

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



MINNESOTA STATE RETIREMENT SYSTEM
PENSION TRUST FUNDS OF THE STATE OF MINNESOTA



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, 2006

Prepared by MSRS Finance and Systems Divisions

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INTRODUCTORY SECTION





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Board Chairperson's Report

December 31, 2006

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

Dear Board Members, Benefit Recipients and Employers:

Another year of strong investment returns helped improve the funding of the Minnesota State Retirement System (MSRS) for the fiscal year that ended June 30, 2006. This fiscal year's 12.3 percent investment return follows a 10.7 percent return in fiscal year ending June 30, 2005, and a 16.5% return for the 2004 fiscal year. These returns have helped offset the severe market declines from 1999 to 2001.

To ensure the three largest retirement plans administered by the Minnesota State Retirement System return to full funding, we supported legislation increasing both the employee and employer contributions to the General Employees Retirement Plan, the State Patrol Plan, and the Correctional Employees Retirement Plan. These contribution rate increases will be phased in over the next four years.

MSRS net assets totaled \$13.2 Billion on June 30, 2006. The Minnesota Deferred Compensation Plan assets total \$3.1 Billion. The Health Care Savings Plan had assets of \$125 Million. The retirement plans portion of net assets totals \$10.0 Billion.

Eligible retirees will receive a 2.5% increase on January 1, 2007, which was below the inflation rate for the 2006 fiscal year. Legislation was also passed that will cap future post retirement increases at 5%. It is unlikely increases will exceed 2.5% for a number of years. The cap will help stabilize the Post Retirement Fund after returning to full funding.

The MSRS Board is committed to providing excellent customer service and low administrative fees to all participants. It is also critical to make sure our retirement plans remain well funded to pay the promised benefit for current and future retirees.

Respectfully,

A handwritten signature in cursive script that reads "Mary Benner".

Mary Benner, Chair
MSRS Board of Directors



Letter of Transmittal

December 31, 2006

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, 2006. The Minnesota State Retirement System (MSRS) provides retirement coverage for approximately 54,750 active employees, 27,300 benefits recipients, and 16,850 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 77,000 active participants and assets of over \$3 billion as of June 30, 2006.

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 2006, 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 2006, legislation was enacted increasing employee and employer contributions to the three largest plans administered by the Minnesota State Retirement System. These increases are intended to bring the Correctional Employees, State Patrol and General Employees Retirement Plans back to full funding. In addition, we enacted legislation capping future post-retirement increases at 5 percent.

The MSRS Board lowered the administrative fees to the Minnesota Deferred Compensation Plan to 10 basis points (.10 percent) effective July 1, 2006. This is the sixth fee reduction in the last 10 years.

The Board increased the Health Care Savings Plan fees by 5 basis points (.05 percent) in order to recover the start up costs of the plan. The plan remains very competitive compared to others offering similar products.

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, 2006.

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 2006 totaled \$1.9 billion. This fiscal year's return on investment was \$1.361 billion, an increase of \$299 million from last fiscal year. Employee and employer contributions totaled \$487 million; appropriations and other sources provided an additional \$24 million.

	(In Thousands of dollars)		
	FY 2006*	FY 2005	Increase (Decrease)
Employee Contributions	371,253	345,819	25,434
Employer Contributions	115,546	111,045	4,501
Investment Income	1,361,386	1,062,306	299,080
Other	24,050	23,305	745
Total	<u>1,872,235</u>	<u>1,542,475</u>	<u>329,760</u>

*Note: Includes the Hennepin County Supplemental Retirement Fund (SRHC) operations from 01/01/06 through 06/30/06. FY 2005 does not include SRHC.

Expenses (Deductions)

Expenses in fiscal year 2006 came to \$678 million, a \$48 million increase over last year's expenses. Expenses combined with investment gains and other revenues resulted in a net increase of \$1.2 billion.



MINNESOTA STATE RETIREMENT SYSTEM

(In Thousands)

	<u>FY 2006</u>	<u>FY 2005</u>	<u>Increase (Decrease)</u>
Annuity, Health Care and ongoing Benefits	\$508,756	\$475,927	\$32,829
Refunds	141,602	122,330	19,272
Administrative Expenses	8,391	8,021	370
Other	19,119	23,369	(4,250)
Total	<u>\$677,868</u>	<u>\$629,647</u>	<u>\$48,221</u>

Additional information can be found in the Management's Discussion and Analysis on pages 18 and 19.

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, 2006.

Fund	Liabilities	Assets	Actuarial Basis Funding Ratio
State Employees	\$8,819,160,917	\$8,486,756,016	96.23%
State Patrol	\$641,479,078	\$618,990,349	96.49%
Correctional	\$647,480,269	\$535,536,819	82.71%
Judges	\$202,301,170	\$151,850,386	75.06%
Legislators	\$81,361,446	\$48,503,723	59.62%
Elective State Officers	\$3,969,766	\$207,099	5.22%
	<u>\$10,395,752,646</u>	<u>\$9,841,844,392</u>	<u>94.67%</u>

More information regarding the funding of MSRS' plans can be found on pages 38 through 39. 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

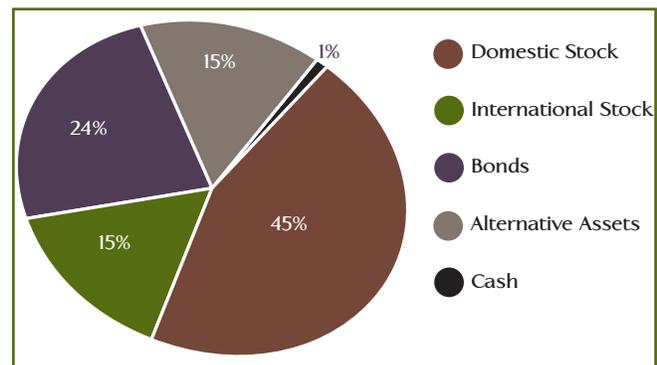
Assets of the MSRS funds are invested by the State Board of Investment (SBI). The board includes the governor, attorney general, secretary of state, and state auditor. Members of the board are subject to the Prudent Person rule, fiduciary standards detailed in Minnesota Statutes section 356A, and investment 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 12.6% in the fiscal year ending June 30, 2006.

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

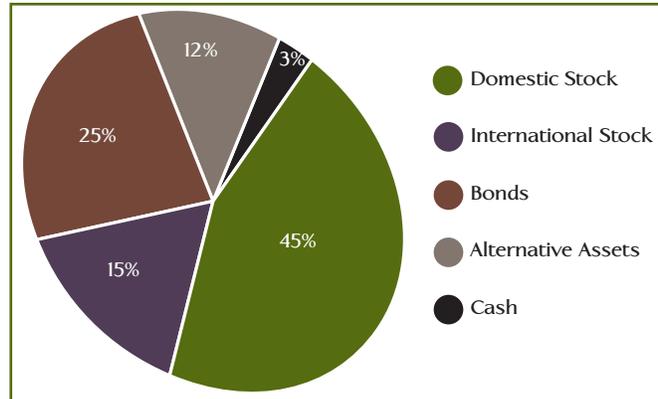
The rate of return for the Post-Retirement Fund was 12% in fiscal year 2006. A 2.5% increase was paid to eligible retirees on January 1, 2007.

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 uncertainty over the housing market and oil prices make it difficult to determine the economic outlook for 2007. The weak housing market and lower oil prices helped keep inflation and interest rates down in the second half of 2006. If oil prices and inflation pick up speed, rising interest rates could lead to a more dramatic drop in housing and construction. This would likely have a negative rippling effect on our economy. If inflation and oil prices remain relatively low, the housing and construction markets could lead to a soft landing which will result in more stable markets.

As always, outside factors could have a big influence on future markets. The war in Iraq, a natural disaster, or some other dramatic change could have a negative impact on the markets that cannot be predicted.

Review of Operations and Activities of Fiscal Year 2006

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 state legislative auditor conducted an independent audit of MSRS financial statements. The auditor's comments are on pages 16 and 17.

Professional Services

The Minnesota Attorney General's Office provides legal counsel for MSRS. The 2006 actuarial valuations were completed by Segal and Company, and reviewed by Mercer Human Resources.

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

Dennis E. Jensen
Accounting Director



Administrative Organization – June 30, 2006

MSRS Board of Directors

Mary Benner, Chair

Department of Labor & Industry
3rd Floor, CSG
443 Lafayette Road
St. Paul, MN 55155
(651) 284-5630/ Fax: (651) 284-5724
E-mail: mary.benner@state.mn.us
Elected by Membership

Mathew Hodapp, Vice Chair

Minnesota State Patrol, Investigative Services
2055 North Lilac Drive
Golden Valley, MN 55422
(763) 591-4701
E-mail: president@mspt2.com
Elected State Patrol Representative

Steven Amic

Minnesota Correctional Facility – St. Cloud
114 14th Avenue North
St. Cloud, MN 56303
(320) 654-1377 / Fax: (320) 240-6798
E-mail: mnfish54@astovnd.net
Elected Correctional Plan Representative

Robert J. Mayer

MN Dept. of Employment & Economic Development
300 Metro Square
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(651) 296-2903
E-mail: bob.mayer@ssa.gov
Elected by Membership

Michelle Sommers

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

Peggy Ingison, Commissioner

MN Department of Finance
658 Cedar Street
St. Paul, MN 55155
(651) 297-7881
Email: peggy.ingison@state.mn.us
Appointed by Governor

Allen E. Hoppe

Metropolitan Council
Treasury Operations
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Elected by Membership

Susan O'Connell

1300 South Second Street
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Minneapolis, MN 55454
(612) 626-0090/Fax: (612) 625-9841
E-mail: socn@groupwise.umn.edu
Elected by Membership

Sally (R.W.) Olsen

c/o MSRS
60 Empire Drive, Suite 300
St. Paul, MN 55103-3000
(651) 296-1512
E-mail: sandvol@msn.com
Appointed by Governor

John Richter

PO BOX 217
Milaca, MN 56353
(320) 983-3638
Elected Retiree Representative

Roy Watson

P O Box 72
Rochester, MN 55903
(507) 282-7080
Appointed by Governor

Administrative Staff

Executive Director:

David Bergstrom

Assistant Directors:

Arvin Herman, Ernie Palmsten

Professional Consultants

Consulting Actuary:

The Segal Company

Consulting Actuary:

Mercer Human Resource Consulting

Legal Counsel:

Assistant Attorney General Jon Murphy

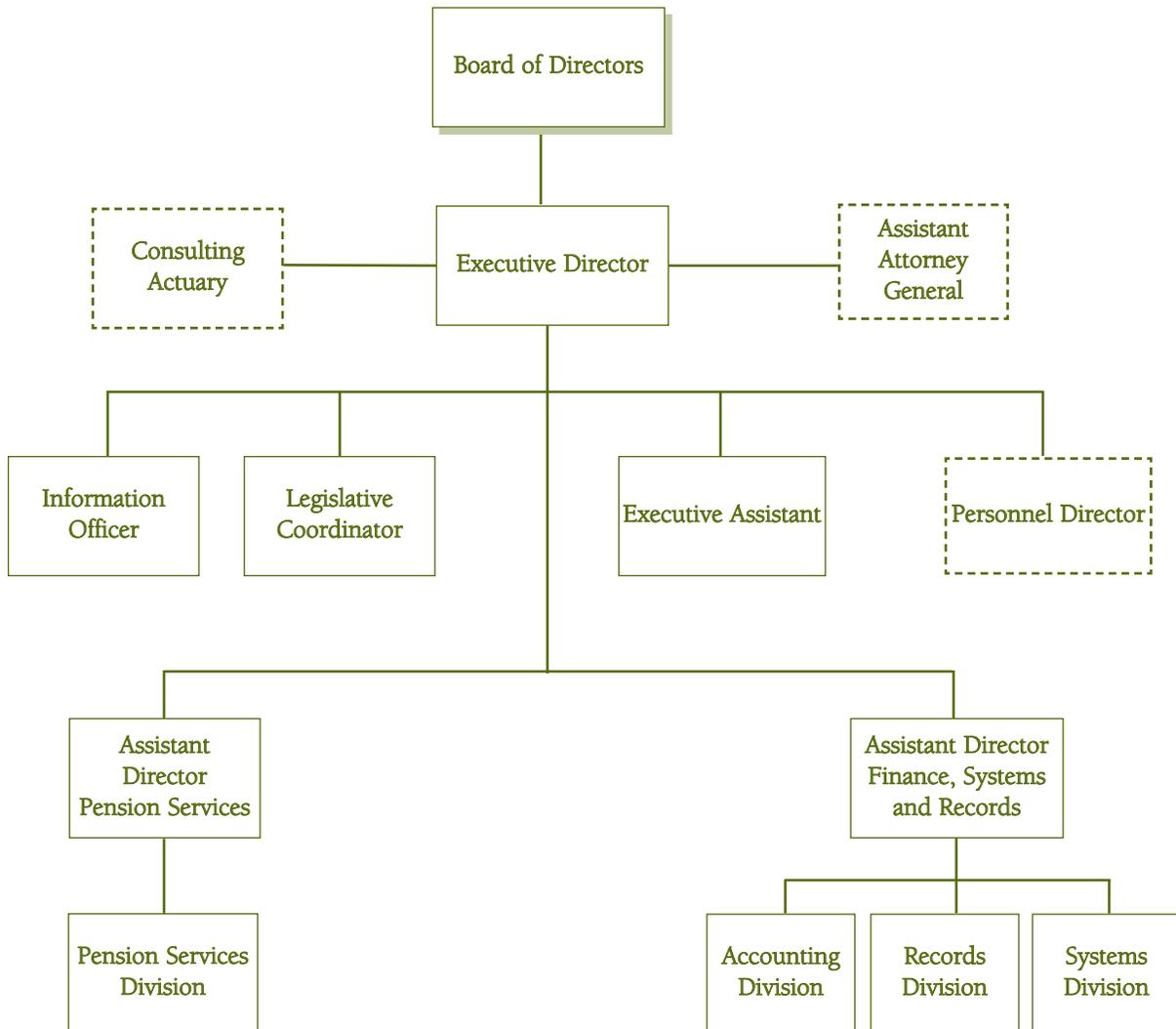
Assistant Attorney General Rory Foley

Medical Advisor:

Minnesota Department of Health



Organization Chart - June 30, 2006



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 52 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 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
- 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 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
 - 100 percent Joint and Survivor with bounce back, meaning if your survivor dies first, your benefit would bounce back 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.
-Deputy Fire Marshals - 6.78 percent employee; 8.20 percent employer.
- 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 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
- 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
-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
- 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 three years of service
-age 50 with 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
-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
-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 since 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
-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 of 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
 - 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.
- B. Benefits: account balance including investment earnings.
- C. Withdrawal events:
 - termination of service or death
 - retirement
 - unforseeable emergency
- 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 Trustees
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, 2006, 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, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2006, on our consideration of MSRS's internal control over financial reporting; 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. 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 other required supplementary information, as listed in the Table of Contents, are not required parts of MSRS's basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures that consisted principally of inquiries of management regarding the methods



Members of the Board of Trustees
Mr. David Bergstrom, Executive Director
Minnesota State Retirement System
Page 2

of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the Schedule of Funding Progress and the Schedule of Employer Contributions on pages 39 and 40, respectively, are not in conformity with accounting principles generally accepted in the United States because the actuarial asset valuation method for the postretirement portion of the plans' investments is not market related, as required by the Governmental Accounting Standards Board Statement No. 25. Additionally, the notes to the required supplementary information do not accurately present the asset valuation method used for postretirement fund assets. The valuations were performed using actuarial assumptions prescribed in state statute. As a result, we believe the "actuarial value of plan assets" and the "funded ratio" in the Schedule of Funding Progress are overstated, and the "actuarial required contribution rate" in the Schedule of Employer Contributions is understated. The amounts of the overstatements and understatements cannot be determined until actuarial valuations are recomputed using a market related asset valuation method for the postretirement portion of the plans' investments.

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, listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. As such, the Supporting Schedules in the Financial Section, as well 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.

Handwritten signature of James R. Nobles in black ink.

James R. Nobles
Legislative Auditor

Handwritten signature of Cecile M. Ferkul in black ink.

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 22, 2006



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, 2006. Please read it in conjunction with the transmittal letter on pages 4 to 7 and the financial statements beginning on page 20.

Financial Highlights

The three largest MSRS funds remain very well funded on the actuarial basis used to determine contribution rates. The funding percentages are the State Employees Retirement Fund 96.23%, the State Patrol Retirement Fund 96.49%, and the Correctional Employees Retirement Fund 82.68%. Total net investment gains were up from the previous year, \$1.361 billion, compared to \$1.062 billion in 2005. Total monthly benefit recipients increased by over 1,100 and total monthly benefits paid increased by over \$23 million. Total contributions increased by \$29.9 million or just over 6.5%.

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 2, these statements are prepared using the accrual basis of accounting as required by generally accepted accounting principles. As also indicated in Note 2.H., MSRS assumed recordkeeping responsibilities for the Hennepin County Supplemental Retirement Fund on January 1, 2006. Financial information for the prior fiscal year and first six months of FY. 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 owed as of a particular point in time, June 30, 2006. 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 the June 30, 2006 compared to June 30, 2005 were as follows:

	(in millions)			
	F.Y. 2006	F.Y. 2005	Change	% Change
Total Assets	\$14,458	\$12,949	\$1,509	11.65%
Total Liabilities	1,302	1,110	192	17.30%
Net Assets	<u>\$13,156</u>	<u>\$11,839</u>	<u>\$1,317</u>	<u>11.12%</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, 2005 Total Additions by Major Type and Total Deductions by Type for the fiscal year ended June 30, 2006 compared to fiscal year 2005 were as follows:

	(in millions)			
	F.Y. 2006	F.Y. 2005	Change	% Change
Total Additions (by Major Source):				
Member Contributions	\$371	\$346	\$25	7.23%
Employer Contributions	116	111	5	4.50%
Investment Income (Net)	1,361	1,062	299	28.15%
Other (includes transfers)	24	24	0	0.00%
Total Additions	<u>\$1,872</u>	<u>\$1,543</u>	<u>\$329</u>	<u>21.32%</u>
Total Deductions (by Type):				
Benefits	\$509	\$476	\$33	6.93%
Refunds	142	122	20	16.39%
Administrative Expenses	8	8	0	0.00%
Other (includes transfers)	19	24	(5)	-20.83%
Total Deductions	<u>\$678</u>	<u>\$630</u>	<u>\$48</u>	<u>7.62%</u>
Net Increase (Decrease)	<u>\$1,194</u>	<u>\$913</u>	<u>\$281</u>	<u>30.78%</u>

The Notes to the Financial Statements are an integral part of the financial statements. They provide additional information relevant to what has been reported in the statements. This information can be either descriptive as in the case of significant accounting policies or supplemental such as the debt redemption schedule. The Required Supplemental Information is additional schedules provided for the purpose of giving the statement reader some historical 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, 06/30/2006	\$9,231	\$689	\$625	\$157
Total Assets, 06/30/2005	\$8,432	\$613	\$519	\$142
Change	\$799	\$76	\$106	\$15
% Change	9.48%	12.40%	20.42%	10.56%
Total Liabilities, 06/30/2006	\$1,009	\$112	\$109	\$19
Total Liabilities, 06/30/2005	\$921	\$73	\$56	\$15
Change	\$88	\$39	\$53	\$4
% Change	9.55%	53.42%	94.64%	26.67%
Net Assets, 06/30/2006	\$8,221	\$577	\$516	\$138
Net Assets, 06/30/2005	\$7,511	\$540	\$463	\$127
Change	\$710	\$37	\$53	\$11
% Change	9.45%	6.85%	11.45%	8.66%

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

	SERF	SPRF	CERF	JRF
Total Additions, year ended 06/30/2006	\$1,095	\$77	\$81	\$26
Total Additions, year ended 06/30/2005	\$908	\$66	\$58	\$22
Change	\$187	\$11	\$23	\$4
% Change	20.59%	16.67%	39.66%	18.18%
Total Deductions, year ended 06/30/2006	\$385	\$39	\$28	\$14
Total Deductions, year ended 06/30/2005	\$364	\$37	\$25	\$14
Change	\$21	\$2	\$3	-
% Change	5.77%	5.41%	12.00%	-
Net Additions (Deductions) year ended 06/30/2006	\$710	\$38	\$53	\$12
Net Additions (Deductions) year ended 06/30/2005	\$544	\$29	\$33	\$8
Change	\$166	\$9	\$20	\$4
% Change	30.51%	31.03%	60.61%	50.00%

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



Statement of Plan Net Assets (as of June 30, 2006)

	Defined Benefit Funds (In Thousands)				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
Assets:					
Cash & Cash Equivalents:	\$65,391	\$(2,375)	\$4,734	\$1,909	\$0
Receivables:					
Accounts Receivable	8,139	633	1,121	201	0
Accrued Interest	202	10	3	2	0
Due from Other Plans	5,496	0	0	0	0
Due from MPRI Fund	1,696	0	12	0	0
	<u>\$15,533</u>	<u>\$643</u>	<u>\$1,136</u>	<u>\$203</u>	<u>\$0</u>
Investment Pools (at fair value):					
Equity in Post Retirement Fund	\$3,143,234	\$357,244	\$256,600	\$89,796	\$35,353
Fixed Income	1,170,557	61,367	70,196	11,364	0
External Domestic Equity	1,699,073	89,064	101,887	16,484	0
Passive Domestic Equity	774,437	40,575	46,434	7,493	0
Alternative Investments	562,406	29,468	33,722	5,442	0
Global Equity	793,418	41,579	47,575	7,685	0
Supplemental Investment Fund	0	0	0	0	0
Mutual Funds	0	0	0	0	0
	<u>\$8,143,125</u>	<u>\$619,297</u>	<u>\$556,414</u>	<u>\$138,264</u>	<u>\$35,353</u>
Securities Lending Collateral	1,000,799	71,553	62,814	16,859	4,270
Capital Assets	5,656	0	0	0	0
Due from State General Fund	0	0	0	0	8,443
	<u>\$9,230,504</u>	<u>\$689,118</u>	<u>\$625,098</u>	<u>\$157,235</u>	<u>\$48,066</u>
Liabilities:					
Accounts Payable	\$2,045	\$84	\$96	\$16	\$0
Accrued Compensated Absences	618	0	0	0	0
Securities Lending Collateral	1,000,799	71,553	62,814	16,859	4,270
Due to MPRI fund	3	39,876	45,638	2,152	1,244
Due to other plans	594	98	333	58	33
Bonds Payable	5,404	0	0	0	0
	<u>\$1,009,463</u>	<u>\$111,611</u>	<u>\$108,881</u>	<u>\$19,085</u>	<u>\$5,547</u>
Net Assets Held in Trust for Pension Benefits	<u>\$8,221,041</u>	<u>\$577,507</u>	<u>\$516,217</u>	<u>\$138,150</u>	<u>\$42,519</u>

(A Schedule of Funding Progress for each of the defined benefit plans start on page 39.)

(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	\$3,824	\$6,477	\$0	\$129	\$80,089
0	389	4,439	0	25	14,947
0	0	0	0	0	217
0	0	594	0	0	6,090
0	0	0	0	0	1,708
\$0	\$389	\$5,033	\$0	\$25	\$22,962
\$0	\$0	\$0	\$0	\$0	\$3,882,227
0	0	0	0	0	1,313,484
0	0	0	0	0	1,906,508
0	0	0	0	0	868,939
0	0	0	0	0	631,038
0	0	0	0	0	890,257
0	280,009	116,586	180,221	126,318	703,134
0	0	0	2,946,336	0	2,946,336
\$0	\$280,009	\$116,586	\$3,126,557	\$126,318	\$13,141,923
0	25,579	5,635	0	11,196	1,198,705
0	0	0	0	0	5,656
212	0	0	0	0	8,655
\$212	\$309,801	\$133,731	\$3,126,557	\$137,668	\$14,457,990
\$0	\$0	\$0	\$0	\$0	\$2,241
0	0	0	0	0	618
0	25,579	5,635	0	11,196	1,198,705
0	0	0	0	0	88,913
5	1,311	2,875	783	0	6,090
0	0	0	0	0	5,404
\$5	\$26,890	\$8,510	\$783	\$11,196	\$1,301,971
\$207	\$282,911	\$125,221	\$3,125,774	\$126,472	\$13,156,019

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

Statement of Changes in Plan Net Assets (Year ended June 30, 2006)

	Defined Benefit Funds (In Thousands)			
	State Employees	State Patrol	Correctional Employees	Judges
Additions:				
Contributions:				
Member contributions	\$85,379	\$4,719	\$8,964	\$2,866
Employer contributions	82,645	7,055	12,152	7,336
General Fund contributions	0	0	0	0
Total Contributions	\$168,024	\$11,774	\$21,116	\$10,202
Investment income:				
Investment Income	\$924,710	\$65,561	\$60,335	\$15,610
Less Investment Expense:	12,028	861	735	203
Net Investment Income	\$912,682	\$64,700	\$59,600	\$15,407
Income from securities lending activities:				
Security Lending Income	\$43,745	\$3,133	\$2,747	\$739
Security Lending Expenses:				
Borrower Rebates	\$39,905	\$2,859	\$2,505	\$675
Management Fees	890	63	56	15
Total Security Lending Expenses	\$40,795	\$2,922	\$2,561	\$690
Net Income From Security Lending Activities	\$2,950	\$211	\$186	\$49
Total Net Investment Income	\$915,632	\$64,911	\$59,786	\$15,456
Other additions:				
Transfers From Other Plans	\$11,486	\$0	\$0	\$0
Other income	274	0	0	0
Total Other Additions	\$11,760	\$0	\$0	\$0
Total Additions	\$1,095,416	\$76,685	\$80,902	\$25,658
Deductions:				
Annuity benefits	\$366,797	\$38,767	\$26,162	\$14,260
Ongoing Withdrawals	0	0	0	0
Health Care Benefits	0	0	0	0
Refunds	12,555	52	730	0
Interest to MPRI Fund	678	190	340	78
Transfers to Other Plans	817	0	0	0
Recordkeeper Expenses	0	0	0	0
Administrative expenses	4,588	101	336	60
Other	0	0	0	0
Total Deductions	\$385,435	\$39,110	\$27,568	\$14,398
Net increase	\$709,981	\$37,575	\$53,334	\$11,260
Net Assets, July 1, 2005	\$7,511,060	\$539,932	\$462,883	\$126,890
Change in Reporting Entity	\$0	\$0	\$0	\$0
Net Assets, June 30, 2006	\$8,221,041	\$577,507	\$516,217	\$138,150

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

(In Thousands)		Defined Contribution Funds (In Thousands)				
Legislators	Elective State Officers	Unclassified Employees	Health Care Savings Plan	Deferred Compensation	Hennepin County Supplemental	(In Thousands) Totals
\$264	\$0	\$4,368	\$52,562	\$211,705	\$426	\$371,253
0	0	5,932	0	0	426	115,546
5,684	417	0	0	0	0	6,101
\$5,948	\$417	\$10,300	\$52,562	\$211,705	\$852	\$492,900
\$3,577	\$0	\$20,751	\$5,072	\$269,458	\$6,627	\$1,371,701
51	0	0	0	0	0	13,878
\$3,526	\$0	\$20,751	\$5,072	\$269,458	\$6,627	\$1,357,823
\$188	\$0	\$1,235	\$290	\$0	\$573	\$52,650
\$171	\$0	\$1,115	\$264	\$0	\$521	\$48,015
4	0	27	6	0	11	\$1,072
\$175	\$0	\$1,142	\$270	\$0	\$532	\$49,087
\$13	\$0	\$93	\$20	\$0	\$41	\$3,563
\$3,539	\$0	\$20,844	\$5,092	\$269,458	\$6,668	\$1,361,386
\$20	\$0	\$797	\$0	\$0	\$0	\$12,303
0	0	31	502	4,815	24	5,646
\$20	\$0	\$828	\$502	\$4,815	\$24	\$17,949
\$9,507	\$417	\$31,972	\$58,156	\$485,978	\$7,544	\$1,872,235
\$6,094	\$409	\$0	\$0	\$0	\$0	\$452,489
0	0	0	0	34,264	3,703	37,967
0	0	0	18,300	0	0	18,300
78	0	6,173	0	121,636	378	141,602
34	0	45	0	0	0	1,365
0	0	11,486	0	0	0	12,303
0	0	0	0	5,451	0	5,451
33	5	256	724	2,283	5	8,391
0	0	0	0	0	0	0
\$6,239	\$414	\$17,960	\$19,024	\$163,634	\$4,086	\$677,868
\$3,268	\$3	\$14,012	\$39,132	\$322,344	\$3,458	\$1,194,367
\$39,251	\$204	\$268,899	\$86,089	\$2,803,430	\$0	\$11,838,638
\$0	\$0	\$0	\$0	\$0	\$123,014	\$123,014
\$42,519	\$207	\$282,911	\$125,221	\$3,125,774	\$126,472	\$13,156,019



Notes of 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, 2006, the number of employers contributing to the various funds was:

-State of Minnesota and branches	9
-University of Minnesota	1
-Metropolitan agencies	6
-Counties	80
-Cities	259
-School Districts	314
-Unions	6
-Other	267
	<u>943</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

Investments are reported at fair value. Fair value is the proportionate share of the aggregate market value of the investment portfolio of the pool in which the funds participate. 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 market value is its estimated fair value. Short-term securities are reported at cost, which approximates fair value.

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, 2006 were:

		(in 000s)	
	Cost	Accumulated Depreciation/ Amortization	Undepreciated/ Unamortized Balance
Office equipment & Fixtures	\$888	\$608	\$280
Land	87	N/A	87
Building	5,971	745	5,226
Building Equipment	1	0	1
Deferred Bond Issuance Charges	<u>75</u>	<u>13</u>	<u>62</u>
Totals	<u>\$7,022</u>	<u>\$1,366</u>	<u>\$5,656</u>

D. Capital Assets (continued)

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, \$618,060, for future payment of these balances at June 30, 2006 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, 2006, were:

	(in 000s)
- Legislators Retirement Fund	\$8,443
- Elective State Officers Fund	212
	<u>\$8,655</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, 2006 were:

	(in 000s)
State Employees Retirement Fund	\$966,952
State Patrol Retirement Fund	45,709
Correctional Employees Retirement Fund	67,313
Judges Retirement Fund	23,179
Legislators Retirement Fund	7,050
Elective State Officers Retirement Fund	36
Unclassified Employees Retirement Fund	282,470
Health Care Savings Fund	126,717
Deferred Compensation Fund	3,114,634
Hennepin County Supplemental Fund	126,449
	<u>\$4,760,509</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, 2006,were:	(in 000s)
State Employees Retirement Fund	\$4,110,855
State Patrol Retirement Fund	174,554
Correctional Employees Retirement Fund	192,303
Judges Retirement Fund	25,175
Legislators Retirement Fund	116
Elective State Officers Retirement Fund	171
Unclassified Employees Retirement Fund	441
Health Care Savings Fund	(1,496)
Deferred Compensation Fund	11,140
Hennepin County Supplemental Fund	23
	\$4,513,282

-Minnesota Post-Retirement Investment Fund (MPRIF) reserve

The MPRI Fund reserve equals the corresponding assets invested in it. The proceeds of the MPRI 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, 2006 were:

	(in 000s)
State Employees Retirement Fund	\$3,143,234
State Patrol Retirement Fund	357,244
Correctional Employees Retirement Fund	256,601
Judges Retirement Fund	89,796
Legislators Retirement Fund	35,353
	\$3,882,228

H. Change in Reporting Entity

Pursuant to *Minnesota Statutes* Section 383B.46, subdivision 2, the Minnesota State Retirement System and Hennepin County entered into an interagency agreement whereby MSRS performs certain recordkeeping functions for the members of the Hennepin County Supplemental Retirement Fund. In January, 2006, title to the assets held by the SBI in the Minnesota Supplemental Investment Fund was assigned to MSRS and financial operations were transferred to the state treasury. Assets of \$123,472,121 were transferred effective January 1, 2006. Operations reported are for the six month period ended June 30, 2006.

3. Cash and Investments

A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 2006, and throughout the year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*. The State Patrol Retirement Fund had a cash deficit of \$2,375,000 at June 30, 2006. This deficit was caused by a delay in liquidating long-term investments and depositing the proceeds to the fund. It was resolved shortly after fiscal year-end.

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, 2006, were:

	(In 000s)	
	<u>Cost</u>	<u>Fair Value</u>
Post-Retirement Fund	\$4,540,103	\$3,882,227
Fixed Income	1,377,299	1,313,484
External Domestic Equity	1,976,269	1,906,508
Passive Domestic Equity	764,899	868,939
Alternative Investments	534,564	631,038
Global Equity	783,747	890,257
Supplemental Investment Fund	703,134	703,134
Mutual Funds *	<u>2,946,336</u>	<u>2,946,336</u>
Total	<u>\$13,626,351</u>	<u>\$13,141,923</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.

E. GASB Statement 28 Required Disclosures

State statutes do not prohibit Minnesota from participating in securities lending transactions, and Minnesota 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 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 percent (100%) of the market value of loaned securities.

Minnesota 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 Minnesota 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, 2006, such investment pool had an average maturity of 50 days and an average final maturity of 463 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, 2006 Minnesota had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for Minnesota as of June 30, 2006 was \$5,905,060,908 and \$5,785,268,905, 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	\$1,141,402
BBB to A	304,103
BB or lower	45,124
Not Rated	80,017

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, 2006 the following weighted average maturities:

<u>Security</u>	<u>Weighted Avg. Maturity (in years)</u>
Cash Equivalents	0.14
Mutual Funds	3.83
Asset-Backed Securities	16.13
Corporate Debt	6.21
Municipal Bonds	7.40
U.S. Treasuries	7.55
U.S. Agencies	3.45
Mortgage-Backed Securities	24.70

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, 2006 were distributed among the following currencies

<u>Currency</u>	(In Thousands)		
	<u>Cash & Cash</u> <u>Equivalents</u>	<u>Equities</u>	<u>Fixed</u> <u>Income</u>
Australian Dollar	\$0	\$30,001	\$0
Canadian Dollar	41	42,088	0
Euro Currency	124	251,594	0
Hong Kong Dollar	0	25,262	0
Japanese Yen	109	175,435	0
New Taiwan Dollar	0	12,863	0
Pound Sterling	0	167,780	0
South Korean Won	0	16,687	0
Swedish Krona	0	17,591	0
Swiss Franc	0	55,407	0
Other	10,399	64,705	1,347
Totals	\$10,673	\$859,413	\$1,347

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



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, 2006. 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.

	(in 000s)	
Defined Benefit Retirement Funds	Interfund Receivables	Interfund Payables
State Employees	\$5,496	\$594
State Patrol	0	98
Correctional Employees	0	333
Judges	0	58
Legislators	0	33
Elective State Officers	0	5
Defined Contribution Retirement Funds		
Unclassified Employees	0	1,311
Health Care Savings	594	2,875
Deferred Compensation	0	783
Totals	<u>\$6,090</u>	<u>\$6,090</u>

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, 2006 were as follows:

	(in 000s)	
Defined Benefit Retirement Funds	Transfers In	Transfers Out
State Employees	\$11,486	\$817
Legislators	20	0
Defined Contribution Retirement Funds		
Unclassified	797	11,486
Totals	<u>\$12,303</u>	<u>\$12,303</u>

5. Leases

MSRS moved into its new offices in the Retirement Systems of Minnesota (RSM) building on September 6, 2001. The three Minnesota statewide retirement systems, MSRS, Public Employees Retirement Association, and Teachers Retirement Association, jointly own this building under the terms of an interagency agreement. MSRS also leases office space in Mankato, St. Cloud, Detroit Lakes and Duluth for branch offices and additional space in the RSM building and the HFS Golden Rule building. Future obligations under the terms of those leases are as follows:



<u>Location</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>Totals</u>
Mankato	\$22,605	\$3,767	\$0	\$0-	\$26,372
St. Cloud	16,579	8,290	0	0	24,869
Duluth	15,180	15,560	9,208	0	39,948
Detroit Lakes	20,747	21,164	21,584	16,429	79,924
HFS Golden Rule	3,588	0	0	0	3,588
RSM Bldg (400)	66,910	0	0	0	66,910
RSM Bldg (100)	29,595	0	0	0	29,595
Totals	\$175,204	\$48,781	\$30,792	\$16,429	\$271,206

6. 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.

7. Descriptions 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, 2006, follow:

Members receiving benefits:	
-retirees	21,411
-beneficiaries	2,793
Terminated members:	
-vested, not receiving benefits	14,217
-nonvested	6,828
Active members:	
-vested	36,964
-nonvested	11,036
Total	93,249
Annual payroll (June 30, 2006):	\$2,016,588,000
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. 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, 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
Fiscal Year Ended June 30, 2002	91,590	91,590

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, 2006, follow:

Members receiving benefits:	
-retirees	667
-beneficiaries	179
Terminated members:	
-vested, not receiving benefits	33
-nonvested	8
Active members:	
-vested	697
-nonvested	154
Total	<u>1,738</u>
Annual payroll (June 30, 2006):	\$57,765,000

Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 8.4 percent of their total compensation. The employer contributes 12.6 percent. 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, 2006, follow:

Members receiving benefits:	
-retirees	1,269
-beneficiaries	106
Terminated members:	
-vested, not receiving benefits	817
-nonvested	388
Active members:	
-vested	2,472
-nonvested	1,438
Total	6,490
Annual payroll (June 30, 2006):	\$145,879,000

Minnesota Statutes, Section 352.92 requires that eligible employees contribute 5.69 percent of their total compensation. The employer contributes 7.98 percent. 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, 2006, follow:

Members receiving benefits:	
-retirees	178
-beneficiaries	83
Terminated members:	
-vested, not receiving benefits	16
-nonvested	0
Active Members:	
-vested	232
-nonvested	71
Total	580
Annual payroll (June 30, 2006):	\$36,529,000

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, 2006, follow:

	<u>Legislators</u>	<u>Elective State Officers</u>
Members receiving benefits:		
-retirees	256	11
-beneficiaries	63	4
Terminated members:		
-vested, not receiving benefits	115	1
-nonvested	2	0
Active members:		
-vested	73	0
-nonvested	3	0
Totals	<u>512</u>	<u>16</u>
Annual Payroll (June 30, 2006)	\$2,894,000	N/A*

*The remaining members of the Elective 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.

8. 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, 2006 were:

-Active members	1,604
-Inactive members	1,635
Total	3,239
-Annual payroll (June 30, 2006)	\$97,353,000
-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 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 a contingent liability of the State Employees' Retirement Fund and actuarially valued as of June 30, 2006 in the amount of \$ 18,634,523.

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, 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
Fiscal Year Ended June 30, 2002	\$3,720	\$5,579



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, 2006 follow.

-	Active members	20,359
-	Inactive members	6,157
-	Withdrawing members	3,817
	Total	<u>30,333</u>
-	Annual payroll (June 30, 2006)	NA
-	Participating employers	862

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, 2006 follow:

-	Active members	53,279
-	Inactive members	19,065
-	Withdrawing members	4,913
	Total	<u>77,257</u>
-	Annual payroll (June 30, 2006)	NA
-	Participating employers	554



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, 2006 follow:

- Active members	1,142
- Inactive members	1,087
- Withdrawing members	104
	Total
	2,333
- Annual payroll (June 30, 2006)	\$1,304,000
- Participating employers	1

9. 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, 2006 are as follows:

Expenses by Fund:	<u>(In 000's)</u>
State Employees Retirement Fund	\$4,588
State Patrol Retirement Fund	101
Correctional Employees Retirement Fund	336
Judges Retirement Fund	60
Legislators Retirement Fund	33
Elected State Officers Retirement Fund	5
Unclassified Employees Retirement Fund	256
Health Care Savings Fund	724
Deferred Compensation	2,283
Hennepin County Supplemental Retirement	5
	Total Expenses
	\$8,391

10. 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 20.4 percent of the total; it has since been revised to 20.2 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. In the event of default, MSRS would be liable for the entire remaining outstanding principal and interest balance of the bonds, \$50,352,318.80. Bonds Payable on the Statement of Plan Net Assets includes interest accrued for the month of June in the amount of \$25,904.82.

Debt Repayment Schedule by Fiscal Year

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal & Interest</u>
2007	111,100.00	310,857.80	\$421,957.80
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>\$5,378,250.00</u>	<u>\$4,792,918.46</u>	<u>\$10,171,168.46</u>

Required Supplemental Information

Schedule of Funding Progress

(UNAUDITED)

Year Ended June 30,	Actuarial Value	Actuarial Accrued	(In Thousands)	Funded	Actual Covered	UAAAL as Percent
	Assets (A)	Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Ratio (A)/(B)	Payroll (Previous FY)(C)	of Covered Payroll (B-A)/(C)
State Employees Retirement Fund:						
2001	\$7,366,673	\$6,573,193	\$(793,480)	112.07%	\$1,834,042	-43.26%
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
State Patrol Retirement Fund:						
2001	\$572,815	\$489,483	\$(83,332)	117.02%	\$48,935	-170.29%
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
Correctional Employees Retirement Fund:						
2001	\$431,134	\$398,633	\$(32,501)	108.15%	\$120,947	-26.87%
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
Judges Retirement Fund:						
2001	\$123,589	\$165,244	\$41,655	74.79%	\$28,246	147.47%
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
Legislators Retirement Fund:						
2001	\$42,608	\$75,072	\$32,464	56.76%	\$5,858	554.18%
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
Elective State Officers Retirement Fund*:						
2001	\$201	\$3,775	\$3,574	5.32%	\$0	N/A
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

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



Required Supplemental Information

(UNAUDITED)

Schedule of Employer Contributions

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:						
2001	7.12%	\$1,834,042	\$74,364	\$56,220	\$73,362	130.49%
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
State Patrol Retirement Fund:						
2001	15.48%	\$48,935	\$4,145	\$3,430	\$6,166	179.77%
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
Correctional Employees Retirement Fund:						
2001	13.72%	\$120,947	\$6,996	\$9,598	\$9,652	100.56%
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
Judges Retirement Fund:						
2001	24.58%	\$28,246	\$2,162	\$4,781	\$7,793	163.00%
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
Legislators Retirement Fund:						
2001	47.26%	\$5,858	\$527	\$2,241	\$5,039	224.85%
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
Elective State Officers Retirement Fund*:						
2001	\$340	-	-	-	\$330	97.06%
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

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



Required Supplemental Information - Notes

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. For this report, fiscal year end was June 30, 2006. The entry age normal actuarial cost method - a projected benefit cost method - is used to value all of the defined benefit funds. Contributions are made as a level percentage of covered salary. The actual inflation rate for all funds was 4.319%; there is no assumed inflation rate for any of the funds. The assumed investment rate of return for all funds is 8.5%. The designated period for amortizing any unfunded liabilities is an open-ended 30 years. Assumed salary scales for the State Employees Retirement Fund are increased in annual increments ranging from 6.75% at age 20 to 5.25% at age 70. The State Patrol Retirement Fund assumes similar increases ranging from 7.75% to 5.25%. The Correctional Retirement Fund assumes similar increases ranging from 7.75% to 5.25%. The Judges Retirement Fund assumes salary increases of 5% annually. The Legislative Retirement Fund and the Elected State Officers Retirement Fund, a closed plan, also assume salary increases of 5% annually. The Unclassified Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Hennepin County Supplemental Fund are defined contribution plans and therefore there are neither applicable assumptions nor actuarial valuations.

**Schedule of Administrative Expenses**
(Year ended June 30, 2006)

(UNAUDITED)

	(In Thousands)
	<u>Totals</u>
Personal Services	
Staff salaries	\$4,188
Social Security & Medicare	311
Retirement	176
Insurance	699
Other personal services	28
Total	<u>\$5,402</u>
Professional services:	
actuarial	\$185
data processing	283
disability examinations	31
legal counsel	8
other professional services	12
Total	<u>\$519</u>
Communication:	
printing	\$171
telephone	174
postage	240
travel	139
subscriptions, memberships and training	45
Total	<u>\$769</u>
Rentals:	
office space	\$182
other rentals	20
Total	<u>\$202</u>
Miscellaneous:	
building services	\$298
supplies	72
repairs and maintenance agreements	60
department head and board member expense	21
statewide indirect cost	83
depreciation	274
interest expense	319
state sales taxes	20
local sales taxes	2
other services	350
Total	<u>\$1,499</u>
Total Operating Expenses	<u>\$8,391</u>
Expenses distributed by fund:	
State Employees	\$4,588
State Patrol	101
Correctional Employees	336
Judges	60
Legislators	33
Elective State Officers	5
Unclassified Employees	256
Health Care Savings	724
Deferred Compensation	2,283
Hennepin County Supplemental	5
Total distribution	<u>\$8,391</u>

Schedule of Changes in Plan Net Assets

(UNAUDITED)

State Employees Retirement Fund (Year ended June 30, 2006)

(In Thousands)

	<u>Member</u>	<u>Post-Retirement Investment Fund</u>	<u>Benefit</u>	<u>Totals</u>
Additions:				
Contributions:				
member contributions	\$83,106	\$0	\$2,273	\$85,379
employer contributions	0	0	82,645	82,645
Total contributions	<u>\$83,106</u>	<u>\$0</u>	<u>\$84,918</u>	<u>\$168,024</u>
Investment Income:				
investment income	\$0	\$342,182	\$582,528	\$924,710
less investment expense	0	4,704	7,324	12,028
Net Investment Income	<u>\$0</u>	<u>\$337,478</u>	<u>\$575,204</u>	<u>\$912,682</u>
Income from Securities Lending Activities:				
securities lending income	\$0	\$17,327	\$26,418	\$43,745
securities lending expenses:				
--borrower rebates	0	15,816	24,089	39,905
--management fees	0	349	541	890
Total Securities Lending Expenses	<u>\$0</u>	<u>\$16,165</u>	<u>\$24,630</u>	<u>\$40,795</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$1,162</u>	<u>\$1,788</u>	<u>\$2,950</u>
Total Net Investment Income	<u>\$0</u>	<u>\$338,640</u>	<u>\$576,992</u>	<u>\$915,632</u>
Other Additions:				
transfers from other plans	\$1,759	\$0	\$9,727	\$11,486
other income	0	0	274	274
Total Other Additions	<u>\$1,759</u>	<u>\$0</u>	<u>\$10,001</u>	<u>\$11,760</u>
Total Additions	<u>\$84,865</u>	<u>\$336,640</u>	<u>\$671,911</u>	<u>\$1,095,416</u>
Deductions:				
annuity benefits	\$0	\$366,797	\$0	\$366,797
refunds	8,134	0	4,421	12,555
interest to MPRI Fund	0	0	678	678
transfers to other plans	190	0	627	817
administrative expenses	0	0	4,558	4,558
Total Deductions	<u>\$8,324</u>	<u>\$366,797</u>	<u>\$10,314</u>	<u>\$385,435</u>
Other Changes in Reserves:				
retirements	\$(37,554)	\$286,586	\$(249,032)	\$0
mortality gains (losses)	0	(1,688)	1,688	0
other	(625)	(496,302)	496,927	0
Total Other Changes	<u>\$(38,179)</u>	<u>\$(211,404)</u>	<u>\$249,583</u>	<u>\$0</u>
Net Increase	<u>\$38,362</u>	<u>\$(239,561)</u>	<u>\$911,180</u>	<u>\$709,981</u>
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$928,590	\$3,382,795	\$3,199,675	\$7,511,060
End of the Year	<u>\$966,952</u>	<u>\$3,143,234</u>	<u>\$4,110,855</u>	<u>\$8,221,041</u>



Schedule of Changes in Plan Net Assets

(UNAUDITED)

State Patrol Retirement Fund (Year ended June 30, 2006)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$4,707	\$0	\$12	\$4,719
employer contributions	0	0	7,055	7,055
Total Contributions	\$4,707	0	7,067	\$11,774
Investment Income:				
investment Income	\$0	\$34,727	\$30,834	\$65,561
less investment expense:	0	475	386	861
Net Investment Income	\$0	\$34,252	\$30,448	\$64,700
Income From Security Lending Activities:				
security lending income	\$0	\$1,748	\$1,385	\$3,133
security lending expenses:				
--borrower rebates	\$0	\$1,596	\$1,263	\$2,859
--management fees	0	35	28	63
Total Security Lending Expenses	\$0	\$1,631	\$1,291	\$2,922
Net Income From Security Lending Activities	\$0	\$117	\$94	\$211
Total Net Investment Income	\$0	\$34,369	\$30,542	\$64,911
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	\$4,707	\$34,369	\$37,609	\$76,685
Deductions:				
annuity benefits	\$0	\$38,715	\$52	\$38,767
refunds	37	0	15	52
interest to MPRI Fund	0	0	190	190
transfers to other plans	0	0	0	0
administrative expenses	0	0	101	101
other expenses	0	0	0	0
Total Deductions	\$37	\$38,715	\$358	\$39,110
Other Changes in Reserves:				
retirements	\$(3,371)	\$24,213	\$(20,842)	\$0
mortality gains (Losses)	0	39,874	(39,874)	0
other	(3)	(53,396)	53,399	0
Total Other Changes	\$(3,374)	\$10,691	\$(7,317)	\$0
Net Increase	\$1,296	\$6,345	\$29,934	\$37,575
Net Assets Held in Trust for Pension Benefits				
Beginning of the year	\$44,413	\$350,899	\$144,620	\$539,932
End of the year	\$45,709	\$357,244	\$174,554	\$577,507

Schedule of Changes in Plan Net Assets

(UNAUDITED)

Correctional Retirement Fund (Year ended June 30, 2006)

	(In Thousands)			
	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$8,725	\$0	\$239	\$8,964
employer contributions	0	0	12,152	12,152
Total contributions	\$8,725	\$0	\$12,391	\$21,116
Investment Income:				
investment income	\$0	\$27,091	\$33,244	\$60,335
less investment expense	0	316	419	735
Net Investment Income	\$0	\$26,775	\$32,825	\$59,600
Income from Securities Lending Activities:				
securities lending income	\$0	\$1,163	\$1,584	\$2,747
securities lending expenses:				
--borrower rebates	0	1,060	1,445	2,505
--management fees	0	24	32	56
Total Securities Lending Expenses	\$0	\$1,084	\$1,477	\$2,561
Net Income from Securities Lending Activities	\$0	\$79	\$107	\$186
Total Net Investment Income	\$0	\$26,854	\$32,932	\$59,786
Other Additions:				
transfers from other plans	\$0	\$0	\$0	\$0
Total Other Additions	\$0	\$0	\$0	\$0
Total Additions	\$8,725	\$26,854	\$45,323	\$80,902
Deductions:				
annuity benefits	\$0	\$26,162	\$0	\$26,162
refunds	569	0	161	730
interest to MPRI Fund	0	0	340	340
transfers to other plans	0	0	0	0
administrative expenses	0	0	336	336
Total Deductions	\$569	\$26,162	\$837	\$27,568
Other Changes in Reserves:				
retirements	\$(3,482)	\$27,650	\$(24,168)	\$0
mortality gains (losses)	0	45,638	(45,638)	0
other	(26)	(30,595)	30,621	0
Total Other Changes	\$(3,508)	\$42,693	\$(39,185)	\$0
Net Increase	\$4,648	\$43,385	\$5,301	\$53,334
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$62,665	\$213,216	\$187,002	\$462,883
End of the Year	\$67,313	\$256,601	\$192,303	\$516,217

Schedule of Changes in Plan Net Assets

(UNAUDITED)

Judges Retirement Fund (Year ended June 30, 2006)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$2,793	\$0	\$73	\$2,866
employer contributions	0	0	7,336	7,336
Total contributions	\$2,793	\$0	\$7,409	\$10,202
Investment Income:				
investment income	\$0	\$9,525	\$6,085	\$15,610
less investment expense	0	131	72	203
Net Investment Income	\$0	\$9,394	\$6,013	\$15,407
Income from Securities Lending Activities:				
securities lending income	\$0	\$483	\$256	\$739
securities lending expenses:				
--borrower rebates	0	441	234	675
--management fees	0	10	5	15
Total Securities Lending Expenses	\$0	\$451	\$239	\$690
Net Income from Securities Lending Activities	\$0	\$32	\$17	\$49
Total Net Investment Income	\$0	\$9,426	\$6,030	\$15,456
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	\$2,793	\$9,426	\$13,439	\$25,658
Deductions:				
annuity benefits	\$0	\$12,801	\$1,459	\$14,260
refunds	0	0	0	0
interest to MPRI Fund	0	0	78	78
transfers to other plans	0	0	0	0
administrative expenses	0	0	0	0
Total Deductions	\$0	\$12,801	\$1,597	\$14,398
Other Changes in Reserves:				
retirements	\$(1,803)	\$12,015	\$(10,212)	\$0
mortality gains (losses)	0	2,152	(2,152)	0
other	(15)	(1,117)	1,132	0
Total Other Changes	\$(1,818)	\$13,050	\$(11,232)	\$0
Net Increase	\$975	\$9,675	\$610	\$11,260
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$22,204	\$80,121	\$24,565	\$126,890
End of the Year	\$23,179	\$89,796	\$25,175	\$138,150

Schedule of Changes in Plan Net Assets

(UNAUDITED)

Legislators Retirement Fund (Year ended June 30, 2006)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$264	\$0	\$0	\$264
General Fund contributions	0	0	5,684	5,684
Total contributions	\$264	\$0	\$5,684	\$5,948
Investment Income:				
investment income	\$0	\$3,577	\$0	\$3,577
less investment expense	0	51	0	51
Net Investment Income	\$0	\$3,526	\$0	\$3,526
Income from Securities Lending Activities:				
securities lending income	\$0	\$188	\$0	\$188
securities lending expenses:				
--borrower rebates	0	171	0	171
--management fees	0	4	0	4
Total Securities Lending Expenses	\$0	\$175	\$0	\$175
Net Income from Securities Lending Activities	\$0	\$13	\$0	\$13
Total Net Investment Income	\$0	\$3,539	\$0	\$3,539
Other Additions:				
transfers from other plans	\$20	\$0	\$0	\$20
Total Other Additions	\$20	\$0	\$0	\$20
Total Additions	\$284	\$3,539	\$5,684	\$9,507
Deductions:				
annuity benefits	\$0	\$5,232	\$862	\$6,094
interest to MPRI Fund	26	0	52	78
administrative expenses	0	0	34	34
Total Deductions	\$26	\$5,232	\$981	\$6,239
Other Changes in Reserves:				
retirements	\$(100)	\$0	\$100	\$0
mortality gains (losses)	0	1,244	(1,244)	0
other	0	(3,195)	3,195	0
Total Other Changes	\$(100)	\$(1,951)	\$2,051	\$0
Net Increase	\$158	\$(3,644)	\$6,754	\$3,268
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$6,892	\$38,997	\$(6,638)	\$39,251
End of the Year	\$7,050	\$35,353	\$116	\$42,519

Schedule of Changes in Plan Net Assets

(UNAUDITED)

Elected State Officers Retirement Fund (Year ended June 30, 2006)

(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	417	417
Total contributions	\$0	\$0	\$417	\$417
Investment Income:				
investment income	\$0	\$0	\$0	\$0
less investment expense	0	0	0	0
Net Investment Income	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0
Net Income from Securities Lending Activities	\$0	\$0	\$0	\$0
Total Net Investment Income	\$0	\$0	\$0	\$0
Other Additions:				
transfers from other plans	\$0	\$0	\$0	\$0
Total Other Additions	\$0	\$0	\$0	\$0
Total Additions	\$0	\$0	\$417	\$417
Deductions:				
annuity benefits	\$0	\$0	\$409	\$409
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	5	5
Total Deductions	\$0	\$0	\$414	\$414
Other Changes in Reserves:				
retirements	\$0	\$0	\$0	\$0
mortality gains (losses)	0	0	0	0
Total Other Changes	\$0	\$0	\$0	\$0
Net Increase	\$0	\$0	\$3	\$3
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$36	\$0	\$168	\$204
End of the Year	\$36	\$0	\$171	\$207

Schedule of Changes in Plan Net Assets

(UNAUDITED)

Unclassified Employees Retirement Fund (Year ended June 30, 2006)

	(In Thousands)		
	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$4,368	\$0	\$4,368
employer	5,932	0	5,932
Total	\$10,300	\$0	\$10,300
Investment Income:			
investment income	\$20,424	\$327	\$20,751
less investment expense:	0	0	0
Net Investment Income	\$20,424	\$327	\$20,751
Income from Securities Lending Activities:			
securities lending income	\$1,235	0	\$1,235
securities lending expenses:			
--borrower rebates	1,115	0	1,115
--management fees	27	0	27
Total Securities Lending Expenses	\$1,142	0	1,142
Net Income from Securities Lending Activities	\$93	\$0	\$93
Total Net Investment Income	\$20,517	\$327	\$20,844
Other Additions:			
transfers from other plans	\$797	\$0	\$797
other income	0	31	31
Total Other Additions	\$797	\$31	\$828
Total Additions	\$31,614	\$358	\$31,972
Deductions:			
annuity benefits	\$0	\$0	\$0
refunds	0	0	0
interest to MPRI Fund	6,173	45	6,218
transfers to other funds	11,486	0	11,486
administrative expenses	0	256	256
Total Deductions	\$17,659	\$301	\$17,960
Net Increase	\$13,955	\$57	\$14,012
Net Assets Held in Trust for Pension Benefits			
Beginning of the Year	\$268,515	\$384	\$268,899
End of the Year	\$282,470	\$441	\$282,911



Schedule of Changes in Plan Net Assets

(UNAUDITED)

Health Care Savings Fund (Year ended June 30, 2006)

	(In Thousands)		
	<u>Member</u>	<u>Benefit</u>	<u>Totals</u>
Additions:			
Contributions:			
member	\$52,562	\$0	\$52,562
employer	0	0	0
Total	<u>\$52,562</u>	<u>\$0</u>	<u>\$52,562</u>
Investment Income:			
investment income	\$4,943	\$129	\$5,072
less investment expense:	0	0	0
Net Investment Income	<u>\$4,943</u>	<u>\$129</u>	<u>\$5,072</u>
Income from Securities Lending Activities:			
securities lending income	\$290	\$0	\$290
securities lending expenses:			
--borrower rebates	264	0	264
--management fees	6	0	6
Total Securities Lending Expenses	<u>\$270</u>	<u>\$0</u>	<u>\$270</u>
Net Income from Securities Lending Activities	<u>\$20</u>	<u>\$0</u>	<u>\$20</u>
Total Net Investment Income	<u>\$4,963</u>	<u>\$129</u>	<u>\$5,092</u>
Other Additions:			
transfers from other plans	\$0	\$0	\$0
other income	0	502	502
Total Other Additions	<u>\$0</u>	<u>\$502</u>	<u>\$502</u>
Total Additions	<u>\$57,525</u>	<u>\$631</u>	<u>\$58,156</u>
Deductions:			
health care benefits	\$18,300	\$0	\$18,300
administrative expenses	0	724	724
other expenses	0	0	0
Total Deductions	<u>\$18,300</u>	<u>\$724</u>	<u>\$19,024</u>
Net Increase	<u>\$39,225</u>	<u>\$(93)</u>	<u>\$39,132</u>
Assets Held in Trust for Pension Benefits			
Beginning of the Year	<u>\$87,492</u>	<u>\$(1,403)</u>	<u>\$86,089</u>
End of the Year	<u>\$126,717</u>	<u>\$(1,496)</u>	<u>\$125,221</u>

Schedule of Changes in Plan Net Assets

(UNAUDITED)

Deferred Compensation Fund (Year ended June 30, 2006)

	(In Thousands)		
	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$211,705	\$0	\$211,705
employer	0	0	0
Total	\$211,705	\$0	\$211,705
Investment Income:			
investment income	\$268,911	\$547	\$268,911
less investment expense:	0	0	0
Net Investment Income	\$268,911	\$547	\$268,911
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	\$268,911	\$547	\$269,458
Other Additions:			
transfers from other plans	\$0	\$0	\$0
other income	0	4,815	4,815
Total Other Additions	\$0	\$4,815	\$4,815
Total Additions	\$480,616	\$5,362	\$485,978
Deductions:			
ongoing withdrawals (periodic payments)	\$34,264	\$0	\$34,264
lump-sum withdrawals	121,636	0	121,636
recordkeeping expenses	2,119	3,332	5,451
administrative expenses	0	2,283	2,283
other expenses	0	0	0
Total Deductions	\$158,019	\$5,615	\$163,634
Net Increase	\$322,597	\$(253)	\$322,344
Assets Held in Trust for Pension Benefits			
Beginning of the Year	\$2,792,037	\$11,393	\$2,803,430
End of the Year	\$3,114,634	\$11,140	\$3,125,774



Schedule of Changes in Plan Net Assets

(UNAUDITED)

Hennepin County Supplemental Retirement Fund (Year ended June 30, 2006)

	(In Thousands)		
	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$426	\$0	\$426
employer	426	0	426
Total	\$852	\$0	\$852
Investment Income:			
investment income	\$6,623	\$4	\$6,627
less investment expense:	0	0	0
Net Investment Income	\$6,623	\$4	\$6,627
Income from Securities Lending Activities:			
securities lending income	\$573	\$0	\$573
securities lending expenses:			
--borrower rebates	521	0	521
--management fees	11	0	11
Total Securities Lending Expenses	\$532	\$0	\$532
Net Income from Securities Lending Activities	\$41	\$0	\$41
Total Net Investment Income	\$6,664	\$4	\$6,668
Other Additions:			
fund to fund transfers in	\$0	\$0	\$0
other income	0	24	24
Total Other Additions	\$0	\$24	\$24
Total Additions	\$7,516	\$28	\$7,544
Deductions:			
ongoing withdrawals (periodic payments)	\$3,703	\$0	\$3,703
lump-sum withdrawals	378	0	378
recordkeeping expenses	0	0	0
administrative expenses	0	5	5
other expenses	0	0	0
Total Deductions	\$4,081	\$5	\$4,086
Net Increase	\$3,435	\$23	\$3,458
Assets Held in Trust for Pension Benefits			
Beginning of the Year	\$0	\$0	\$0
Change in reporting entity	\$123,014	\$0	\$123,014
End of the Year	\$126,449	\$23	\$126,472

Summary Schedule of Commissions and Payments to Consultants

(Year Ended June 30, 2006)

(UNAUDITED)

<u>Individual or Firm Name</u>	<u>Services Received</u>	<u>(In Thousands) Fees Paid</u>
William Mercer Inc.	Consulting Actuary	\$116
Segal Company	Actuary	\$69
State of Minnesota:		
Department of Health	Medical advisor	\$31
Office of the Attorney General	Legal counsel	\$8

Schedule of Investment Expenses

(Year Ended June 30, 2006)

(UNAUDITED)

	<u>(In Thousands)</u>					
	<u>State Employees</u>	<u>State Patrol</u>	<u>Correctional Employees</u>	<u>Judges</u>	<u>Legislators</u>	<u>Totals</u>
Outside Money Managers, Equities	\$9,901	\$708	\$604	\$167	\$42	\$11,422
Outside Money Managers, Bonds	1,662	120	102	28	7	1,919
Minnesota State Board of Investment	344	24	21	6	1	396
Financial Control Systems	57	4	4	1	1	67
Richards & Tierney	56	4	4	1	0	65
Pension Consultants	8	1	0	0	0	9
	<u>\$12,028</u>	<u>\$861</u>	<u>\$735</u>	<u>\$203</u>	<u>\$51</u>	<u>\$13,878</u>



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INVESTMENT SECTION



**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members

Governor
Tim Pawlenty

State Auditor
Patricia Anderson

Secretary of State
Mary Kiffmeyer

Attorney General
Mike Hatch

Executive Director

Howard J. Bicker

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St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
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minn.sbi@state.mn.us
www.sbi.state.mn.us*

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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 boundaries. 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 put their pension contributions into 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 and 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 Fund and the Legislative Retirement Fund — finance monthly annuity payments paid 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.



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, 2006, the combined funds returned 9.8 percent annually which was 6.7 percentage points above the Consumer Price Index over the last 20 years and outperformed the Composite Index by 0.3 percentage points over the past ten years.

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,

A handwritten signature in cursive script that reads "Howard Bicker".

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)		
	<u>FY2006</u>	<u>Three-Year</u>	<u>Five-Year</u>
Domestic Stock	8.9%	12.5%	3.2%
--Russell 3000	9.6	12.6	3.5
Bonds	-0.2%	2.7%	5.4%
--Lehman Aggregate Bond Index	-0.8	2.1	5.0
International Stock	28.2%	24.7%	11.1%
--Composite Index	27.9	25.3	11.2
Alternative Investments	43.7%	28.7%	16.2%

Investment Allocation (at June 30, 2006)*

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	
	<u>Actual Asset Mix</u>	<u>Long-Term Policy Target</u>	<u>Actual Asset Mix</u>	<u>Long-Term Policy Target</u>
Domestic Equity	49.0%	45.0%	47.2%	45.0%
International Equity	15.8	15.0	15.3	15.0
Bond	23.1	24.0	23.7	25.0
Alternative Investments**	11.2	15.0	8.7	12.0
Cash	0.9	1.0	5.1	3.0
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

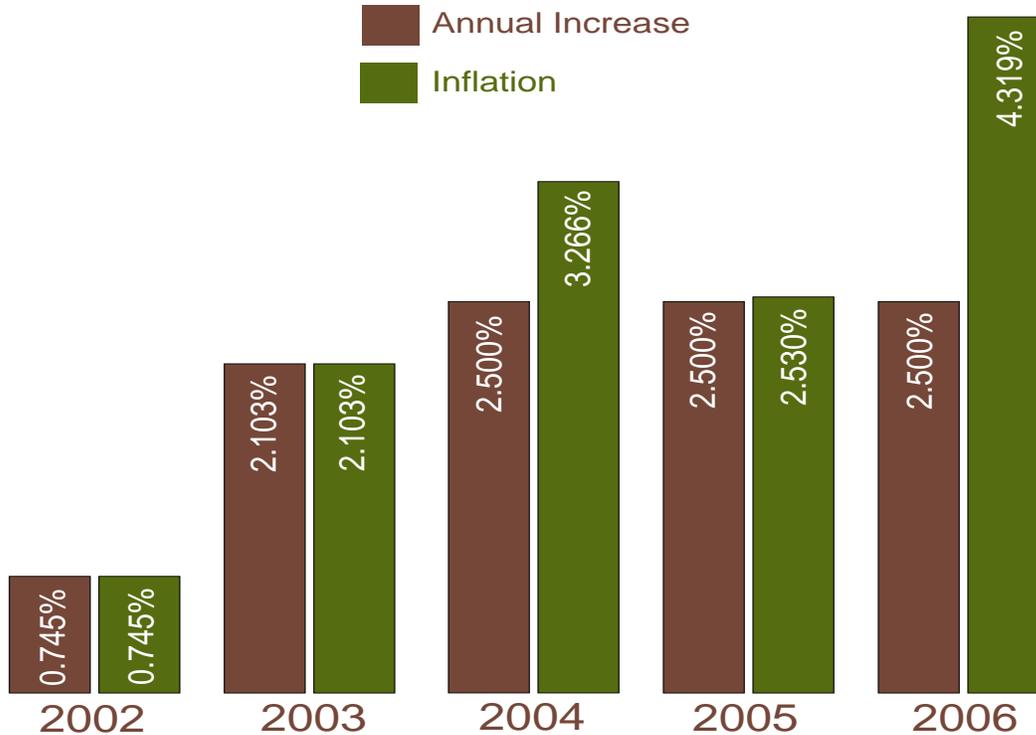
* Source: Minnesota State Board of Investment, fiscal year 2006 annual report.

** 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>FY2006</u>	<u>Three-Year</u>	<u>Five-Year</u>
Basic (active accounts)	12.6%	13.4%	6.4%
Basic Composite Market Index	12.6	13.2	6.4
Post-Retirement Investment (retiree accounts)	12.0	12.9	6.4
MPRIF Composite Market Index	11.8	12.5	6.4
Combined (both) *	12.3	13.2	6.4
Combined Composite Market Index	12.2	12.9	6.4

Note: Replaced the Wilshire 5000 with the Russell 3000.

*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, 2006)

Composite Holdings of 10 Largest Equities (by market value)

<u>Company</u>	<u>Percent of Portfolio</u>
Exxon Mobile Corporation	4.63%
General Electric	1.38
Citigroup Inc.	1.29
Bank America Corporation	1.17
Microsoft Corporation	1.00
Proctor and Gamble Company	0.79
Pfizer, Inc.	0.77
Johnson & Johnson	0.77
Aetna Company	0.73
Prime Property Company	0.68

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>
FNMA	5.000%	12/01/2099	2.342%
U.S. Treasury Notes	4.875	05/31/2008	1.839
U.S. Treasury Notes	3.750	05/15/2008	0.956
U.S. Treasury Bonds	8.125	08/15/2019	0.908
FNMA	6.500	12/01/2099	0.900
FNMA	4.500	12/01/2099	0.896
FNMA	6.000	12/01/2099	0.843
U.S. Treasury Notes	4.375	11/15/2008	0.749
U.S. Treasury Notes	3.125	10/15/2008	0.726
U.S. Treasury Bonds	6.000	02/15/2026	0.701

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.



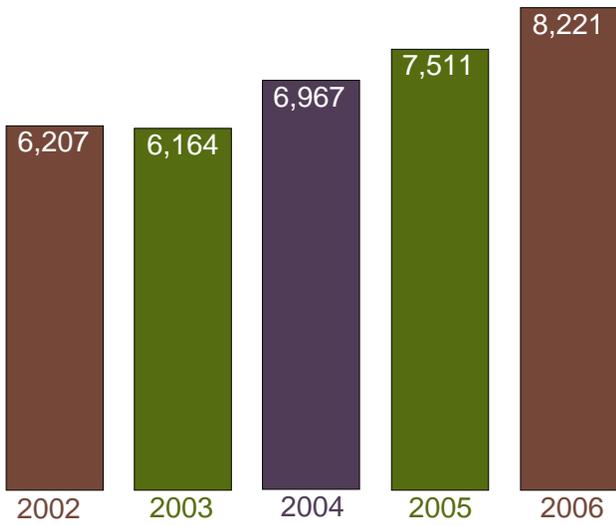
Investment Summary at Fair Value (as of June 30, 2006)

	(In Thousands)		
	Fair Value June 30, 2005	Fair Value June 30, 2006	Percent of Portfolio
State Employees Retirement Fund:			
External Domestic Equity Pool	\$1,575,493	\$1,699,073	34%
Passive Domestic Equity Pool	742,463	774,437	15
Global Equity Pool	681,002	793,418	16
Fixed Income Pool	1,073,524	1,170,557	23
Alternative Investments	444,973	562,406	11
Total	<u>\$4,517,455</u>	<u>\$4,999,891</u>	<u>100%</u>
State Patrol Retirement Fund:			
External Domestic Equity Pool	\$85,822	\$89,064	34%
Passive Domestic Equity Pool	40,301	40,575	15
Global Equity Pool	37,051	41,579	16
Fixed Income Pool	58,483	61,367	23
Alternative Investments	23,971	29,468	11
Total	<u>\$245,628</u>	<u>\$262,053</u>	<u>100%</u>
Correctional Employees Retirement Fund:			
External Domestic Equity Pool	\$87,780	\$101,887	34%
Passive Domestic Equity Pool	41,296	46,434	15
Global Equity Pool	37,920	47,575	16
Fixed Income Pool	59,814	70,196	23
Alternative Investments	24,665	33,722	11
Total	<u>\$251,475</u>	<u>\$299,814</u>	<u>100%</u>
Judges Retirement Fund:			
External Domestic Equity Pool	\$15,687	\$16,484	34%
Passive Domestic Equity Pool	7,366	7,493	15
Global Equity Pool	6,772	7,685	16
Fixed Income Pool	10,690	11,364	23
Alternative Investments	4,397	5,442	11
Total	<u>\$44,912</u>	<u>\$48,468</u>	<u>100%</u>

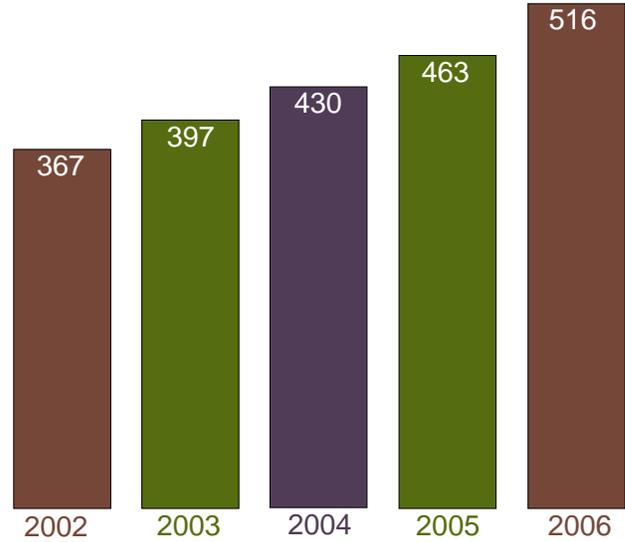
Fair Value of Net Assets (In Millions)

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

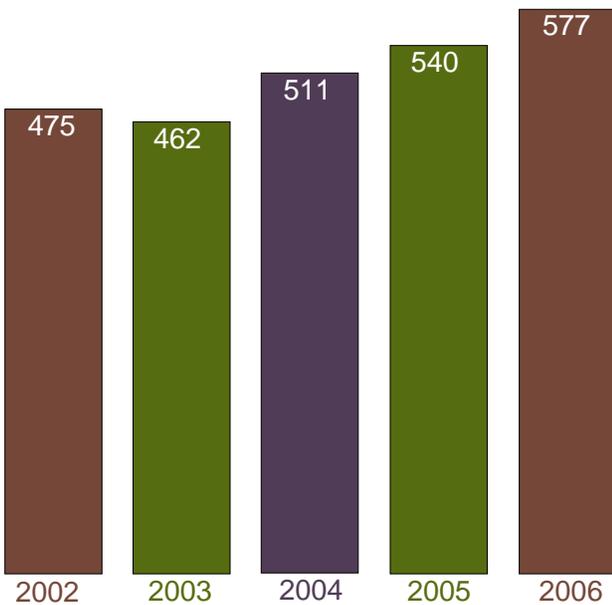
State Employees Retirement Fund



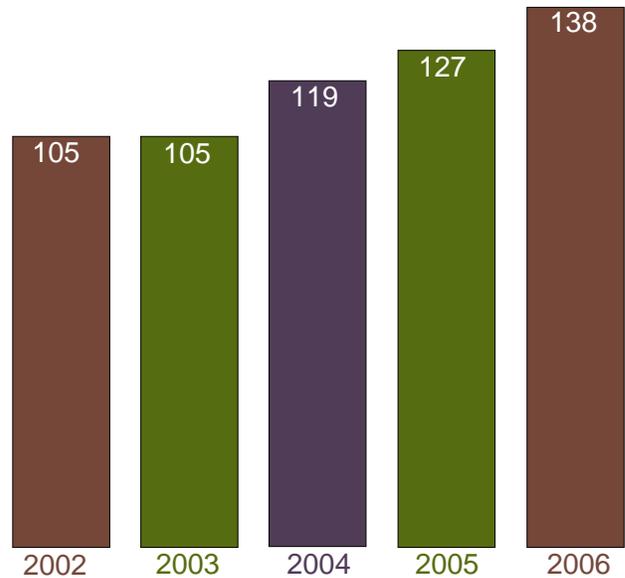
Correctional Employees Retirement Fund

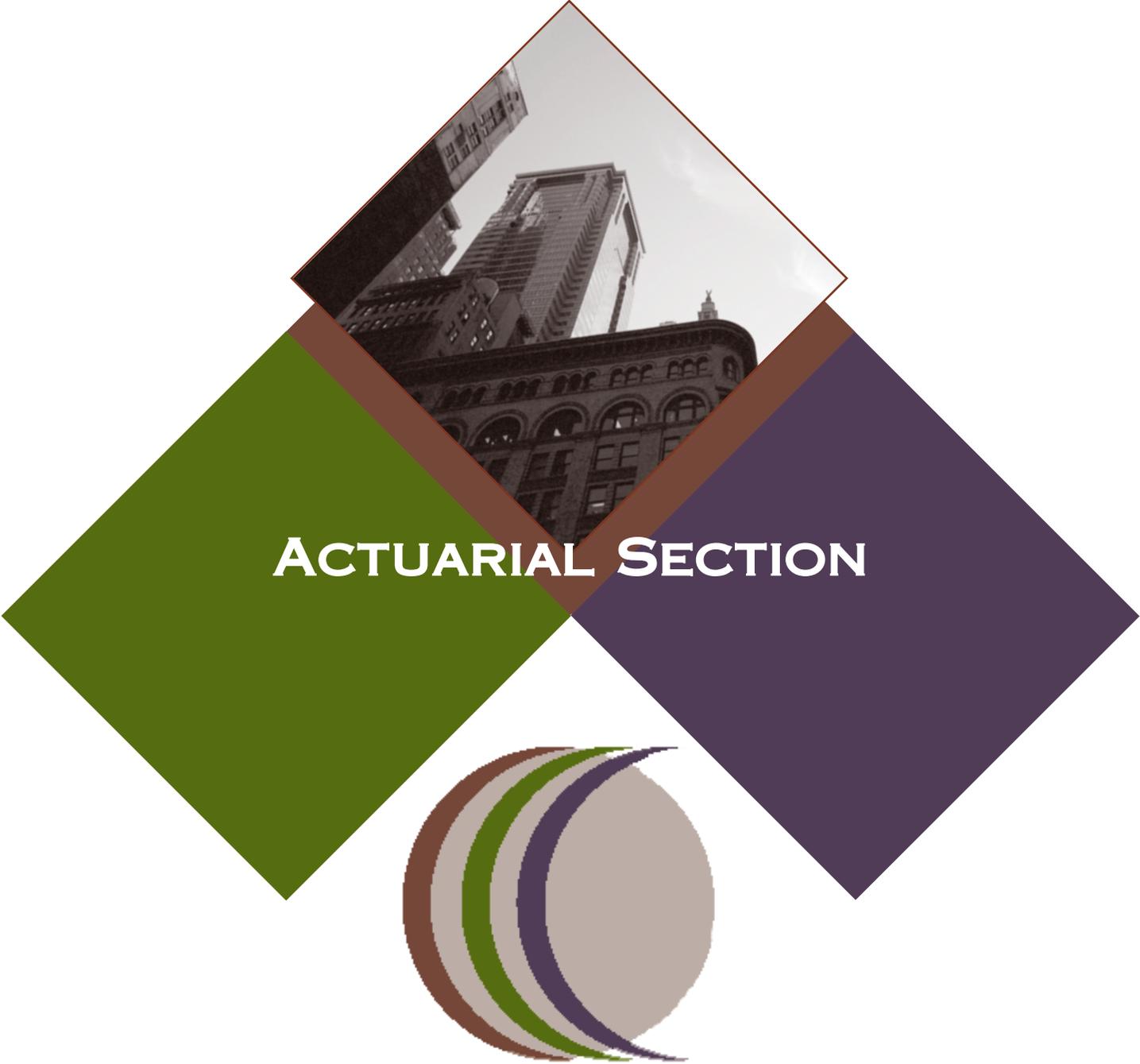


State Patrol Retirement Fund



Judges Retirement Fund





ACTUARIAL SECTION



Actuary's Certification Letter



THE SEGAL COMPANY
6300 South Syracuse Way, Suite 750 Englewood, CO 80111
T 303.714.9900 F 303.714.9990 www.segalco.com

December 18, 2006 (*Italicized comments added January 25, 2007*)

Board of Trustees
Minnesota State Retirement System
Suite 300
60 Empire Drive
St. Paul, MN 55103-1855

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, 2006.

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 5.69% of payroll for SPRF, 2.11% of payroll for SERF, 9.67% of payroll for CERF, 2.64% of payroll for JRF, 102.24% of payroll for LRF, and \$477,221 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, 2006. 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. We are responsible for providing the numbers for each of the supporting schedules in the Actuarial Section of MSRS' comprehensive annual financial report. We are also responsible for preparing both of the Requirement Supplemental Information schedules found in the Financial Section of this report.

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 18, 2006 (Italicized comments added January 25, 2007)
Page 2

The six valuations were performed by using the actuarial cost methods and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression, and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by MSRS Board and approved by the Legislative Commission on Pensions and Retirement. All assumptions and methods used for funding purposes meet the parameters for the disclosures presented in the financial section of the MSRS comprehensive annual financial report, set by GASB Statement No. 25, *except as otherwise noted*.

Subsequent to the issuance of this actuarial certification, the Office of the Legislative Auditor included an explanatory paragraph in their report that for those plans participating in the Minnesota Post-Retirement Investment Fund, the Schedule of Employer Contributions and the Schedule of Funding Progress as determined in the actuarial valuation are not in conformity with GASB 25 because the actuarial asset valuation method for the postretirement portion of the plans' investments is not market related. The method used to value these assets is specified in statutory provisions that appear to be in conflict with the requirements of GASB.

The following table shows the date for full funding for each of the plans and the accrued liability funding percentage for the 2006 valuation. The accrued liability funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

Fund	Funding Date	Accrued Liability Funded Percentage
SERF	2020	96%
SPRF	2036	96%
CERF	2023	83%
LRF	2021	60%
ESORF	2017	5%
JRF	2020	75%

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

BZR/cz/jls
4004804v1/05776.046



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 State Employees Plan⁽¹⁰⁾ — Graded rates from age 55 with 25 percent of those eligible for Rule of 90 retiring each year; Correctional Plan⁽⁶⁾ — age-based from 5% at age 50 to 100% at age 65; State Patrol Plan⁽⁶⁾ — age-based from 7% at age 50 to 100% at age 60; Judges Plan⁽⁶⁾ — age-based from 10% at age 62 to 100% at age 71; 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:

<u>Fund</u>	<u>Pre-retirement</u>		<u>Post-retirement*</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
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.



Asset valuation Market value, 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 of the assumed interest rate, 8.5 percent.⁽¹⁰⁾

Actuarial Changes For all plans except the State Patrol and Correctional, there were no changes in plan provisions, actuarial assumptions or actuarial cost methods since the prior valuation. For both the State Patrol Plan and the Correctional Plan the set back of the mortality tables, the assumed withdrawal rates, and the retirement rates were modified to more accurately reflect recent experience. These changes increased the actuarial accrued liabilities by \$52,874,991 and \$37,549,189, respectively.

Effective dates assumptions 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	
(4) June 30, 1979	(9) June 30, 1997	
(5) June 30, 1980	(10) June 30, 2000	



Required Reserves* (As of July 1, 2006)

(In Thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	State Elective Officers Fund*
Active members:						
retirement annuities	\$3,694,826	\$208,472	\$272,105	\$81,865	\$13,883	\$0
disability benefits	151,590	9,951	18,694	2,887	0	0
survivor benefits	116,900	3,037	6,628	2,038	107	0
withdrawal benefits	233,238	1,271	11,793	0	(118)	0
refunds	(73,084)	(426)	(4,307)	161	0	0
Totals	\$4,123,470	\$222,305	\$304,913	\$86,951	\$13,872	\$0
Deferred retirements	979,044	5,727	51,627	2,724	18,501	254
Former members not vested	8,570	23	570	0	34	0
Annuitants in MPRIF	3,689,442	413,155	290,370	105,797	41,338	0
Annuitants not in MPRIF	0	269	0	6,829	7,616	3,716
Unclassified Plan						
Contingent Liability	18,635	0	0	0	0	0
Total required reserves	\$8,819,161	\$641,479	\$647,480	\$202,301	\$81,361	\$3,970

*Source: Actuarial Report, Section 4, Exhibit I

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, 2006	4.00%	4.00%	8.00%	10.11%	(2.11)%
State Patrol Fund	July 1, 2006	8.40	12.60	21.00	26.69	(5.69)%
Correctional Employees Fund	July 1, 2006	5.69	7.98	13.67	23.34	(9.67)%
Judges Fund	July 1, 2006	7.67	20.50	28.09	30.73	(2.64)%
Legislators Plan	July 1, 2006	9.00	0.00	9.00	111.24	(102.24)%
Elective State Officers Plan*	July 1, 2006	N/A	N/A	N/A	N/A	N/A

*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, 2006)

	(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	\$373,600	\$(34,456)	\$42,544	\$46,949	\$36,314	\$3,861
B. Change Due to Interest Requirements and Current Rate of Funding						
1. Normal Cost and Expenses	183,132	12,699	22,111	6,336	541	0
2. Contribution	(168,024)	(11,775)	(21,115)	(10,202)	(5,949)	(417)
3. Interest on A, B1, and B2	40,181	(2,350)	4,598	4,098	2,880	311
4. Totals (B1+B2+B3)	\$55,289	\$(1,426)	\$5,594	\$262	\$(2,528)	\$(106)
C. Expected UAAL at End of the Year (A+B)	\$428,889	\$(35,882)	\$48,138	\$47,211	\$33,786	\$3,755
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations From the Expected						
1. Salary Increases	\$(79,497)	\$(2,920)	\$(6,103)	\$(2,387)	\$(1,629)	\$0
2. Investment Return	55,911	10,430	5,283	2,737	1,763	18
3. MPRIF Mortality	(1,688)	5,424	24,772	2,152	1,244	0
4. Mortality of Other Benefit Recipients	0	0	0	0	0	0
5. Other Items	(71,210)	(7,438)	2,484	738	(2,306)	(10)
6. Totals	\$(96,484)	\$5,496	\$26,436	\$3,240	\$(928)	\$8
E. Assumption Changes	0	52,875	37,549	0	0	0
F. UAAL at the End of the Year	\$332,405	\$22,489	\$112,123	\$50,451	\$32,858	\$3,763



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:				
06/30/01	49,229	1,834,042,000	37,255	3.01
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
State Patrol Retirement Fund:				
06/30/01	823	48,935,000	59,459	2.46
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	51,619,135	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
Correctional Employees Retirement Fund:				
06/30/01	3,182	120,947,000	38,010	4.59
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	133,172,068	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
Judges Retirement Fund:				
06/30/01	292	28,246,000	96,733	3.66
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	34,682,561	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)
Legislators Retirement Fund:				
06/30/01	139	5,858,000	42,144	25.53
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	3,815,256	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)
Elective State Officers Retirement Fund:				
06/30/01	0	-	-	N/A
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

*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:						
06/30/01	1,412	735	19,978	270,558,000	13.76	13,543
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	24,026	366,797,000	1.77	15,154
State Patrol Retirement Fund:						
06/30/01	60	25	745	29,935,000	16.08	40,181
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
Correctional Employees Retirement Fund:						
06/30/01	100	39	808	14,911,000	20.11	18,454
06/30/02	0	0	808	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	1,363	26,161,000	2.17	19,026
Judges Retirement Fund:						
06/30/01	17	9	247	12,228,000	10.33	49,506
06/30/02	0	0	247	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
Legislators Retirement Fund:						
06/30/01	21	8	293	4,857,000	15.29	16,577
06/30/02	0	0	293	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
Elective State Officers Retirement Fund:						
06/30/01	0	0	13	330,000	8.91	25,385
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

*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	Reported Assets	Portion Covered			Funding Ratio
	Contributions (1)	Beneficiaries (2)	Portion (3)		by Reported Assets			
	Aggregate Accrued Liabilities				(1)	(2)	(3)	
State Employees Retirement Fund:								
06/30/01	762,784	2,771,952	3,038,457	7,366,673	100	100	126.1	112.1
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
State Patrol Retirement Fund:								
06/30/01	37,145	303,600	148,738	572,815	100	100	156.0	117.0
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
Correctional Employees Retirement Fund:								
06/30/01	48,133	144,906	205,594	431,134	100	100	115.8	108.2
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
Judges Retirement Fund:								
06/30/01	15,157	89,568	54,911	123,589	100	100	34.4	77.4
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
Legislators Retirement Fund:								
06/30/01	6,924	36,306	31,842	42,608	100	98.3	0	56.8
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
Elective State Officers Retirement Fund*:								
06/30/01	194	3,152	623	201	100.0	0.2	0	5.3
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	182	207	100	4.6	0	5.2

*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:					
06/30/01	6,573,193	7,366,673	(793,480)	1,834,042	-43.3
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
State Patrol Retirement Fund:					
06/30/01	489,483	572,815	(83,332)	48,935	-170.3
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
Correctional Employees Retirement Fund:					
06-30-01	398,633	431,134	(32,501)	120,947	-26.9
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
Judges Retirement Fund:					
06/30/01	159,636	123,589	36,047	28,246	147.5
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
Legislators Retirement Fund:					
06/30/01	75,072	42,608	32,464	5,858	554.2
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
Elective State Officers Fund:*					
06/30/01	3,775	201	3,574	0	N/A
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

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



Sample Assumed Annual Rates of Termination (as of July 1, 2006)
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, 2006)

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.



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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:							
2001	74,364	73,362	(529,082)	7,408	(373,948)	1,834,042	4.00
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
State Patrol Retirement Fund:							
2001	4,146	6,166	(40,928)	1	(30,615)	48,935	12.60
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
Correctional Employees Retirement Fund:							
2001	6,996	9,651	(31,082)	1,128	(13,307)	120,947	7.98
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
Judges Retirement Fund:							
2001	2,162	5,790	(8,384)	2,013	1,581	28,246	20.50
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
Legislators Retirement Fund:							
2001	527	N/A	(2,414)	5,041	3,154	5,858	N/A
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
Elective State Officers Retirement Fund*:							
2001*	0	0	0	333	333	N/A*	N/A
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

*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:					
2001	270,558	3,738	9,750	3,197	287,243
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
State Patrol Retirement Fund:					
2001	29,935	90	1	249	30,275
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
Correctional Employees Retirement Fund:					
2001	14,911	240	660	261	16,072
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
Judges Retirement Fund:					
2001	12,228	41	17	54	12,340
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
Legislators Retirement Fund:					
2001	4,857	29	72	32	4,990
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
Elective State Officers Retirement Fund:					
2001	330	1	6	0	331
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



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:					
2001	233,734	25,467	11,357	9,750	280,308
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
State Patrol Retirement Fund:					
2001	25,439	3,617	831	1	29,888
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
Correctional Retirement Fund:					
2001	12,623	598	1,690	660	15,571
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
Judges Retirement Fund:					
2001	8,942	2,848	286	17	12,093
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
Legislators Retirement Fund:					
2001	4,126	591	0	72	4,789
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
Elected State Officers Retirement Fund:					
2001	223	107	0	6	336
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

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:												
06/30/01	34.7	33.7	34.1	31.8	31.4	31.6	45.4	43.4	44.3	12.7	10.4	11.5
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
State Patrol Retirement Fund:												
06/30/01	33.1	33.2	33.1	28.2	28.2	28.2	41.0	37.9	40.7	12.7	9.5	12.5
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
Correctional Employees Retirement Fund:												
06/30/01	33.1	34.9	33.9	31.0	34.4	32.2	40.7	40.2	40.5	9.2	5.5	7.9
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
Judges Retirement Fund:												
06/30/01	49.8	44.0	48.2	43.8	41.8	43.4	55.5	50.8	54.4	11.1	8.9	10.6
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	47.0	52.2	55.7	11.1	9.1	10.5



Employees Eligible for an Immediate Annuity

(As of June 30, 2006)

	Total
State Employees Retirement Fund:	
- full benefit	681
- reduced benefit due to early retirement	7,917
- proportional benefit (age equal to or more than 65 and service years fewer than 10)	108
- Rule of 90	1,841
- vested employees not eligible to immediate benefit	26,517
- employees not vested	10,915
	<hr/>
Total	47,979
State Patrol Retirement Fund:	
- full benefit	15
- reduced benefit	124
- vested employees not eligible to immediate benefit	558
- employees not vested	154
	<hr/>
Total	851
Correctional Employees Retirement Fund:	
- full benefit	150
- reduced benefit	460
- vested employees not eligible to immediate benefit	1,862
- employees not vested	1,438
	<hr/>
Total	3,910
Judges Retirement Fund:	
- full benefit	16
- reduced benefit	20
- vested judges not eligible to immediate benefit	134
- judges not vested	118
	<hr/>
Total	288
Legislators Retirement Fund:	
- full benefit	34
- reduced benefit	18
- vested members not eligible for an immediate benefit	21
- members not vested	3
	<hr/>
Total	76
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*								
06/30/01	915	1,524	2,439	37.0	36.8	2.1	2.1	474
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
State Patrol Retirement Fund:								
06/30/01	1	0	1	25.9	-	0.4	-	0
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
Correctional Employees Retirement Fund:								
06/30/01	73	63	136	35.7	35.4	2.8	1.1	29
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	91	162	34.6	39.1	1.8	1.7	34
Judges Retirement Fund:								
06/30/01	1	0	1	64.7	-	6.0	-	1
06/30/02	0	0	0	-	-	-	-	0
06/30/03	0	0	0	-	-	-	-	0
06/30/04	0	0	0	0	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	0	0	0	0

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



Schedule of Retired Members by Type of Benefit (As of June 30, 2006)

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	6,157	4,999	353	666	0	139	3,837	2,001	230	89
500-999	5,589	4,198	496	823	2	70	3,272	2,030	234	53
1,000-1,499	4,259	3,246	391	577	1	44	2,302	1,811	112	34
1,500-1,999	3,095	2,604	164	309	2	16	1,498	1,505	70	22
2,000-2,499	1,945	1,695	44	190	0	16	856	1,052	25	12
2,500-2,999	1,215	1,094	11	94	1	15	492	705	12	6
3,000-3,499	773	685	10	75	0	3	287	476	7	3
3,500-3,999	449	408	3	31	0	7	176	263	4	6
4,000-4,499	262	232	2	22	1	5	103	155	2	2
4,500-4,999	128	117	0	9	0	2	46	80	1	1
5,000+	144	128	0	11	1	4	43	101	0	0
Totals	24,204	19,556	1,495	2,823	9	321	13,001	10,270	704	229

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	21	8	0	13	6	2	13
500-999	26	7	2	17	7	7	12
1,000-1,499	24	10	1	13	8	11	5
1,500-1,999	52	13	4	35	13	31	8
2,000-2,499	57	10	4	43	9	39	9
2,500-2,999	56	35	3	18	16	35	5
3,000-3,499	72	48	12	12	35	35	2
3,500-3,999	98	86	3	9	26	70	2
4,000-4,499	116	101	5	10	36	77	3
4,500-4,999	110	101	3	6	46	62	2
5,000+	214	205	4	5	126	88	0
Totals	846	624	41	181	328	457	61

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, 2006)

Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected			
		1	2	3	Life	I	II	III	
0-499	193	150	7	36	125	44	24	0	
500-999	230	183	15	32	153	56	19	2	
1000-1499	265	181	64	20	188	73	4	0	
1500-1999	240	173	55	12	165	66	6	3	
2000-2499	160	141	16	3	118	40	2	0	
2500-2999	137	124	9	4	98	38	1	0	
3000-3499	70	67	1	2	59	11	0	0	
3500-3999	52	52	0	0	41	11	0	0	
4000-4499	18	18	0	0	16	2	0	0	
4500-4999	4	4	0	0	4	0	0	0	
5000+	6	6	0	0	5	1	0	0	
Totals	1,375	1,099	167	109	972	342	56	5	

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	8	3	0	5	2	2	3	1	
1500-1999	12	6	0	6	4	8	0	0	
2000-2499	19	8	0	11	8	9	1	1	
2500-2999	14	6	1	7	4	10	0	0	
3000-3499	24	9	0	15	11	9	4	0	
3500-3999	28	13	1	14	9	15	4	0	
4000-4499	25	19	1	5	7	15	3	0	
4500-4999	24	17	0	7	3	17	3	1	
5000+	102	86	6	10	43	52	2	5	
Totals	261	168	9	84	94	137	22	8	

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, 2006)

Monthly Benefit Amount	Retirement Type			
	Elective State Officers		Legislators	
	Member	Survivor	Member	Survivor
Legislators and Elective State Officers Retirement Funds				
0-499	2	0	14	18
500-999	3	2	66	19
1000-1499	1	0	57	14
1500-1999	0	1	39	6
2000-2499	0	0	26	2
2500-2999	1	0	13	1
3000-3499	0	0	16	0
3500-3999	1	1	11	2
4000-4499	1	0	6	1
4500-4999	0	0	3	0
5000+	2	0	4	1
Totals	11	4	255	64



Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2006)

State Employees Retirement Fund	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$115	\$349	\$537	\$758	\$1,002	\$1,284	\$2,016	\$1,048
Number of Current Retirees	182	112	148	156	177	141	355	1,271
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 7/1/00 to 6/30/06:								
Average Monthly Benefit	\$148	\$328	\$556	\$811	\$1,076	\$1,428	\$2,090	\$1,134
Number of Current Retirees	1,096	814	964	938	965	983	2,470	8,230
State Patrol Retirement Fund								
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$517	\$776	\$878	\$2,462	\$2,935	\$3,980	\$4,169	\$3,467
Number of Current Retirees	2	2	1	1	7	13	17	43
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 7/1/00 to 6/30/06:								
Average Monthly Benefit	\$502	\$861	\$1,596	\$2,552	\$3,165	\$3,962	\$4,569	\$3,619
Number of Current Retirees	6	9	6	17	32	61	71	202



Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2006)

	Correctional Employees Retirement Fund							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$253	\$640	\$1,114	\$1,289	\$1,801	\$2,912	\$3,757	\$1,516
Number of Current Retirees	11	15	7	18	19	14	4	88
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 7/1/00 to 6/30/06:								
Average Monthly Benefit	\$313	\$687	\$1,095	\$1,398	\$1,917	\$2,721	\$2,893	\$1,539
Number of Current Retirees	79	101	115	127	130	113	51	716
Judges Retirement Fund								
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$0	\$0	\$2,241	\$3,373	\$4,085	\$0	\$0	\$3,388
Number of Current Retirees	0	0	3	3	5	0	0	11
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 7/1/00 to 6/30/06:								
Average Monthly Benefit	\$642	\$1,674	\$2,554	\$3,421	\$4,731	\$4,027	\$4,635	\$3,892
Number of Current Retirees	1	3	11	17	26	14	12	84

Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2006)

Legislators Retirement Fund	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$0	\$895	\$880	\$1,321	\$3,238	\$2,779	\$0	\$1,426
Number of Current Retirees	0	6	6	3	3	1	0	19
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 7/1/00 to 6/30/06:								
Average Monthly Benefit	\$445	\$908	\$1,099	\$1,227	\$2,554	\$2,377	\$2,887	\$1,291
Number of Current Retirees	8	22	23	5	6	7	3	74

Elected State Officers Retirement Fund

	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/01 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 7/1/00 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, 2006)

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

Participating Employers (as of June 30, 2006)

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	Department of Military Affairs	ISD 150 Hawley
City of Saint Peter	Douglas County	ISD 152 Moorhead
City of Sandstone	Douglas County Hospital	ISD 16 Spring Lake Park
City of Sartell	Duluth Housing Authority	ISD 161 Clearbrook
City of Sauk Centre	Duluth Seaway Port Authority	ISD 162 Bagley
City of Sauk Rapids	Duluth Teachers Retirement Fund	ISD 166 Cook County
City of Savage	Duluth Transit Authority	ISD 173 Mountain Lake
City of Shakopee	East Metro Integration District 6067	ISD 175 Westbrook
City of Silver Bay	Eagle Bend I.S.D.	ISD 178 Storden-Jeffers
City of Silver Bay	Eagle Valley Public Schools	ISD 181 Brainerd
City of Silver Lake	East Central Electric Co-op	ISD 182 Crosby School District
City of Slayton	East Central Regional Development Comm.	ISD 186 Pequot Lakes
City of South Saint Paul	East Central Regional Library	ISD 191 Burnsville
City of South International Falls	East Ottertail Soil & Water Conservation Dist.	ISD 192 Farmington
City of Spicer	Elgin/Millville community Schools	ISD 194 Lakeville
City of Spring Lake Park	Elk River Municipal Utilities	ISD 196 Rosemount
City of Spring Park	Employee Relations	ISD 197 West St. Paul
City of Spring Valley	Esko Public Schools	ISD 199 Inver Grove Heights
City of Springfield	Evansville ISD	ISD 2 Hill City
City of Staples	Fairview Hospital	ISD 200 Hastings
City of Stephen	Foster-Wheeler (Twin Cities)	ISD 201 Claremont
City of Stewartville	Franconia Township	ISD 203 Hayfield
City of Stillwater	Freeborn County Soil & Water Conserv. Dist.	ISD 204 Kasson-Mantorville
City of Thief River Falls	Freshwater Education District	ISD 205 West Concord
City of Thomson	Gaylord Community Hospital	ISD 206 Alexandria
City of Tonka Bay	Gillette Children's Hospital	ISD 2071 Lake Crystal
City of Tower	Glencoe Area Health Center	ISD 2125 Triton
City of Tracy	Goodhue County	ISD 213 Osakis
City of Two Harbors	Goodhue County Educ. Dist	ISD 2135 Maple River Schools
City of Upsala	Grand Rapids-Public Utilities Comm.	ISD 2141 Chisago Lakes
City of Vadnais Heights	Grant County	ISD 2142 Saint Louis County
City of Verdale	Great River Regional Library	ISD 2143 Waterville-Elysian-Morristown
City of Vernon Center	Greater Staples Hospital & Care Ctr	ISD 2154 Eveleth/Gilbert
City of Victoria	Halstad Municipal Utilities	ISD 2155 Wadena Deer Creek
City of Virginia	Hancock Public School	ISD 2169 Murray County Central
City of Virginia	Headwaters Nutrition Project	ISD 2170 Staples - Motley
City of Wabasha	Health Partners	ISD 2172 Kenyon/Wanamingo
City of Wadena	HELP	ISD 2174 Pine-River Backus Schools
City of Waite Park	HELPER	ISD 2180-MacCray Public School
City of Warren	Hennepin County Medical Center	ISD 2184 Luverne
City of Warroad	Hennepin County	ISD 2190 Yellow Medicine East
City of Waseca	Hennepin Technical (Intermediate)	ISD 2198 Fillmore Central
City of Wells	Heritage Living Center	ISD 22 Detroit Lakes
City of West Saint Paul	Heron Lake ISD	ISD 227 Chatfield
City of White	Hibbing Public Utilities	ISD 23 Frazee
City of White Bear Lake	Hibbing Recreation & Park Board	ISD 2310 Sibley
City of Willmar	House of Reps - Employees	ISD 2311 Clearbrook/Gonvick
City of Windom	House of Reps - Members	ISD 2364 Belgrade/Broton
City of Winona	Houston County	ISD 2365 Gibbon/Fairfax/Winthrop
City of Winton	Hubbard County	ISD 2389 Pipestone / Jasper
City of Worthington	Hubbard County Soil & Water Conserv. Dist.	ISD 239 Rushmore/Peterson

Participating Employers (as of June 30, 2006)

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

Participating Employers (as of June 30, 2006)

MELSA
 Member Cooperative Union
 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 Assc. Of Professional Employees
 Minnesota Association of Counties
 Minnesota Conservation Corps
 Minnesota Crop Improvement Assoc.
 Minnesota Historical Society
 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
 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
 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
 Sebeka Public School
 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
 Southwest Regional Development Comm
 Southwest/West Central Service Cooperative
 Spirit Mountain
 Spring Lake Park Fire Department
 St. Charles Public Schools
 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
 State of MN - SEMA4
 Stearns County Soil and Water
 Steele County
 Stevens County Soil & Water Conservation
 Success Academy
 Sunrise Home - Two Harbors
 Technology & Information Educ. Svcs.
 Three Rivers Park District
 To Review Ad Rules
 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
 Virginia School District
 West Hennepin Public Safety Dept.
 West Lake Superior Sanitary
 Wabasha County
 Wabasha Soil and Water
 Wadena County Social Services
 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 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
 Winona ISD
 Worthington Regional Hospital
 Wright County
 Wright County - Highway
 Wright County Soil and Water Conserv. District
 Wright County Technical Center
 Yellow Medicine County



Minnesota State Retirement System
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Saint Paul, MN 55103-3000