all or part of four regular legislative sessions is deemed to be eight years of service.
Salary:	Compensation received for service as a member of the legislature. Salary includes the monthly compensation paid to a legislator and the per diem payments paid during a regular or special session. Salary does not include additional compensation attributable to a leadership position.
Average Salary:	Average of the five highest successive years of salary.

SECTION 4: Reporting Information for the Legislators Retirement Fund

Retirement:

Normal Retirement Benefit:

Age/Service Requirement:

Age 62 and either six full years of service or service during all or part of four regular legislative sessions. For eligibility purposes, service does not include credit for time not served when a member does not serve a full term of office.

Amount:

A percentage of Average Salary for each year of service as follows:

Prior to January 1, 1979:

- (a) 5.00% for the first eight years; and
- (b) 2.50% for subsequent years

After December 31, 1978 and Before July 1, 1997:

- (a) 2.50%

After June 30, 1979:

- (a) 2.50% actuarially increased for 6.00% post-retirement factor

Early Retirement Benefit:

Age/Service Requirement:

Age 60 and either six full years of Service or Service during all or part of four regular legislative sessions.

Amount:

Normal retirement benefit based on service and Average Salary at retirement date assuming augmentation to age 62 at 3.00% per year and actuarial reduction for each month the member is under age 62.

Form of Payment:

Paid as a joint and survivor annuity to member, spouse and dependent children. Combined service annuitants with less than six years of Legislator service may elect 100.00% joint and survivor bounce back annuity or a term certain and life annuity on an actuarially equivalent basis.

Benefit Increases:

Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF).

Disability:

None.

SECTION 4: Reporting Information for the Legislators Retirement Fund

Death:

Surviving Spouse Benefit:

Age/Service Requirement:

Death while active, or after termination if service requirements for a normal retirement benefit is met but payments have not begun.

Amount:

Survivor's payments of 50.00% of the retirement benefit of the member assuming the member had attained normal retirement age and had a minimum of eight years of service. Benefit is paid for life. A former member's benefit is augmented as a Deferred Annuity to date of death before determining the portion payable to the spouse. If the legislator was at least age 60 at death, the surviving spouse may elect an optional joint and survivor annuity. If a deferred benefit was not eligible to be in pay status before July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Surviving Dependent Children's Benefit:

Age/Service Requirement:

Same as spouse's benefit.

Amount:

Benefit for first child is 25.00% of the retirement benefit (computed as for surviving spouse) with 12.50% for each additional child. Maximum payable (including spouse) is 100.00% of the retirement benefit. Benefits cease when a child marries or attains age 18 (22 if a full-time student).

Benefit Increases:

Adjusted by MSRS to provide same increase as MPRIF.

Refund of Contributions:

Age/Service Requirement:

Member dies before receiving any retirement benefits and survivor benefits are not payable.

Amount:

Member's contributions without interest.

Termination:

Refund of Contributions:

Age/Service Requirement:

Termination of service.

Amount:

Member's contributions with 5.00% interest compounded annually if termination occurred before May 16, 1989 and 6.00% interest if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund.

SECTION 4: Reporting Information for the Legislators Retirement Fund

Deferred Benefit:

Age/Service Requirement:

Same service requirement as for normal retirement.

Amount:

Benefit computed under law in effect at termination and increased by the following annual percentage:

- (a) 0.00% before July 1, 1973;
- (b) 5.00% from July 1, 1973 to January 1, 1981; and
- (c) 5.00% thereafter until the annuity begins.

For members who terminated prior to July 1, 1997 but were not eligible to commence their pensions before July 1, 1997, the benefit shall be increased to reflect the actuarial equivalent change in post-retirement interest rate from 5.00% to 6.00%. Amount is payable as a normal or early retirement.

Changes in Plan Provisions:

There have been no changes in the plan provisions since the prior valuation.