

**Minnesota State Retirement System
Elective State Officers Retirement Fund**

*Actuarial Valuation and Review
as of July 1, 2006*

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November 28, 2006

Mr. Dave Bergstrom
Minnesota State Retirement System
Elective State Officers Retirement Fund
60 Empire Drive, Suite 300
St. Paul, Minnesota 55103

Dear Mr. Bergstrom:

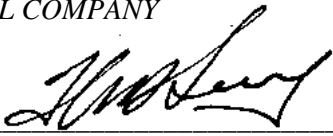
We are pleased to submit this Actuarial Valuation and Review as of July 1, 2006. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2007 and analyzes the preceding year's experience.

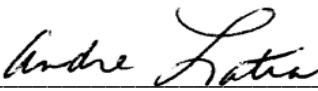
The census and financial information on which our calculations were based was prepared by the Minnesota State Retirement Fund. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.


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. Further, in our opinion, the assumptions used in the valuation are consistent with those in the statute, and reasonably represent the experience of the plan.

Sincerely,

THE SEGAL COMPANY

By: 
Thomas D. Levy, FSA, MAAA, EA
Senior Vice President and Chief Actuary


Andre Latia, FSA, MAAA, EA
Senior Vice President and Consulting Actuary


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Consulting 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 Elective State Officers Retirement Fund

Purpose

This report has been prepared by The Segal Company to present a valuation of the Minnesota State Retirement System as of July 1, 2006. 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 data as provided and confirmed by the MSRS staff;
- The benefit provisions of the Pension Plan, as administered by the Legislative Commission on Pensions and Retirement;
- The characteristics of inactive vested participants, retired participants, and beneficiaries as of July 1, 2006, provided by the Fund;
- The assets of the Fund as of June 30, 2006, provided by the Fund;
- Economic assumptions regarding investment earnings; and
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.

SECTION 1: Valuation Summary for the Elective State Officers Retirement Fund

Significant Issues in Valuation Year

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

- The statutory contribution under Chapter 352C is equal to \$0 compared to the required contribution under Chapter 356 of \$477,221. Therefore, the contribution deficiency is expected to be \$477,221. A contribution deficiency in any year will lead to an increased deficiency in all future years.
- The actuarial accrued liability funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2006 is 5.22% compared to 5.03% as of July 1, 2005. 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.

SECTION 1: Valuation Summary for the Elective State Officers Retirement Fund

Summary of Key Valuation Results

| | 2006 | 2005 |
|---|-------------|-------------|
| Contributions (\$ amount) for plan year beginning July 1: | | |
| Statutory – Chapter 352C | \$0 | \$0 |
| Required – Chapter 356 | 477,221 | 464,671 |
| Sufficiency/(Deficiency) | -477,221 | -464,671 |
| Funding elements for plan year beginning July 1: | | |
| Normal cost | \$0 | \$0 |
| Market value of assets | 207,099 | 204,297 |
| Actuarial value of assets (AVA) | 207,099 | 204,297 |
| Actuarial accrued liability (AAL) | 3,969,766 | 4,065,308 |
| Unfunded/(overfunded) actuarial accrued liability | 3,762,667 | 3,861,011 |
| Funded ratios: | | |
| <u>Accrued Benefit Funded Ratio</u> | 5.22% | 5.03% |
| Current assets (AVA) | \$207,099 | \$204,297 |
| Current benefit obligations | 3,969,766 | 4,065,308 |
| <u>Projected Benefit Funded Ratio</u> | 5.22% | 5.03% |
| Current and expected future assets | \$207,099 | \$204,297 |
| Current and expected future benefit obligations (Present Value of Benefits) | 3,969,766 | 4,065,308 |
| GASB 25/27 for plan year beginning July 1: | | |
| Annual required contributions | \$477,221 | \$464,671 |
| <u>Accrued Liability Funded Ratio (AVA/AAL)</u> | 5.22% | 5.03% |
| Covered actual payroll | \$0 | \$0 |
| Demographic data for plan year beginning July 1: | | |
| Number of retired participants and beneficiaries | 15 | 15 |
| Number of vested terminated participants | 1 | 1 |
| Number of other non-vested terminated members | 0 | 0 |
| Number of active participants | 0 | 0 |

SECTION 2: Valuation Results for the Elective State Officers Retirement Fund

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including 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 and B.

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

CHART 1
Participant Population: 2001 – 2006

| Year Ended June 30 | Active Participants | Vested Terminated Participants | Retired Participants and Beneficiaries | Ratio of Non-Actives to Actives |
|-------------------------------|--------------------------------|---|---|--|
| 2001 | 0 | 4 | 13 | N/A |
| 2002 | 0 | 4 | 13 | N/A |
| 2004 | 0 | 3 | 13 | N/A |
| 2005 | 0 | 1 | 15 | N/A |
| 2006 | 0 | 1 | 15 | N/A |

SECTION 2: Valuation Results for the Elective State Officers Retirement Fund

Active Participants

There were no active participants in this year's valuation or the previous valuation.

Inactive Participants

In this year's valuation, there was 1 participant with a vested right to a deferred or immediate vested benefit.

Retired Participants and Beneficiaries

As of June 30, 2006, 11 retired participants and 4 beneficiaries were receiving average monthly benefits of \$2,300. For comparison, in the previous valuation, there were 11 retired participants and 4 beneficiaries receiving average monthly benefits of \$2,245.

SECTION 2: Valuation Results for the Elective State Officers 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 due to the fact that the plan covers only inactive participants.

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

CHART 2

Determination of Actuarial Value of Assets for Year Ended June 30, 2006

| | |
|---|-----------|
| 1. Actuarial value of assets (market value of assets) | \$207,099 |
| 2. Market value of assets | 207,099 |
| 3. Actuarial value as percent of market value | 100.0% |

SECTION 2: Valuation Results for the Elective State Officers 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 within the range of the GASB reporting requirements.

The other critical piece of information regarding the Plan'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 factors.

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 Elective State Officers Retirement Fund

EXHIBIT A

Table of Plan Coverage

| Category | Year Ended June 30 | | Change From Prior Valuation |
|---|---------------------------|-------------|--|
| | 2006 | 2005 | |
| Active participants in valuation | 0 | 0 | 0.0% |
| Vested terminated participants | 1 | 1 | 0.0% |
| Retired participants: | | | |
| Number in pay status | 11 | 11 | 0.0% |
| Average age | 71.6 | 70.6 | N/A |
| Average monthly benefit | \$2,483 | \$2,424 | 2.4% |
| Disabled participants | 0 | 0 | 0.0% |
| Beneficiaries in pay status | 4 | 4 | 0.0% |

SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund

EXHIBIT B

Reconciliation of Participant Data

| | Active Participants | Vested Former Participants | Disableds | Retired Participants | Beneficiaries | Total |
|---------------------------|--------------------------------|---------------------------------------|------------------|---------------------------------|----------------------|--------------|
| Number as of July 1, 2005 | 0 | 1 | 0 | 11 | 4 | 16 |
| Retirements | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Number as of July 1, 2006 | 0 | 1 | 0 | 11 | 4 | 16 |

SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund

EXHIBIT C

Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2006

| | Non-MPRIF Assets | MPRIF Reserve | Market Value |
|--|-----------------------------|--------------------------|-------------------------|
| A. Assets Available at Beginning of Period | \$204,297 | \$0 | \$204,297 |
| B. Operating Revenues: | | | |
| 1. Member Contributions | \$0 | \$0 | \$0 |
| 2. Employer Contributions | 0 | 0 | 0 |
| 3. MPRIF Income | 0 | 0 | 0 |
| 4. Net Investment Income | 0 | 0 | 0 |
| 5. Other | <u>416,638</u> | <u>0</u> | <u>416,638</u> |
| 6. Total Additions | \$416,638 | \$0 | \$416,638 |
| C. Operating Expenses: | | | |
| 1. Benefits | \$409,095 | \$0 | \$409,095 |
| 2. Refunds | 0 | 0 | 0 |
| 3. Administrative Expenses | 4,741 | 0 | 4,741 |
| 4. Other | <u>0</u> | <u>0</u> | <u>0</u> |
| 5. Total Operating Expenses | \$413,836 | \$0 | \$413,836 |
| D. Other Changes in Reserves: | | | |
| 1. Annuities Awarded | \$0 | \$0 | \$0 |
| 2. Mortality Gain/(Loss) | 0 | 0 | 0 |
| 3. Change in MPRIF Assumptions | <u>0</u> | <u>0</u> | <u>0</u> |
| 4. Total Other Changes | \$0 | \$0 | \$0 |
| E. Assets Available at End of Period | \$207,099 | \$0 | \$207,099 |

SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund

EXHIBIT D

Table of Financial Information for Year Ended June 30, 2006

| | 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 | 0 | 0 |
| Other | <u>211,540</u> | <u>211,540</u> |
| Total Assets in Trust | \$211,540 | \$211,540 |
| Assets Receivable | <u>\$300</u> | <u>\$300</u> |
| Total Assets | \$211,840 | \$211,840 |
| Amounts Currently Payable | \$4,741 | \$4,741 |
| Assets Available for Benefits | | |
| MPRIF Reserves | \$0 | \$0 |
| Member Reserves | 35,563 | 35,563 |
| Other non-MPRIF Reserves | <u>171,536</u> | <u>171,536</u> |
| Net Assets at Market/Cost Value | <u>\$207,099</u> | <u>\$207,099</u> |

SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund

EXHIBIT E

Development of the Fund Through June 30, 2006

| Year Ended June 30 | General Fund Revenues | Employee Contributions | Net Investment Return* | Administrative Expenses | Benefit Payments | Actuarial Value of Assets at End of Year |
|-------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|-----------------------------|---|
| 2002 | \$354,000 | \$0 | \$0 | \$1,000 | \$353,000 | \$201,000 |
| 2004 | 384,060 | 0 | 0 | 731 | 380,763 | 203,566 |
| 2005 | 394,561 | 0 | 0 | 2,802 | 391,028 | 204,297 |
| 2006 | 416,638 | 0 | 0 | 4,741 | 409,095 | 207,099 |

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

SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund

EXHIBIT F

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2006

| | |
|---|--------------------|
| 1. Unfunded/(Overfunded) actuarial accrued liability as of the prior valuation date | \$3,861,011 |
| 2. Changes due to passage of time and actuarial experience | <u>-98,344</u> |
| 3. Unfunded/(Overfunded) actuarial accrued liability at end of year | <u>\$3,762,667</u> |

SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund

EXHIBIT G

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 Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan 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 Plan exceeds the assets of the Plan. 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 Elective State Officers Retirement Fund

Amortization of the Unfunded

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

Investment Return:

The rate of earnings of the Plan 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 often 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 Elective State Officers 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 4 beneficiaries in pay status) | 15 |
| 2. Participants inactive during year ended June 30, 2006 with vested rights | 1 |
| 3. Participants active during the year ended June 30, 2006 | 0 |

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

| | | |
|--|-------------|-------------|
| 1. Normal cost | | \$0 |
| 2. Present value of future benefits | | 3,969,766 |
| 3. Present value of future normal costs | | 0 |
| 4. Actuarial accrued liability | | 3,969,766 |
| Retired participants and beneficiaries | \$3,716,270 | |
| Inactive participants with vested rights | 253,496 | |
| Participants due refunds | 0 | |
| Active participants | 0 | |
| 5. Actuarial value of assets (\$207,099 at market value) | | \$207,099 |
| 6. Unfunded actuarial accrued liability | | \$3,762,667 |

SECTION 4: Reporting Information for the Elective State Officers 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 members: | \$0 | \$0 | \$0 |
| 2. Vested terminated members | 253,496 | 0 | 253,496 |
| 3. Other non-vested terminated members | 0 | 0 | 0 |
| 4. Annuitants in MPRIF | 0 | 0 | 0 |
| 5. Annuitants not in MPRIF | <u>3,716,270</u> | <u>0</u> | <u>3,716,270</u> |
| 6. Total | \$3,969,766 | \$0 | \$3,969,766 |
| B. Determination of Unfunded Actuarial Accrued Liability | | | |
| 1. Actuarial accrued liability | | | \$3,969,766 |
| 2. Actuarial value of assets | | | <u>207,099</u> |
| 3. Unfunded actuarial accrued liability: (B.1) – (B.2) | | | \$3,762,667 |
| C. Determination of Supplemental Contribution Amount | | | |
| 1. Current unfunded actuarial accrued liability to be amortized by June 30, 2017 | | | \$3,762,667 |
| 2. Supplemental contribution amount | | | \$476,221 |

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

EXHIBIT II
Actuarial Balance Sheet

| | | | | |
|---|--------------------------|----------------------|--|---------------------|
| A. Current Assets | | | | \$207,099 |
| B. Expected Future Assets | | | | |
| 1. Present Value of Expected Future Statutory Supplemental Contributions | | | | \$0 |
| 2. Present Value of Future Normal Costs | | | | <u>0</u> |
| 3. Total Expected Future Assets | | | | \$0 |
| C. Total Current and Expected Future Assets | | | | \$207,099 |
| D. Current Benefit Obligations | <u>Non-Vested</u> | <u>Vested</u> | | <u>Total</u> |
| 1. Benefit recipients: | | | | |
| (a) Retirement annuities | \$0 | \$3,086,293 | | \$3,086,293 |
| (b) Disability benefits | 0 | 0 | | 0 |
| (c) Beneficiaries | 0 | 629,977 | | 629,977 |
| 2. Vested terminated members | 0 | 253,496 | | 253,496 |
| 3. Other non-vested terminated members | 0 | 0 | | 0 |
| 4. Active members | <u>0</u> | <u>0</u> | | <u>0</u> |
| 5. Total Current Benefit Obligations | \$0 | \$3,969,766 | | \$3,969,766 |
| E. Expected Future Benefit Obligations | | | | <u>\$0</u> |
| F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E) | | | | \$3,969,766 |
| G. Current Unfunded Actuarial Liability (D.5 - A) | | | | \$3,762,667 |
| H. Current and Future Unfunded Actuarial Liability (F - C) | | | | \$3,762,667 |

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

| Year Ended June 30 | Actuarially Required Contribution Amount⁽¹⁾ (a) | Actual Covered Payroll (b) | Actual Member Contributions (c) | Annual Required Contributions⁽²⁾ [(a) x (b)] – (c) = (d) | Actual Employer Contributions⁽³⁾ (e) | Percentage Contributed (e) / (d) |
|---------------------------|---|---------------------------------------|--|--|--|---|
| 1991 | 34.84% | \$422,000 | \$38,000 | \$109,000 | \$40,000 | 36.70% |
| 1992 | 33.28% | 378,000 | 34,000 | 92,000 | 111,000 | 120.65% |
| 1993 | 36.23% | 500,000 | 45,000 | 136,000 | 88,000 | 64.71% |
| 1994 | 38.64% | 411,000 | 37,000 | 122,000 | 164,000 | 134.43% |
| 1995 | 42.00% | 422,000 | 38,000 | 139,000 | 165,000 | 118.71% |
| 1996 | 43.58% | 456,000 | 41,000 | 158,000 | 151,000 | 95.57% |
| 1997 | 43.49% | 467,000 | 42,000 | 161,000 | 167,000 | 103.73% |
| 1998 | 51.07% | 461,000 | 42,000 | 193,000 | 175,000 | 90.67% |
| 1999 | 51.66% | 291,000 | 26,000 | 124,000 | 40,000 | 32.26% |
| 2000 | \$321,000 | 0 | 0 | 321,000 | 306,000 | 95.33% |
| 2001 | 340,000 | 0 | 0 | 340,000 | 330,000 | 97.06% |
| 2002 | 371,000 | 0 | 0 | 371,000 | 354,000 | 95.42% |
| 2003 | 412,000 ⁽⁴⁾ | 0 | 0 | 412,000 | 371,294 | 90.12% |
| 2004 | 412,000 ⁽⁵⁾ | 0 | 0 | 412,000 | 382,679 | 92.88% |
| 2005 | 436,594 | 0 | 0 | 436,594 | 394,561 | 90.37% |
| 2006 | 464,671 | 0 | 0 | 464,671 | 416,638 | 89.66% |
| 2007 | 477,221 | | | | | |

⁽¹⁾ Shown as a percent of payroll for years before 2000.

⁽²⁾ For years after 1999, the annual required contribution is the dollar amount shown in (a).

⁽³⁾ Includes contributions from other sources (if applicable).

⁽⁴⁾ Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is \$389,000.

⁽⁵⁾ 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 Elective State Officers 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 | \$308,000 | \$2,249,000 | \$1,941,000 | 13.69% | \$422,000 | 459.95% |
| 07/01/1992 | 334,000 | 2,380,000 | 2,046,000 | 14.03% | 378,000 | 541.27% |
| 07/01/1993 | 322,000 | 2,689,000 | 2,367,000 | 11.97% | 500,000 | 473.40% |
| 07/01/1994 | 361,000 | 2,848,000 | 2,487,000 | 12.68% | 411,000 | 605.11% |
| 07/01/1995 | 378,000 | 2,948,000 | 2,570,000 | 12.82% | 422,000 | 609.00% |
| 07/01/1996 | 412,000 | 2,983,000 | 2,571,000 | 13.81% | 456,000 | 563.82% |
| 07/01/1997 | 456,000 | 3,214,000 | 2,758,000 | 14.19% | 467,000 | 590.58% |
| 07/01/1998 | 500,000 | 3,369,000 | 2,869,000 | 14.84% | 461,000 | 622.34% |
| 07/01/1999 | 198,000 | 3,373,000 | 3,175,000 | 5.87% | 291,000 | 1,091.07% |
| 07/01/2000 | 199,000 | 3,535,000 | 3,336,000 | 5.63% | 0 | N/A |
| 07/01/2001 | 201,000 | 3,775,000 | 3,574,000 | 5.32% | 0 | N/A |
| 07/01/2002 | 201,000 | 4,075,000 | 3,874,000 | 4.93% | 0 | N/A |
| 07/01/2003* | -- | -- | -- | -- | -- | -- |
| 07/01/2004 | 203,566 | 4,001,787 | 3,798,221 | 5.09% | 0 | N/A |
| 07/01/2005 | 204,297 | 4,065,308 | 3,861,011 | 5.03% | 0 | N/A |
| 07/01/2006 | 207,099 | 3,969,766 | 3,762,667 | 5.22% | 0 | N/A |

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

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

EXHIBIT V

Determination of Contribution Sufficiency

| A. Statutory Contributions – Chapter 352C | July 1, 2006 |
|---|---------------------|
| 1. Member Contributions | \$0 |
| 2. Employer Contributions | <u>0</u> |
| 3. Total | <u>\$0</u> |
| B. Required Contributions – Chapter 356 | |
| 1. Normal Cost | \$0 |
| 2. Amortization of Supplemental Contribution UAAL | 476,221 |
| 3. Allowance for Expenses | <u>1,000</u> |
| 4. Total | <u>\$477,221</u> |
| C. Contribution Sufficiency (Deficiency) (A.3 – B.4) | <u>-\$477,221</u> |

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

EXHIBIT VI

Supplementary Information Required by the GASB

| | |
|---|---|
| Valuation date | July 1, 2006 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level dollar |
| Remaining amortization period | 11 years remaining as of July 1, 2006 |
| Asset valuation method | 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% accounted for by using a 6% post-retirement assumption.) |
| Plan membership: | |
| Retired participants and beneficiaries receiving benefits | 15 |
| Terminated participants entitled to, but not yet receiving benefits | 1 |
| Active participants | <u>0</u> |
| Total | 16 |

SECTION 4: Reporting Information for the Elective State Officers 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 discount rate is used to account for the one-time adjustment applicable at retirement.

Mortality Rates:

Healthy Pre-Retirement: Male - 1983 Group Annuity Mortality Table for males set back 4 years.

Female - 1983 Group Annuity Mortality Table for females set back 2 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.

Allowance for Combined Service Annuity: 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: \$1,000 per year.

Return of Contributions: All employees withdrawing after eight years of service were assumed to leave their contributions on deposit and receive a deferred annuitant benefit.

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

| | |
|---|---|
| Percent Married: | 85% of members are assumed to be married. |
| Age of Spouse: | Females are assumed to be three years younger than males. |
| Eligible Children: | Each member may have up to two dependent children depending on the member's age. Assume first child born at member's age 28 and second child 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 dollar amount with Normal Cost determined as if the current benefit accrual rate had always been in effect. |
| Asset Valuation Method: | Only plan assets are non-segregated member contributions which theoretically serve to offset state costs. No market smoothing is applicable. |
| Payment on the Unfunded Actuarial Accrued Liability: | A level dollar amount each year to the statutory amortization date. |
| 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 Elective State Officers 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: | Employment as a “Constitutional Officer” as elected prior to July 1, 1997 and who elect to retain coverage under this plan (i.e., do not elect Social Security coverage). |
| 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. |
| Allowable Service: | Service while in an eligible position. |
| Salary: | Salary upon which Elective State Officers Retirement Plan contributions have been made. |
| Average Salary: | Average of the five highest successive years of salary. |
| Retirement: | |
| <i>Normal Retirement Benefit:</i> | |
| <i>Age/Service Requirement:</i> | Age 62 and eight years of Allowable Service. |
| <i>Amount:</i> | 2.50% of Average Salary for each year of Allowable Service. For members who were employed as of June 30, 1997 and are still employed on July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%. |

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

Early Retirement Benefit:

Age/Service Requirement:

Age 60 and eight years of Allowable Service.

Amount:

Normal Retirement Benefit based on Allowable Service and Average Salary at retirement date with reduction of 0.50% for each month the member is under age 62 at time of retirement.

Form of Payment:

Life annuity.

Benefit Increases:

Adjusted by MSRS to provide same increases as MPRIF.

Disability:

None.

Death:

Surviving Spouse Benefit:

Age/Service Requirement:

Death while active or after retirement or with at least eight years of Allowable Service.

Amount:

Survivor's payment of 50% of the retirement benefit of the member assuming the member had attained age 62 and had a minimum of eight years of Allowable Service. Benefit is paid for life. A former member's benefit is augmented the same as a Deferred Annuity to date of death before determining the portion payable to the spouse.

If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

Surviving Dependent Child Benefit:

Age/Service Requirement:

Same as spouse's benefit.

Amount:

Benefit for first child is 25% 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).

If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Benefit Increases:

Adjusted by MSRS to provide same increase as MPRIF.

Termination:

Refund of Contributions:

Eligibility:

Termination of service.

Amount:

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

Deferred Benefit:

Eligibility:

Eight years of Allowable Service.

Amount:

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

- (a) 0.00% before July 1, 1979;
- (b) 5.00% from July 1, 1979 to January 1, 1981;
- (c) 3.00% until age 55; and
- (d) 5.00% thereafter until the annuity begins. Amount is payable as a normal or early retirement.

SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

If a member terminated employment prior to July 1, 1997 but was not eligible to commence their pension 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%.

Changes in Plan Provisions:

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