



**MINNESOTA STATE
RETIREMENT SYSTEM**

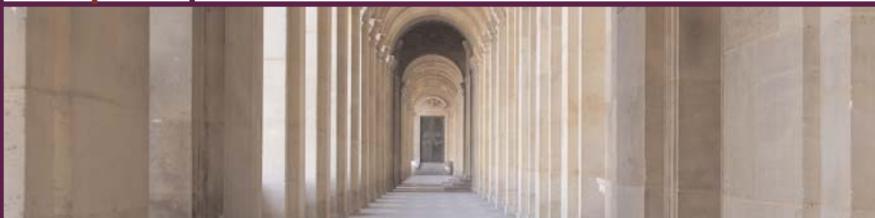
**PENSION TRUST FUNDS OF THE
STATE OF MINNESOTA**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**



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Minnesota State Retirement System

Pension Trust Funds of the State of Minnesota

David Bergstrom

EXECUTIVE DIRECTOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2007

Prepared by MSRS Finance and Systems Divisions

Retirement Systems of Minnesota Building
60 Empire Drive, Suite 300
Saint Paul, Minnesota 55103-3000
www.msrs.state.mn.us

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INTRODUCTORY SECTION





Public Pension Coordinating Council
Public Pension Standards
2007 Award

Presented to

Minnesota State Retirement System

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Board Chairperson's Report

December 31, 2007

Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, MN 55103

Dear Members, Benefit Recipients and Employers:

Improved funding for MSRS plans was the result of a fourth straight year of strong investment returns for the fiscal year ended June 30, 2007. The rate of return for the Minnesota Post Retirement Investment Fund (Post Fund) was 18.2 percent return for the year; the return for the active fund was 18.5 percent. As a result, the funding ratio of the Post Fund improved from 84 percent last year to over 91 percent this year; the funding ratio for each of the plans MSRS administers is detailed on page 69 of this report.

MSRS retirement plan net assets totaled \$15.2 billion on June 30, 2007. The Minnesota State Deferred Compensation Plan assets grew from \$3.2 billion to \$3.6 billion and the assets in the Health Care Savings Plan increased by 39 percent to \$174 million.

While the overall financial condition of MSRS is positive and exceptional investment returns have improved the funding ratio of the Post Fund from a low of 76 percent in 2003 to over 91 percent today, the Board has concerns regarding the volatility of the fund and the current structure. Another market downturn, or modest returns over the next few years, could adversely impact the funding level of the Post Fund. The three statewide retirement funds formed a joint board committee comprised of board members from the Teachers Retirement Association, Public Employees Retirement Association, and the Minnesota State Retirement System specifically to study proposals and alternatives to maintain the financial security and sustainability of the retirement funds. After several meetings throughout the year, the joint committee intends to propose legislation during the 2008 Legislative Session to reduce the volatility of the Post Fund.

Eligible retirees will be paid a 2.5 percent increase on January 1, 2008, which is slightly less than the inflation rate of 2.63 percent measured from June 30, 2006 to June 30, 2007.

The priority of the MSRS Board is to ensure the plans we administer are financially secure and sustainable for both current and future retirees. We are committed to offering excellent customer service and working hard to earn your trust. Thank you for your ongoing support.

Respectfully,



Mary Benner, Chair
MSRS Board of Directors

Letter of Transmittal

December 31, 2007

Board of Directors
Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, MN 55103-3000

Dear Directors:

We are pleased to present the Minnesota State Retirement System's Comprehensive Annual Financial Report for the fiscal year that ended June 30, 2007. The Minnesota State Retirement System (MSRS) provides retirement coverage for approximately 55,600 active employees, 28,300 benefits recipients, and 17,700 members who are no longer contributing, but are eligible for monthly benefits in the future or might apply for a lump-sum distribution.

MSRS management takes full responsibility for the financial data published in this report. The data in the report are factual and fully discloses the financial status of the funds administered by the MSRS.

MSRS is directly responsible for the following retirement plans:

:

- State Employees Fund, which includes the following plans
 - General Employees
 - Transportation Pilots
 - Fire Marshals
 - Military Affairs
- State Patrol Fund
- Correctional Fund
- Judges Fund
- Elected State Officers Fund
- Legislators Fund
- Unclassified Fund
- Health Care Savings Plan Fund
- Hennepin County Supplemental Retirement Fund

MSRS also shares oversight of the Minnesota State Deferred Compensation Plan (MNDCP) with the State Board of Investment. The plan is available to all public employees in the state, with 83,000 active participants and net assets of over \$3.6 billion as of June 30, 2007.

The Comprehensive Annual Financial Report is divided into five sections:

- | | |
|---------------------|--|
| Introduction | Consists of administrative materials, such as an organizational chart, a summary of the retirement plans and a report from the board chairperson. |
| Financial | Consists of the independent auditor's opinion, management's discussion and analysis, financial statements and footnotes for fiscal year 2007, and the required supplemental information. |
| Investment | Consists of the State Board of Investment's report, rates of return on investments held and various investment portfolio information. |
| Actuarial | Consists of summaries of the actuarial assumptions and methods, and other information prepared by an independent actuarial firm. |
| Statistical | Consists of tables detailing revenue sources, expense types, employee statistics and investment performance. |

Major Initiatives

In fiscal year 2007, the MSRS Board spent many hours looking at the long-term solvency of the plans we administer. Working with their actuary, the Board considered various potential economic scenarios to determine what contribution rates might be needed to keep MSRS well-funded for years to come. In most potential economies, MSRS should not require significant future contribution rate increases.

The MSRS Board approved a six-month fee holiday for participants in the Minnesota State Deferred Compensation Plan to be effective October 1, 2007 through March 31, 2008.

The Board also continued to focus on the confidentiality, integrity and workability of our computer systems and developing an effective comprehensive security management plan. A security audit was conducted of our computer environment to assess any vulnerabilities and we are now in the process of implementing necessary changes. We no longer use Social Security numbers on correspondence we mail nor on the papers printed in our office.

Financial Information

Accounting Systems and Reports

This report is prepared in accordance with the generally accepted accounting principles of the Governmental Accounting Standards Board. These financial statements comply with reporting requirements established under *Minnesota Statutes*, Section 356.20. Transactions of plans administered by MSRS are reported on the accrual basis of accounting.

MSRS' system of internal accounting controls has been designed to provide reasonable assurance that system assets are safeguarded and financial records are accurate and reliable. These controls are reviewed by the accounting and finance staff on an as needed basis and revised when necessary. Our independent auditors reported no material weaknesses in internal control, nor any departures from finance-related statutes for the fiscal year ended June 30, 2007.

In the opinion of MSRS management, the internal accounting control system is adequate and these financial statements, supporting schedules, and statistical tables are fairly presented in all material respects.

Revenues (Additions)

MSRS' revenue is derived primarily from three sources: 1) employee contributions; 2) employer contributions; and 3) investment returns. Income for fiscal year 2007 totaled \$2.8 billion. This fiscal year's return on investment was \$2.279 billion, an increase of \$918 million from last fiscal year. Employee and employer contributions totaled \$512,922,000; appropriations and other sources provided an additional \$29 million.

	(In Thousands of dollars)		
	FY 2007	FY 2006*	Increase (Decrease)
Employee Contributions	390,573	371,253	19,320
Employer Contributions	122,349	115,546	6,803
Investment Income	2,279,094	1,361,386	917,708
Other	29,102	24,050	5,052
Total	<u>2,821,118</u>	<u>1,872,235</u>	<u>948,883</u>

*Note: Includes the Hennepin County Supplemental Retirement Fund (SRHC) operations from 01/01/06 through 06/30/06.

Expenses (Deductions)

Expenses in fiscal year 2007 came to \$763 million, a \$85 million increase over last year's expenses. Expenses combined with investment gains and other revenues resulted in a net increase of \$2.1 billion.

(In Thousands)

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Increase (Decrease)</u>
Annuity, Health Care and Ongoing Benefits	\$547,114	\$508,756	\$38,358
Refunds	179,157	141,602	37,555
Administrative Expenses	9,044	8,391	653
Other	27,483	19,119	8,364
Total	<u>\$762,798</u>	<u>\$677,868</u>	<u>\$84,930</u>

Additional information can be found in the Management's Discussion and Analysis on pages 18 through 20.

Funding Status

On an actuarial basis, the figures below show the assets, liabilities and funding ratios of each fund as of the latest actuarial valuation, June 30, 2007.

Fund	Liabilities	Assets	Actuarial Basis Funding Ratio
State Employees	\$9,627,304,704	\$8,904,516,772	92.49%
State Patrol	\$673,443,671	\$617,900,887	91.75%
Correctional	\$708,291,710	\$559,851,700	79.04%
Judges	\$214,296,973	\$153,561,828	71.66%
Legislators	\$86,448,932	\$44,869,002	51.90%
Elective State Officers	\$3,969,250	\$211,540	5.33%
	<u>\$11,313,755,240</u>	<u>\$10,280,911,729</u>	<u>90.87%</u>

More information regarding the funding of MSRS' plans can be found on pages 29 through 30. The assumptions and actuarial details are in accordance with *Minnesota Statutes*, Section 356.215. The entry age normal method, with level contributions as a percent of payroll, is used as the actuarial funding method.

Investment Activities

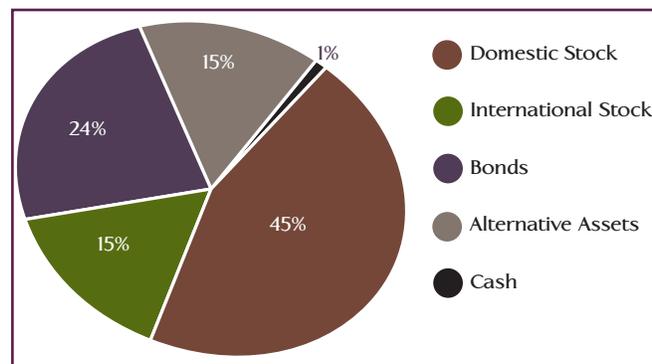
Assets of the MSRS funds are invested by the State Board of Investment (SBI). The board includes the governor, attorney general, secretary of state, and state auditor. Members of the board are subject to the Prudent Person rule, fiduciary standards detailed in *Minnesota Statutes*, Section 356A, and investment guidelines in *Minnesota Statutes*, Section 11A.

Basic Retirement Fund

Assets held in trust for active employees are maintained in the Basic Retirement Fund.

The rate of return in the Basic Retirement Fund was 18.5% in the fiscal year ending June 30, 2007.

The goal of the Basic Fund is to finance future retirement benefits. The actuarial assumed rate of return of 8.5% is set by law in *Minnesota Statutes*, Section 356. That is the expected rate of return over the ensuing 30 years.



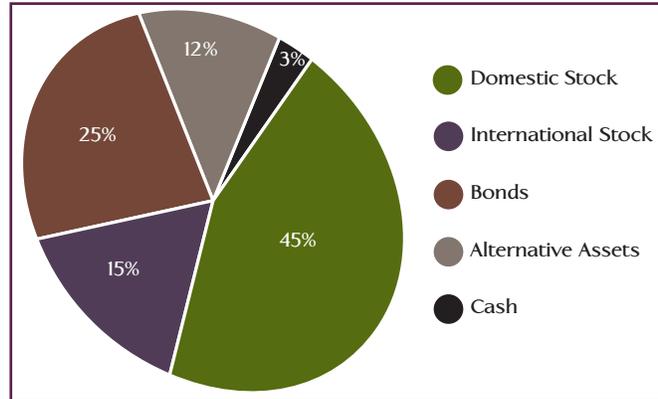
The Basic Retirement Fund's asset allocation target is displayed above.

Post Retirement Investment Fund

The rate of return for the Post-Retirement Fund was 18.2% in fiscal year 2007. A 2.5% increase will be paid to eligible retirees on January 1, 2008.

When a member retires, funds sufficient to pay monthly benefits for his or her lifetime are transferred from the Basic Retirement Fund to the Post-Retirement Fund. The assumed rate of return for the Post-Retirement Fund is 6%. The goal of the Post Fund is to provide income to pay monthly benefits, plus a cost-of-living increase based on inflation up to, but not exceeding, 2.5 percent. The inflation rate is determined by the U.S. Consumer Price Index. If investment returns from the Post-Retirement Fund are higher than the 6 percent plus the Cost of Living increase, the additional investment return is spread over a five-year period to help fund additional increases. If the Post-Fund experiences an investment loss (earns less than 6% + inflation rate) the loss is spread out over a five year period.

The Post-Retirement Fund's asset allocation target is displayed at the right.



Economic Outlook

The sub-prime loans have further weakened an already tenuous housing market. The weak housing market, credit concerns and oil prices are likely to dominate the headlines in 2008 and likely will dampen the economy. These concerns led forecasters to predict a Gross Domestic Product growth rate of less than 2 percent for the fourth quarter of 2007 and the first half of 2008 and a possible recession.

It is likely that inflation will remain modest in 2008, but the economic outlook could likely minimize investment returns for the year. Certainly, the economic outlook is extremely volatile when you combine a weak housing market with high oil prices and a weakening dollar.

Review of Operations and Activities of Fiscal Year 2007

MSRS is managed by an 11-member board of directors. The board sets the budget, determines the projects, and provides the overall direction of the agency. Mary Benner is the Chair and Matt Hodapp is the Vice Chair.

Independent Audit

The Office of the Legislative Auditor conducted an independent audit of MSRS financial statements. The Independent Auditor's Report is on pages 16 and 17.

Professional Services

The Minnesota Attorney General's Office provides legal counsel for MSRS. The 2007 actuarial valuations were completed by the Segal Company and reviewed by Mercer Human Resource Consulting.

Acknowledgments

We recognize and give special thanks to all the board of directors, MSRS staff and our other business associates. Without your hard work and commitment, MSRS would not experience the success it has enjoyed year after year.

This report provides complete and reliable information to assist management decisions and set out legal and fiduciary compliance requirements. A summary of the CAFR will be published in the next issue of the MSRS newsletter.

Respectfully submitted,

David Bergstrom
Executive Director

Judith M. Hunt
Assistant Executive Director

Administrative Organization – June 30, 2007

MSRS Board of Directors

Mary Benner, Chair

Department of Agriculture
625 North Robert Street
St. Paul, MN 55155
Phone: (651) 201-6279
E-mail: mary.benner@state.mn.us
Elected by Membership
Term Expires : May 3, 2008

Mathew Hodapp, Vice Chair

Minnesota State Patrol, Investigative Services
2055 North Lilac Drive
Golden Valley, MN 55422
Phone: (763) 591-4701
E-mail: Matt.hodapp@state.mn.us
Elected State Patrol Representative
Term Expires: May 6, 2010

Steven Amic

Minnesota Correctional Facility – St. Cloud
2305 Minnesota Boulevard SE
St. Cloud, MN 56304
Phone: (320) 240-3000
E-mail: mnfish54@charter.net
Elected Correctional Plan Representative
Term Expires: May 3, 2008

Robert J. Mayer

MN Dept. of Employment &
Economic Development
300 Metro Square
121 7th Place East
Saint Paul, MN 55101
Phone: (651) 296-2903
E-mail: bob.mayer@ssa.gov
Elected by Membership
Term: Expires: May 6, 2010

Michelle Sommers

Amalgamated Transit Union Local 1005
312 Central Avenue, Suite 438
Minneapolis, MN 55414
Phone: (612) 379-2914
E-mail: msommers@atu1005.com
Appointed Metropolitan Transit Commission
Representative
Term Expires: May 3, 2008

Tom Hanson, Commissioner

MN Department of Finance
658 Cedar Street
St. Paul, MN 55155
Phone: (651) 297-7881
Email: tom.j.hanson@state.mn.us
Appointed by Governor
Term Expires: January 3, 2011

Allen E. Hoppe

Metropolitan Council
390 Robert Street North
St. Paul, MN 55101
Phone: (651) 602-1629
E-mail: allen.hoppe@metc.state.mn.us
Elected by Membership
Term Expires: May 3, 2008

Susan O'Connell

Dean of Finance and College Services
1900 E Camp Street
Ely, MN 55731
Phone: (218) 365-7211
E-mail: s.oconnell@vcc.edu
Elected by Membership
Term Expires: May 6, 2010

Sally (R.W.) Olsen

c/o MSRS
60 Empire Drive, Suite 300
St. Paul, MN 55103-3000
Phone: (651) 284-7882
E-mail: sandvol@msn.com
Appointed by Governor
Term Expires: January 5, 2009

John Richter

PO BOX 217
Milaca, MN 56353
(320) 983-3638
Elected Retiree Representative
Term Expires: May 3, 2008

Peggy Ingison

Minneapolis Public Schools
807 NE Broadway
Minneapolis, MN 55413
Phone: (612) 668-0314
E-mail: margaret.ingison@mpls.k12.mn.us
Appointed by Governor
Term Expires: January 3, 2011

Administrative Staff

Executive Director:

David Bergstrom

Assistant Executive Director:

Judith M. Hunt

Professional Consultants

Primary Actuary:

The Segal Company

Consulting Actuary:

Mercer Human Resource Consulting

Legal Counsel:

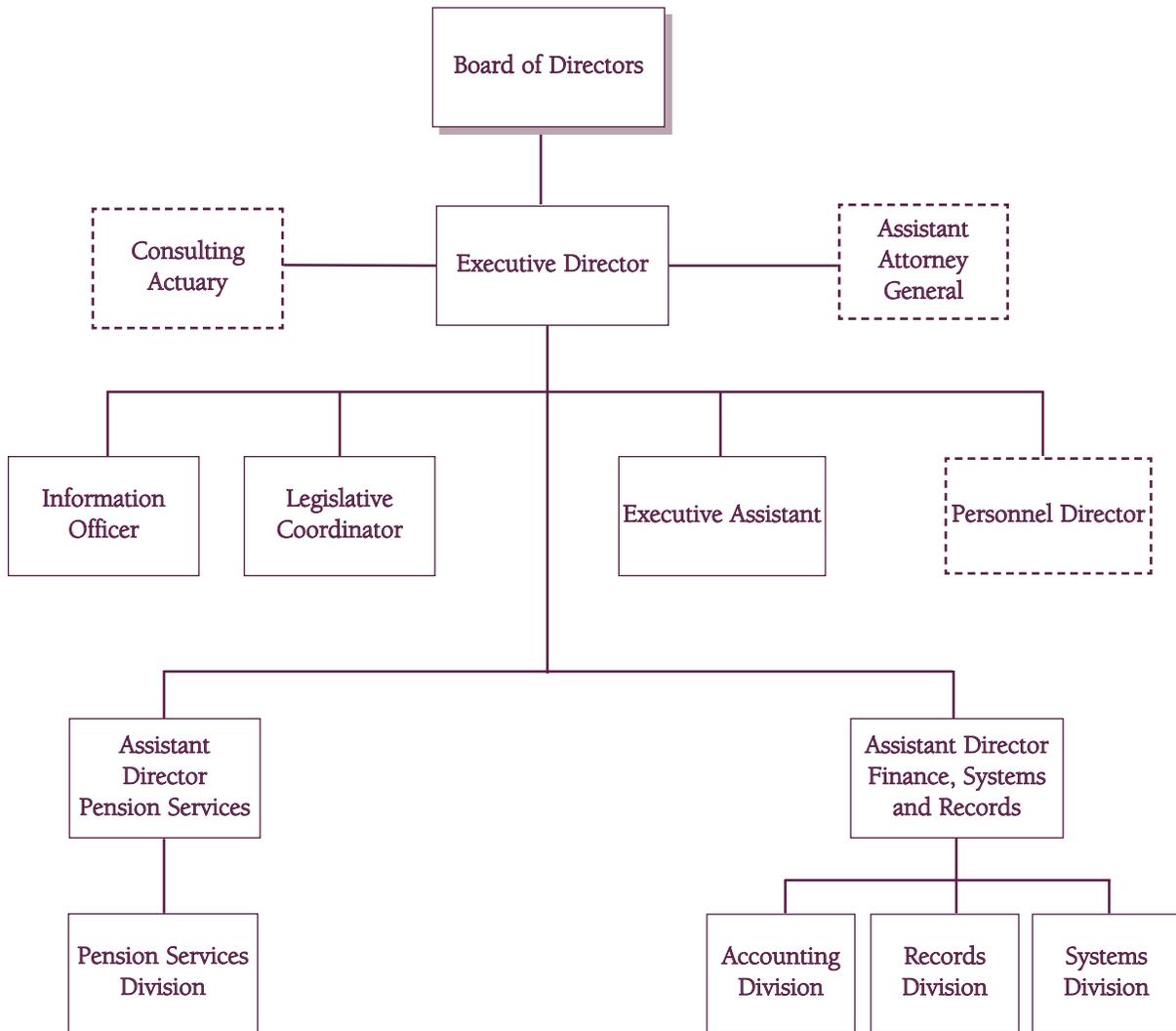
Assistant Attorney General Jon Murphy

Assistant Attorney General Rory Foley

Medical Advisor:

Minnesota Department of Health

Organization Chart - June 30, 2007



Mission Statement

To administer secure retirement plans, a tax-free health care savings plan, and a low cost deferred compensation plan; assure timely benefit payments; be proactive in public pension policies; and provide exemplary customer service through a “one-stop shopping” source.

NOTE: MSRS invests its funds in various investment pools administered by the State Board of Investment (SBI). The SBI retains various investment advisors whose fees are paid by the pool participants, including MSRS. A schedule of these advisors and MSRS’ share of their fees is included on page 57 of the Financial Section.

Summary of Retirement System Plans

Purpose

The Minnesota State Retirement System was established by the state legislature in 1929 to provide retirement benefits to state employees. MSRS administers six defined benefit funds and four defined contribution funds for state employees and other selected public employees.

Administration

MSRS administration is governed by an 11-member board of directors. The board includes four elected General/Unclassified Plan members, one elected State Patrol Plan member, one elected Correctional Plan member, one elected retired member, one designated Metropolitan Council Transit Operations representative, and three members appointed by the governor.

MSRS Board of Directors hires the Executive Director who is responsible for administering the plans in accordance with Minnesota law and board policies. Plan descriptions follow.

Defined Benefit Plans

1. General Employees Plan

- A. Coverage: most state employees and selected metropolitan agency employees
Contributions: 4 percent, employee; 4 percent, employer; increased to 4.25 percent and 4.25 percent effective 07/01/07
- B. Benefit formula
-1.2 percent of a five high year salary for first 10 years, then 1.7 percent each year beyond 10 years with subsidized early retirement adjustment
-or, 1.7 percent for all years of service with an actuarial equivalent, early retirement reduction
- C. Retirement age and service requirements
Eligibility for unreduced retirement benefits
-age 65 for employees hired before July 1, 1989; or between 65 to 66 for employees hired on or after July 1, 1989 with one year of service.
-age 62 for employees hired before July 1, 1989 with 30 years of service.
-Rule of 90 for those employees hired before July 1, 1989.
Eligibility for reduced retirement benefits
-age 55 with three years of service, reduced from full retirement age.
-any age with 30 years of service, reduced from age 62 (pre 7/1/89 only).
-The plan also offers total and permanent disability benefits for employees with at least three years of service.
- D. Surviving spouse benefit
-if employee has at least 3 years of service at death, generally, the spouse is eligible for a 100 percent survivor annuity or a refund
- E. Refunds
-contributions with 6 percent interest
- F. Annuity and disability options
-Single-Life annuity
-100 percent Joint and Survivor with bounce back, meaning if your survivor dies first, your benefit would increase to the higher single-life amount.
-75 percent Joint and Survivor with bounce-back
-50 percent Joint and Survivor with bounce back
-15 Year Certain and Life Thereafter

- 2. Military Affairs, Transportation Pilots and Fire Marshals Plans (provisions differing from General Plan)**
- A. Coverage: required retirement from federal military status at age 60, or 62 for transportation pilots, no such requirements for deputy fire marshals.
Contributions:
-Military Affairs and Transportation Pilots - 5.6 percent, employee; 5.6 percent, employer; increased to 5.85 percent and 5.85 percent effective 07/01/07
-Deputy Fire Marshals - 6.78 percent employee; 8.20 percent employer; increased to 7.03 percent and 8.45 percent, respectively, effective 07/01/07.
- B. Retirement age and service years
-Military Affairs, age 60, with at least three years of service, no reduction
-Transportation Pilots, age 62
-Fire Marshals, age 55 with 2.0 percent accrual rate
- C. Disability
-eligible for disability if unable to perform duties with at least five years of service
-General Plan formula, no reduction
-pilots are entitled to 75 percent of salary for maximum of five years
-deputy fire marshals receive minimum of 15 years of service, 20 years if duty related
- 3. State Patrol Retirement Plan**
- A. Coverage: state troopers, conservation officers, crime bureau and gambling enforcement agents
Contributions: 8.4 percent, employee; 12.6 percent, employer; increased to 9.1 percent and 13.6 percent, respectively, effective 07/01/07.
- B. Benefit formula: 3 percent of successive, five high year salary for each year of service
- C. Retirement age and service years
-age 55 with three years of service, no reduction
-age 50 with three years of service, reduction from age 55
- D. Disability
-eligible for disability if unable to perform duties with one year of service, and immediate coverage if disabled on the job.
-job related disability, benefit is equal to 60 percent of five high year average salary, plus 3 percent for each year beyond 20; minimum non-job related disability is 45 percent
- E. Survivor benefits
-member death in service: spouse gets 50 percent of final average salary; with 10 or more years of service spouse's entitlement changes to 100 percent Joint and Survivor annuity when the employee would have reached age 55
-children get 10 percent of final average salary per child plus \$20 per month, prorated equally to the children until age 18, or 23 if a student, or until married; total benefit limited to 40 percent of final average salary
-refund with 6 percent interest if no survivor benefit payable
- F. Refunds
-contributions with 6 percent interest

- G. Annuity and disability options
 - Single-Life annuity
 - 100 percent Joint and Survivor with bounce back
 - 75 percent Joint and Survivor with bounce back
 - 50 percent Joint and Survivor with bounce back

4. Correctional Employees Plan (provisions differing from General Plan)

- A. Coverage: employees who have direct contact with inmates at Minnesota correctional facilities
 - Contributions: 5.69 percent, employee; 7.98 percent, employer; increased to 6.4 percent and 9.1 percent, respectively, effective 07/01/07.
- B. Benefit formula
 - 2.4 percent of five high year average salary for each year of service or an accelerated annuity to age 62 or 65, then an actuarially adjusted benefit thereafter
- C. Retirement age and service years
 - age 55 with at least three years of service
 - age 50 with at least three years of service, reduction from age 55
 - job related disability, benefit equals 50 percent of five high year average salary plus 2.4 percent for each year beyond 20; the minimum non-job related disability is 36 percent

5. Judges Retirement Plan

- A. Coverage: district, appellate and supreme court judges
 - Contributions: 8.0 percent, employee; 20.5 percent, employer
- B. Benefit formula
 - 2.7 percent for each year of service prior to July 1, 1980, plus 3.2 percent of same average salary for service after June 30, 1980; formula applied to five high year average salary within last decade; the formula is capped at 76.8 percent
- C. Retirement age and service years
 - age 70 with one year of service, no reduction
 - age 65 with five years of service, no reduction
 - age 60 with five years of service, reduction from age 65
- D. Disability
 - eligible for disability if unable to perform duties
 - continuation of full salary for one year, then as computed under the formula with no reduction, and subject to minimum of 25 percent of five high year salary
- E. Survivor benefits
 - spouse eligible for 60 percent of normal annuity, or 100 percent Joint and Survivor option, if higher, subject to a minimum of 25 percent of final average salary
- F. Refunds
 - contributions with 6 percent interest
- G. Annuity and disability options
 - Single-Life annuity
 - 100 percent Joint and Survivor with or without bounce back

- 75 percent Joint and Survivor with or without bounce back
- 50 percent Joint and Survivor with or without bounce back
- 15 Year Certain and Life Thereafter
- 10 Year Certain and Life Thereafter

General Fund Plans

6. Legislators Retirement Plan

- A. Coverage: legislators; newly elected legislators are covered by the Unclassified Plan as of July 1, 1997
Contributions: 9 percent, employee; as needed from General Fund appropriation
- B. Benefit formula
-2.5 percent five high year average salary, plus a variable actuarial adjustment based on retirement age
- C. Retirement age and service years
-age 62 with six years of service, no reduction
-age 55 with six years of service, reduction from age 62
- D. Survivor benefits
-spouse gets 50 percent of benefit or 100 percent Joint and Survivor amount, if legislator is age 60 or more at death
-first child gets 25 percent, next two children get 12.5 percent for a 100 percent maximum
- E. Refunds
-contributions with 6 percent interest
- F. Annuity options
-Single-Life annuity
-100 percent Joint and Survivor with bounce back, discounted by value of automatic 50 percent spousal benefit applicable
-100 percent and 50 percent Joint and Survivor options for other than spouse

7. Elected State Officers Plan

- A. Coverage: elected constitutional officers; newly elected constitutional officers are covered by the Unclassified Plan as of July 1, 1997.
Note: All current constitutional officers were elected after July 1, 1997, therefore, this plan is closed.

Defined Contribution Plans

1. Unclassified Employees Plan

- A. Coverage: specified employees in unclassified positions
Contributions: 4 percent, employee; 6 percent, employer
- B. Benefits: account balance or annuity benefit withdrawal based on age and 6 percent interest assumption
- C. Retirement age and service years: age 55 with any length of service
- D. Refunds: account value

- E. Annuity and Disability Option
 - Single-Life annuity
 - 100 percent Joint and Survivor with bounce back
 - 75 percent Joint and Survivor with bounce back
 - 50 percent Joint and Survivor with bounce back
 - 15 Year Certain and Life Thereafter

2. Health Care Savings Plan

- A. Coverage: Negotiated by bargaining or policy unit.
Contribution: Employee or negotiated employer funding criteria bargained per labor contract; may include severance pay.
- B. Benefits: account balance and investment experience
- C. When used: upon termination of employment, designation of disability, during medical leave beyond 6 months, or if normal leave of absence extends beyond 1 year.
- D. Refunds: none; dependents, or if none, beneficiaries use the account after the death of the member for medical reimbursements as designated in Internal Revenue Service Code
- E. Availability: All public employees in the State of Minnesota.

3. Deferred Compensation Plan (IRC Section 457)

- A. Coverage: optional for all state employees and political subdivision employees.
Contribution: tax deferred with a \$10.00 per payperiod minimum.
- B. Third Party Administrator: Great-West Life Assurance, Inc.
- C. Withdrawal Events:
 - termination of service or death
 - unforeseeable emergency
 - rollover
- D. Withdrawal Options:
 - lump-sum
 - ongoing withdrawals
 - various annuities

4. Hennepin County Supplemental Retirement Plan (Non-qualified plan)

- A. Coverage: optional for employees of Hennepin County, Minnesota who began employment prior to April 14, 1982.
Contributions: 1 percent, employee; 1 percent, employer.
- B. Benefits: account balance including investment earnings.
- C. Withdrawal events:
 - termination of service or death
 - retirement
- D. Withdrawal options:
 - lump-sum
 - monthly withdrawals for five years
 - annual withdrawals for five years

Plan descriptions are not all inclusive. Descriptions provide general information only.

**FINANCIAL
SECTION**





OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Board of Directors
Minnesota State Retirement System and
Mr. David Bergstrom, Executive Director
Minnesota State Retirement System

We have audited the accompanying basic financial statements of the Minnesota State Retirement System (MSRS) as of and for the year ended June 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of MSRS'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 MSRS as of June 30, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2.H. to the financial statements, MSRS has early implemented the Governmental Accounting Standards Board (GASB) Statement No. 50 on *Pension Disclosures*. This standard requires certain pension disclosures as of the most recent actuarial valuation date to be presented as part of the notes to the financial statements and not as required supplementary information, as presented previously.

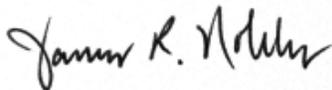
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of MSRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Members of the Board of Directors
Mr. David Bergstrom, Executive Director
Minnesota State Retirement System
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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of MSRS's basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MSRS's basic financial statements. The Supporting Schedules in the Financial Section and the Introductory, Investment, Actuarial, and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules in the Financial Section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 21, 2007

Management's Discussion and Analysis

Our discussion and analysis of the Minnesota State Retirement System's financial performance provides an overview of the system's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter on pages 4 to 7 and the financial statements beginning on page 22.

Financial Highlights

The three largest MSRS funds remain well funded on the actuarial basis used to compute contribution rates. As of July 1, 2007, the most recent actuarial valuation date, the State Employees Retirement Fund (SERF) was 92.49% funded, the State Patrol Retirement Fund (SPRF) was 91.75% funded, and the Correctional Employees Retirement Fund (CERF) was 79.04% funded.

These funding percentages are slightly less than the funding ratios reported in fiscal year 2006 due to a change in the asset valuation method for the Minnesota Post Retirement Fund (MPRIF). This fiscal year MPRIF's assets were valued at fair market value, as required by generally accepted accounting principles, rather than at an amount equal to the reserves necessary to make this fund fully funded. Had this change not occurred, the funding levels would have been 95.26% for SERF, 96.54% for SPRF, and 82.36% for CERF. For more information about funded status, actuarial methods and assumptions, please refer to Note 2H on page 29. This is a note disclosure that will be required next year by Governmental Accounting Standards Board Statement (GASB) No. 50, Pension Disclosures. MSRS has early implemented this standard for fiscal year 2007 to enhance our readers' understanding of each fund's financial position.

Plan net assets as of June 30, 2007 increased 15.64% annually to \$15.214 billion. Total contributions increased by \$26.1 million, or just over 5.37%. Total net investment gains rose significantly from the previous fiscal year, to \$2.279 billion, compared to \$1.361 billion in 2006. Total monthly benefit recipients increased by over 1,300 and total monthly benefits paid increased by over \$30 million.

Overview of the Financial Statements

This comprehensive annual financial report includes two basic financial statements, the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. The purpose of these statements, along with the accompanying Notes to the Financial Statements, is to comply with Minnesota Statutes Chapter 356.20 and to provide the reader with financial information in a format that is reasonably comparable to that of other public pension trust funds. As indicated in Note 2A, these statements are prepared using the accrual basis of accounting as required by generally accepted accounting principles. MSRS assumed recordkeeping responsibilities for the Hennepin County Supplemental Retirement Fund on January 1, 2006. Financial information for the first six months of F.Y. 2006 were not available and therefore not included in this report.

The Statement of Plan Net Assets

Provides a summary of financial resources and obligations as of June 30, 2007. The assets available and the liabilities owed are reported at fair value as of that date. The difference between the two is the net amount of assets in excess of the liabilities; this amount is available for payment of future pension benefits or other obligations. Net Assets at June 30, 2007 compared to June 30, 2006 were as follows:

	(in millions)			
	F.Y. 2007	F.Y. 2006	Change	% Change
Total Assets	\$17,062	\$14,458	\$2,604	18.01%
Total Liabilities	<u>1,848</u>	<u>1,302</u>	<u>546</u>	<u>41.94%</u>
Net Assets	<u>\$15,214</u>	<u>\$13,156</u>	<u>\$2,058</u>	<u>15.64%</u>

The Statement of Changes in Plan Net Assets

Presents the revenues and other items that added to and the expenses and other items that deducted from the Net Assets since the last fiscal year ended June 30, 2006. Total Additions by Major Source and Total Deductions by Type for the fiscal years ended June 30, 2007 and 2006 were as follows:

	(in millions)			
	F.Y. 2007	F.Y. 2006	Change	% Change
Additions (by Major Source):				
Member Contributions	\$391	\$371	\$20	5.39%
Employer Contributions	122	116	6	5.17%
Investment Income (Net)	2,279	1,361	918	67.45%
Other (includes transfers)	29	24	5	20.83%
Total Additions	<u>\$2,821</u>	<u>\$1,872</u>	<u>\$949</u>	<u>50.69%</u>
Deductions (by Type):				
Benefits	\$547	\$509	\$38	7.47%
Refunds	179	142	37	26.06%
Administrative Expenses	9	8	1	12.5%
Other (includes transfers)	28	19	9	47.37%
Total Deductions	<u>\$763</u>	<u>\$678</u>	<u>\$85</u>	<u>12.54%</u>
Net Increase (Decrease)	<u>\$2,058</u>	<u>\$1,194</u>	<u>\$864</u>	<u>72.36%</u>

The Notes to the Financial Statements are an integral part of the financial statements. They provide additional information relevant to a full understanding of the financial statements. The Required Supplementary Information presents additional schedules which provide historic funding information that can be used to determine whether the financial condition of MSRS funds is improving or deteriorating over a longer period of time.

Financial Analysis of Individual Funds

MSRS administers six defined benefit funds and four defined contribution funds. While each of the funds has some characteristics that are different from the others, such as membership served, each also has some characteristics in common, such as the shared investment pools.

Defined Benefit Funds

The following table compares various performance measures of each of the funds to the previous fiscal year. The Legislative Retirement Fund and the Elected State Officers Retirement Fund are excluded from this analysis because they are funded mostly by state General Fund appropriations.

	(in millions)			
	SERF	SPRF	CERF	JRF
Total Assets, 06/30/2007	\$11,023	\$757	\$693	\$189
Total Assets, 06/30/2006	\$9,231	\$689	\$625	\$157
Change	\$1,792	\$68	\$68	\$32
% Change	<u>19.41%</u>	<u>9.87%</u>	<u>10.88%</u>	<u>20.38%</u>
Total Liabilities, 06/30/2007	\$1,516	\$107	\$98	\$30
Total Liabilities, 06/30/2006	\$1,009	\$112	\$109	\$19
Change	\$507	\$(5)	\$(11)	\$11
% Change	<u>50.25%</u>	<u>(4.46)%</u>	<u>(10.09)%</u>	<u>57.89%</u>
Net Assets, 06/30/2007	\$9,507	\$650	\$595	\$159
Net Assets, 06/30/2006	\$8,222	\$577	\$516	\$138
Change	\$1,285	\$73	\$79	\$21
% Change	<u>15.63%</u>	<u>12.65%</u>	<u>15.31%</u>	<u>15.22%</u>

The overall financial position of these funds remained relatively steady from that of the previous year.

MINNESOTA STATE RETIREMENT SYSTEM

	<u>SERF</u>	<u>SPRF</u>	<u>CERF</u>	<u>JRF</u>
Total Additions, year ended 06/30/2007	\$1,697	\$113	\$109	\$36
Total Additions, year ended 06/30/2006	<u>\$1,095</u>	<u>\$77</u>	<u>\$81</u>	<u>\$26</u>
Change	<u>\$602</u>	<u>\$36</u>	<u>\$28</u>	<u>\$10</u>
% Change	<u>54.98%</u>	<u>46.75%</u>	<u>34.57%</u>	<u>38.46%</u>
Total Deductions, year ended 06/30/2007	\$411	\$41	\$30	\$15
Total Deductions, year ended 06/30/2006	<u>\$385</u>	<u>\$39</u>	<u>\$28</u>	<u>\$14</u>
Change	<u>\$26</u>	<u>\$2</u>	<u>\$2</u>	<u>\$1</u>
% Change	<u>6.75%</u>	<u>5.13%</u>	<u>7.14%</u>	<u>7.14%</u>
Net Additions (Deductions) year ended 06/30/2007	\$1,286	\$72	\$79	\$21
Net Additions (Deductions) year ended 06/30/2006	<u>\$710</u>	<u>\$38</u>	<u>\$53</u>	<u>\$12</u>
Change	<u>\$576</u>	<u>\$34</u>	<u>\$26</u>	<u>\$9</u>
% Change	<u>81.13%</u>	<u>89.47%</u>	<u>49.06%</u>	<u>75.00%</u>

All of these funds showed an increase in net assets and are considered to be financially healthy.

Defined Contribution Funds

The Unclassified Employees Retirement Fund, the Health Care Savings Fund, Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund were affected by the same investment market conditions that affected the defined benefit funds. However, because individual members select their own investment options for these funds, comparisons of fund investment earnings are not meaningful.

Summary

As the result of rising market conditions, MSRS experienced modest increases in net assets during the past fiscal year. All of the funds remain reasonably financially sound and with steady or improving market conditions will continue to be so. This financial report is intended to provide a general overview of MSRS' finances. Questions or comments concerning the contents of this report should be sent to Minnesota State Retirement System, 60 Empire Drive Suite 300, Saint Paul, MN 55103-3000 or to www.msrs.state.mn.us

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Statement of Plan Net Assets (as of June 30, 2007)

	Defined Benefit Funds (In Thousands)				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
Assets:					
Cash & Cash Equivalents:	\$71,251	\$2,936	\$3,399	\$2,489	\$0
Receivables:					
Accounts Receivable	\$9,160	\$650	\$1,245	\$211	\$0
Accrued Interest	289	13	15	3	0
Due from Other Plans	4,043	0	0	1	0
Due from MPRI Fund	0	0	0	0	3
	\$13,492	\$663	\$1,260	\$215	\$3
Investment Pools (at fair value):					
Equity in Post Retirement Fund	\$3,696,987	\$399,734	\$296,346	\$105,817	\$37,974
Fixed Income	1,288,157	56,064	66,801	12,506	0
External Domestic Equity	1,948,014	84,885	101,054	18,913	0
Passive Domestic Equity	928,409	40,564	48,198	9,014	0
Alternative Investments	624,093	27,388	32,439	6,059	0
Global Equity	944,081	41,202	48,996	9,166	0
Supplemental Investment Fund	0	0	0	0	0
Mutual Funds	0	0	0	0	0
	\$9,429,741	\$649,837	\$593,834	\$161,475	\$37,974
Securities Lending Collateral	1,503,424	103,122	94,308	25,037	5,913
Capital Assets	5,401	0	0	0	0
Due from State General Fund	0	0	0	0	7,960
Total Assets	\$11,023,309	\$756,558	\$692,801	\$189,216	\$51,850
Liabilities:					
Accounts Payable	\$2,105	\$73	\$90	\$17	\$0
Accrued Compensated Absences	651	0	0	0	0
Securities Lending Collateral	1,503,424	103,122	94,308	25,037	5,913
Due to MPRI fund	4,826	4,080	2,953	4,759	1,043
Due to other plans	0	102	393	40	25
Bonds Payable	5,298	0	0	0	0
Total Liabilities	\$1,516,304	\$107,377	\$97,744	\$29,853	\$6,981
Net Assets Held in Trust for Pension Benefits	\$9,507,005	\$649,181	\$595,057	\$159,363	\$44,869

(In Thousands)

Defined Contribution Funds (In Thousands)

Elected State Officers	Unclassified Employees	Health Care Savings Plan	Deferred Compensation	Hennepin County Supplemental	(In Thousands) Totals
\$0	\$1,697	\$6,480	\$0	\$141	\$88,393
\$0	\$375	\$4,267	\$559	\$29	\$16,496
0	0	0	0	0	320
0	0	0	0	0	4,044
0	0	0	0	0	3
\$0	\$375	\$4,267	\$559	\$29	\$20,863
\$0	\$0	\$0	\$0	\$0	\$4,536,858
0	0	0	0	0	1,423,528
0	0	0	0	0	2,152,866
0	0	0	0	0	1,026,185
0	0	0	0	0	689,979
0	0	0	0	0	1,043,445
0	315,521	165,675	207,661	140,756	829,613
0	0	0	3,420,603	0	3,420,603
\$0	\$315,521	\$165,675	\$3,628,264	\$140,756	\$15,123,077
0	49,086	13,537	0	21,953	1,816,380
0	0	0	0	0	5,401
213	0	0	0	0	8,173
\$213	\$366,679	\$189,959	\$3,628,823	\$162,879	\$17,062,287
\$0	\$0	\$0	\$1,629	\$0	\$3,914
0	0	0	0	0	651
0	49,086	13,537	0	21,953	1,816,380
0	0	0	0	0	17,661
1	193	2,271	1,014	5	4,044
0	0	0	0	0	5,298
\$1	\$49,279	\$15,808	\$2,643	\$21,958	\$1,847,948
\$212	\$317,400	\$174,151	\$3,626,180	\$140,921	\$15,214,339

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

Statement of Changes in Plan Net Assets (Year ended June 30, 2007)

	Defined Benefit Funds (In Thousands)			
	State Employees	State Patrol	Correctional Employees	Judges
Additions:				
Contributions:				
Member contributions	\$89,447	\$4,987	\$10,032	\$2,792
Employer contributions	86,492	7,461	13,927	7,571
General Fund contributions	0	0	0	0
Total Contributions	\$175,939	\$12,448	\$23,959	\$10,363
Investment income:				
Investment Income	\$1,513,066	\$100,831	\$85,465	\$25,683
Less Investment Expense:	13,038	914	846	216
Net Investment Income	\$1,500,028	\$99,917	\$84,619	\$25,467
Income from securities lending activities:				
Security Lending Income	\$66,602	\$4,570	\$4,179	\$1,110
Security Lending Expenses:				
Borrower Rebates	\$62,228	\$4,271	\$3,905	\$1,037
Management Fees	1,012	69	63	17
Total Security Lending Expenses	\$63,240	\$4,340	\$3,968	\$1,054
Net Income From Security Lending Activities	\$3,362	\$230	\$211	\$56
Total Net Investment Income	\$1,503,390	\$100,147	\$84,830	\$25,523
Other additions:				
Transfers From Other Plans	\$17,268	\$0	\$131	\$0
Other income	341	3	0	0
Total Other Additions	\$17,609	\$3	\$131	\$0
Total Additions	\$1,696,938	\$112,598	\$108,920	\$35,886
Deductions:				
Annuity benefits	\$392,058	\$40,581	\$28,565	\$14,516
Ongoing Withdrawals	0	0	0	0
Health Care Benefits	0	0	0	0
Refunds	11,102	133	752	45
Interest to MPRI Fund	798	98	340	36
Transfers to Other Plans	2,100	0	18	27
Recordkeeper Expenses	0	0	0	0
Administrative expenses	4,916	112	405	49
Other	0	0	0	0
Total Deductions	\$410,974	\$40,924	\$30,080	\$14,673
Net increase	\$1,285,964	\$71,674	\$78,840	\$21,213
Net Assets, July 1, 2006	\$8,221,041	\$577,507	\$516,217	\$138,150
Net Assets, June 30, 2007	\$9,507,005	\$649,181	\$595,057	\$159,363

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

(In Thousands)		Defined Contribution Funds (In Thousands)					(In Thousands)
Legislators	Elective State Officers	Unclassified Employees	Health Care Savings Plan	Deferred Compensation	Hennepin County Supplemental	Totals	
\$239	\$0	\$5,476	\$59,515	\$217,446	\$639	\$390,573	
0	0	6,258	0	0	640	122,349	
1,772	428	0	0	0	0	2,200	
<u>\$2,011</u>	<u>\$428</u>	<u>\$11,734</u>	<u>\$59,515</u>	<u>\$217,446</u>	<u>\$1,279</u>	<u>\$515,122</u>	
\$6,845	\$0	\$68,042	\$12,669	\$456,868	\$20,646	\$2,290,115	
50	0	0	0	0	0	15,064	
<u>\$6,795</u>	<u>\$0</u>	<u>\$68,042</u>	<u>\$12,669</u>	<u>\$456,868</u>	<u>\$20,646</u>	<u>\$2,275,051</u>	
\$262	\$0	\$1,739	\$519	\$0	\$756	\$79,737	
\$245	\$0	\$1,609	\$481	\$0	\$702	\$74,478	
4	0	30	9	0	12	\$1,216	
<u>\$249</u>	<u>\$0</u>	<u>\$1,639</u>	<u>\$490</u>	<u>\$0</u>	<u>\$714</u>	<u>\$75,694</u>	
\$13	\$0	\$100	\$29	\$0	\$42	\$4,043	
<u>\$6,808</u>	<u>\$0</u>	<u>\$68,142</u>	<u>\$12,698</u>	<u>\$456,868</u>	<u>\$20,688</u>	<u>\$2,279,094</u>	
\$8	\$0	\$1,988	\$0	\$0	\$0	\$19,395	
3	0	40	1,031	6,036	53	7,507	
<u>\$11</u>	<u>\$0</u>	<u>\$2,028</u>	<u>\$1,031</u>	<u>\$6,036</u>	<u>\$53</u>	<u>\$26,902</u>	
<u>\$8,830</u>	<u>\$428</u>	<u>\$81,904</u>	<u>\$73,244</u>	<u>\$680,350</u>	<u>\$22,020</u>	<u>\$2,821,118</u>	
\$6,390	\$419	\$0	\$0	\$0	\$0	\$482,529	
0	0	0	0	35,285	5,830	41,115	
0	0	0	23,470	0	0	23,470	
35	0	29,994	0	135,419	1,677	179,157	
0	0	31	0	0	0	1,303	
26	0	17,224	0	0	0	19,395	
0	0	0	0	6,726	0	6,726	
29	4	166	844	2,514	5	9,044	
0	0	0	0	0	59	59	
<u>\$6,480</u>	<u>\$423</u>	<u>\$47,415</u>	<u>\$24,314</u>	<u>\$179,944</u>	<u>\$7,571</u>	<u>\$762,798</u>	
<u>\$2,350</u>	<u>\$5</u>	<u>\$34,489</u>	<u>\$48,930</u>	<u>\$500,406</u>	<u>\$14,449</u>	<u>\$2,058,320</u>	
<u>\$42,519</u>	<u>\$207</u>	<u>\$282,911</u>	<u>\$125,221</u>	<u>\$3,125,774</u>	<u>\$126,472</u>	<u>\$13,156,019</u>	
<u>\$44,869</u>	<u>\$212</u>	<u>\$317,400</u>	<u>\$174,151</u>	<u>\$3,626,180</u>	<u>\$140,921</u>	<u>\$15,214,339</u>	

Notes to the Financial Statements

1. Description of the System

The Minnesota State Retirement System is the administrator of a multiple employer, cost sharing public employee retirement system. It consists of six defined benefit funds and four defined contribution funds. On June 30, 2007, the number of employers contributing to the various funds was:

-State of Minnesota and branches	9
-University of Minnesota	1
-Metropolitan agencies	6
-Counties	87
-Cities	260
-School Districts	292
-Unions	6
-Other	<u>249</u>
	<u>910</u>

MSRS funds are pension trust funds of the state of Minnesota and as such are included with similar funds in its comprehensive annual financial report. This report includes financial information for MSRS only.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period when they become due. Benefits and refunds are recognized when due and payable as specified by statute.

B. Investment Policies

Pursuant to *Minnesota Statutes*, the assets of MSRS funds are pooled with those of other funds and invested by the State Board of Investment. Investments primarily include obligations and stocks of the United States and Canadian governments, their agencies, registered corporations and short-term obligations of specifically high quality. Various alternative investments, including international securities, are limited by statute to 35 percent of the fund pool.

C. Investment Valuations

All investments are reported at fair value. Fair value is the proportionate share of the combined market value of the investment portfolio of the SBI investment pool in which the funds participate. All securities within the pools are valued at market value except for U.S. Government short-term securities and commercial paper, which are valued at market less accrued interest. Accrued interest is recognized as short-term income. SBI values long-term fixed income securities by using the Financial Times Interactive Data Services valuation system. This service provides prices for both actively traded and privately placed bonds. For equity securities, SBI uses a valuation service provided by Reuters and market value is the last reported sales price for securities traded on national or international exchanges. If a security is not actively traded, then the fair value is based on the analysis of financial statements, analysis of future cash flows and independent appraisals.

Assumptions made in valuing securities are as follows:

1. Values of actively traded securities determined by recognized exchanges are objectively negotiated purchase prices between willing buyers and sellers and are not subject to either undue influence or market manipulation.
2. Values of securities not actively traded are determined by objective appraisals by qualified professional analysts whose results would not vary materially from those of other similarly qualified professionals.

D. Capital Assets

Capital assets consist of office equipment and fixtures, land, building, and unamortized bond issuance charges. All were capitalized at historical cost at the date of acquisition, issuance, or completion. Balances at June 30, 2007 were:

	(in 000s)		
	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Undepreciated/ Unamortized Balance</u>
Office equipment & Fixtures	\$926	\$749	\$177
Land	87	N/A	87
Building	5,971	895	5,076
Building Equipment	1	0	1
Deferred Bond Issuance Charges	<u>75</u>	<u>15</u>	<u>60</u>
Totals	<u>\$7,060</u>	<u>\$1,659</u>	<u>\$5,401</u>

The estimated useful lives and the depreciation methods used were as follows:

	<u>Useful Life</u>	<u>Depreciation Method</u>
Office equipment & Fixtures	3 - 10	Straight Line
Land	N/A	Not Depreciated
Building	30	Straight Line
Building Equipment	10	Straight Line
Deferred Bond Issuance Charges	30	Straight Line

E. Accrued Compensated Absences

MSRS employees accrue vacation, sick, and compensatory leave in accordance with various collective bargaining agreements. The obligation, \$651,035, for future payment of these balances at June 30, 2007 has been accrued to the extent that the right to receipt is vested or expected to become vested.

F. Due from State General Fund

Member contributions to the Legislators and Elective State Officers Funds are deposited into the general operating revenues of the state. In the event of plan termination, the state Department of Finance believes that Minnesota's General Fund is obligated to repay member contributions. Because this contingency is considered unlikely, these amounts have not been appropriated in the state's General Fund. These balances at June 30, 2007, were:

	(in 000s)
- Legislators Retirement Fund	\$7,960
- Elective State Officers Fund	<u>213</u>
	<u>\$8,173</u>

G. Reserve Accounts**-Employee reserve**

For the defined benefit funds, the employee reserve is credited with the cumulative employee contributions. Upon retirement, these contributions are combined with the necessary benefit reserve moneys and transferred to the Minnesota Post-Retirement Investment Fund to provide the resources for future annuity benefits. Employees who terminate their employment prior to retirement can choose to receive a refund of their contributions plus interest or a deferred annuity benefit. For the defined contribution funds (Unclassified Employees Retirement Fund, Health Care Savings Fund, Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund), the employee reserve includes all assets that are not reserved for the payment of administrative expenses. These balances at June 30, 2007 were:

	(In 000's)
State Employees Retirement Fund	\$1,001,317
State Patrol Retirement Fund	47,365
Correctional Employees Retirement Fund	72,351
Judges Retirement Fund	24,562
Legislators Retirement Fund	6,542
Elective State Officers Retirement Fund	36
Unclassified Employees Retirement Fund	316,911
Health Care Savings Fund	175,230
Deferred Compensation Fund	3,615,120
Hennepin County Supplemental Fund	140,899
	<u>\$5,400,333</u>

-Benefit Reserve

For all funds except the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund, and the Hennepin County Supplemental Retirement Fund the benefit reserve is credited with all investment earnings and employer contributions. For the Unclassified Employees Retirement Fund, the Health Care Savings Fund, Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund, they include the remaining balances of fees collected to pay administrative expenses and short-term interest earnings on contribution balances awaiting transfer to investment funds.

These balances at June 30, 2007, were:

	(in 000s)
State Employees Retirement Fund	\$4,808,701
State Patrol Retirement Fund	202,082
Correctional Employees Retirement Fund	226,359
Judges Retirement Fund	28,983
Legislators Retirement Fund	353
Elective State Officers Retirement Fund	176
Unclassified Employees Retirement Fund	489
Health Care Savings Fund	(1,079)
Deferred Compensation Fund	11,060
Hennepin County Supplemental Fund	22
	<u>\$5,277,146</u>

-Minnesota Post-Retirement Investment Fund (MPRIF) reserve

The MPRIF Fund reserve equals the corresponding assets invested in it. The proceeds of the MPRIF Fund are used to pay the monthly pension benefits of eligible retirees. This account is adjusted annually to fund the actuarial value of benefits remaining. The Elected State Officers, the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund do not participate in this reserve. These balances at June 30, 2007 were:

	(in 000s)
State Employees Retirement Fund	\$3,696,987
State Patrol Retirement Fund	399,734
Correctional Employees Retirement Fund	296,347
Judges Retirement Fund	105,818
Legislators Retirement Fund	37,974
	<u>\$4,536,860</u>

H. Actuarial Methods and Assumptions

MSRS has early implemented the Governmental Accounting Standards Board (GASB) Statement No. 50 on Pension Disclosures. The following disclosures are as of July 1, 2007, the most recent actuarial valuation date.

Actuarial valuations and experience studies are performed annually at fiscal year end for all defined benefit funds, except the Legislative Retirement Fund and the Elected State Officers Retirement Fund. The entry age normal actuarial cost method--a projected benefit cost method--is used to value all of the defined benefit funds. This method is used to amortize actuarial liabilities by applying a level percentage to projected payroll for a single amortization period. The actuarial projection of benefits for financial reporting purposes does not incorporate the potential, but unknown, effects of legal or contractual funding limitations.

In prior years, the actuarial liability of retired members was assumed to be equal to the assets available for payment of those benefits. For the fiscal year ended June 30, 2007, the actuarial standards were revised to allow any surplus or deficiency between the retiree actuarial liability and the fair value of the assets available for their future payment. This liability is now included with the actuarial liability for active and deferred members with a corresponding increase or decrease in the funding ratio.

Contributions are made as a level percentage of covered salary. They are specified in statute as fixed percentages; there are no minimums or maximums. The actuarial inflation rate for all funds was 2.7 percent; there is no assumed inflation rate for any of the funds. However, annuity benefits are increased to cover the effects of inflation up to a maximum of 2.5 percent.

For actuarial purposes, investments are valued separately for the retirees who participate in the MPRI Fund and "actives" which includes all members who have not yet retired. The MPRI Fund investments are valued at the fair market value (*see Note 2C*). The remaining investments are valued by reducing the market value by 80 percent, 60 percent, 40 percent and 20 percent respectively of the unrecognized difference between the cost and market value at the current and preceding three fiscal year ends. The assumed investment rate of return for all funds is 8.5 percent.

Statutorily specified fiscal year end completion dates for amortization of unfunded actuarial liabilities are as follows:

State Employees Retirement Fund	06/30/2020
State Patrol Retirement Fund	06/30/2036
Correctional Employees Retirement Fund	06/30/2023
Judges Retirement Fund	06/30/2020
Legislators Retirement Fund	06/30/2021
Elected State Officers Retirement Fund	06/30/2017

Assumed salary scales for the State Employees Retirement Fund are increased in annual increments ranging from 6.75 percent at age 20 to 5.25 percent at age 70. The State Patrol Retirement Fund assumes similar increases ranging from 7.75 percent to 5.25 percent. The Correctional Retirement Fund assumes similar increases from 7.25 percent to zero percent. The Judges Retirement Fund assumes salary increases of 5 percent annually. The Legislators Retirement Fund and Elected State Officers Fund, a closed plan, also assume salary increases of 5 percent annually. Post retirement benefit increases are limited to the lesser of the actual inflation rate for the preceding 12 months or 2.5 percent. The Unclassified Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund, and the Hennepin County Supplemental Retirement Fund are defined contribution plans and therefore there are neither applicable assumptions nor actuarial valuations. The funding status schedule which follows was prepared using the preceding actuarial methods and assumptions.

MINNESOTA STATE RETIREMENT SYSTEM

<u>Status of Plan Funding</u>	<u>SERF</u>	<u>SPRF</u>	<u>CERF</u>	<u>JRF</u>	<u>LRF</u>	<u>ESORF</u>
Most Recent Actuarial Valuation Date	July 1, 2007					
Actuarial Value of Assets (000's)	\$8,904,517	\$617,901	\$559,852	\$153,562	\$44,869	\$211
Actuarial Accrued Liability (000's)	\$9,627,305	673,444	708,292	214,297	86,449	3,969
Total Unfunded Actuarial Accrued Liability (000's)	\$722,788	55,543	148,440	60,735	41,580	3,758
Actuarial Value of Assets as a Percentage of the Actuarial Liability (Funded Ratio as %)	92.49	91.75	79.04	71.66	51.90	5.33
Annual Covered Payroll (000's)	\$2,095,310	61,498	167,727	36,195	2,380	0
Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll (as a percentage)	34.50	90.32	88.50	167.80	1,747.06	N/A

The Required Schedule of Funding Progress immediately following these notes to the financial statements present multiyear trend information about whether the actuarial values of fund assets are increasing or decreasing over the six years presented relative to the actuarial accrued liability for benefits. Other actuarial information is presented later in this report in the Actuarial Section.

3. Cash and Investments

A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 2007, and throughout the year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*.

B. Credit risk

Investments are classified according to their risk level. The three categories are:

- insured and registered investments or those securities which are held by the state or its agent in the state's name.
- uninsured or unregistered investments whose securities are held by a counterparty's trust department or agent in the state's name.
- uninsured or unregistered investments whose securities are held by a counterparty's trust department or agent, in other than the state's name.

All MSRS investments are in State Board of Investment external investment pools, open-end mutual funds or guaranteed investment contracts. None of these are considered securities for risk assessment purposes.

C. Investment Valuation

The combined funds' proportionate share in the cost and fair values of the State Board of Investment pools at June 30, 2007, were:

	(In 000s)	
	<u>Cost</u>	<u>Fair Value</u>
Post-Retirement Fund	\$4,869,794	\$4,536,858
Fixed Income	1,476,255	1,423,528
External Domestic Equity	2,104,163	2,152,866
Passive Domestic Equity	813,808	1,026,185
Alternative Investments	606,532	689,979
Global Equity	852,083	1,043,445
Supplemental Investment Fund	829,613	829,613
Mutual Funds *	3,420,603	3,420,603
Total	<u>\$14,972,851</u>	<u>\$15,123,077</u>

* Note: For individual daily invested mutual funds, cost equals fair value.

D. Securities Lending

The amounts shown on the financial statement are MSRS' proportionate share of securities loaned, collateral pledged and loan income that resulted from the lending activity of investment managers retained by the State Board of Investment (SBI).

E. GASB Statement 28 Required Disclosures

State statutes do not prohibit SBI from participating in securities lending transactions, and SBI has, by way of a Custodial Trust Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending Minnesota's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, on behalf of Minnesota, certain securities held by State Street as custodian and received cash (both United States and foreign currency) and 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 or not less than one hundred two percent (102%) of the market value of loaned securities.

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 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.

F. GASB Statement 31 Required Disclosures

During the fiscal year, Minnesota and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, in a separate investment pool. As of June 30, 2007, such investment pool had an average maturity of 53 days and an average final maturity of 430 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. On June 30, 2007 SBI had no credit risk exposure to borrowers. MSRS's portion of collateral held and the fair value of securities on loan from SBI as of June 30, 2007 was \$1,816,380,000 cash and \$1,751,475,000, respectively.

During the fiscal year, the SBI has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Cash collateral received in respect of such loans was invested at the direction of SBI, in the Minnesota State Board of Investments Fund, a separately managed vehicle (the "Fund"). Please note the following:

- a. **Method for determining fair value.** The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- b. **Policy for utilizing amortized cost method.** Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investments at fair value for reporting purposes.

c. **Regulatory oversight.** The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of SBI's position in the Fund is the same as the value of the Fund shares.

d. **Involuntary Participation.** There was no involuntary participation in an external investment pool by SBI for the fiscal year.

e. **Necessary Information.** Not applicable.

f. **Income assignment.** No income from one fund was assigned to another fund by State Street during the fiscal year.

G. GASB Statement 40 Required Disclosures

The Minnesota State Board of Investment (SBI) is responsible for investing the various MSRS funds. The disclosures that follow apply to those investments. Cash deposit disclosures are also included in Note 3.A.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The State Board of Investment (SBI) has policies designed to minimize credit risk. They may invest funds in governmental obligations provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. They may invest funds in corporate obligations provided the issue is rated among the top four quality categories by a nationally recognized rating agency. They may also invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories provided that:

1. The aggregate value of these obligations may not exceed five percent of the fund for which the SBI is investing;
2. Participation is limited to 50 percent of a single offering; and
3. Participation is limited to 25 percent of an issuer's obligations.

SBI may also invest in bankers' acceptances, deposit notes of U.S. banks, certificates of deposit, mortgage securities, and asset-backed securities rated in the top four quality categories by a nationally recognized rating agency. Commercial paper must be rated in the top two quality categories.

MSRS's proportionate share of the SBI's exposure to credit risk, based on S&P Quality Ratings, is as follows:

<u>Quality Rating</u>	<u>Fair Value (in thousands)</u>
AA or Better	\$2,464,237
BBB to A	579,599
BB or lower	80,422
Not Rated	110,176

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, MSRS will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. All MSRS deposits and investments are either covered by depository insurance, pledged collateral, or held in external investment pools, so are not exposed to custodial credit risk in accordance with GASB 40.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The State Board of Investment does not have a stated policy to limit interest rate risk, instead they follow a general "prudent investor" rule; i.e. distribute maturities so that risk is kept to a reasonable level. Debt securities are held in external investment pools and at June 30, 2007 the following weighted average maturities:

<u>Security</u>	<u>Weighted Avg. Maturity (in years)</u>
Cash Equivalents	0.14
Mutual Funds	4.29
Asset-Backed Securities	12.50
Corporate Debt	9.25
Municipal Bonds	5.68
U.S. Treasuries	6.49
U.S. Agencies	3.80
Mortgage-Backed Securities	24.86

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect the fair value of an investment. Government obligations, including guaranteed or insured issues of the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank, must pay interest and principal in U.S. dollars. The principal and interest of obligations of corporations, including those corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof, must also be paid in U.S. dollars. Investments at June 30, 2007 were distributed among the following currencies

<u>Currency</u>	<u>Investment Type (In Thousands)</u>			
	<u>Cash & Cash Equivalents</u>	<u>Equities</u>	<u>Fixed Income</u>	<u>Totals</u>
Australian Dollar	\$0	\$39,457	\$0	\$39,457
Canadian Dollar	0	50,273	0	50,273
Euro Currency	214	484,958	0	485,172
Hong Kong Dollar	0	36,425	0	36,425
Japanese Yen	170	263,137	0	263,307
New Taiwan Dollar	0	14,968	0	14,968
Pound Sterling	77	291,990	0	292,067
South Korean Won	0	18,576	0	18,576
Swedish Krona	0	22,140	0	22,140
Swiss Franc	0	53,448	0	53,448
Other*	22,802	307,720	1,691	332,213
Totals	<u>\$23,263</u>	<u>\$1,583,092</u>	<u>\$1,691</u>	<u>\$1,608,046</u>

*Note: Other includes Brazilian reals, Danish krone, Egyptian pounds, Hungarian forints, Indian rupees, Indonesian rupiahs, Malaysian ringgits, Mexican pesos, new Turkish lira, Norwegian krone, Polish zloty, Singapore dollars, South African rands, and Philippine peso.

4. Interfund Receivables and Payables

The purpose of interfund receivables and payables is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30, 2007. Most of these balances are the result of our reallocation of administrative expenses which is done annually. The only such balance that may not be completely liquidated during the ensuing fiscal year is the Health Care Savings Fund payable.

Defined Benefit Retirement Funds	(in 000s)	
	Interfund Receivables	Interfund Payables
State Employees	\$4,043	\$0
State Patrol	0	102
Correctional Employees	0	393
Judges	1	40
Legislators	0	25
Elective State Officers	0	1
Defined Contribution Retirement Funds		
Unclassified Employees	0	193
Health Care Savings	0	2,271
Deferred Compensation	0	1,014
Hennepin County Supplemental Retirement	0	5
Totals	\$4,044	\$4,044

Interfund transfers are primarily the result of elective membership eligibility changes that have occurred during the fiscal year. These interfund transfers during fiscal year ended June 30, 2007 were as follows:

Defined Benefit Retirement Funds	(in 000s)	
	Transfers In	Transfers Out
State Employees	\$17,268	\$2,100
Correctional Employees	131	18
Judges	0	27
Legislators	8	26
Defined Contribution Retirement Funds		
Unclassified	1,988	17,224
Totals	\$19,395	\$19,395

5. Leases

MSRS leases office space in Mankato, St. Cloud, Detroit Lakes and Duluth. As of June 30, 2007, future obligations under the terms of those leases are as follows:

Location	F.Y. 2008	F.Y. 2009	F.Y. 2010	F.Y. 2011	F.Y. 2012	F.Y. 2013	Totals
Mankato	\$22,605	\$22,605	\$22,879	\$23,427	\$23,427	\$3,904	\$118,847
St. Cloud	8,290	0	0	0	0	0	8,290
Duluth	15,560	9,208	0	0	0	0	24,768
Detroit Lakes	21,164	21,584	16,429	0	0	0	59,177
Hennepin County Government Center	2,167	0	0	0	0	0	2,167
Totals	\$69,786	\$53,397	\$39,308	\$23,427	\$23,427	\$3,904	\$213,249

6. Actuarial Asset Valuations

Minnesota statutes provide for a graduated recognition of the unrealized investment gains or losses. The Actuarial Basis of assets is adjusted to spread the differences between actual return (measured on a fair value basis) and expected return (8.5 percent of assets) over five years. The amounts shown on the “Statement of Plan Net Assets” are presented at fair value and do not include any of the preceding adjustments. The unfunded liabilities determined using both methods as of June 30, 2007 were:

	(In thousands)	
	Actuarial Basis	Fair Value Basis
State Employees	\$722,788	\$120,300
State Patrol	55,543	24,262
Correctional Employees	148,440	113,234
Judges	60,735	54,934
Legislators	41,580	41,580
Elected State Officers	3,758	3,758
	<u>\$1,032,844</u>	<u>\$358,068</u>

7. Optional Retirement Annuities

In the defined benefit funds, three Joint-and-Survivor annuity options provide a 50 percent, 75 percent or a 100 percent survivor benefit to the beneficiary, with the right of reversion to the Single-Life amount if the beneficiary dies before the member. A 15-Year Period Certain and Life thereafter annuity is also available. For the Judges Plan a 10-Year Period Certain and Life Thereafter annuity is provided. By statute, the Legislators and Elected State Officers Plans provide, automatically, a 50 percent benefit continuance to a surviving spouse. Also, legislators can choose 100 percent survivor coverage with an actuarially reduced benefit.

8. Descriptions and Contribution Information of Individual Defined Benefit Funds

A. State Employees Retirement Fund

The State Employees Retirement Fund includes the General Employees Plan, a multiple employer, cost sharing plan, and the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan, all single employer plans. Only certain employees of the Departments of Military Affairs, Transportation and the State Fire Marshals office are eligible to be members of those plans, but all state employees who are not members of another plan are covered by the General Employees Plan. Membership statistics, as of June 30, 2007, follow:

Members receiving benefits:	
-retirees	22,427
-beneficiaries	2,919
Terminated members:	
-vested, not receiving benefits	14,751
-nonvested	7,007
Active members:	
-vested	36,450
-nonvested	11,929
Total	<u>95,483</u>
Annual payroll (June 30, 2007):	\$2,095,310,000
Participating employers	33

MINNESOTA STATE RETIREMENT SYSTEM

Minnesota Statutes, Section 352.04 requires that eligible employees contribute 4 percent of their total compensation. The employer contributes 4 percent. Effective July 1, 2007, these rates increased to 4.25 percent and 4.25 percent respectively. Retirement benefits can be computed by two methods: the step formula and the level formula. Step formula benefits are 1.2 percent of the high five-year average salary for each of the first 10 years, plus 1.7 percent for each year thereafter. Also, it includes full benefits under the Rule of 90. In contrast, the level formula does not include the Rule of 90, benefits are 1.7 percent of the high five-year average salary for all years of service, and full benefits are available at normal retirement age.

All employees of MSRS, except the Executive Director, are members of this plan. As stated in the preceding paragraph, the authority for the 4 percent employee and 4 percent employer contributions is *Minnesota Statutes*, Section 352.04. MSRS employee and employer contributions were as follows:

	<u>Employee (4%)</u>	<u>Employer (4%)</u>
Fiscal Year Ended June 30, 2007	\$180,286	\$180,286
Fiscal Year Ended June 30, 2006	170,116	170,116
Fiscal Year Ended June 30, 2005	165,902	165,902
Fiscal Year Ended June 30, 2004	120,352	120,352
Fiscal Year Ended June 30, 2003	103,342	103,342

B. State Patrol Retirement Fund

The State Patrol Retirement Fund includes only the State Patrol Retirement Plan, a single employer plan. Membership is limited to those state employees who are state troopers, conservation officers, crime-bureau officers or gambling-enforcement agents. Membership statistics, as of June 30, 2007, follow:

Members receiving benefits:	
-retirees	686
-beneficiaries	190
Terminated members:	
-vested, not receiving benefits	32
-nonvested	8
Active members:	
-vested	724
-nonvested	120
Total	<u>1,760</u>
Annual payroll (June 30, 2007):	\$61,498,000

Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 8.4 percent of their total compensation. The employer contributes 12.6 percent. Effective July 1, 2007, these rates increased to 9.10 percent and 13.60 percent respectively. Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 3 percent of the high five-year average salary for each year of service.

C. Correctional Employees Retirement Fund

The Correctional Employees Retirement Fund includes only the Correctional Plan, a single employer plan. Membership is limited to those state employees who have direct responsibility for inmates at Minnesota correctional facilities. Membership statistics, as of June 30, 2007, follow:

Members receiving benefits:	
-retirees	1,384
-beneficiaries	118
Terminated members:	
-vested, not receiving benefits	851
-nonvested	494
Active members:	
-vested	2,558
-nonvested	1,774
Total	<u>7,179</u>
Annual payroll (June 30, 2007):	\$167,727,000

Minnesota Statutes, Section 352.92 requires that eligible employees contribute 5.69 percent of their total compensation. The employer contributes 7.98 percent. Effective July 1, 2007, these rates increased to 6.40 percent and 9.10 percent respectively. Members become eligible for normal retirement benefits at age 55 with three years of service. The benefit is 2.4 percent per year of service credit multiplied by the high five-year average monthly salary. The monthly benefit can be received either as level lifelong payments or accelerated payments until age 62 or 65. If the payment is accelerated, upon attaining the reversion age the benefit is adjusted actuarially for the larger payment provided.

D. Judges Retirement Fund

The Judges Retirement Fund includes only the Judges Retirement Plan, a single employer plan. Active membership is limited to Minnesota district, appellate and supreme court judges. Also, retirees include municipal and county court judges. Membership statistics, as of June 30, 2007, follow:

Members receiving benefits:	
-retirees	180
-beneficiaries	83
Terminated members:	
-vested, not receiving benefits	18
-nonvested	0
Active Members:	
-vested	238
-nonvested	70
Total	<u>589</u>
Annual payroll (June 30, 2007):	\$36,195,000

Minnesota Statutes, Section 490.123 requires that eligible employees contribute 8.00 percent of the total compensation. The employer contributes 20.5 percent. Members become eligible for retirement benefits at age 65 with five years of service, age 62 with five years of service and a reduced benefit, or age 70, which is mandatory retirement, with one year of service. The benefit is 2.7 percent for each year of service prior to July 1, 1980, plus 3.2 percent of the same average salary for service after June 30, 1980. The formula is applied to the high five-year average salary.

E. General Fund Plans

The General Fund Plans include the Legislators Retirement Plan and the Elected State Officers Plan. Each is a single employer plan. Members of the Minnesota House of Representatives and Senate are included in the Legislators' Retirement Plan; the Elected State Officers Plan includes only the elected constitutional officers. Both plans are closed to new members. Persons first elected to take office on January 1, 1997 are members of the Unclassified Plan; those who took office prior to January 1, 1997 were given the option of selecting membership in whichever plan they preferred. Membership statistics, as of June 30, 2007, follow:

	<u>Legislators</u>	<u>Elected State Officers</u>
Members receiving benefits:		
-retirees	272	11
-beneficiaries	68	4
Terminated members:		
-vested, not receiving benefits	116	1
-nonvested	3	0
Active members:		
-vested	54	0
-nonvested	0	0
Totals	<u>513</u>	<u>16</u>
Annual Payroll (June 30, 2007)	\$2,380,000	N/A*

*The remaining members of the Elected State Officers Plan have either retired or elected coverage under the Unclassified Plan. Since this plan is now closed, there no longer is an active payroll.

Minnesota Statutes, Sections 3A.03 and 352C.09 require that legislators contribute 9 percent of their salary including certain per diem payments, and elected officers contribute 9 percent of their salary. Both plans are funded by annual appropriations from the state's General Fund. Legislators are eligible for full retirement benefits upon reaching age 62 with six years of service or for a reduced benefit at age 55 with the same service. The benefit is 2.5 percent per year of service multiplied by the high five-year average covered compensation, but not to exceed their final annual compensation. Except for a minimum eight-year service requirement, the Elected State Officers' Plan has the same benefit eligibility.

9. Individual Descriptions of Defined Contribution Funds

A. Unclassified Employees Retirement Fund

The Unclassified Employees Retirement Fund is a defined contribution fund comprised entirely of a single, multiple-employer defined contribution plan, the Unclassified Employees Retirement Plan. Membership is limited to certain, specified employees, including the Executive Director of MSRS, of the state of Minnesota and various statutorily designated entities. Membership statistics as of June 30, 2007 were:

-Active members	1,726
-Inactive members	1,606
Total	<u>3,332</u>
-Annual payroll (June 30, 2007)	\$104,298,000
-Participating employers	12
Contribution rates	
--Employee	4%
--Employer	6%

Minnesota Statutes, Section 352D.01.12 authorized creation of this plan. It is considered a money purchase plan, i.e., members vest only to the extent of the value of their accounts (employee contributions plus employer contributions plus (minus) investment gains (losses), less administrative expenses). Retirement and disability benefits are available to some members through conversion, at the member's option, to the General Employees Plan provided he or she had prior service in that plan or at least 10 years of service. This reversion option is not available to judges, legislators and elected state officers. It is a contingent liability of the State Employees' Retirement Fund and actuarially valued as of June 30, 2007 in the amount of \$64,844,445.

The Executive Director of MSRS is a member of this plan. As stated in the preceding paragraph, the authority for the 4 percent employee and 6 percent employer contributions is *Minnesota Statutes*, Section 352D.04 Subdivision 2. MSRS employee and employer contributions were as follows:

	<u>Employee (4%)</u>	<u>Employer (6%)</u>
Fiscal Year Ended June 30, 2007	\$4,107	\$6,160
Fiscal Year Ended June 30, 2006	\$4,075	\$6,112
Fiscal Year Ended June 30, 2005	\$3,994	\$5,991
Fiscal Year Ended June 30, 2004	\$3,913	\$5,870
Fiscal Year Ended June 30, 2003	\$3,865	\$5,798

B. Health Care Savings Fund

The Health Care Savings Fund is a defined contribution fund comprised entirely of the Health Care Savings Plan. It is an employer-sponsored program authorized by Minnesota Statutes Section 352.98 that allows employees to save tax-deferred contributions in an investment account to be used to reimburse the members for future medical expenses and/or medical insurance premiums after they have terminated employment. As result of various IRS rulings and regulations, benefit payments are tax exempt. Program participation is mandated by either collective bargaining agreement or personnel policy. Membership statistics as of June 30, 2007 follow.

-	Active members	25,277
-	Inactive members	7,945
-	Withdrawing members	5,578
	Total	<u>38,800</u>
-	Annual payroll (June 30, 2007)	NA
-	Participating employers	440

Contribution rates are determined by collective bargaining agreements and employer personnel policies. They are highly variable, ranging from a percentage of weekly earnings to terminal, lump sum benefits such as severance pay.

C. Deferred Compensation Fund

The Deferred Compensation Fund is a voluntary defined contribution fund offered to all state employees and political subdivisions. Pursuant to Internal Revenue Code, Section 457, contributions and investment earnings are tax sheltered until the time of withdrawal. The plan is administered by MSRS and the individual accounts are invested and maintained by a contractor, the Great West Life Assurance Corporation. Membership statistics as of June 30, 2007 follow:

-	Active members	54,314
-	Inactive members	23,996
-	Withdrawing members	5,041
	Total	<u>83,351</u>
-	Annual payroll (June 30, 2007)	NA
-	Participating employers	796

D. Hennepin County Supplemental Retirement Fund

MSRS is the recordkeeper for the Hennepin County Supplemental Retirement Fund, a defined contribution fund. Only employees of Hennepin County who began employment prior to April 14, 1982 are eligible to participate in the tax sheltered nonqualified plan created in accordance with *Minnesota Statutes* Section 383B.46-52 and Section 6064(d)(2) and (3) of the *Technical and Miscellaneous Revenue Act of 1988*. Employee contributions of one percent of salary are matched by equal employer contributions of one percent of salary. Membership statistics as of June 30, 2007 follow:

-	Active members	1,142
-	Inactive members	919
-	Withdrawing members	272
	Total	<u>2,333</u>
-	Annual payroll (June 30, 2007)	\$63,957,000
-	Participating employers	1

10. Administrative Expenses

All MSRS administrative expenses are disbursed from the State Employees Retirement Fund. At fiscal year-end, these expenses are allocated pursuant to an approved cost reallocation plan to the various funds administered. Each fund then reimburses the State Employees Retirement Fund for their allocated portion of administrative expenses. After allocation, the expenses by fund at June 30, 2007 are as follows:

Expenses by Fund:	<u>(In 000's)</u>
State Employees Retirement Fund	\$4,916
State Patrol Retirement Fund	112
Correctional Employees Retirement Fund	405
Judges Retirement Fund	49
Legislators Retirement Fund	29
Elected State Officers Retirement Fund	4
Unclassified Employees Retirement Fund	166
Health Care Savings Fund	844
Deferred Compensation	2,514
Hennepin County Supplemental Retirement	5
Total Expenses	<u>\$9,044</u>

11. Long-term Debt

MSRS entered into an agreement with the Teachers Retirement Association and the Public Employees Retirement Association for the purpose of construction and ownership of an administrative office building. Each agency owns an undivided portion of the asset total equal to their relative number of employees at the time the agreement was approved. For MSRS that portion was originally 20.4 percent of the total; later revisions of the ownership agreement amended that portion to 20.2 percent, and further revisions in July 2007 to 24.6 percent. In order to finance building construction, on June 1, 2000 the state Department of Finance issued \$29,000,000 in 30-year revenue bonds. The bonds are secured by the value of the land purchased and the building that was constructed and are to be repaid from the revenues of the three retirement systems. The table that follows shows the debt service amounts for which MSRS is directly responsible. Pursuant to the joint and several liability clause in the bond sale official statement, in the event of default, MSRS would be liable for the entire remaining outstanding principal and interest balance of the bonds, \$48,263,418.80. Bonds Payable on the Statement of Plan Net Assets is the MSRS share of the outstanding debt at the old ownership interest, 20.2%. The old debt repayment schedule and the revised schedule that was updated and subsequently approved by the respective retirement system boards in July, 2007 follow. Bonds Payable includes the principal balance as of 06/30/07 and also includes interest from the new debt repayment schedule accrued for the month of June in the amount of \$30,941.42, i.e. 1/12 of \$371,297.02.

Debt Repayment Schedule by Fiscal Year

Fiscal Year	Principal	Interest	Principal & Interest
2008	116,150.00	304,886.18	\$421,036.18
2009	121,200.00	298,643.12	\$419,843.12
2010	126,250.00	292,128.62	\$418,378.62
2011	136,350.00	285,342.68	\$421,692.68
2012	141,400.00	277,979.78	\$419,379.78
2013	151,500.00	270,273.48	\$421,773.48
2014	156,550.00	261,940.98	\$418,490.98
2015	166,650.00	253,252.46	\$419,902.46
2016	176,750.00	243,920.06	\$420,670.06
2017	186,850.00	233,933.68	\$420,783.68
2018	196,950.00	223,283.22	\$420,233.22
2019	212,100.00	211,958.60	\$424,058.60
2020	222,200.00	199,762.86	\$421,962.86
2021	237,350.00	186,875.26	\$424,225.26
2022	252,500.00	172,930.94	\$425,430.94
2023	267,650.00	158,096.56	\$425,746.56
2024	282,800.00	142,372.12	\$425,172.12
2025	303,000.00	125,757.62	\$428,757.62
2026	318,150.00	107,956.38	\$426,106.38
2027	338,350.00	89,265.06	\$427,615.06
2028	363,600.00	69,387.00	\$432,987.00
2029	383,800.00	47,571.00	\$431,371.00
2030	409,050.00	24,543.00	\$433,593.00
Totals	<u>\$5,267,150.00</u>	<u>\$4,482,060.66</u>	<u>\$9,749,210.66</u>

Total Unpaid Principal, 06/30/07	\$5,267,150.00
Accrued Interest (1/12 of \$371,291.02)	30,941.42
Total, per Statement of Plan Net Assets	<u>\$5,298,091.42</u>

Debt Repayment Schedule by Fiscal Year (as revised July, 2007)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal & Interest</u>
2008	141,450.00	371,297.02	\$512,747.02
2009	147,600.00	363,694.08	\$511,294.08
2010	153,750.00	355,760.58	\$509,510.58
2011	166,050.00	347,496.52	\$513,546.52
2012	172,200.00	338,529.82	\$510,729.82
2013	184,500.00	329,144.92	\$513,644.92
2014	190,650.00	318,997.42	\$509,647.42
2015	202,950.00	308,416.36	\$511,366.36
2016	215,250.00	297,051.16	\$512,301.16
2017	227,550.00	284,889.52	\$512,439.52
2018	239,850.00	271,919.18	\$511,769.18
2019	258,300.00	258,127.80	\$516,427.80
2020	270,600.00	243,275.56	\$513,875.56
2021	289,050.00	227,580.76	\$516,630.76
2022	307,500.00	210,599.06	\$518,099.06
2023	325,950.00	192,533.44	\$518,483.44
2024	344,400.00	173,383.88	\$517,783.88
2025	369,000.00	153,150.38	\$522,150.38
2026	387,450.00	131,471.62	\$518,921.62
2027	412,050.00	108,708.94	\$520,758.94
2028	442,800.00	84,501.00	\$527,301.00
2029	467,400.00	57,933.00	\$525,333.00
2030	498,150.00	29,889.00	\$528,039.00
Totals	<u>\$6,414,450.00</u>	<u>\$5,458,351.02</u>	<u>\$11,872,801.02</u>

12. Minnesota Post-Retirement Investment Fund (MPRIF) Actuarial Deficits

The Minnesota Post-Retirement Investment Fund is legally dedicated and obliged to pay future benefits to participating annuitants. This obligation is actuarially valued each fiscal year using an assumed post-retirement investment income rate of 6 percent with excess earnings first used for benefit increases to offset inflation up to 2.5 percent and the remaining income applied to deficits. As of June 30, 2007, the fair value of the investments dedicated to these obligations and the related deficits were as follows:

<u>Fund</u>	<u>(In thousands)</u>		
	<u>MPRIF Assets</u>	<u>MPRIF Actuarial Liability</u>	<u>Excess (Deficit)</u>
State Employees Retirement Fund	\$3,696,987	\$3,963,536	\$(266,549)
State Patrol Retirement Fund	399,734	431,969	(32,235)
Correctional Employees Retirement Fund	296,346	319,813	(23,467)
Judges Retirement Fund	105,818	114,005	(8,187)
Legislators Retirement Fund	37,974	40,470	(2,496)
Totals	<u>\$4,536,859</u>	<u>\$4,869,793</u>	<u>\$(332,924)</u>

Required Supplementary Information

Schedule of Funding Progress

(UNAUDITED)

Year Ended June 30,	Actuarial Value	Actuarial Accrued	(In Thousands)	Funded	Actual Covered	UAAAL as Percent
	Assets	Liability (AAL)	Unfunded AAL	Ratio	Payroll	of Covered Payroll
	(A)	(B)	(UAAL)	(A)/(B)	(Previous FY)(C)	(B-A)/(C)
			(B-A)			
State Employees Retirement Fund:						
2002	\$7,673,028	\$7,340,397	\$(332,631)	104.53%	\$1,915,350	-17.37%
2003	7,757,292	7,830,671	73,379	99.06	2,009,975	3.65
2004	7,884,984	7,878,363	(6,621)	100.08	1,965,546	-0.34
2005	8,081,736	8,455,336	373,600	95.58	1,952,323	19.14
2006	8,486,756	8,819,161	332,405	96.23	2,016,588	16.48
2007	8,904,517	9,627,305	722,788	92.49	2,095,310	34.50
State Patrol Retirement Fund:						
2002	\$591,383	\$510,344	\$(81,039)	115.88%	\$49,278	-164.45%
2003	591,521	538,980	(52,541)	109.75	54,175	-96.98
2004	594,785	545,244	(49,541)	109.09	51,619	-95.98
2005	601,220	566,764	(34,456)	106.08	55,142	-62.49
2006	618,990	641,479	22,489	96.49	57,765	38.93
2007	617,901	673,444	55,543	91.75	61,498	90.32
Correctional Employees Retirement Fund:						
2002	\$457,416	\$446,426	\$(10,990)	102.46%	\$124,373	-8.84%
2003	470,716	484,974	14,258	97.06	131,328	10.86
2004	486,617	524,215	37,598	92.83	133,172	28.23
2005	503,573	546,118	42,545	92.21	132,335	32.15
2006	535,357	647,480	112,123	82.68	145,879	76.86
2007	559,852	708,292	148,440	79.04	167,727	88.50
Judges Retirement Fund:						
2002	\$131,379	\$171,921	\$40,542	76.42%	\$31,078	130.45%
2003	134,142	176,291	42,149	76.09	33,771	124.81
2004	138,948	190,338	51,390	73.00	34,683	148.17
2005	144,465	191,414	46,949	75.47	35,941	130.63
2006	151,850	202,301	50,451	75.06	36,529	138.11
2007	153,562	214,297	60,735	71.66	36,195	167.80
Legislators Retirement Fund:						
2002	\$45,501	\$78,070	\$32,569	58.28%	\$5,089	639.99%
2003	This fund was not actuarially valued in this fiscal year.					
2004	46,155	83,197	37,042	55.48	3,815	970.89
2005	45,523	81,836	36,313	55.63	3,014	1,204.81
2006	48,504	81,361	32,857	59.62	2,894	1,135.35
2007	44,869	86,449	41,580	51.90	2,380	1,747.06
Elective State Officers Retirement Fund*:						
2002	\$201	\$4,075	\$3,874	4.93%	\$0	N/A
2003	This fund was not actuarially valued in this fiscal year.					
2004	204	4,002	3,798	5.09	0	N/A
2005	204	4,065	3,861	5.03	0	N/A
2006	207	3,969	3,762	5.23	0	N/A
2007	211	3,969	3,758	5.33	0	N/A

*This is a closed plan. There are no active contributing members.

Required Supplementary Information

Schedule of Employer Contributions

(UNAUDITED)

Year Ended June 30,	(In Thousands)					
	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contribution (C)	Annual Required Contribution [(A)x(B)]-(C)	Actual Employer Contribution*	Percent Contributed
State Employees Retirement Fund:						
2002	6.79%	\$1,915,350	\$79,487	\$50,565	\$76,614	151.52%
2003	8.34	2,009,975	83,850	83,782	80,399	95.96
2004	9.43	1,965,546	82,102	103,249	78,622	76.15
2005	9.33	1,952,323	83,101	99,051	80,312	81.08
2006	10.55	2,016,588	85,379	127,371	82,645	64.88
2007	10.11	2,095,310	89,447	122,389	86,492	70.67
State Patrol Retirement Fund:						
2002	14.00%	\$49,278	\$4,215	\$2,684	\$6,209	231.33%
2003	14.34	54,175	4,555	3,214	6,826	212.38
2004	17.81	51,619	4,493	4,700	6,504	138.39
2005	18.15	55,142	4,517	5,491	6,670	121.47
2006	19.84	57,765	4,719	6,741	7,055	104.66
2007	26.69	61,498	4,987	11,427	7,461	65.30
Correctional Employees Retirement Fund:						
2002	13.81%	\$124,373	\$7,207	\$9,969	\$9,925	99.56%
2003	14.73	131,328	7,610	11,735	10,480	89.31
2004	15.83	133,172	7,748	13,333	10,627	79.71
2005	17.48	132,335	7,943	15,189	11,016	72.52
2006	17.71	145,879	8,964	16,871	12,152	72.03
2007	23.34	167,727	10,032	29,115	13,927	47.83
Judges Retirement Fund:						
2002	26.72%	\$31,078	\$2,345	\$5,959	\$8,369	140.44%
2003	26.82	33,771	2,574	6,483	6,923	106.79
2004	26.73	34,683	2,643	6,628	7,110	107.27
2005	29.42	35,941	2,662	7,912	7,225	91.32
2006	29.14	36,529	2,866	7,779	7,336	94.30
2007	30.73	36,195	2,792	8,331	7,572	90.88
Legislators Retirement Fund:						
2002	60.14%	\$5,089	\$458	\$2,603	\$4,135	158.86%
2003	This fund was not actuarially valued in this fiscal year.					
2004	63.12	3,815	343	2,065	0	0.00
2005	104.72	3,014	384	2,773	0	0.00
2006	112.64	2,894	264	2,995	0	0.00
2007	111.24	2,380	239	2,408	0	0.00
Elective State Officers Retirement Fund*:						
2002	371%	\$-	\$-	\$-	\$354	95.42%
2003	This fund was not actuarially valued in this fiscal year.					
2004	412	-	-	412	383	92.88
2005	437	-	-	437	395	90.37
2006	465	-	-	465	417	89.66
2007	477	-	-	477	427	89.57

*This is a closed plan. There are no active contributing members.

Schedule of Administrative Expenses

(Year ended June 30, 2007)

	(In Thousands)
	<u>Totals</u>
Personal Services	
Staff salaries	\$4,486
Social Security & Medicare	327
Retirement	187
Insurance	752
Other personal services	79
Total	<u>\$5,831</u>
Professional services:	
actuarial	\$181
data processing	427
disability examinations	24
legal counsel	9
other professional services	15
Total	<u>\$656</u>
Communication:	
printing	\$169
telephone	174
postage	258
travel	142
subscriptions, memberships and training	58
Total	<u>\$801</u>
Rentals:	
office space	\$169
other rentals	8
Total	<u>\$177</u>
Miscellaneous:	
building services	\$313
supplies	80
repairs and maintenance agreements	80
department head and board member expense	35
statewide indirect cost	121
depreciation	291
interest expense	318
state sales taxes	26
local sales taxes	2
other services	313
Total	<u>\$1,579</u>
Total Operating Expenses	<u>\$9,044</u>
Expenses distributed by fund:	
State Employees	\$4,916
State Patrol	112
Correctional Employees	405
Judges	49
Legislators	29
Elective State Officers	4
Unclassified Employees	166
Health Care Savings	844
Deferred Compensation	2,514
Hennepin County Supplemental	5
Total distribution	<u>\$9,044</u>

Schedule of Changes in Plan Net Assets

State Employees Retirement Fund (Year ended June 30, 2007)

	(In Thousands)			
	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$86,900	\$0	\$2,547	\$89,447
employer contributions	0	0	86,492	86,492
Total contributions	\$86,900	\$0	\$89,039	\$175,939
Investment Income:				
investment income	\$0	\$594,721	\$918,345	\$1,513,066
less investment expense	0	5,008	8,030	13,038
Net Investment Income	\$0	\$589,713	\$910,315	\$1,500,028
Income from Securities Lending Activities:				
securities lending income	\$0	\$26,221	\$40,381	\$66,602
securities lending expenses:				
--borrower rebates	0	24,510	37,718	62,228
--management fees	0	395	617	1,012
Total Securities Lending Expenses	\$0	\$24,905	\$38,335	\$63,240
Net Income from Securities Lending Activities	\$0	\$1,316	\$2,046	\$3,362
Total Net Investment Income	\$0	\$591,029	\$912,361	\$1,503,390
Other Additions:				
transfers from other plans	\$2,402	\$0	\$14,866	\$17,268
other income	0	0	341	341
Total Other Additions	\$2,402	\$0	\$15,207	\$17,609
Total Additions	\$89,302	\$591,029	\$1,016,607	\$1,696,938
Deductions:				
annuity benefits	\$0	\$392,058	\$0	\$392,058
refunds	7,399	0	3,703	11,102
interest to MPRI Fund	0	0	798	798
transfers to other plans	526	0	1,574	2,100
administrative expenses	0	0	4,916	4,916
Total Deductions	\$7,925	\$392,058	\$10,991	\$410,974
Other Changes in Reserves:				
retirements	\$(46,065)	\$349,965	\$(303,900)	\$0
mortality gains (losses)	0	4,817	(4,817)	0
other	(947)	0	947	0
Total Other Changes	\$(47,012)	\$354,782	\$(307,770)	\$0
Net Increase	\$34,365	\$553,753	\$697,846	\$1,285,964
Net Assets Held in Trust for Pension Benefits:				
July 1, 2006	\$966,952	\$3,143,234	\$4,110,855	\$8,221,041
June 30, 2007	\$1,001,317	\$3,696,987	\$4,808,701	\$9,507,005

Schedule of Changes in Plan Net Assets

State Patrol Retirement Fund (Year ended June 30, 2007)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$4,976	\$0	\$11	\$4,987
employer contributions	0	0	7,461	7,461
Total Contributions	\$4,976	0	7,472	\$12,448
Investment Income:				
investment Income	\$0	\$57,313	\$43,518	\$100,831
less investment expense:	0	537	377	914
Net Investment Income	\$0	\$56,776	\$43,141	\$99,917
Income From Security Lending Activities:				
security lending income	\$0	\$2,810	\$1,760	\$4,570
security lending expenses:				
--borrower rebates	\$0	\$2,627	\$1,644	\$4,271
--management fees	0	42	27	69
Total Security Lending Expenses	\$0	\$2,669	\$1,671	\$4,340
Net Income From Security Lending Activities	\$0	\$141	\$89	\$230
Total Net Investment Income	\$0	\$56,917	\$43,230	\$100,147
Other Additions:				
transfers from other plans	\$0	\$0	\$0	\$0
other income	0	0	3	3
Total Other Additions	\$0	\$0	\$3	\$3
Total Additions	\$4,976	\$56,917	\$50,705	\$112,598
Deductions:				
annuity benefits	\$0	\$40,528	\$53	\$40,581
refunds	77	0	56	133
interest to MPRI Fund	0	0	98	98
transfers to other plans	0	0	0	0
administrative expenses	0	0	112	112
other expenses	0	0	0	0
Total Deductions	\$77	\$40,528	\$319	\$40,924
Other Changes in Reserves:				
retirements	\$(3,235)	\$22,021	\$(18,786)	\$0
mortality gains (Losses)	0	4,080	(4,080)	0
other	(8)	0	8	0
Total Other Changes	\$(3,243)	\$26,101	\$(22,858)	\$0
Net Increase	\$1,656	\$42,490	\$27,528	\$71,674
Net Assets Held in Trust for Pension Benefits				
July 1, 2006	\$45,709	\$357,244	\$174,554	\$577,507
June 30, 2007	\$47,365	\$399,734	\$202,082	\$649,181

Schedule of Changes in Plan Net Assets

Correctional Retirement Fund (Year ended June 30, 2007)

	(In Thousands)			
	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$9,960	\$0	\$72	\$10,032
employer contributions	0	0	13,927	13,927
Total contributions	\$9,960	\$0	\$13,999	\$23,959
Investment Income:				
investment income	\$0	\$33,697	\$51,768	\$85,465
less investment expense	0	398	448	846
Net Investment Income	\$0	\$33,299	\$51,320	\$84,619
Income from Securities Lending Activities:				
securities lending income	\$0	\$2,084	\$2,095	\$4,179
securities lending expenses:				
--borrower rebates	0	1,948	1,957	3,905
--management fees	0	31	32	63
Total Securities Lending Expenses	\$0	\$1,979	\$1,989	\$3,968
Net Income from Securities Lending Activities	\$0	\$105	\$106	\$211
Total Net Investment Income	\$0	\$33,404	\$51,426	\$84,830
Other Additions:				
transfers from other plans	\$49	\$0	\$82	\$131
Total Other Additions	\$49	\$0	\$82	\$131
Total Additions	\$10,009	\$33,404	\$65,507	\$108,920
Deductions:				
annuity benefits	\$0	\$28,565	\$0	\$28,565
refunds	604	0	148	752
interest to MPRI Fund	0	0	340	340
transfers to other plans	18	0	0	18
administrative expenses	0	0	405	405
Total Deductions	\$622	\$28,565	\$893	\$30,080
Other Changes in Reserves:				
retirements	\$(4,310)	\$31,959	\$(27,649)	\$0
mortality gains (losses)	0	2,948	(2,948)	0
other	(39)	0	39	0
Total Other Changes	\$(4,349)	\$34,907	\$(30,558)	\$0
Net Increase	\$5,038	\$39,746	\$34,056	\$78,840
Net Assets Held in Trust for Pension Benefits:				
July 1, 2006	\$67,313	\$256,601	\$192,303	\$516,217
June 30, 2007	\$72,351	\$296,347	\$226,359	\$595,057

Schedule of Changes in Plan Net Assets

Judges Retirement Fund (Year ended June 30, 2007)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$2,792	\$0	\$0	\$2,792
employer contributions	0	0	7,571	7,571
Total contributions	\$2,792	\$0	\$7,571	\$10,363
Investment Income:				
investment income	\$0	\$16,508	\$9,175	\$25,683
less investment expense	0	137	79	216
Net Investment Income	\$0	\$16,371	\$9,096	\$25,467
Income from Securities Lending Activities:				
securities lending income	\$0	\$718	\$392	\$1,110
securities lending expenses:				
--borrower rebates	0	671	366	1,037
--management fees	0	11	6	17
Total Securities Lending Expenses	\$0	\$682	\$372	\$1,054
Net Income from Securities Lending Activities	\$0	\$36	\$20	\$56
Total Net Investment Income	\$0	\$16,407	\$9,116	\$25,523
Other Additions:				
transfers from other plans	0	0	0	0
other income	0	0	0	0
Total Other Additions	\$0	\$0	\$0	\$0
Total Additions	\$2,792	\$16,407	\$16,687	\$35,886
Deductions:				
annuity benefits	\$0	\$13,296	\$1,220	\$14,516
refunds	38	0	7	45
interest to MPRI Fund	0	0	36	36
transfers to other plans	8	0	19	27
administrative expenses	0	0	49	49
Total Deductions	\$46	\$13,296	\$1,331	\$14,673
Other Changes in Reserves:				
retirements	\$(1,363)	\$8,152	\$(6,789)	\$0
mortality gains (losses)	0	4,759	(4,759)	0
other	0	0	0	0
Total Other Changes	\$(1,363)	\$12,911	\$(11,548)	\$0
Net Increase	\$1,383	\$16,022	\$3,808	\$21,213
Net Assets Held in Trust for Pension Benefits:				
July 1, 2006	\$23,179	\$89,796	\$25,175	\$138,150
June 30, 2007	\$24,562	\$105,818	\$28,983	\$159,363

Schedule of Changes in Plan Net Assets

Legislators Retirement Fund (Year ended June 30, 2007)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$239	\$0	\$0	\$239
General Fund contributions	0	0	1,772	1,772
Total contributions	\$239	\$0	\$1,772	\$1,772
Investment Income:				
investment income	\$0	\$6,845	\$0	\$6,845
less investment expense	0	50	0	50
Net Investment Income	\$0	\$6,795	\$0	\$6,795
Income from Securities Lending Activities:				
securities lending income	\$0	\$262	\$0	\$262
securities lending expenses:				
--borrower rebates	0	245	0	245
--management fees	0	4	0	4
Total Securities Lending Expenses	\$0	\$249	\$0	\$249
Net Income from Securities Lending Activities	\$0	\$13	\$0	\$13
Total Net Investment Income	\$0	\$6,808	\$0	\$6,808
Other Additions:				
transfers from other plans	\$8	\$0	\$0	\$8
other income	0	0	3	3
Total Other Additions	\$8	\$0	\$3	\$11
Total Additions	\$247	\$6,808	\$1,775	\$8,830
Deductions:				
annuity benefits	\$0	\$5,230	\$1,160	\$6,390
refunds	19	0	16	35
interest to MPRI Fund	0	0	0	0
transfers to other funds	26	0	0	26
administrative expenses	0	0	29	29
Total Deductions	\$45	\$5,230	\$1,205	\$6,480
Other Changes in Reserves:				
retirements	\$(723)	\$0	\$723	\$0
mortality gains (losses)	0	1,043	(1,043)	0
other	13	0	(13)	0
Total Other Changes	\$(710)	\$1,043	\$(333)	\$0
Net Increase	\$(508)	\$2,621	\$237	\$2,350
Net Assets Held in Trust for Pension Benefits:				
July 1, 2006	\$7,050	\$35,353	\$116	\$42,519
June 30, 2007	\$6,542	\$37,974	\$353	\$44,869

Schedule of Changes in Plan Net Assets

Elected State Officers Retirement Fund (Year ended June 30, 2007)

(In Thousands)

	<u>Member</u>	<u>Post-Retirement Investment Fund</u>	<u>Benefit</u>	<u>Totals</u>
Additions:				
Contributions:				
member contributions	\$0	\$0	\$0	\$0
General Fund contributions	0	0	428	428
Total contributions	<u>\$0</u>	<u>\$0</u>	<u>\$428</u>	<u>\$428</u>
Investment Income:				
investment income	\$0	\$0	\$0	\$0
less investment expense	0	0	0	0
Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Income from Securities Lending Activities:				
securities lending income	\$0	\$0	\$0	\$0
securities lending expenses:				
--borrower rebates	0	0	0	0
--management fees	0	0	0	0
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Additions:				
transfers from other plans	\$0	\$0	\$0	\$0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$0</u>	<u>\$0</u>	<u>\$428</u>	<u>\$428</u>
Deductions:				
annuity benefits	\$0	\$0	\$419	\$419
refunds	0	0	0	0
interest to MPRI Fund	0	0	0	0
transfers to other plans	0	0	0	0
administrative expenses	0	0	4	4
Total Deductions	<u>\$0</u>	<u>\$0</u>	<u>\$423</u>	<u>\$423</u>
Other Changes in Reserves:				
retirements	\$0	\$0	\$0	\$0
mortality gains (losses)	0	0	0	0
Total Other Changes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Increase	<u>\$0</u>	<u>\$0</u>	<u>\$5</u>	<u>\$5</u>
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	<u>\$36</u>	<u>\$0</u>	<u>\$171</u>	<u>\$207</u>
End of the Year	<u><u>\$36</u></u>	<u><u>\$0</u></u>	<u><u>\$176</u></u>	<u><u>\$212</u></u>

Schedule of Changes in Plan Net Assets

Unclassified Employees Retirement Fund (Year ended June 30, 2007)

	(In Thousands)		
	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$5,476	\$0	\$5,476
employer	6,258	0	6,258
Total	\$11,734	\$0	\$11,734
Investment Income:			
investment income	\$67,837	\$205	\$68,042
less investment expense:	0	0	0
Net Investment Income	\$67,837	\$205	\$68,042
Income from Securities Lending Activities:			
securities lending income	\$1,739	0	\$1,739
securities lending expenses:			
--borrower rebates	1,609	0	1,609
--management fees	30	0	30
Total Securities Lending Expenses	\$1,639	0	1,639
Net Income from Securities Lending Activities	\$100	\$0	\$100
Total Net Investment Income	\$67,937	\$205	\$68,142
Other Additions:			
transfers from other plans	\$1,988	\$0	\$1,988
other income	0	40	40
Total Other Additions	\$1,988	\$40	\$2,028
Total Additions	\$81,659	\$245	\$81,904
Deductions:			
annuity benefits	\$0	\$0	\$0
refunds	29,994	0	29,994
interest to MPRI Fund	0	31	31
transfers to other funds	17,224	0	17,224
administrative expenses	0	166	166
Total Deductions	\$47,218	\$197	\$47,415
Net Increase	\$34,441	\$48	\$34,489
Net Assets Held in Trust for Pension Benefits			
July 1, 2006	\$282,470	\$441	\$282,911
June 30, 2007	\$316,911	\$489	\$317,400

Schedule of Changes in Plan Net Assets

Health Care Savings Fund (Year ended June 30, 2007)

	(In Thousands)		
	<u>Member</u>	<u>Benefit</u>	<u>Totals</u>
Additions:			
Contributions:			
member	\$59,515	\$0	\$59,515
employer	0	0	0
Total	<u>\$59,515</u>	<u>\$0</u>	<u>\$59,515</u>
Investment Income:			
investment income	\$12,439	\$230	\$12,669
less investment expense:	0	0	0
Net Investment Income	<u>\$12,439</u>	<u>\$230</u>	<u>\$12,669</u>
Income from Securities Lending Activities:			
securities lending income	\$519	\$0	\$519
securities lending expenses:			
--borrower rebates	481	0	481
--management fees	9	0	9
Total Securities Lending Expenses	<u>\$490</u>	<u>\$0</u>	<u>\$490</u>
Net Income from Securities Lending Activities	<u>\$29</u>	<u>\$0</u>	<u>\$29</u>
Total Net Investment Income	<u>\$12,468</u>	<u>\$230</u>	<u>\$12,698</u>
Other Additions:			
transfers from other plans	\$0	\$0	\$0
other income	0	1,031	1,031
Total Other Additions	<u>\$0</u>	<u>\$1,031</u>	<u>\$1,031</u>
Total Additions	<u>\$71,983</u>	<u>\$1,261</u>	<u>\$73,244</u>
Deductions:			
health care benefits	\$23,470	\$0	\$23,470
administrative expenses	0	844	844
other expenses	0	0	0
Total Deductions	<u>\$23,470</u>	<u>\$844</u>	<u>\$24,314</u>
Net Increase	<u>\$48,513</u>	<u>\$417</u>	<u>\$48,930</u>
Assets Held in Trust for Pension Benefits			
Beginning of the Year	<u>\$126,717</u>	<u>\$(1,496)</u>	<u>\$125,221</u>
End of the Year	<u>\$175,230</u>	<u>\$(1,079)</u>	<u>\$174,151</u>

Schedule of Changes in Plan Net Assets

Deferred Compensation Fund (Year ended June 30, 2007)

	(In Thousands)		
	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$217,446	\$0	\$217,446
employer	0	0	0
Total	\$217,446	\$0	\$217,446
Investment Income:			
investment income	\$456,326	\$542	\$456,868
less investment expense:	0	0	0
Net Investment Income	\$456,326	\$542	\$456,868
Income from Securities Lending Activities:			
securities lending income	\$0	\$0	\$0
securities lending expenses:			
--borrower rebates	0	0	0
--management fees	0	0	0
Total Securities Lending Expenses	\$0	\$0	\$0
Net Income from Securities Lending Activities	\$0	\$0	\$0
Total Net Investment Income	\$456,326	\$542	\$456,868
Other Additions:			
transfers from other plans	\$0	\$0	\$0
other income	0	6,036	6,036
Total Other Additions	\$0	\$6,036	\$6,036
Total Additions	\$673,772	\$6,578	\$680,350
Deductions:			
ongoing withdrawals (periodic payments)	\$35,285	\$0	\$35,285
lump-sum withdrawals	135,419	0	135,419
recordkeeping expenses	2,582	4,144	6,726
administrative expenses	0	2,514	2,514
other expenses	0	0	0
Total Deductions	\$173,286	\$6,658	\$179,944
Net Increase	\$500,486	\$(80)	\$500,406
Assets Held in Trust for Pension Benefits			
July 1, 2006	\$3,114,634	\$11,140	\$3,125,774
June 30, 2007	\$3,615,120	\$11,060	\$3,626,180

Schedule of Changes in Plan Net Assets

Hennepin County Supplemental Retirement Fund (Year ended June 30, 2007)

(In Thousands)

	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$639	\$0	\$639
employer	640	0	640
Total	\$1,279	\$0	\$1,279
Investment Income:			
investment income	\$20,636	\$10	\$20,646
less investment expense:	0	0	0
Net Investment Income	\$20,636	\$10	\$20,646
Income from Securities Lending Activities:			
securities lending income	\$756	\$0	\$756
securities lending expenses:			
--borrower rebates	702	0	702
--management fees	12	0	12
Total Securities Lending Expenses	\$714	\$0	\$714
Net Income from Securities Lending Activities	\$42	\$0	\$42
Total Net Investment Income	\$20,678	\$10	\$20,688
Other Additions:			
fund to fund transfers in	\$0	\$0	\$0
other income	0	53	53
Total Other Additions	\$0	\$53	\$53
Total Additions	\$21,957	\$63	\$22,020
Deductions:			
ongoing withdrawals (periodic payments)	\$5,830	\$0	\$5,830
lump-sum withdrawals	1,677	0	1,677
recordkeeping expenses	0	0	0
administrative expenses	0	5	5
other expenses	0	59	59
Total Deductions	\$7,507	\$64	\$7,571
Net Increase	\$14,450	\$(1)	\$14,449
Assets Held in Trust for Pension Benefits			
July 1, 2006	\$126,449	\$23	\$126,472
June 30, 2007	\$140,899	\$22	\$140,921

Summary Schedule of Commissions and Payments to Consultants

(Year Ended June 30, 2007)

<u>Individual or Firm Name</u>	<u>Services Received</u>	<u>(In Thousands) Fees Paid</u>
William Mercer Inc.	Consulting Actuary	\$109
Segal Company	Actuary	\$72
State of Minnesota:		
Department of Health	Medical advisor	\$22
Office of the Attorney General	Legal counsel	\$9

Schedule of Investment Expenses

(Year Ended June 30, 2007)

	<u>(In Thousands)</u>					<u>Totals</u>
	<u>State Employees</u>	<u>State Patrol</u>	<u>Correctional Employees</u>	<u>Judges</u>	<u>Legislators</u>	
Outside Money Managers, Equities	\$10,755	\$752	\$698	\$178	\$41	\$12,424
Outside Money Managers, Bonds	1,782	126	116	30	7	2,061
Minnesota State Board of Investment	386	27	25	6	2	446
Financial Control Systems	52	4	3	1	0	60
Richards & Tierney	55	4	4	1	0	64
Pension Consultants	8	1	0	0	0	9
	<u>\$13,038</u>	<u>\$914</u>	<u>\$846</u>	<u>\$216</u>	<u>\$50</u>	<u>\$15,064</u>

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**INVESTMENT
SECTION**



**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

**Governor
Tim Pawlenty**

**State Auditor
Rebecca Otto**

**Secretary of State
Mark Ritchie**

**Attorney General
Lori Swanson**

Executive Director

Howard J. Bicker

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Investment Report State Board of Investment

Investment Authority

The assets of the Minnesota State Retirement System are invested under the direction and authority of the State Board of Investment in accordance with Minnesota Statutes, Chapters 11A and 356A. The SBI includes Minnesota's governor, auditor, secretary of state and attorney general. The Legislature has established a 17-member Investment Advisory Council to advise the SBI and its staff on investment-related matters. MSRS' executive director is a member of the Council.

Investment Policy

Investment policy stipulates that the SBI “will operate within standard investment practices of the prudent person. The SBI will exercise the judgment and care — under prevailing circumstances — which persons of prudence, discretion and intelligence exercise in the management of their own affairs. This work is not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived from this activity.” (Minnesota Statutes, Section 11A.04) 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 constraints. Particularly, pension-fund assets are to be invested for the exclusive benefit of the fund members.

Investment Objectives

Pension-fund assets are managed and accounted for separately in the SBI's Basic Funds (for active members) and the Post Retirement Investment Fund (for retired members). The SBI reviews the performance of all the assets in each fund and as two funds combined.

MSRS' pension contributions from employees and employers are invested in the SBI's Basic Funds. Likewise, active members from seven other statewide retirement funds have their pension contributions invested in the SBI's Basic Funds. MSRS does not own any underlying assets, but instead owns shares of the asset class pools of the Basic Funds (stocks, bonds, etc.). Because these assets normally accumulate in the Basic Funds for 30 to 40 years, the SBI's objective is to take advantage of the long investment time horizon offered by equities and alternative assets. The Board does this to meet its actuarial return target of 8.5 percent per year so as to ensure that sufficient funds are available to finance promised benefits at the time of retirement.

When a member retires, MSRS transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (MPRIF). The assets of the MPRIF — which include the eight plans that participate in the Basic Funds and the Legislative Retirement Fund — finance monthly annuity payments to retirees. Moneys in the MPRIF are generally invested a bit more conservatively, but still heavily in equities, to take advantage of the 15-year to 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 MPRIF is 6 percent plus 2.5 percent allowance for inflation adjustment.

Combined Funds

The combined funds, while not existing under statute, represent the assets of the active and retired public employees who participate in the defined benefit plans of MSRS, the Public Employees Retirement System, and the Teachers Retirement Association. The SBI looks at the combined funds 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 to:

- provide returns that are 3 to 5 percentage points greater than inflation over the latest 20-year period; and
- outperform a composite market index weighted in a manner that reflects the actual asset mix of the combined funds over the latest 10-year period.

As of June 30, 2007, the combined funds returned 10.0 percent annually over the past 20 years which was 7.0 percentage points above the consumer price index and returned 8.3 percent annually over the past 10 years which was 0.2 percentage points above the composite index.

Investment Presentation

Data reported in the investment section of this comprehensive annual financial report is presented in conformance with the presentation standards of the CFA Institute. Investment returns were prepared using a time-weighted rate of return methodology in accordance with those standards.

Respectfully submitted,



Howard Bicker
Executive Director
State Board of Investment

Investment Results

Investment Returns by Sector

Performance of Asset Pools (net of fees)

	Rates of Return (annualized)		
	FY2007	Three-Year	Five-Year
Domestic Stock	19.7%	12.3%	11.3%
--Russell 3000	20.1	12.4	11.6
Bonds	6.3%	4.3%	5.0%
--Lehman Aggregate Bond Index	6.1	4.0	4.5
International Stock	30.3%	24.6%	18.8%
--Composite Index	29.6	24.5	19.3
Alternative Investments	25.6%	31.9%	22.2%

Investment Allocation (at June 30, 2007)*

Asset allocation will have a dominant effect on returns. The State Board of Investment has given attention to the selection of the appropriate long-term asset allocation policy for the Basic and the Post-Retirement Investment funds.

Investment Type	Basic Fund		MPRI Fund	
	Actual Asset Mix	Long-Term Policy Target	Actual Asset Mix	Long-Term Policy Target
Domestic Equity	49.6%	45.0%	49.4%	45.0%
International Equity	16.3	15.0	16.4	15.0
Bond	22.1	24.0	23.4	25.0
Alternative Investments**	10.9	15.0	8.5	12.0
Cash	1.1	1.0	2.3	3.0
Total	100.0%	100.0%	100.0%	100.0%

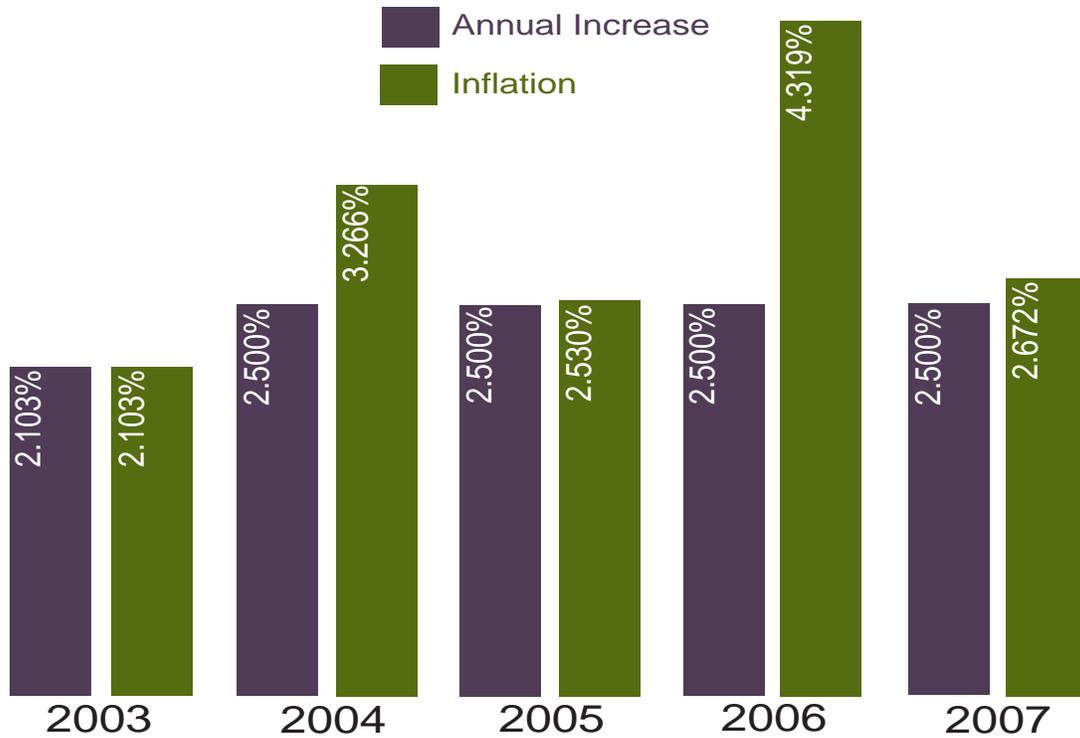
* Source: Minnesota State Board of Investment, fiscal year 2006 annual report.

** Alternative investments are real estate, venture capital and resource funds.

Investment Results

Annuity Increases vs. Inflation

Combined increases awarded to MSRS retirees under the Post-Retirement Investment Fund have been slightly less than inflation during the last five years. Increases and inflation are measured as of June 30. Increases are effective January 1 of the following year.



Investment Performance

Funds	Rates of Return (annualized)		
	<u>FY2007</u>	<u>Three-Year</u>	<u>Five-Year</u>
Basic (active accounts)	18.5%	14.0%	12.0%
Basic Composite Market Index	18.2	13.9	11.9
Post-Retirement Investment (retiree accounts)	18.2	13.5	11.8
MPRIF Composite Market Index	17.7	18.2	11.6
Combined (both) *	18.3	13.8	11.9
Combined Composite Market Index	18.0	13.5	11.8

*Percentages are net of all management fees.

Note: All composite indices are composed of the following market indicators and are weighted according to asset allocation.

Domestic stocks	Russell 3000
International stocks	EAFE
Domestic bonds	Lehman Aggregate
Alternative assets	Wilshire Real Estate Index, venture capital funds, resource funds,
Unallocated cash	91-day treasury bills

Largest Assets Held (as of June 30, 2007)

Composite Holdings of 10 Largest Equities (by market value)

<u>Company</u>	<u>Percent of Portfolio</u>
Exxon Mobil Corporation	1.464%
General Electric Co.	1.142
Microsoft Corporation	0.882
Citigroup Inc.	0.854
Bank America Corporation	0.843
AT&T Corporation	0.785
Pfizer, Inc.	0.729
Proctor and Gamble Company	0.719
Aetna Company	0.660
Prime Property Company	0.643

Composite Holdings of Ten Largest Bonds (by Market Value)

<u>Security</u>	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>Percent of Portfolio</u>
ABN AMRO Tri Party C	5.1500%	07/02/2007	2.779%
FNMA	6.0000	12/01/2099	2.335
FNMA	5.0000	12/01/2099	1.707
U.S. Treasury Notes	4.7500	02/15/2010	1.603
U.S. Treasury Notes	3.1250	10/15/2008	1.396
FNMA	5.5000	12/01/2099	1.358
U.S. Treasury Notes	4.2500	11/15/2014	1.354
HSBC Tri Party C	5.3000	07/02/2007	1.337
Fifth Third Bank Grand Cayman	5.3125	07/02/2007	0.879
Citibank Nassau	5.0600	07/02/2007	0.879

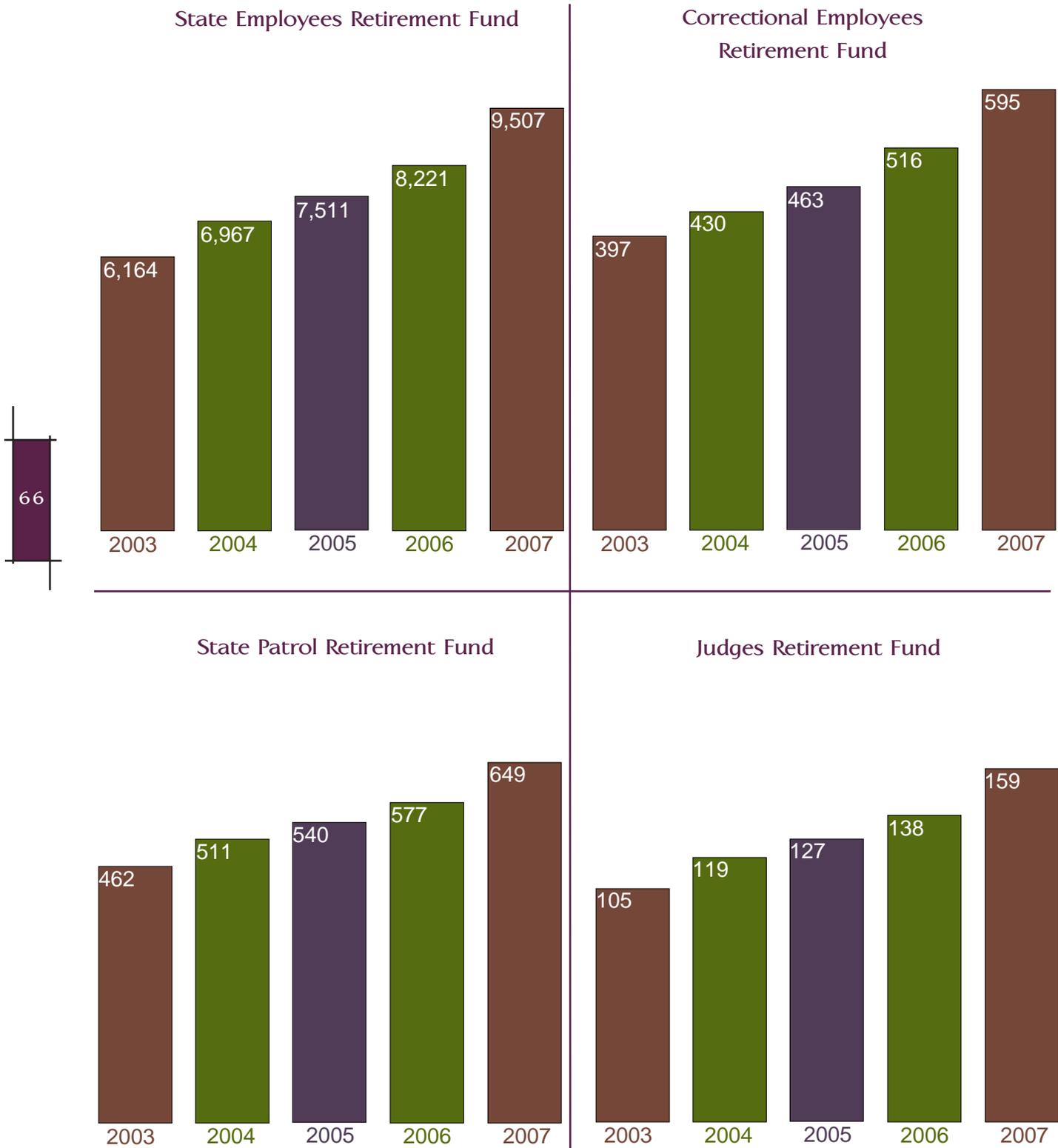
MSRS assets are commingled in various investment accounts administered by the Minnesota State Board of Investment (SBI). MSRS owns an undivided interest proportionate to the amount provided for investment in each of the pools. The percentages shown above are the portion of each of the total pools comprised by portfolio holdings. Information on SBI investment activity and a listing of specific investments held by the various investment pools is available from the SBI.

Investment Summary at Fair Value (as of June 30, 2007)

	(In Thousands)		Percent of Portfolio
	Fair Value June 30, 2006	Fair Value June 30, 2007	
State Employees Retirement Fund:			
External Domestic Equity Pool	\$1,699,073	\$1,948,014	34%
Passive Domestic Equity Pool	774,437	928,409	16
Global Equity Pool	793,418	944,081	16
Fixed Income Pool	1,170,557	1,288,157	23
Alternative Investments	562,406	624,093	11
Total	<u>\$4,999,891</u>	<u>\$5,732,754</u>	<u>100%</u>
State Patrol Retirement Fund:			
External Domestic Equity Pool	\$89,064	\$84,885	34%
Passive Domestic Equity Pool	40,575	40,564	16
Global Equity Pool	41,579	41,202	17
Fixed Income Pool	61,367	56,064	22
Alternative Investments	29,468	27,388	11
Total	<u>\$262,053</u>	<u>\$250,103</u>	<u>100%</u>
Correctional Employees Retirement Fund:			
External Domestic Equity Pool	\$101,887	\$101,054	34%
Passive Domestic Equity Pool	46,434	48,198	16
Global Equity Pool	47,575	48,996	17
Fixed Income Pool	70,196	66,801	22
Alternative Investments	33,722	32,439	11
Total	<u>\$299,814</u>	<u>\$297,488</u>	<u>100%</u>
Judges Retirement Fund:			
External Domestic Equity Pool	\$16,484	\$18,913	34%
Passive Domestic Equity Pool	7,493	9,014	16
Global Equity Pool	7,685	9,166	16
Fixed Income Pool	11,364	12,506	23
Alternative Investments	5,442	6,059	11
Total	<u>\$48,468</u>	<u>\$55,658</u>	<u>100%</u>

Fair Value of Net Assets (In Millions of US\$)

Fair Value of MSRS' Four Largest Funds (as of June 30)





ACTUARIAL SECTION

Actuary's Certification Letter



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December 12, 2007

Board of Trustees
Minnesota State Retirement System
Suite 300
60 Empire Drive
St. Paul, MN 55103-3000

Dear Members of the Board:

We have completed our annual actuarial valuation of the Minnesota State Retirement System to test how well the fundamental financing objectives are being achieved and to determine the actuarial status of the State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CERF), the Judges Retirement Fund (JRF), the Legislators Retirement Fund (LRF), and the Elective State Officers Retirement Fund (ESORF) as of July 1, 2007.

The fundamental financing objectives of the funds are to establish contribution rates that, 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 valuations of the SPRF, SERF, CERF, JRF, LRF, and ESORF showed that contributions are deficient to meet the target full funding dates. The deficiencies are 7.20% of payroll for SPRF, 3.26% of payroll for SERF, 8.94% of payroll for CERF, 5.63% of payroll for JRF, 162.10% of payroll for LRF, and \$506,141 for ESORF. The ESORF no longer has any active participants (and therefore the deficiency is expressed as a dollar amount). It should be noted that with respect to the LRF and ESORF, the employer is required to fund the portion of the benefit liabilities that are not funded by the member's accumulated contribution at the time of benefit commencement.

The actuarial valuation was based upon applicable statutory provisions and the Standards of Actuarial Work in effect on July 1, 2007. The trend data schedules were based upon applicable GASB 25 parameters. In the aggregate, the basic financial and membership data provided to us by the system office appears reasonable in comparison to last year. We have relied upon the data as submitted in performing the actuarial valuation and in preparing the trend data schedules. It is our understanding that the data has subsequently been audited with no significant changes made.

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, D.C.



Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

Board of Trustees
December 12, 2007
Page 3

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.

Sincerely,



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

szh/tzs

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Summary of Actuarial Assumptions and Methods

Actuarial cost method

The entry age normal actuarial cost method, based on earnings and the date the employee entered the plan, is applied to all plan benefits. Under this method, actuarial gains or losses increase or decrease the unfunded actuarial accrued liability.

Assumptions:

Retirement A) State Employees Plan⁽¹⁰⁾ — Graded rates from age 55 with 25 percent of those eligible for Rule of 90 retiring each year; B) Correctional Plan⁽⁶⁾ — age-based from 5% at age 50 to 100% at age 65; C) State Patrol Plan⁽⁶⁾ — age-based from 7% at age 50 to 100% at age 60; D) Judges Plan⁽⁶⁾ — age-based from 10% at age 62 to 100% at age 71; E) Elective State Officers⁽⁶⁾ and Legislators Plans⁽⁶⁾ — age 62.

Mortality The 1983 Group Annuity Mortality Tables⁽⁹⁾ are used for all funds. These tables are set back or set forward (expressed in years) to match fund experience as follows:

Fund	Pre-retirement		Post-retirement*	
	Male	Female	Male	Female
State Employees	-5	-2	-2	-1
State Patrol ⁽¹²⁾	-5	-2	-2	-1
Correctional Employees ⁽¹²⁾	-5	-2	-2	-1
Judges	-4	-2	0	0
Legislators	-4	-2	0	0
Elective State Officers	-4	-2	0	0

Separation Graded rates are based on actual experience.⁽⁸⁾

Expense Prior year expenses are expressed as a percentage of prior year payroll.⁽⁸⁾

Interest 8.5 percent⁽⁹⁾

Salary increases A.) State Employees Plan⁽¹⁰⁾ - 10-year select and ultimate table. During the select period, 0.2 percent times (10-T) where T is completed years of service is added to the ultimate rate. An ultimate table ranges from 6.75 percent at age 20 down to 5.25 percent at age 70. B.) State Patrol and Correctional Employees Plans-Experience adjusted rates from 7.25 percent at age 20 declining to 5.25 percent at age 55 and thereafter. C.) Judges, Legislators and Elective State Officers Plans - 5 percent annually.

*Post-retirement tables are statutorily gender neutral.

Contribution refund Employees who withdraw are assumed to take the larger of a refund or a deferred benefit.⁽⁴⁾

Social Security The Correctional Plan⁽³⁾ is based on the present law and a 6.0 percent retroactive salary scale and only state service earnings history. Future Social Security benefits replace the same proportion of salary as present. Other plans are unaffected.

(Footnote references are on page 72)

Asset valuation For active members, market values, less a percentage of the unrecognized asset return, are determined at the close of each of the four preceding fiscal years. The unrecognized asset return is the difference between the actual net return on market value of assets and the asset return expected during the fiscal year based on the assumed interest rate, 8.5 percent.⁽¹⁰⁾ For retirees the asset valuation method was changed to report the market value of the Minnesota Post Retirement Investment Fund (MPRIF) and the prorated share of the combined market value of the fund.⁽¹³⁾ In previous years, the value of the MPRIF was stated as the mortality adjusted present value contributed to the fund plus an assumed six percent rate of return. The Elected State Officers Retirement Fund does not participate in the MPRIF therefore this change had no effect on it. For the other funds, this change resulted in unfunded liability increases as follows:

State Employees Retirement Fund	\$266,549,322
State Patrol Retirement Fund	32,234,769
Correctional Employees Retirement Fund	23,466,416
Judges Retirement Fund	8,187,865
Legislators Retirement Fund	2,496,472

Actuarial Changes Except for the preceding change in asset valuation, there were no changes in plan provisions, actuarial assumptions or actuarial cost methods since prior valuation.

Footnote references:

Effective dates that actuarial assumptions were adopted:

- | | | |
|-------------------|--------------------|--------------------|
| (1) June 30, 1972 | (6) June 30, 1984 | (11) June 30, 2002 |
| (2) June 30, 1973 | (7) June 30, 1989 | (12) June 30, 2006 |
| (3) June 30, 1974 | (8) June 30, 1994 | (13) June 30, 2007 |
| (4) June 30, 1979 | (9) June 30, 1997 | |
| (5) June 30, 1980 | (10) June 30, 2000 | |

Required Reserves* (As of July 1, 2007)

(In Thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	State Elective Officers Fund*
Active members:						
retirement annuities	\$4,107,058	\$221,228	\$296,202	\$84,618	\$11,510	\$0
disability benefits	151,334	10,946	20,130	2,794	0	0
survivor benefits	118,340	3,189	7,256	1,930	168	0
withdrawal benefits	229,833	1,360	13,241	0	(90)	0
refunds	(75,172)	(452)	(4,836)	152	0	0
Totals	\$4,531,393	\$236,271	\$331,993	\$89,494	\$11,588	\$0
Deferred retirements	1,058,266	4,940	55,758	3,972	21,654	278
Former members not vested	9,266	18	728	0	27	0
Annuitants in MPRIF	3,963,536	431,969	319,813	114,005	40,470	0
Annuitants not in MPRIF	0	246	0	6,826	12,710	3,691
Unclassified Plan						
Contingent Liability	64,844	0	0	0	0	0
Total required reserves	\$9,627,305	\$673,444	\$708,292	\$214,297	\$86,449	\$3,969

Actual Contribution Rates as Compared to Actuarially Recommended Rates

	As of Date	Actual Contribution Rates			Recommended Rate	Sufficiency (Deficiency)
		Employee	Employer	Total		
State Employees Fund	July 1, 2007	4.25%	4.25%	8.50%	11.76%	(3.26)%
State Patrol Fund	July 1, 2007	9.10	13.60	22.70	29.90	(7.20)%
Correctional Employees Fund	July 1, 2007	6.40	9.10	15.50	24.44	(8.94)%
Judges Fund*	July 1, 2007	7.57	20.50	28.07	33.70	(5.63)%
Legislators Plan	July 1, 2007	9.00	0.00	9.00	171.10	(162.10)%
Elective State Officers Plan*	July 1, 2007	N/A	N/A	N/A	N/A	N/A

* The actual contribution rates are actual contributions in dollars expressed as a percentage of projected annual payroll.

** This is a closed plan. There are no active members. The remaining obligations will be paid from state General Fund appropriations.

Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL)

(Year Ended June 30, 2007)

	(In Thousands)					
	State Employees Fund	State Patrol Fund	Correctional Employees Fund	State Judges Fund	Legislators Fund	Elective State Officers Fund
A. UAAL, at the Beginning of the Year or last valuation	\$332,405	\$22,489	\$112,123	\$50,451	\$32,858	\$3,763
B. Change Due to Interest Requirements and Current Rate of Funding						
1. Normal Cost and Expenses	183,606	14,098	28,787	6,538	542	0
2. Contributions	(193,207)	(12,448)	(23,959)	(10,363)	(2,011)	(428)
3. Interest on A, B1, and B2	35,649	2,581	10,959	4,403	2,754	302
4. Totals (B1+B2+B3)	\$26,048	\$4,231	\$15,787	\$578	\$1,285	\$(126)
C. Expected UAAL at End of the Year (A+B)	\$358,453	\$26,720	\$127,910	\$51,029	\$34,143	\$3,637
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations From the Expected						
1. Salary Increases	\$(83,747)	\$215	\$(170)	\$(1,551)	\$1,374	\$0
2. Investment Return	(187,381)	(5,127)	(10,188)	(1,601)	1,700	18
3. MPRIF Mortality	4,817	4,081	2,948	4,759	1,043	0
4. Mortality of Other Benefit Recipients	185,751	0	0	0	0	0
5. Other Items	178,346	(2,581)	4,474	(89)	824	103
6. Totals	\$97,786	\$(3,412)	\$(2,936)	\$1,518	\$4,941	\$121
E. Asset Valuation Method Change	\$266,549	\$32,235	\$23,466	\$8,188	\$2,496	0
F. UAAL at the End of the Year	\$722,788	\$55,543	\$148,440	\$60,735	\$41,580	\$3,758

Schedule of Active Member Valuation Data

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll (\$)</u>	<u>Average Annual Pay (\$)</u>	<u>Percent Increase In Average Pay(%)</u>
State Employees Retirement Fund:				
06/30/02	49,099	1,915,350,000	39,010	4.71
06/30/03	48,136	2,009,975,000	41,756	7.04
06/30/04	46,899	1,965,546,000	41,910	0.37
06/30/05	47,125	1,952,323,000	41,429	(1.15)
06/30/06	48,000	2,016,588,000	42,012	1.41
06/30/07	48,379	2,095,310,000	43,310	3.09
State Patrol Retirement Fund:				
06/30/02	810	49,278,000	60,837	2.32
06/30/03	805	54,175,000	67,298	10.62
06/30/04	834	51,619,000	61,893	(8.03)
06/30/05	831	55,142,000	66,356	7.21
06/30/06	851	57,765,000	67,879	2.29
06/30/07	844	61,498,000	72,865	7.35
Correctional Employees Retirement Fund:				
06/30/02	3,249	124,373,000	38,280	0.71
06/30/03	3,262	131,328,000	40,260	5.17
06/30/04	3,326	133,172,000	40,040	(0.55)
06/30/05	3,607	132,335,000	36,688	(8.37)
06/30/06	3,910	145,879,000	37,309	1.69
06/30/07	4,332	167,727,000	38,718	3.78
Judges Retirement Fund:				
06/30/02	283	31,078,000	109,816	13.52
06/30/03	288	33,771,000	117,260	6.78
06/30/04	294	34,682,000	117,968	0.60
06/30/05	295	35,941,000	121,834	3.28
06/30/06	303	36,529,000	120,558	(1.05)
06/30/07	308	36,195,000	117,516	(2.52)
Legislators Retirement Fund:				
06/30/02	134	5,089,000	37,978	(9.89)
This fund was not actuarially valued for fiscal year 2003.				
06/30/04	87	3,815,000	43,854	15.47
06/30/05	78	3,014,000	38,641	(11.89)
06/30/06	76	2,894,000	38,079	(1.45)
06/30/07	54	2,380,000	44,074	15.74
Elective State Officers Retirement Fund:				
06/30/02	0	-	-	N/A
This fund was not actuarially valued for fiscal year 2003.				
06/30/04	0	-	-	N/A
06/30/05	0	-	-	N/A
06/30/06	0	-	-	N/A
06/30/07	0	-	-	N/A

*This is a closed plan. There are no active contributing members.

Schedule of Retirees and Beneficiaries

(Fiscal year end totals)

<u>Valuation Date</u>	<u>Number Added</u>	<u>Number Removed</u>	<u>Annual Number</u>	<u>Benefits(\$)</u>	<u>Percent Increase in Annual Benefits</u>	<u>Average Annual Benefit (\$)</u>
State Employees Retirement Fund:						
06/30/02	1,738	911	20,805	296,687,000	9.66	14,260
06/30/03	1,366	717	21,454	311,472,000	4.99	14,518
06/30/04	2,024	824	22,654	339,323,000	8.94	14,979
06/30/05	1,687	974	23,367	347,959,000	2.55	14,891
06/30/06	1,945	1,108	24,204	366,797,000	1.77	15,154
06/30/07	2,090	948	25,346	392,058,000	6.89	15,468
State Patrol Retirement Fund:						
06/30/02	48	31	762	33,031,000	10.34	43,348
06/30/03	44	21	785	34,316,000	3.90	43,715
06/30/04	42	23	804	35,518,000	3.50	44,177
06/30/05	53	32	825	36,956,000	4.04	44,795
06/30/06	69	48	846	38,767,000	2.30	45,824
06/30/07	69	39	876	40,581,000	4.68	46,325
Correctional Employees Retirement Fund:						
06/30/02	0	0	938	17,105,000	14.71	21,170
06/30/03	143	21	1,060	19,256,000	12.57	18,166
06/30/04	148	20	1,188	22,020,000	14.35	18,535
06/30/05	128	37	1,279	23,816,000	8.16	18,621
06/30/06	143	47	1,375	26,161,000	2.17	19,026
06/30/07	174	47	1,502	28,565,000	9.19	19,018
Judges Retirement Fund:						
06/30/02	0	0	256	13,202,000	7.97	53,449
06/30/03	11	14	253	13,558,000	2.70	53,589
06/30/04	13	12	254	13,520,000	(0.28)	53,228
06/30/05	11	10	255	13,750,000	1.7	53,922
06/30/06	26	20	261	14,260,000	1.32	54,636
06/30/07	22	20	263	14,516,000	1.8	55,194
Legislators Retirement Fund:						
06/30/02	0	0	297	5,243,000	7.97	17,894
06/30/03	22	9	310	5,539,000	5.65	17,868
06/30/04	12	7	315	5,766,000	4.10	18,305
06/30/05	21	17	319	5,942,000	3.01	18,627
06/30/06	12	12	319	6,094,000	2.56	19,103
06/30/07	34	13	340	6,390,000	4.86	18,794
Elective State Officers Retirement Fund:						
06/30/02	0	0	13	353,000	6.97	27,154
06/30/03	1	0	14	370,000	4.82	26,429
06/30/04	0	1	13	381,000	2.97	29,308
06/30/05	2	0	15	391,000	2.62	26,067
06/30/06	0	0	15	409,000	4.60	27,267
06/30/07	0	0	15	419,000	2.44	27,933

*This is a closed plan. There are no active contributing members.

Solvency Test – Funding Ratio

(In Thousands)								
Valuation Date	Active Member	Retirees and	Employer Financed	Portion Covered			Funding	
	Contributions (1)	Beneficiaries (2)	Portion (3)	by Reported Assets				
	Aggregate Accrued Liabilities			Reported Assets	(1)	(2)	(3)	Ratio
State Employees Retirement Fund:								
06/30/02	807,966	3,015,552	3,516,879	7,673,028	100	100	109.5	104.5
06/30/03	855,953	3,116,008	3,858,710	7,757,292	100	100	98.1	99.1
06/30/04	888,028	3,287,223	3,703,112	7,884,984	100	100	100.2	100.0
06/30/05	928,590	3,487,930	4,038,816	8,081,736	100	100	90.8	95.6
06/30/06	966,951	3,689,443	4,162,767	8,486,756	100	100	92.0	96.2
06/30/07	1,001,316	3,963,536	4,662,453	8,904,517	100	100	84.5	92.5
State Patrol Retirement Fund:								
06/30/02	38,508	324,743	147,093	591,383	100	100	155.1	115.9
06/30/03	40,619	334,069	164,292	591,521	100	100	132.0	112.9
06/30/04	42,185	344,033	159,026	594,785	100	100	131.2	109.1
06/30/05	44,413	357,998	164,353	601,220	100	100	121.0	106.1
06/30/06	45,709	413,424	182,346	618,990	100	100	87.7	96.5
06/30/07	47,365	431,969	194,110	617,901	100	100	71.4	91.8
Correctional Employees Retirement Fund:								
06/30/02	51,324	172,606	222,496	457,416	100	100	104.9	102.5
06/30/03	55,441	192,732	236,801	470,716	100	100	94.0	97.1
06/30/04	58,960	223,239	242,016	486,617	100	100	84.5	92.8
06/30/05	62,573	223,544	260,001	503,573	100	100	83.6	92.2
06/30/06	67,221	290,370	289,889	535,357	100	100	61.3	82.7
06/30/07	72,259	319,813	316,220	559,852	100	100	53.1	79.0
Judges Retirement Fund:								
06/30/02	16,243	98,109	57,569	131,379	100	100	29.6	76.4
06/30/03	18,313	106,673	51,305	134,142	100	100	17.8	76.1
06/30/04	20,252	107,846	62,240	138,948	100	95.7	17.4	73.0
06/30/05	22,205	96,295	72,914	144,465	100	100	35.6	75.5
06/30/06	23,179	112,627	64,495	151,850	100	100	24.9	75.1
06/30/07	24,562	114,005	75,730	153,562	100	100	9.8	71.7
Legislators Retirement Fund:								
06/30/02	7,093	37,816	33,161	45,501	100	0	0	58.3
Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03								
06/30/04	6,749	52,637	23,811	46,155	100	74.9	0	55.5
06/30/05	6,892	42,065	32,879	45,523	100	91.8	0	55.6
06/30/06	7,050	48,955	25,356	48,504	100	84.7	0	59.6
06/30/07	6,543	53,180	25,356	44,869	100	72.1	0	51.9
Elective State Officers Retirement Fund*:								
06/30/02	194	3,196	685	201	100.0	0.2	0	4.9
Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03								
06/30/04	80	3,550	372	204	100	0.0	0	5.0
06/30/05	36	3,850	179	204	100	4.4	0	5.0
06/30/06	36	3,716	218	207	100	4.6	0	5.2
06/30/07	36	3,691	242	211	100	4.8	0	5.3

*This is a closed plan. There are no active contributing members.

Summary of Unfunded Accrued Liability (UAL)

(In Thousands)

Valuation Date	Aggregate Accrued Liabilities	Actuarial Assets	Unfunded Accrued Liabilities	Member Payroll	UAL as a Percent Payroll
State Employees Retirement Fund:					
06/30/02	7,340,397	7,673,028	(332,631)	1,915,350	-17.4
06/30/03	7,830,671	7,757,292	73,379	2,009,975	3.6
06/30/04	7,878,363	7,884,984	(6,621)	1,965,546	-0.3
06/30/05	8,455,336	8,081,736	373,600	1,952,323	19.14
06/30/06	8,819,161	8,486,756	332,405	2,016,588	16.48
06/30/07	8,904,517	9,627,305	722,788	2,095,310	34.5
State Patrol Retirement Fund:					
06/30/02	510,344	591,383	(81,039)	49,278	-164.5
06/30/03	538,980	591,521	(52,541)	54,175	-97.0
06/30/04	545,244	594,785	(49,541)	51,619	-96.0
06/30/05	566,764	601,220	(34,456)	55,142	-62.49
06/30/06	641,479	618,990	22,489	57,765	38.93
06/30/07	673,444	617,901	55,543	61,498	90.32
Correctional Employees Retirement Fund:					
06/30/02	446,426	457,416	(10,990)	124,373	-8.8
06/30/03	484,974	470,716	14,258	131,328	10.9
06/30/04	524,215	486,617	37,598	133,172	28.2
06/30/05	546,118	503,573	42,544	132,335	32.15
06/30/06	647,480	535,357	112,123	145,879	76.86
06/30/07	708,292	559,852	148,440	167,727	88.50
Judges Retirement Fund:					
06/30/02	171,921	131,379	40,542	31,078	130.5
06/30/03	176,291	134,142	42,149	33,771	124.8
06/30/04	190,338	138,948	51,390	34,683	148.2
06/30/05	191,414	144,465	46,949	35,941	130.63
06/30/06	202,301	151,850	50,451	36,529	138.11
06/30/07	214,297	153,562	60,735	36,195	167.8
Legislators Retirement Fund:					
06/30/02	78,070	45,501	32,569	5,089	640.0
An actuarial valuation of this fund was not prepared for the fiscal year ended 06-30-03.					
06/30/04	83,197	46,155	37,042	3,815	971.0
06/30/05	81,836	45,523	36,314	3,014	1,204.84
06/30/06	81,361	48,504	32,857	2,894	1,135.35
06/30/07	86,449	44,869	41,580	2,380	1,747.06
Elective State Officers Fund:*					
06/30/02	4,075	201	0	0	N/A
An actuarial valuation of this fund was not prepared for the fiscal year ended 06-30-03.					
06/30/04	4,002	204	3,798	0	N/A
06/30/05	4,065	204	3,861	0	N/A
06/30/06	3,970	207	3,763	0	N/A
06/30/07	3,969	211	3,758	0	N/A

*This is a closed fund. There are no active contributing members.

Sample Assumed Annual Rates of Termination (as of July 1, 2007)
per 10,000 Members and Assumed Salary Increases

Age	Pre-retirement				Retirement				Salary Increases
	Death		Withdrawal		Disability		Retirement *		
	Male	Female	Male	Female	Male	Female	Male/ R90	Female/ Other	
State Employees Retirement Fund:									
20	3	2	690	855	1	1	0	0	6.75%
25	4	2	590	780	1	1	0	0	6.75
30	5	3	490	705	1	1	0	0	6.75
35	6	4	390	630	3	3	0	0	6.75
40	9	6	320	555	8	8	0	0	6.75
45	12	8	270	480	13	13	0	0	6.45
50	22	14	220	390	24	24	0	0	5.95
55	39	21	0	0	42	36	2,500	500	5.45
60	61	34	0	0	65	52	2,500	1,000	5.25
65	92	58	0	0	0	0	4,500	4,500	5.25
70	156	97	0	0	0	0	3,000	3,000	5.25
State Patrol Retirement Fund:									
20	3	2	147	147	4	4	0	0	7.75 %
25	4	2	113	113	6	6	0	0	7.00
30	5	3	80	80	8	8	0	0	7.00
35	6	4	47	47	11	11	0	0	7.00
40	9	6	40	40	18	18	0	0	6.50
45	12	8	40	40	29	29	0	0	5.75
50	22	14	0	0	50	50	700	700	5.50
55	39	21	0	0	88	88	6,000	6,000	5.25
60	61	34	0	0	141	141	10,000	10,000	5.25
65	92	58	0	0	0	0	0	0	5.25
70	156	97	0	0	0	0	0	0	5.25
Correctional Employees Retirement Fund:									
20	3	2	1,200	800	5	8	0	0	7.75%
25	4	2	735	710	8	12	0	0	7.00
30	5	3	455	675	11	16	0	0	7.00
35	6	4	300	645	15	22	0	0	7.00
40	9	6	220	520	24	36	0	0	6.50
45	12	8	170	320	39	58	0	0	5.75
50	22	14	120	235	67	100	500	500	5.50
55	39	21	70	165	117	176	6,000	6,000	5.25
60	61	34	0	0	188	282	1,000	1,000	5.25
65	92	58	0	0	0	0	10,000	10,000	5.25
70	156	97	0	0	0	0	0	0	0.00

*For the State Employees Retirement Fund, the retirement rates are for those eligible for "Rule of 90" and those who are not. All others are rates for males and females.

Sample Assumed Annual Rates of Termination
per 10,000 Members and Assumed Salary Increases

(as of July 1, 2007)

Judges Retirement Fund*:

Age	Pre-retirement				Retirement				Salary Increases
	Death		Withdrawal		Disability		Retirement*		
	Male	Female	Male	Female	Male	Female	Male	Female	
20	3	2	0	0	0	0	0	0	5.00%
25	4	2	0	0	0	0	0	0	5.00
30	5	3	0	0	2	0	0	0	5.00
35	6	4	0	0	2	1	0	0	5.00
40	9	6	0	0	2	2	0	0	5.00
45	14	8	0	0	3	5	0	0	5.00
50	25	14	0	0	14	10	0	0	5.00
55	43	21	0	0	34	24	0	0	5.00
60	66	34	0	0	76	62	0	0	5.00
65	101	58	0	0	0	0	2,000	2,000	5.00
70	176	97	0	0	0	0	3,000	3,000	5.00

Legislators Retirement Fund: (termination rates by years of service)**

Year	Separation		Salary Increases
	House	Senate	
1	0%	0%	5.00%
2	30	0	5.00
3	0	0	5.00
4	20	25	5.00
5	0	0	5.00
6	10	0	5.00
7	0	0	5.00
8	5	10	5.00

Elective State Officers Retirement Fund: (termination rates by years of service)***

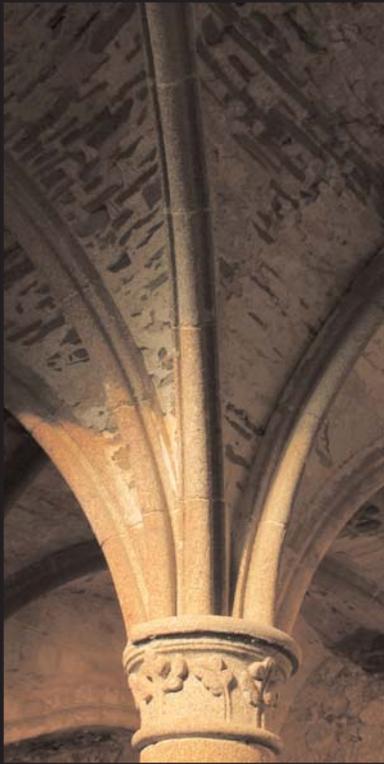
Year	Separation		Salary Increases
	Rate		
1	0%		5.00%
2	0		5.00
3	0		5.00
4	50		5.00
5	0		5.00
6	0		5.00
7	0		5.00
8	50		5.00

* For the Judges Retirement Fund, the retirement rates for male and female are 10,000 at age 68. By statute all judges must retire by the age of 70.

** For the Legislators Retirement Fund, the retirement rate is 100 percent at age 62.

*** For the Elective Officers Retirement Fund, the retirement rate is 100 percent at age 62. This is a closed plan. There are no active contributing members.

**STATISTICAL
SECTION**



Schedule of Revenues by Source

(In Thousands)

Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Actual Covered Payroll	Percentage Employer Contributions
State Employees Retirement Fund:							
2002	79,487	76,614	(284,459)	6,611	(121,747)	1,862,752	4.00
2003	83,850	80,399	116,353	9,766	290,368	2,009,975	4.00
2004	82,103	78,622	979,639	7,876	1,148,240	1,965,546	4.00
2005	83,101	80,312	732,101	12,639	908,153	1,952,323	4.00
2006	85,379	82,645	915,632	11,760	1,095,416	2,016,588	4.00
2007	89,447	86,492	1,503,390	17,609	1,696,938	2,096,363	4.00
State Patrol Retirement Fund:							
2002	4,215	6,209	(12,905)	0	(2,481)	42,889	12.60
2003	4,555	6,826	9,142	0	20,523	54,175	12.60
2004	4,493	6,504	73,141	59	84,197	51,619	12.60
2005	4,517	6,671	55,018	0	66,206	55,142	12.60
2006	4,719	7,055	64,911	0	76,685	57,765	12.60
2007	4,987	7,461	100,147	3	112,598	57,903	12.60
Correctional Employees Retirement Fund:							
2002	7,207	9,925	(17,578)	727	281	119,686	7.98
2003	7,611	10,480	5,390	529	24,010	131,328	7.98
2004	7,748	10,627	57,155	80	75,610	133,172	7.98
2005	7,943	11,016	39,104	1	58,064	132,335	7.98
2006	8,964	12,152	59,786	0	80,902	145,879	7.98
2007	10,032	13,927	84,830	131	99,920	167,727	7.98
Judges Retirement Fund:							
2002	2,345	6,371	(517)	2,008	10,207	28,648	20.50
2003	2,574	6,923	2,588	10	12,095	33,771	20.50
2004	2,643	7,110	16,922	12	26,687	34,683	20.50
2005	2,662	7,225	12,354	10	22,251	35,941	20.50
2006	2,866	7,336	15,456	0	25,658	36,529	20.50
2007	2,792	7,571	25,523	0	35,886	34,156	20.50
Legislators Retirement Fund:							
2002	458	N/A	664	4,135	5,257	5,032	N/A
2003	433	N/A	528	5,396	6,357	3,610	N/A
2004	343	N/A	5,578	426	6,347	3,815	N/A
2005	384	N/A	3,523	6,602	10,509	3,014	N/A
2006	264	N/A	3,539	5,704	9,507	2,894	N/A
2007	239	N/A	6,808	1,783	8,830	2,380	N/A
Elective State Officers Retirement Fund*:							
2002*	0	0	0	355	355	N/A*	N/A
2003	0	0	0	371	371	N/A*	N/A
2004	0	0	0	383	383	N/A*	N/A
2005	0	0	0	395	395	N/A*	N/A
2006	0	0	0	409	409	N/A*	N/A
2007	0	0	0	428	428	N/A*	N/A

*The Elective State Officers Plan has no active members.

Schedule of Expenses by Type

Year Ended June 30	(In Thousands)				
	Benefits	Administrative Expenses	Refunds	Other	Total
State Employees Retirement Fund:					
2002	296,687	3,942	8,068	2,811	311,508
2003	311,472	4,191	8,195	2,172	326,030
2004	328,546	4,673	10,777	1,696	345,692
2005	347,959	4,336	10,707	693	363,695
2006	366,797	4,588	12,555	1,495	385,435
2007	392,058	4,916	11,102	2,898	410,974
State Patrol Retirement Fund:					
2002	33,031	102	60	171	33,364
2003	34,316	94	12	134	34,556
2004	35,501	95	17	129	35,742
2005	36,954	93	4	99	37,150
2006	38,767	101	52	190	39,110
2007	40,581	112	133	98	40,924
Correctional Employees Retirement Fund:					
2002	17,105	310	634	277	18,326
2003	19,256	286	607	327	20,476
2004	21,299	275	722	253	22,549
2005	23,816	298	649	277	25,040
2006	26,162	336	730	340	27,568
2007	28,565	405	752	358	30,080
Judges Retirement Fund:					
2002	13,202	57	0	89	13,348
2003	13,558	37	0	38	13,633
2004	13,520	31	0	35	13,586
2005	13,750	37	111	41	13,939
2006	14,260	60	0	78	14,398
2007	14,516	49	45	63	14,673
Legislators Retirement Fund:					
2002	5,243	29	39	28	5,339
2003	5,539	27	94	40	5,700
2004	5,766	23	0	0	5,789
2005	5,942	27	0	3	5,972
2006	6,094	33	78	34	6,239
2007	6,390	29	35	26	6,480
Elective State Officers Retirement Fund:					
2002	353	1	0	0	354
2003	370	1	0	0	371
2004	381	1	0	0	382
2005	391	3	0	0	394
2006	409	5	0	0	414
2007	419	4	0	0	423

Schedule of Benefit Expenses by Type

(In Thousands)

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Totals</u>
State Employees Retirement Fund:					
2002	254,601	29,021	13,065	8,068	304,755
2003	266,208	31,290	13,974	8,195	319,667
2004	279,915	33,417	15,213	10,777	339,322
2005	295,463	36,198	16,298	10,707	358,666
2006	310,380	38,758	17,659	12,555	379,352
2007	331,464	41,816	18,778	11,102	392,058
State Patrol Retirement Fund:					
2002	28,125	3,927	979	60	33,091
2003	29,138	4,093	1,085	12	34,328
2004	30,201	4,123	1,177	17	35,518
2005	31,245	4,401	1,311	4	36,961
2006	32,539	4,667	1,561	52	38,819
2007	33,911	5,079	1,591	133	40,714
Correctional Retirement Fund:					
2002	14,465	709	1,931	634	17,739
2003	16,098	824	2,334	607	19,863
2004	17,837	915	2,547	722	22,021
2005	20,054	1,026	2,736	649	24,465
2006	21,981	1,150	3,031	730	26,892
2007	24,069	1,307	3,189	752	29,317
Judges Retirement Fund:					
2002	9,609	3,211	382	0	13,202
2003	9,917	3,224	417	0	13,558
2004	9,827	3,270	423	0	13,520
2005	9,998	3,303	449	111	13,861
2006	10,359	3,314	587	0	14,260
2007	10,467	3,427	622	45	14,561
Legislators Retirement Fund:					
2002	4,444	799	0	39	5,282
2003	4,737	802	0	94	5,633
2004	4,977	789	0	0	5,766
2005	5,107	834	0	0	5,941
2006	5,275	819	0	78	6,172
2007	5,496	894	0	35	6,425
Elected State Officers Retirement Fund:					
2002	239	114	0	0	353
2003	252	118	0	0	370
2004	293	88	0	0	381
2005	308	83	0	0	391
2006	324	85	0	0	409
2007	332	87	0	0	419

Active Employees Average Age Tables

(These statistics are not available for the Legislators Plan or Elected State Officers Plan)

Year Ended	Averages for New Members			Averages for All Members								
	Entry Age			Entry Age			Attained Age			Service Credit		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
State Employees Retirement Fund:												
06/30/02	34.2	33.7	34.2	31.9	31.5	31.8	45.8	43.9	44.8	12.9	10.7	11.7
06/30/03	34.4	33.6	33.9	32.1	31.8	31.9	46.3	44.5	45.3	13.3	11.2	12.2
06/30/04	34.8	33.2	33.8	32.2	31.7	31.9	46.6	44.7	45.5	13.5	11.4	12.4
06/30/05	35.3	34.3	34.7	32.4	31.9	32.1	46.9	45.1	45.9	13.7	11.7	12.6
06/30/06	35.8	35.2	35.1	32.6	32.2	32.4	47.0	45.3	46.1	13.6	11.6	12.5
06/30/07	36.4	34.9	35.5	32.9	32.4	32.6	47.2	45.4	46.2	13.4	11.6	12.4
State Patrol Retirement Fund:												
06/30/02	29.8	31.5	30.2	28.3	28.5	28.3	41.2	38.0	40.9	12.9	9.4	12.5
06/30/03	26.5	30.8	27.3	28.2	28.5	28.3	41.5	38.4	41.2	13.1	9.7	12.8
06/30/04	28.9	29.9	29.4	28.2	27.0	28.1	41.0	37.0	40.6	12.7	9.8	12.4
06/30/05	31.8	31.7	31.7	28.4	28.7	28.4	41.2	39.6	41.0	12.7	10.6	12.5
06/30/06	33.4	32.0	33.2	28.6	29.0	28.7	41.1	39.4	41.0	12.5	10.1	12.2
06/30/07	36.2	36.8	36.3	28.8	29.0	28.8	41.5	39.9	41.3	12.6	10.8	12.4
Correctional Employees Retirement Fund:												
06/30/02	34.2	35.7	34.9	31.2	34.5	32.3	40.8	40.3	40.6	9.2	5.5	7.9
06/30/03	34.0	37.7	35.4	31.4	34.7	32.5	41.0	41.1	41.0	9.2	6.0	8.1
06/30/04	33.0	33.9	33.4	31.4	34.5	32.5	41.0	40.8	41.0	9.2	6.0	8.1
06/30/05	32.2	33.2	32.6	31.6	34.2	32.5	40.4	40.4	40.4	8.6	5.9	7.6
06/30/06	32.8	33.9	33.3	31.6	33.9	32.4	40.2	39.9	40.1	8.2	5.7	7.4
06/30/07	34.2	35.4	34.8	32.0	34.2	32.8	40.3	39.7	40.1	7.9	5.2	6.9
Judges Retirement Fund:												
06/30/02	49.8	43.5	47.3	44.5	42.0	43.9	55.1	50.6	54.0	10.1	8.6	9.7
06/30/03	50.0	49.5	49.9	44.7	42.6	44.2	55.7	51.5	54.6	10.5	8.8	10.1
06/30/04	46.3	49.6	47.4	45.1	42.8	44.5	56.2	52.4	55.2	10.7	9.6	10.4
06/30/05	45.3	46.5	46.2	45.2	43.0	44.5	57.0	52.5	55.7	11.4	9.4	10.9
06/30/06	49.5	41.6	47.0	45.6	43.1	44.9	57.0	52.2	55.7	11.1	9.1	10.5
06/30/07	50.2	46.1	49.3	46.1	43.3	45.3	57.0	52.8	55.8	10.6	9.5	10.3

Employees Eligible for an Immediate Annuity

(As of June 30, 2007)

	<u>Total</u>
State Employees Retirement Fund:	
- full benefit	742
- reduced benefit due to early retirement	8,254
- proportional benefit (age equal to or more than 65 and service years fewer than 10)	101
- Rule of 90	2,048
- vested employees not eligible to immediate benefit	25,394
- employees not vested	11,815
	<hr/>
Total	48,354
State Patrol Retirement Fund:	
- full benefit	17
- reduced benefit	122
- vested employees not eligible to immediate benefit	585
- employees not vested	120
	<hr/>
Total	844
Correctional Employees Retirement Fund:	
- full benefit	161
- reduced benefit	478
- vested employees not eligible to immediate benefit	1,923
- employees not vested	1,770
	<hr/>
Total	4,332
Judges Retirement Fund:	
- full benefit	18
- reduced benefit	12
- vested judges not eligible to immediate benefit	138
- judges not vested	123
	<hr/>
Total	291
Legislators Retirement Fund:	
- full benefit	29
- reduced benefit	13
- vested members not eligible for an immediate benefit	12
- members not vested	0
	<hr/>
Total	54
Elective State Officers Retirement Fund:	
- no remaining active members as of June 30, 2001	0

Schedule of Refund Statistics

(These statistics are not available for the Legislators Plan or Elected State Officers Plan)

Year Ended	Number of Refunds			Average Age		Average Years Forfeited		Number Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
State Employees Retirement Fund*								
06/30/02	793	1,298	2,091	38.2	36.4	2.0	2.0	390
06/30/03	637	978	1,615	37.7	36.6	2.4	2.4	368
06/30/04	804	1,277	2,081	39.1	38.5	2.7	2.5	570
06/30/05	681	1,170	1,851	39.8	39.8	2.7	2.7	541
06/30/06	730	1,340	2,070	39.0	38.7	2.7	2.6	576
06/30/07	588	1,031	1,619	39.5	38.3	2.9	2.9	520
State Patrol Retirement Fund:								
06/30/02	3	0	3	34.0	-	3.4	-	1
06/30/03	1	0	1	36.3	-	0.3	-	0
06/30/04	1	0	1	28.4	0.0	1.0	0.0	0
06/30/05	2	0	2	54.6	0.0	0.4	0.0	0
06/30/06	2	0	2	45.2	0.0	3.9	0.0	1
06/30/07	1	0	1	42.5	0.0	16.4	0.0	1
Correctional Employees Retirement Fund:								
06/30/02	70	56	126	35.5	37.4	2.3	2.0	27
06/30/03	51	57	108	34.6	35.5	1.8	1.4	20
06/30/04	66	69	135	35.3	36.6	2.3	2.0	32
06/30/05	48	60	108	35.7	38.1	2.0	1.9	25
06/30/06	96	71	167	34.6	39.1	1.8	1.7	34
06/30/07	78	63	141	36.9	36.7	2.1	1.5	27
Judges Retirement Fund:								
06/30/02	0	0	0	-	-	-	-	0
06/30/03	0	0	0	-	-	-	-	0
06/30/04	0	0	0	-	-	-	-	0
06/30/05	1	0	1	55.9	0.0	13.5	0.0	1
06/30/06	0	0	0	-	-	-	-	0
06/30/07	0	1	1	0	47.6	-	4.2	1

*Does not include Unclassified Plan or Health Care Savings Plan.

Schedule of Retired Members by Type of Benefit (As of June 30, 2007)

State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type					Option Selected			
		1	2	3	4	5	Life	I	II	III
\$0-499	6,347	5,147	355	689	0	156	3,932	2,060	259	96
500-999	5,659	4,234	497	846	2	80	3,263	2,101	238	57
1,000-1,499	4,430	3,392	402	592	1	43	2,417	1,850	123	40
1,500-1,999	3,303	2,777	176	328	2	20	1,598	1,609	74	22
2,000-2,499	2,288	1,986	67	213	1	21	1,023	1,216	33	16
2,500-2,999	1,366	1,211	21	118	1	15	567	781	13	5
3,000-3,499	858	767	9	77	0	5	336	513	4	5
3,500-3,999	494	446	4	38	0	6	191	294	5	4
4,000-4,499	293	259	2	21	1	10	114	173	2	4
4,500-4,999	143	131	0	12	0	0	52	89	1	1
5,000+	165	145	0	13	1	6	49	116	0	0
Totals	25,346	20,495	1,533	2,947	9	362	13,542	10,802	752	250

Type:

1	General Plan annuitants
2	General Plan disabilitants
3	General Plan survivors
4	Military Affairs Plan
5	Unclassified Plan

Option:

Life	Single Life annuity
I	Joint and Survivor
II	Death while eligible
III	Period Certain

State Patrol Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected		
		1	2	3	Life	I	II
\$0-499	23	9	0	14	6	4	13
500-999	27	6	2	19	8	7	12
1,000-1,499	24	10	1	13	10	9	5
1,500-1,999	45	11	2	32	12	27	6
2,000-2,499	61	12	6	43	11	40	10
2,500-2,999	57	34	1	22	14	38	5
3,000-3,499	80	53	13	14	38	41	1
3,500-3,999	90	74	5	11	28	58	4
4,000-4,499	124	113	4	7	38	85	1
4,500-4,999	106	95	3	8	42	63	1
5,000+	239	227	4	8	138	99	2
Totals	876	644	41	191	345	471	60

Type:

1	Retired members
2	Disabilitants
3	Survivors

Option:

Life	Single Life annuity
I	Joint and Survivor
II	Death while eligible

Schedule of Retired Members by Type of Benefit (As of June 30, 2007)

Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected		
		1	2	3	Life	I	II	III
0-499	214	167	9	38	142	46	26	0
500-999	244	198	11	35	166	57	20	1
1000-1499	300	207	71	22	216	75	7	2
1500-1999	246	177	55	14	171	67	6	2
2000-2499	181	159	17	5	132	46	2	1
2500-2999	146	133	9	4	107	38	1	0
3000-3499	83	79	1	3	69	14	0	0
3500-3999	50	50	0	0	40	10	0	0
4000-4499	24	24	0	0	20	4	0	0
4500-4999	7	7	0	0	7	0	0	0
5000+	7	7	0	0	6	1	0	0
Totals	1,502	1,208	173	121	1,076	358	62	6

Type:

- 1 Retired members
2 Disabilitants
3 Survivors

Option:

- Life Single Life annuity
I Joint and Survivor
II Period Certain
III Death while eligible

Judges Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected		
		1	2	3	Life	I	II	III
0-499	0	0	0	0	0	0	0	0
500-999	5	1	0	4	3	0	2	0
1000-1499	7	3	0	4	2	2	2	1
1500-1999	11	6	0	5	4	7	0	0
2000-2499	19	9	0	10	8	9	1	1
2500-2999	18	7	1	10	6	12	0	0
3000-3499	17	10	0	7	8	6	3	0
3500-3999	27	11	1	15	6	16	5	0
4000-4499	28	18	1	9	9	16	3	0
4500-4999	23	15	0	8	2	17	3	1
5000+	108	90	6	12	40	59	3	6
Totals	263	170	9	84	88	144	22	9

Type:

- 1 Retired members
2 Disabilitants
3 Survivors

Option:

- Life Single Life annuity
I Joint and Survivor
II Life plus 50 percent survivors
III Period Certain

Schedule of Retired Members by Type of Benefit (As of June 30, 2007)

Monthly Benefit Amount	Retirement Type			
	Elective State Officers		Legislators	
	Member	Survivor	Member	Survivor
Legislators and Elective State Officers Retirement Funds				
0-499	1	0	14	17
500-999	4	2	72	21
1000-1499	1	0	60	14
1500-1999	0	1	40	9
2000-2499	0	0	24	3
2500-2999	1	0	18	0
3000-3499	0	0	18	1
3500-3999	0	1	11	1
4000-4499	1	0	5	2
4500-4999	1	0	5	0
5000+	2	0	4	1
Totals	11	4	271	69

Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2007)

State Employees Retirement Fund	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$138	\$331	\$571	\$772	\$1,006	\$1,402	\$1,980	\$1,050
Number of Current Retirees	175	138	157	152	129	138	359	1,248
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$179	\$360	\$579	\$851	\$1,139	\$1,508	\$2,178	\$1,124
Number of Current Retirees	217	112	150	130	115	147	332	1,203
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$191	\$236	\$374	\$702	\$923	\$1,274	\$1,931	\$1,194
Number of Current Retirees	111	119	187	209	203	203	706	1,738
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$140	\$345	\$636	\$891	\$1,184	\$1,554	\$2,282	\$1,148
Number of Current Retirees	209	146	157	142	166	166	327	1,313
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$137	\$341	\$667	\$945	\$1,237	\$1,547	\$2,310	\$1,203
Number of Current Retirees	202	187	165	149	175	188	391	1,457
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$136	\$371	\$634	\$983	\$1,235	\$1,629	\$2,288	\$1,291
Number of Current Retirees	224	184	163	209	198	208	541	1,727
Period 7/1/01 to 6/30/07:								
Average Monthly Benefit	\$151	\$335	\$572	\$855	\$1,121	\$1,487	\$2,140	\$1,177
Number of Current Retirees	1,138	886	979	991	986	1,050	2,656	8,686
State Patrol Retirement Fund								
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$642	\$0	\$1,630	\$2,256	\$3,166	\$3,887	\$4,505	\$3,526
Number of Current Retirees	1	0	3	4	4	12	11	35
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$776	\$864	\$0	\$2,635	\$3,463	\$3,618	\$4,797	\$3,419
Number of Current Retirees	1	3	0	4	5	11	8	32
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$295	\$0	\$2,267	\$2,293	\$3,653	\$4,649	\$3,876
Number of Current Retirees	0	1	0	2	4	7	19	33
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$280	\$0	\$0	\$3,081	\$3,424	\$3,814	\$4,240	\$3,467
Number of Current Retirees	2	0	0	2	6	8	6	24
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$1,104	\$1,903	\$2,664	\$3,504	\$4,742	\$5,180	\$3,943
Number of Current Retirees	0	3	2	4	6	10	10	35
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$1,829	\$1,633	\$3,158	\$3,403	\$4,634	\$3,887	\$3,534
Number of Current Retirees	0	2	1	10	8	6	10	37
Period 7/1/01 to 6/30/07:								
Average Monthly Benefit	\$495	\$1,095	\$1,721	\$2,788	\$3,271	\$4,032	\$4,568	\$3,636
Number of Current Retirees	4	9	6	26	33	54	64	196

Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2007)

Correctional Employees Retirement Fund	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$372	\$650	\$1,135	\$1,341	\$1,996	\$2,487	\$2,680	\$1,443
Number of Current Retirees	15	20	21	28	32	19	3	138
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$335	\$687	\$1,203	\$1,419	\$1,894	\$2,943	\$3,609	\$1,471
Number of Current Retirees	20	20	18	24	24	19	3	128
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$158	\$500	\$764	\$1,099	\$1,328	\$2,245	\$2,393	\$1,426
Number of Current Retirees	9	10	24	24	16	23	28	134
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$429	\$778	\$1,294	\$1,707	\$2,113	\$2,943	\$3,277	\$1,842
Number of Current Retirees	12	13	22	12	16	26	8	109
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$256	\$778	\$1,125	\$1,711	\$2,198	\$2,950	\$4,089	\$1,590
Number of Current Retirees	12	23	23	21	23	12	5	119
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$339	\$751	\$1,365	\$1,474	\$2,266	\$2,674	\$3,690	\$1,580
Number of Current Retirees	18	33	28	23	18	11	16	147
Period 7/1/01 to 6/30/07:								
Average Monthly Benefit	\$326	\$710	\$1,150	\$1,426	\$1,982	\$2,692	\$3,041	\$1,549
Number of Current Retirees	86	119	136	132	129	110	63	775
Judges Retirement Fund								
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$642	\$0	\$1,630	\$2,256	\$3,166	\$3,887	\$4,505	\$3,526
Number of Current Retirees	1	0	3	4	4	12	11	35
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$1,647	\$3,207	\$0	\$4,960	\$0	\$0	\$3,986
Number of Current Retirees	0	1	2	0	4	0	0	7
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$1,496	\$0	\$4,247	\$4,516	\$4,421	\$6,073	\$4,217
Number of Current Retirees	1	1	3	1	2	3	1	7
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$0	\$0	\$3,296	\$3,346	\$5,317	\$0	\$0	\$4,184
Number of Current Retirees	0	0	1	3	3	0	0	7
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$1,879	\$3,386	\$4,096	\$5,635	\$5,313	\$0	\$4,678
Number of Current Retirees	0	1	2	5	8	1	0	17
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$2,064	\$2,624	\$3,823	\$5,993	\$0	\$0	\$4,281
Number of Current Retirees	0	1	3	3	5	0	0	12
Period 7/1/01 to 6/30/07:								
Average Monthly Benefit	\$642	\$1,771	\$2,658	\$3,500	\$5,097	\$4,027	\$4,635	\$4,012
Number of Current Retirees	1	4	11	17	26	14	12	85

Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2007)

Legislators Retirement Fund	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$336	\$0	\$1,572	\$0	\$0	\$2,081	\$0	\$1,172
Number of Current Retirees	0	6	6	3	3	1	0	8
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$623	\$1,168	\$0	\$1,416	\$2,418	\$2,887	\$1,571
Number of Current Retirees	0	4	8	0	2	4	3	21
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$780	\$467	\$1,086	\$0	\$2,104	\$0	\$911
Number of Current Retirees	0	5	2	2	0	1	0	10
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$391	\$1,206	\$897	\$0	\$2,777	\$0	\$0	\$1,020
Number of Current Retirees	3	2	2	0	1	0	0	8
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$690	\$1,161	\$1,627	\$0	\$0	\$0	\$0	\$1,102
Number of Current Retirees	2	5	1	0	0	0	0	8
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$1,225	\$1,340	\$1,707	\$2,057	\$2,567	\$3,038	\$1,661
Number of Current Retirees	0	7	6	2	2	3	1	21
Period 7/1/01 to 6/30/07:								
Average Monthly Benefit	\$445	\$1,008	\$1,219	\$1,397	\$1,944	\$2,395	\$2,924	\$1,360
Number of Current Retirees	8	22	23	4	5	9	4	76
Elected State Officers Retirement Fund								
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$0	\$0	\$3,757	\$0	\$0	\$0	\$3,757
Number of Current Retirees	0	0	0	1	0	0	0	1
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$0	\$694	\$0	\$0	\$0	\$0	\$0	\$694
Number of Current Retirees	0	2	0	0	0	0	0	2
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/00 to 6/30/06:								
Average Monthly Benefit	\$0	\$0	\$0	\$3,757	\$0	\$0	\$0	\$3,757
Number of Current Retirees	0	0	0	1	0	0	0	1

Participating Employers (as of June 30, 2007)

AFSCME
 Agriculture Utilization Research
 Aitkin Public Schools
 Aitken Public Utilities
 Albert Lea/Mankato Technical College
 Alexandria Light & Power
 Alexandria Lake Area Sanitary
 Amalgamated Transit Union
 Anoka County
 Anoka/Champlin Joint Powers Fire Board
 Appleton Regional Development Comm.
 Area Special Education Co-Op #997
 Arrowhead Library System
 Arrowhead Regional Computing
 Arrowhead Regional Development Comm.
 Association of Secondary School Principals
 Bagley Public Utilities
 Baltrami Area Service Collaborative
 Becker County
 Becker County - Sunnyside
 Becker County/Multi County
 Becker Soil & Water Conservation
 Beltrami County
 Beltrami County Nursing
 Beltrami Nursing Home
 Beltrami-Electric Cooperative
 Bemidji Reg Interdistrict Council
 Big Lake District Office
 Blue Earth Light & Water
 Brainard Public Utilities
 Brainerd / Staples Technical College
 Brainerd Housing & Redevelopment
 Breitung Township
 Brown County Deputy Unit
 Brown County Soil and Water
 Cable Comm. Quad Cities Cable
 Carlton County
 Carlton County Coop Power Assoc.
 Carlton County Soil and Water
 Carver County
 Carver County Housing & Redev Auth.
 Carver Soil & Water Conservation
 CCLNS Joint Powers Board #3
 Central Minnesota Computing Center
 Chippewa Soil and Water Conservation
 Chippewa County Montevideo Hospital
 Chisago County
 Chisago County HRA-DTA
 Chisago Soil and Water Conservation District
 Chisholm Hibbing Airport Comm
 Chisholm-Hibbing
 City of Aitkin
 City of Akeley
 City of Albert Lea
 City of Albertville
 City of Alexandria
 City of Andover
 City of Anoka
 City of Argyle
 City of Arlington
 City of Aurora
 City of Austin
 City of Babbitt
 City of Backus
 City of Bagley
 City of Balaton
 City of Barnum
 City of Baudette
 City of Baxter
 City of Belgrade
 City of Benton
 City of Bemidji
 City of Bertha
 City of Big Falls
 City of Big Fork
 City of Big Lake
 City of Biwabik
 City of Blackduck
 City of Blaine
 City of Bloomington
 City of Blue Earth
 City of Bovey
 City of Brainerd
 City of Breckenridge
 City of Breezy Point
 City of Brooklyn Center
 City of Brooklyn Park
 City of Browerville
 City of Buffalo
 City of Buhl
 City of Burnsville
 City of Caledonia
 City of Calumet
 City of Cambridge
 City of Cannon Falls
 City of Carlton
 City of Centennial Lakes
 City of Champlin
 City of Chanhassen
 City of Chaska
 City of Chatfield
 City of Chisago
 City of Chisholm
 City of Chisom
 City of Circle Pines
 City of Cohasset
 City of Cold Springs
 City of Coleraine
 City of Cologne
 City of Columbia Heights
 City of Cook
 City of Coon Rapids
 City of Corcoran
 City of Cosmos
 City of Cottage Grove
 City of Crosby
 City of Crosslake
 City of Crystal
 City of Dawson
 City of Dawson - Liquor
 City of Dayton
 City of Deephaven
 City of Deer River
 City of Deerwood
 City of Detroit Lakes
 City of Dilworth
 City of Dodge Center
 City of Duluth
 City of Dundas
 City of East Grand Forks
 City of Eagan
 City of East Bethel
 City of East Gull Lake
 City of Eden Prairie
 City of Eden Valley
 City of Edina
 City of Elk River
 City of Ely
 City of Eveleth
 City of Fairfax
 City of Falcon Heights
 City of Faribault
 City of Farmington
 City of Fayal
 City of Fergus Falls
 City of Floodwood
 City of Forest Lake
 City of Gaylord
 City of Gilbert
 City of Glencoe
 City of Golden Valley
 City of Grand Marais
 City of Grand Rapids
 City of Ham Lake
 City of Hanover
 City of Hector
 City of Henning
 City of Hermantown
 City of Hibbing
 City of Hill City
 City of Hinckley
 City of Hopkins
 City of Howard Lake
 City of Hoyt Lakes
 City of International Falls
 City of Inver Grove Heights
 City of Itasca
 City of Jackson
 City of Jaynesville
 City of Jordan
 City of Kasson
 City of Keewatin
 City of Kellogg
 City of La Crescent
 City of Lake Shore
 City of Lakeville
 City of Lester Prairie
 City of Lindstrom
 City of Lino Lakes
 City of Litchfield
 City of Little Falls
 City of Little Fork
 City of Long Lake
 City of Long Prairie
 City of Luverne
 City of Mahnomon
 City of Mahnomon - Lucky 7
 City of Mahtomedi
 City of Mankato
 City of Mantorville
 City of Maple Grove
 City of Maplewood
 City of Marble
 City of Marietta
 City of Marshall
 City of May
 City of Mcgregor
 City of Medford
 City of Medina
 City of Melrose
 City of Menahga
 City of Mendota Heights
 City of Minneapolis
 City of Montevideo
 City of Monticello
 City of Moorhead
 City of Moose Lake
 City of Mora
 City of Mound
 City of Moundsview
 City of Mountain Iron
 City of Murdock
 City of Nashwauk
 City of Nevis
 City of New Hope
 City of New Prague
 City of New Ulm
 City of New York Mills
 City of Newport
 City of Nisswa
 City of North Branch
 City of North Oaks
 City of North Saint Paul
 City of Northfield
 City of Oak Grove
 City of Oakdale
 City of Olivia
 City of Orono

Participating Employers (as of June 30, 2007)

City of Orr	City of West Saint Paul	Heron Lake ISD
City of Osakis	City of White	Hibbing Public Utilities
City of Owatonna	City of White Bear Lake	Hibbing Recreation & Park Board
City of Park Rapids	City of Willmar	House of Reps - Employees
City of Paynesville	City of Windom	House of Reps - Members
City of Pelican Rapids	City of Winona	Houston County
City of Pierz	City of Winton	Hubbard County
City of Pine City	City of Worthington	Hubbard County Soil & Water Conserv. Dist.
City of Pine City Liquor Store Employees	Clay County House Redevelopment	Hutchinson / Willmar Reg Tech
City of Pipestone	Clay County	Hutchinson Utilities Commission
City of Plainview	Clearwater County	Hutchinson, City of
City of Preston	Clearwater County DHS	Ideal Township
City of Prior Lake	Clearwater County Highway Dept.	Isanti County
City of Proctor	Clearwater County Welfare Office	Isanti County Auditor
City of Ramsey	Clearwater Health Services	ISD 1 Minneapolis
City of Red Lake Falls	Columbia Heights HRA	ISD 100 Wrenshall
City of Redwood Falls	Comm. Economic Status of Women	ISD 108 Norwood
City of Richfield	Community Hospital	ISD 11 Anoka - Hennepin School District
City of Robbinsdale	Construction and General Laborers Local #132	ISD 110 Waconia
City of Rochester	Cook County	ISD 111 Watertown/Mayer
City of Rockford	Cook County North Shore Hospital	ISD 112 Chaska
City of Rogers	Cook County Soil & Water Conservation Dist.	ISD 113 Walker/Hackensack/Akeley
City of Roseville	Cook Hospital	ISD 115 Cass Lake/Bena
City of Roseville	Cromwell ISD	ISD 116 Pillager
City of Rush City	Crookston ISD	ISD 118 Northland Community
City of Rushford	Crop Improvement Association	ISD 118 Remer-Longville
City of Saint Anthony	Crosslake Telephone Company	ISD 12 Centennial
City of Saint Cloud	Crow Wing County	ISD 126 Clara City
City of Saint James	Crow Wing Soil and Water Conservation Dist.	ISD 13 Columbia Heights
City of Saint Louis Park	Dairyland Electric Cooperative	ISD 138 North Branch
City of Saint Michael	Dakota County	ISD 139 Rush City
City of Saint Paul	Dakota County CDA	ISD 14 Fridley
City of Saint Paul - Port Authority	DECC	ISD 15 St. Francis
City of Saint Paul Park	Douglas County	ISD 150 Hawley
City of Saint Peter	Douglas County Hospital	ISD 152 Moorhead
City of Sandstone	Duluth Housing Authority	ISD 16 Spring Lake Park
City of Sartell	Duluth Seaway Port Authority	ISD 161 Clearbrook
City of Sauk Centre	Duluth Teachers Retirement Fund	ISD 162 Bagley
City of Sauk Rapids	Duluth Transit Authority	ISD 166 Cook County
City of Savage	East Metro Integration District 6067	ISD 173 Mountain Lake
City of Shakopee	Eagle Bend I.S.D.	ISD 175 Westbrook
City of Silver Bay	Eagle Valley Public Schools	ISD 178 Storden-Jeffers
City of Silver Lake	East Central Electric Co-op	ISD 181 Brainerd
City of Slayton	East Central Regional Development Comm.	ISD 182 Crosby School District
City of South Saint Paul	East Central Regional Library	ISD 186 Pequot Lakes
City of South International Falls	East Ottertail Soil & Water Conservation Dist.	ISD 191 Burnsville
City of Spicer	Elgin/Millville community Schools	ISD 192 Farmington
City of Spring Lake Park	Elk River Municipal Utilities	ISD 194 Lakeville
City of Spring Park	Employee Relations	ISD 196 Rosemount
City of Spring Valley	Esko Public Schools	ISD 197 West St. Paul
City of Springfield	Evansville ISD	ISD 199 Inver Grove Heights
City of Staples	Fairview Hospital	ISD 2 Hill City
City of Stephen	Foster-Wheeler (Twin Cities)	ISD 200 Hastings
City of Stewartville	Franconia Township	ISD 201 Claremont
City of Stillwater	Freeborn County Soil & Water Conserv. Dist.	ISD 203 Hayfield
City of Thief River Falls	Freshwater Education District	ISD 204 Kasson-Mantorville
City of Thomson	Gaylord Community Hospital	ISD 205 West Concord
City of Tonka Bay	Gillette Children's Hospital	ISD 206 Alexandria
City of Tower	Glencoe Area Health Center	ISD 2071 Lake Crystal
City of Tracy	Glencoe Light & Power Commission	ISD 2125 Triton
City of Two Harbors	Goodhue County	ISD 213 Osakis
City of Upsala	Goodhue County Educ. Dist	ISD 2135 Maple River Schools
City of Vadnais Heights	Grand Rapids-Public Utilities Comm.	ISD 2141 Chisago Lakes
City of Verdale	Grant County	ISD 2142 Saint Louis County
City of Vernon Center	Great River Regional Library	ISD 2143 Waterville-Elysian-Morristown
City of Victoria	Greater Staples Hospital & Care Ctr	ISD 2154 Eveleth/Gilbert
City of Virginia	Halstad Municipal Utilities	ISD 2155 Wadena Deer Creek
City of Virginia	Hancock Public School	ISD 2169 Murray County Central
City of Wabasha	Headwaters Nutrition Project	ISD 2170 Staples - Motley
City of Wadena	Health Partners	ISD 2172 Kenyon/Wanamingo
City of Waite Park	HELP	ISD 2174 Pine-River Backus Schools
City of Warren	HELPER	ISD 2180-MacCray Public School
City of Warroad	Hennepin County Medical Center	ISD 2184 Luverne
City of Waseca	Hennepin County	ISD 2190 Yellow Medicine East
City of Waverly	Hennepin Technical (Intermediate)	ISD 2198 Fillmore Central
City of Wells	Heritage Living Center	ISD 22 Detroit Lakes

Participating Employers (as of June 30, 2007)

ISD 227 Chatfield	ISD 424 Lester Prairie	ISD 739 Kimball Public Schools
ISD 23 Frazee	ISD 425 Silver Lake Public Schools	ISD 740 Melrose
ISD 2310 Sibley	ISD 426 Stewart	ISD 741 Paynesville
ISD 2311 Clearbrook/Gonvick	ISD 435 Mahnommen County Schools	ISD 742 St. Cloud
ISD 2364 Belgrade/Brooten	ISD 463 Eden Valley-Watkins	ISD 743 Sauk Center
ISD 2365 Gibbon/Fairfax/Winthrop	ISD 465 Litchfield	ISD 745 Albany
ISD 2389 Pipestone / Jasper	ISD 466 Dassel/Cokato	ISD 748 Sartell/St. Stephen
ISD 239 Rushmore/Peterson	ISD 47 Sauk Rapids Public Schools	ISD 75 St. Clair
ISD 2396 Atwater/Grove City/Cosmos	ISD 473 Isle	ISD 750 Cold Spring
ISD 241 Alberta Lea	ISD 477 Princeton Public Schools	ISD 761 Owatonna
ISD 242 Alden-Conger	ISD 480 Onamia Public Schools	ISD 77 Mankato
ISD 252 Cannon Falls	ISD 484 Pierz	ISD 786 Bertha-Hewitt
ISD 253 Goodhue	ISD 485 Royalton	ISD 791 Grey Eagle
ISD 2534 Bold	ISD 486 Swanville	ISD 809 Mazeppa
ISD 255 Pine Island	ISD 487 Upsala Public Schools	ISD 81 Comfrey
ISD 256 Red Wing	ISD 492 Austin	ISD 811 Wabasha Kellogg
ISD 2534 BOLD	ISD 495 Grand Meadow Schools	ISD 818 Verndale
ISD 2580 East Central	ISD 500 Southland	ISD 829 Waseca
ISD 260 Zumbrota	ISD 507 Nicollet School District	ISD 831 Forest Lake
ISD 2609 WinMac	ISD 508 St. Peter	ISD 832 Mahtomedi
ISD 2634 Belgrade-Brooten-Elrosa	ISD 51 Foley	ISD 833 South Washington County Schools
ISD 270 Hopkins	ISD 511 Adrian	ISD 834 Stillwater
ISD 271 Bloomington	ISD 518 Worthington	ISD 840 St. James School District
ISD 2711 Mesabi East Schools	ISD 533 Dover-Eyota	ISD 846 Breckenridge
ISD 272 Eden Prairie	ISD 534 Stewartville	ISD 85 Springfield
ISD 273 Edina	ISD 535 Rochester School District	ISD 857 Lewiston - Altura
ISD 2753 Long Prairie - Grey Eagle	ISD 542 Battle Lake Public Schools	ISD 858 St Charles
ISD 277 Westonka	ISD 544 Fergus Falls	ISD 861 Winona
ISD 278 Orono Public Schools	ISD 548 Pelican Rapids	ISD 876 Annandale
ISD 279 Osseo School District	ISD 550 Underwood	ISD 877 Buffalo
ISD 280 Richfield	ISD 553 New York Mills	ISD 879 Delano
ISD 2805 Zumbrota/Muzzepa	ISD 564 Thief River Falls	ISD 88 New Ulm
ISD 281 Robbinsdale	ISD 566 Askov	ISD 881 Maple Lake
ISD 283 St. Louis Park	ISD 576 Sandstone	ISD 883 Rockford
ISD 2835 Janesville/Pemberton/Waldorf	ISD 577 Willow River	ISD 885 St. Michael-Albertville District
ISD 284 Wayzata	ISD 595 East Grand Forks	ISD 891 Canby
ISD 2859 Glencoe/Silver Lake	ISD 601 Fosston ISD	ISD 892 Clarksfield
ISD 286 Brooklyn Center	ISD 6027 Minnesota Valley Ed. District	ISD 894 Granite Falls
ISD 2860 Blue Earth	ISD 6033 NE Educational District	ISD 897 Delano
ISD 287 Plymouth	ISD 6067 East Metro Integration District	ISD 91 Barnum
ISD 2884 Red Rock	ISD 62 Ortonville	ISD 912 Milaca
ISD 2888 Clinton/Graceville/Beardsley	ISD 621 Mounds View	ISD 913 Janesville
ISD 2895 Jackson County Central	ISD 622 North St. Paul-Maplewood	ISD 914 Ulen-Hitterdal
ISD 2897 Redwood	ISD 623 Roseville	ISD 916 NE Metro
ISD 294 Houston	ISD 624 White Bear Lake	ISD 917 Rosemount
ISD 297 Spring Grove	ISD 625 St. Paul	ISD 93 Carlton
ISD 299 Caledonia	ISD 627 Oklee	ISD 938 Mawseco Joint District
ISD 300 LaCrescent Hokah	ISD 63 Lambertton	ISD 94 Cloquet
ISD 306 LaPorte	ISD 630 Red Lake Falls	ISD 97 Moose Lake
ISD 308 Nevis	ISD 637 Redwood Falls	ISD 99 Esko
ISD 309 Park Rapids	ISD 640 Wabasso	ISD 998 Bemidji Regional Interdistrict Council
ISD 31 Bemidji	ISD 656 Faribault School District	ISD 998 Bric
ISD 314 Braham	ISD 659 Northfield	Itasca County Nursing Home
ISD 316 Greenway of Coleraine	ISD 682 Roseau	Itasca County
ISD 317 Deer River	ISD 691 Aurora-Hoyt Lakes	Itasca County Human Services
ISD 318 Grand Rapids	ISD 692 Babbitt	Itasca County Soil & Water District
ISD 319 Nashwauk-Keewatin	ISD 695 Chisholm	Itasca Medical Center/Grand Rapids Clinic
ISD 330 Heron/Lake Okabena	ISD 696 Ely	Kanabec County
ISD 332 Mora	ISD 698 Floodwood Public Schools	Kandiyohi Area Transit
ISD 333 Ogilvie	ISD 700 Hermantown	Kandiyohi County
ISD 347 Willmar	ISD 701 Hibbing	Keewatin Public Utilities
ISD 361 International Falls	ISD 704 Proctor	Koochiching County
ISD 362 Littlefork	ISD 706 Virginia	Lake Agassiz Regional Library
ISD 363 South Koochiching County	ISD 707 Nett Lake	Lake City ISD
ISD 378 Dawson	ISD 709 Duluth	Lake County
ISD 38 Red Lake	ISD 712 Buhl-Mountain Iron	Lake Country Power
ISD 390 Lake of the Woods	ISD 716 Belle Plaine	Lake County Auditor's Office
ISD 391 Cleveland	ISD 717 Jordan	Lake Of The Woods County
ISD 392 Lecenter	ISD 719 Prior Lake	Lake Of The Woods County Welfare
ISD 394 Cloquet Public Schools	ISD 720 Shakopee	Lake Of The Woods County Highway
ISD 395 Watertown/Mayer	ISD 721 New Prague	Lake Superior School District
ISD 4 McGregor	ISD 727 Big Lake Public Schools	Lakes Area Police
ISD 403 Ivanhoe	ISD 728 Elk River Public Schools	League Of Minnesota Cities
ISD 413 Marshall	ISD 736 Belgrade Public Schools	Legislative Committee on Pensions
ISD 417 Tracy	ISD 737 Brooten Public Schools	Leg. Comm. on Waste Management
ISD 423 Hutchinson	ISD 738 Holdingford	Legislative Coordinating Commission

Participating Employers (as of June 30, 2007)

Light and Power Commission
 Lincoln County
 Litchfield Public Utilities
 Littlefork Medical Center
 Logis
 Lyon County
 Mahnommen County
 Mahnommen Soil & Water Conservation District
 Marshall - Beltrami Soil & Water
 Marshall County
 Marshall County Soil & Water Conserv. Dist.
 Marshall-Lyon County Library
 Marshall Municipal Utilities
 McLeod County
 Mcleod West ISD
 Meeker County
 Meeker-Wright County Special Ed Coop
 Melrose Hospital
 MELSA
 Member Cooperative Union
 Menahga Nursing Home
 Metro Airport Commission
 Metro Council -Drivers
 Metro Council -Office & Mechanics
 Metro Council -Radio Board
 Metronet
 Metropolitan Council
 Metropolitan Council Environmental
 Metropolitan Sports Facilities Commission
 Metropolitan Waste
 MN Govt Engineers Council
 Mid State Education District
 Middle Management Association
 Middle Mississippi River Watershed Mgmt.
 Mid-Minnesota Development Comm.
 Mille Lacs County
 Mille Lacs Soil & Water Conservation District
 Minneapolis Community Develop
 Minneapolis Employee Retirement Fund
 Minneapolis Police Department
 Minneapolis Public Housing Agency
 Minneapolis Teachers' Retirement Fnd
 Minnehaha Creek Watershed District
 Minnesota Assoc. Of Professional Employees
 Minnesota Association of Counties
 Minnesota Conservation Corps
 Minnesota Crop Improvement Assoc.
 Minnesota Historical Society
 Minnesota Judicial Branch
 Minnesota River Valley Special Ed.
 Minnesota Safety Council
 Minnesota Technology Inc.
 Minnesota Valley Regional Library
 Minnesota Valley Transit Authority
 Minnetonka Public Schools
 ML Structured Payouts
 MN Horticultural Society
 MN Legislative Reference Library
 MN River Valley Special Ed Co-op
 Monticello - Big Lake Hospital
 Moorhead Public Housing Agency
 Moose Lake Municipal Power
 Moose Lake Water and Light
 Mower County
 Mower County Soil & Water Conservation Dist.
 Minneapolis Teachers Retirement
 Municipal Utilities of Mora
 Murrar County
 Nashwauk Public Utilities
 NDC4 Cable Commission
 NE Jobs & Training
 NE Metro Technical College 916
 NE Region 3 Education Coop Services
 NE Service Cooperative
 New Prague Golf Course
 New Prague Municipal Utilities
 New Scandia-City Of / Township
 New Ulm City Public Utility Comm.
 Nicollet County
 Nobles County
 Nobles/Rock Public Health
 Norman County Highway Dept.
 Norman County SWCD
 Norman-Mahnomen County
 North Central Service Coop
 North Branch Municipal Water and Light
 North Itasca Electric Cooperative
 North St. Louis Soil & Water Cons. Dist.
 Northeastern Educational Dist.
 Northern Lakes Special Education
 Northwest Minnesota Service Cooperative
 Northwest Regional Development
 Northwestern Minn Joint Power Brd
 NW Minnesota ECSU #928
 Ottertail County
 Ottertail Water Management District
 Owatonna Public Utilities
 P.K.M. Electric Cooperative
 Paynesville Community Hospital
 Paynesville Health Care System
 Pelican River Watershed District
 Pennington County
 Pennington County Soil & Water Conserv. Dept.
 Pine County Highway Dept.
 Pine County Soil & Water Cons. Dist.
 Pioneerland Library System
 Pipestone County
 Plum Creek Library System
 Pope County
 Port Authority of City of St. Paul
 Prairie Lakes Dentention Center
 Preston Public Utilities
 Prior Lake Spring Lake Watershed District
 Proctor Public Utilities
 Public Housing Agency-St. Paul
 Public Utilities Commission-Aitkin
 Quad Cities Cable
 Ramsey County
 Ramsey-Washington Metro Watershed District
 Red Rock Rural Water System
 Redwood County
 Redwood County Soil and Water
 Reg Transit BD/Metro Council
 Region 1-ESV
 Region Five Development Commission
 Region Nine Development Commission
 Regions Hospital (St. Paul Ramsey)
 Renville County
 Renville Soil and Water
 Revisor of Statutes
 Rice Creek Watershed District
 Rice Memorial Hospital
 Right Step Academy
 Regional Transit Board
 Riverland Technical College
 Rock County
 Rock/Nobles Comm Corr
 Roosevelt Township
 Roseau County
 Roseau Electric Cooperative
 Rosemount - Apple Valley
 Runestone Area Education District
 Sauk Centre Public Utilities
 Sauk Centre-Water, Light, & Power
 Scott County
 Scott Soil & Water Conservation
 Seaway Port Authority of Duluth
 Senate - Employees
 Senate - Members
 Shakopee Public Utilities Comm.
 Sherburne County
 Sibley County
 Sibley County Auditor
 South St Paul Public Schools
 South St. Louis County S & W Cons. District
 South Washington County Watershed District
 Southern MN Municipal Power Agency
 Southwest Regional Development Comm
 Southwest/West Central Service Cooperative
 Spirit Mountain
 Spring Lake Park Fire Department
 St. Cloud HRA
 St. Cloud Area Planning Org.
 St. Cloud Metropolitan Transit Comm
 St. Louis County
 St. Louis County HRA
 St. Michael's Hospital
 St. Paul Teachers Retirement
 St. Peter Community Hospital
 State Archaeology, Office of
 State Fair
 Stearns County Soil and Water
 Steele County
 Stevens County Soil & Water Conservation
 Stevens-Traverse Grant PHN
 Success Academy
 Sunrise Home - Two Harbors
 Technology & Information Educ. Svcs.
 Three Rivers Park District
 Todd County
 Todd County Soil & Water Cons.
 Town of Columbus
 Town of Fayal
 Town of May
 Town of Thomson
 Traverse Des Sioux Library
 Tri County Community Corrections
 United Hospital District
 University of Minnesota
 U of M Physicians
 Upper MN Valley RDC
 Upsala Area Schools
 Utilites Plus
 Viking Library System
 Virginia County Library COOP
 Virginia Medical Center
 Virginia Public Utilities
 West Hennepin Public Safety Dept.
 West Lake Superior Sanitary
 Wabasha County
 Wabasha Soil and Water
 Wadena County Social Services
 Waseca County
 Waseca-LeSueur Regional Library
 Washington County
 Washington Soil & Water Cons.
 Watonwan County Soil Water Conservation
 Wells Public Utilities
 West central Education Dist #6026
 West Central MN Joint Power Board
 West Metro Education Program
 West Metro Fire Rescue
 West Ottertail Soil and Water
 Western Lake Superior Sanitation
 Wild Rice Electric Coop
 Wilkin County
 Wilkin County Soil & Water Conservation
 Willmar Municipal Utilities
 Windom Area Hospitals
 Winona County
 Worthington Regional Hospital
 Wright County
 Wright County - Highway
 Wright County Soil and Water Conserv. District
 Wright County Technical Center
 Yellow Medicine County



2007

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