



# Minnesota State Retirement System

Pension Trust Funds of the State of Minnesota

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008



**MSRS**

MNDCP

HCSP

**Minnesota State Retirement System**

Minnesota State Deferred Compensation Plan

Health Care Savings Plan

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# Minnesota State Retirement System

Pension Trust Funds of the State of Minnesota

**David Bergstrom**

Executive Director

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

**Prepared by MSRS Finance, Records, Information Systems and Executive Division Staff**

**Retirement Systems of Minnesota Building**

60 Empire Drive, Suite 300 | St. Paul, Minnesota 55103-3000

1-800-657-5757 | 651-284-7723 | [www.msrs.state.mn.us](http://www.msrs.state.mn.us)

*Member of the Government Finance Officers Association of the United States and Canada*

# Table of Contents

## Introductory Section

Public Pension Coordinating Council Award .....	6
Board Chairperson's Report .....	7
Letter of Transmittal .....	8
Board of Directors, Administrative Staff and Professional Consultants .....	15
Organization Chart .....	16
Summary of Retirement System Plans .....	17

## Financial Section

Independent Auditor's Report .....	24
Management's Discussion and Analysis .....	26
Basic Financial Statements:	
Statement of Plan Net Assets .....	30
Statement of Changes in Plan Net Assets .....	32
Notes to the Financial Statements and Required Supplementary Information .....	34
Required Supplementary Information:	
Schedule of Funding Progress .....	58
Schedule of Employer Contributions .....	59
Supporting Schedules:	
Schedule of Administrative Expenses .....	60
Schedule of Changes in Plan Net Assets .....	61
Summary Schedule of Commissions and Payments to Consultants .....	71
Schedule of Investment Expenses .....	71

## Investment Section

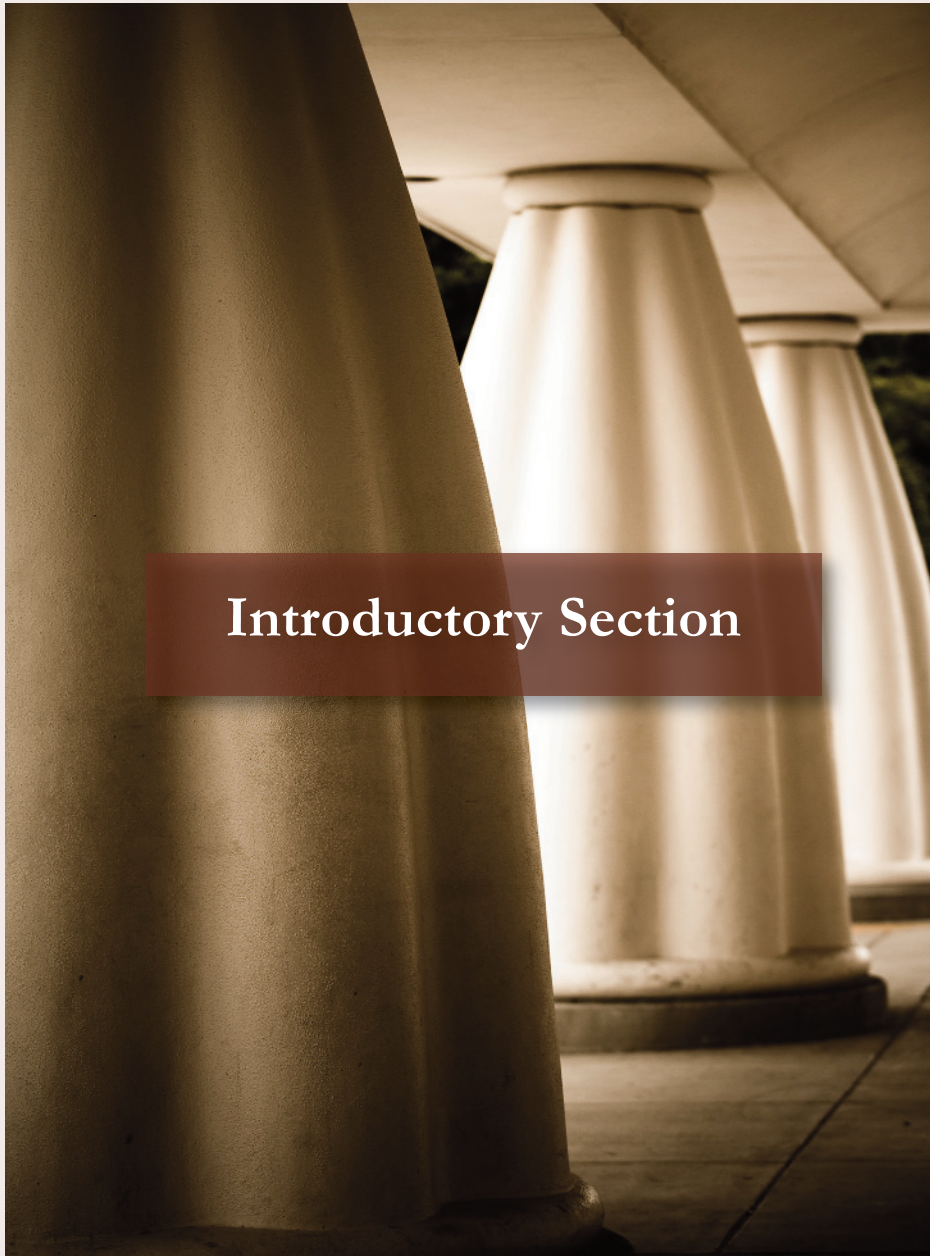
Investment Report .....	74
Investment Results and Investment Allocation .....	77
Investment Results and Investment Performance .....	77
Largest Assets Held .....	78
Investment Summary at Fair Value .....	79
Fair Value of Net Assets .....	80

## Actuarial Section

Actuary's Certification Letter .....	82
Summary of Actuarial Assumptions and Methods .....	86
Required Reserves and Actual Rates as Compared to Recommended Rates .....	88
Schedule of Changes in Unfunded Actuarial Accrual Liabilities .....	89
Schedule of Active Member Valuation Data .....	90
Schedule of Retirees and Beneficiaries .....	91
Solvency Test — Funding Ratio .....	92
Summary of Unfunded Accrued Liabilities (UAL) .....	93
Sample Assumed Annual Rates of Termination per 10,000 Members and Assumed Salary Increases .....	95

## Statistical Section

Schedule of Revenues by Sources .....	98
Schedule of Expenses by Type .....	99
Schedule of Benefit Expenses by Type .....	100
Active Employees' Average Age Tables .....	101
Employees Eligible to an Immediate Annuity .....	102
Schedule of Refund Statistics .....	103
Schedule of Retired Members by Type of Benefit .....	104
Schedule of New Retirees and Initial Benefit Paid .....	107
Participating Employer Units .....	110



Introductory Section



Public Pension Coordinating Council  
Public Pension Standards  
*2008*

Presented to

Minnesota State Retirement System

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

*Presented by the Public Pension Coordinating Council, a confederation of*

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

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

Alan H. Winkle  
Program Administrator



**MSRS**  
MNDCP  
HCSP

**Minnesota State Retirement System**  
Minnesota State Deferred Compensation Plan  
Health Care Savings Plan

March 30, 2009

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

Dear Members, Benefit Recipients and Employers:

I think we all watched in shock as the stock market plummeted in September, October and November. Banks were wobbling, Congress passed unprecedented bailouts, and the economic forecast remains gloomy. MSRS was well positioned going into this financial storm, and I am confident that we will weather this one as we have in the past.

MSRS was established in 1929, and has succeeded during periods of great prosperity, times of high inflation, and dramatic drops in the markets. Since 1980, which includes the stock market crash of 1987 and three years of losses after September 11, the Minnesota State Board of Investment has average annual returns in excess of 10 percent. The MSRS Board and the Minnesota State Board of Investment maintain their focus on the long-term success of the System even during these difficult economic times.

As of June 30, 2008, the MSRS State Employees Retirement Fund was slightly over 90 percent funded. The funding ratio for all of the plans administered by MSRS can be found on page 11.

The market decline started last January. The rate of return for the period ending June 30, 2008, was negative 5.0 percent. MSRS retirement plan assets dropped from \$15.2 billion to \$14.4 billion. The Minnesota Deferred Compensation Plan saw a drop in assets from \$3.63 billion to \$3.58 billion, but our Health Care Savings Plan increased from \$174 million to \$218 million because of increased contributions resulting from plan growth.

The Board supported, and the Legislature passed, major legislation dealing with the Minnesota Post Retirement Investment Fund this past session. Minnesota is unique that we had a separate fund for retirees (Post Fund) and a separate fund for active members. The legislation was set to trigger a combination of the two funds if the Post Fund fell below 80 percent. As of June 30, 2008, the Post Fund was 79.7 percent funded so it will be combined with the active funds. This ensures a more financially secure plan for both current and future retirees. Eligible retirees will receive a post retirement increase of 2.5 percent on January 1, 2009.

The MSRS Board will closely monitor the economic downturn, and as always, we will keep our attention on the long-term viability of the System. Thank you for continued confidence of the Board and staff.

Respectfully,

Mary Benner, Chair  
MSRS Board of Directors



**MSRS**  
MND  
DCP  
HCSP

**Minnesota State Retirement System**  
Minnesota State Deferred Compensation Plan  
Health Care Savings Plan

March 30, 2009

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 Comprehensive Annual Financial Report (CAFR) for the Minnesota State Retirement System (MSRS) for the fiscal year ended June 30, 2008, our 79th year of service to our membership. Throughout this report, you will find affirmations of our efforts to fulfill our mission to administer secure retirement plans, assure timely benefit payments, be proactive in public pension policies, and provide exemplary customer service. We do this by carefully safeguarding assets, and monitoring and evaluating our operations to ensure they are carried out effectively and in compliance with Minnesota Statutes.

This CAFR is designed to meet the reporting requirements of Minnesota Statutes 356.20. MSRS management takes full responsibility for the content of this report and ensuring that sufficient internal controls exist to provide reasonable assurance that the information in the financial statements, supporting schedules, and statistical tables is reliable.

## CAFR Contents

The Comprehensive Annual Financial Report is divided into five sections:

- |                     |  |
|---------------------|--|
| <b>Introductory</b> | Consists of administrative materials, such as an organization chart, a summary of the retirement plans, and a report from the board chair.                           |
| <b>Financial</b>    | Consists of the independent auditor's opinion, management's discussion and analysis, financial statements and notes thereto, and required supplementary information. |
| <b>Investment</b>   | Consists of the Minnesota State Board of Investment's report, rates of return on investments held, and investment portfolio information.                             |
| <b>Actuarial</b>    | Consists of summaries of actuarial assumptions and methods, and various schedules of actuarial assets, liabilities, and member data.                                 |
| <b>Statistical</b>  | Consists of tables detailing revenue sources, expense types, employee statistics, and investment performance.  |

Readers of this transmittal letter are encouraged to refer to Management's Discussion and Analysis on pages 26 - 29 for financial highlights and an overview of MSRS' financial statements for fiscal year 2008. MSRS' financial activities are also reflected in the pension trust fund financial statements included in the Fiduciary Funds section of the State of Minnesota's Comprehensive Annual Financial Report.



## About MSRS Plans

MSRS administers six defined benefit and four defined contribution plans, which are identified below:

### **Defined Benefit Plans:**

- State Employees Retirement Fund, which includes General Plan employees and three special groups: Minnesota Department of Transportation pilots, deputy state fire marshals, and Military Affairs personnel.
- State Patrol Retirement Fund.
- Correctional Employees Retirement Fund.
- Judges Retirement Fund.
- Legislators Retirement Fund.
- Elective State Officers Retirement Fund.

### **Defined Contribution Plans:**

- Minnesota State Deferred Compensation Plan (MNDCCP).
- Unclassified Employees Retirement Fund.
- Health Care Savings Plan.
- Supplemental Retirement Plan for Hennepin County.

For the defined benefit plans and the Unclassified Employees Retirement Fund, MSRS serves approximately 56,100 active employees from over 30 reporting employer units, 30,000 benefit recipients, and 17,800 members who are no longer contributing, but are eligible for monthly benefits in the future or might apply for a lump-sum distribution. Net assets for these plans exceeded \$10.4 billion as of June 30, 2008.

MSRS also serves over 88,600 participants in the MNDCCP with net assets totaling \$3.6 billion as of June 30, 2008. Nearly 50,000 members participate in the Health Care Savings Plan with net assets at fiscal year end exceeding \$217 million. Over 2,000 members participate in the Supplemental Retirement Plan for Hennepin County with net assets as of June 30, 2008, totaling \$126 million.

## Major Initiatives

In conjunction with the Minnesota Teachers Retirement Association and Public Employees Retirement Association of Minnesota, we developed a proposal, which the legislature approved during the 2008 session, to address the Minnesota Post Retirement Investment Fund (MPRIF) deficit situation. Although the MPRIF deficit has decreased in recent years, this progress was attributable to very high investment returns (18 percent in 2007), which were not likely to continue under current economic conditions. The likelihood of eliminating the deficit was very low; only a one in four chance of recovery to 100 percent funded. The newly enacted legislation called for a merger of the MPRIF with its participating active member funds if the MPRIF funded ratio fell below 80 percent for one year, or 85 percent for two years. On November 21, 2008, the Minnesota State Board of Investment (SBI) announced the final funded ratio of the MPRIF as 79.7 percent as of June 30, 2008, which reflects the fair value of assets compared to the actuarial liabilities. The ratio does not consider the decline in asset values due to market downturns since June 30. Thus, the merger will take effect on June 30, 2009. On that date, MPRIF assets will be divided between the participating active member funds of the Minnesota retirement systems based upon their percentage participation in the fund. As a result of the planned merger, retirees benefit increases will be fixed at 2.5 percent annually. The merger was necessary to help sustain the long-term financial stability of the defined benefit retirement plans. It provides a larger pool of assets and a continuous revenue stream from employer and employee contributions to pay future retirement benefits.

As a result of the 2008 legislative session, a new law was enacted that required a notarized signature of a member's spouse on a retirement application. Without the signature, it is assumed that the member selected the 50 percent joint and survivor option. The purpose of the law change was to ensure that a member's spouse is aware of the benefit option that the member selected. This law will take effect on January 1, 2009.

The number of Health Care Savings Plan participants increased over 25 percent during the year, with 11,600 new active participants during fiscal year 2008. This increase is due in large part to over 8,000 state employees, represented by the Minnesota Association of Professional Employees with over five years continuous state employment, who joined the plan in January 2008. Each of these new members contributes 1 percent of salary to the plan on a biweekly basis.

The five-year contract with Great-West Life and Annuity Insurance Company, a third-party administrator providing record keeping services for the MNDCP, expires on June 30, 2009. State procurement law required us to request proposals from prospective contractors for continued record keeping services. In January 2008, we solicited proposals and by July 2008, we selected ING as the new record keeper for the MNDCP, as well as the Health Care Savings Plan, the Unclassified Plan, and the Supplemental Retirement Plan for Hennepin County, which we administer internally. We included these plans in the solicitation since their investments will be valued daily rather than monthly beginning in July 2009. Benefits of transitioning to a new record keeper include enhanced web tools, online and personal investment advisory services, and lower administrative fees for plan participants.

Again, for the second consecutive year, we took in more revenue than necessary to administer the MNDCP. As a result, the MSRS Board approved another six-month fee holiday for participants in the MNDCP that took effect October 1, 2008, and continues through March 31, 2009. Generally plan participants would have paid an annual administrative fee of 10 basis points (1/10th of one percent) on the first \$100,000 account balance.

During the fiscal year we improved many of our informational materials. The MNDCP brochures and booklets were completely redesigned with a theme centering on participant experiences. We also redesigned the annual statement sent to former employees who no longer contribute but have not yet started to collect benefits. This new statement contains more comprehensive benefit information to aid former employees in planning for their retirement.

### **Financial Information**

#### **Accounting System and Reports**

MSRS prepares its financial statements in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). Transactions are reported on the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is made. Most financial transactions are processed through the Minnesota Accounting and Procurement System, under the oversight of Minnesota Management and Budget, a state agency created by the recent merger of the Minnesota departments of Finance and Employee Relations.

#### **Independent Audit**

The Office of the Legislative Auditor, a professional, nonpartisan office in the legislative branch of Minnesota state government, audited the financial statements and related note disclosures contained in this report, and reviewed the adequacy of our internal controls over financial reporting and compliance with certain legal provisions. The Legislative Auditor's opinion letter is presented in the Financial Section of this CAFR, beginning on page 24.

## ***Financial Summary***

The following schedule is a comparative summary of the additions and deductions for MSRS' defined benefit and defined contribution plans for the years ended June 30, 2008 and June 30, 2007. Additions represent employee and employer contributions and net investment earnings. Deductions include annuity payments, health care reimbursements, ongoing deferred compensation withdrawals, refunds, and administrative expenses. With a negative 5 percent investment return for fiscal year (FY) 2008, MSRS sustained a decrease in net assets for its defined benefit plans of \$812 million. Net assets for the defined contribution plans also decreased \$45 million for fiscal year 2008.

<b>Operating Results</b> (Dollars in thousands)				
<b>Source</b>	<b>Defined Benefit Funds</b>		<b>Defined Contribution Funds</b>	
	<b>FY 2008</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2007</b>
<b>Additions</b>	\$(275,904)	\$1,963,600	\$215,405	\$857,518
<b>Deductions</b>	536,574	503,554	260,673	259,244
<b>Change in Net Assets</b>	<u>\$(812,478)</u>	<u>\$1,460,046</u>	<u>\$(45,268)</u>	<u>\$598,274</u>

## **Actuarial Funding Status**

MSRS contracted with Mercer Consulting of Minneapolis, Minnesota to perform the annual actuarial valuation for all of the MSRS defined benefit plans and to provide other actuarial consulting services during the fiscal year. The actuarial valuation results provide the level of funding for each defined benefit plan that MSRS administers. The better the level of funding, the larger the ratio of assets to accrued liabilities, and the greater the level of investment income potential. A high funding ratio gives members more assurance that their pensions are secure, and that existing assets and projected investment earnings on those assets are sufficient to cover the liabilities for present and future annuities, survivor and disability benefits, refunds, and administrative expenses.

The schedule below highlights the actuarial value of assets, actuarial accrued liabilities, funding ratios and contribution information for each defined benefit fund as of the latest actuarial valuation date, June 30, 2008. The State Employees Retirement Fund, with a 90.18 percent funding ratio, is the best funded governmental pension plan in Minnesota. Its strong funding ratio surpasses the national median of 84.3 percent by over 5 percent.

<b>Highlights of the 2008 Actuarial Valuations</b> (Dollars in thousands)				
<b>Defined Benefit Plan</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funding Ratio</b>	<b>Contribution Deficiency</b>
<b>State Employees</b>	\$9,013,456	\$9,994,602	90.18%	3.39%
<b>State Patrol</b>	\$595,082	\$693,686	85.79%	10.09%
<b>Correctional Employees</b>	\$572,719	\$760,363	75.32%	6.56%
<b>Judges</b>	\$147,542	\$231,623	63.70%	0.22%
<b>Legislators</b>	\$39,209	\$86,131	45.52%	234.21%
<b>Elective State Officers</b>	\$212	\$3,908	5.43%	\$558

Results of the 2008 actuarial valuations also revealed increased contribution deficiencies for all plans. The primary reasons for this are the less than expected return on assets and the impact of insufficient contributions. For the State Employees, the State Patrol and the Correctional Employees Retirement Funds, member and employer contribution rate increases took effect on July 1, 2008 and another increase is scheduled for July 1, 2009. Even with these scheduled increases, if the recent turmoil in the financial marketplace is not reversed, the funded status of the plans will continue to deteriorate and losses will further increase the contribution deficiencies. However, absent any additional losses, the funds have sufficient assets to pay projected future benefits for many years. No contribution rate increases are planned for the Judges Retirement Fund. The Legislators and Elective State Officers Funds are funded on a pay-as-you-go basis.

The Minnesota Legislature annually reviews reports of the actuarial funding status of the retirement systems. The Legislature has authority to set contribution rates to ensure that the retirement systems are adequately funded over the long term. Historically, legislators have increased contribution rates only if a long-term trend of weak investment returns and declining funding levels necessitate higher contribution rates.

The assumptions and actuarial methods used in the valuation are in accordance with Minnesota Statutes, Section 356.215. Several actuarial assumptions were changed during the 2008 legislative session for the State Employees Retirement Fund, The Correctional Employees Retirement Fund, and the Judges Retirement Fund. The combined effects of these changes resulted in increases or (decreases) to the unfunded liabilities and can be found on page 48. Additional information regarding the funding of MSRS' plans is presented in the Actuarial Section found on pages 81 through 95. The entry age normal method, with level contributions as a percent of payroll, is used as the actuarial funding method.

### Investment Results

In accordance with the Minnesota Constitution, the State Board of Investment (SBI) invests the assets of MSRS funds. The Board is comprised of Governor Tim Pawlenty, Attorney General Lori Swanson, Secretary of State Mark Ritchie, and State Auditor Rebecca Otto. For all investments under SBI's management, the Board, the 17-member Investment Advisory Council (IAC) to the Board (which includes the MSRS executive director), and the SBI staff are governed by the prudent persons rule, and fiduciary standards detailed in Minnesota Statutes, Chapters 11A and 356A. The Board, in conjunction with the IAC and SBI staff, establishes asset allocation and other investment policies and guidelines and conducts detailed investment analyses of each of the funds under its control.

During fiscal year 2008, U.S. capital markets experienced one of the most difficult and volatile periods in recent history. The U.S. equity markets, returned a negative 12.7 percent (-12 percent) for the fiscal year, as measured by the Russell 3000 index. The high price of oil, gasoline, and food further pressured consumers along with constrained wages, a weak jobs market, falling home values and harder access to credit. The credit problems at financial institutions continued while the Federal Reserve System began to announce concerns about inflation risks.

The Morgan Stanley Capital International All Country World Index excluding the United States, which represents the developed and emerging international markets outside the U.S., returned a negative 6.4 percent (-6.4 percent) for the fiscal year. Following four consecutive years of strong double-digit returns, the international markets suffered from an uncertain global economic outlook and worldwide inflation concerns amid rising oil and food prices.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, rose 7.1 percent during the fiscal year. The sub-prime mortgage crisis spilled into the broader financial market, causing a credit crisis and a liquidity freeze. Investors' need for safety drove a flight to quality that drove up Treasury prices and caused Treasury yields to plummet and yields on spread products to widen dramatically.

Within this investment environment, the retirement assets under SBI's control performed as follows. Even with a negative investment return for fiscal year 2008, retiree benefits will not be adjusted downward. A lifetime MPRIF benefit increase of 2.5 percent will be payable to eligible retirees effective, January 1, 2009.

### **Basic Retirement Funds**

The Basic Retirement Funds are comprised of employee and employer pension contributions held in trust during the employee's years of active service. The investment objective of the Basic Retirement Funds is to ensure that sufficient funds are available to finance promised benefits at retirement. To achieve this objective, the Basic Retirement Funds are expected to generate investment returns of at least 8.5 percent on an annualized basis over time. For fiscal year 2008, the Basic Retirement Funds returned a negative 4.8 percent (-4.8 percent). Over the last ten-year period, the Funds experienced an annualized return of 5.8 percent. Additional information about the Basic Retirement Fund's actual and long-term asset allocation target can be found on page 76.

### **Minnesota Post Retirement Investment Fund (MPRIF)**

The Minnesota Post Retirement Investment Fund (MPRIF) is comprised of assets transferred from the Basic Retirement Funds when a member retires. The goal of the MPRIF is to provide income to pay monthly benefits, plus a cost-of-living increase based on inflation, determined by the U.S. Consumer Price Index, up to, but not exceeding, 2.5 percent. The assumed rate of return for the MPRIF is 6 percent. For fiscal year 2008, the MPRIF returned a negative 5.2 percent (-5.2%). Over the last ten-year period, the MPRIF provided an annualized return of 5.6 percent. Additional information about the MPRIF's actual and long-term asset allocation target can be found on page 76.

As previously mentioned, effective June 30, 2009, the MPRIF will be abolished and its assets and liabilities will be transferred to participating active member public retirement funds.

### **Economic Conditions and Outlook**

During fiscal year 2008, the nation's economy deteriorated considerably and forecasters are reporting that a longer and deeper recession than previously anticipated is now underway. The U.S. economy has been plagued with one problem after another. Home values declined to 2004 levels. Job losses accelerated as unemployment approached 7 percent. Defaults and foreclosures surged and credit availability tightened dramatically as banks imposed stricter lending standards. By September 2008 several failing financial institutions were taken over by regulators, including two government-sponsored enterprises, Fannie Mae and Freddie Mac. The collapse of the much respected investment bank Lehman Brothers marked the largest bankruptcy in U.S. history. The stock market continued to experience significant volatility and, through November 2008, some investors lost half of the value of their investments.

Economists are reporting that the problems facing the U.S. economy have proven to be much more difficult to remedy. They predict that the several hundred billion dollar stimulus plan and lower oil prices may help to ensure an upward trajectory in the economy in 2010, but 2009 will be a tough year and the recession will be the worst since 1982. Inflation is no longer an immediate concern with modest declines in consumer prices expected, but it is expected to remain a long term issue.

Minnesota's economic conditions continue to worsen also. Home prices have tumbled throughout the state. Foreclosures and bankruptcy filings are still on the rise. Credit conditions for both consumers and businesses have tightened, and job losses are occurring in most industry sectors.

Minnesota's outlook for fiscal year 2009 appears to be more depressing than the national economic outlook. By December 2008, lenders had turned down almost a third of hopeful car buyers with quality credit and auto dealerships closed as sales declined. Forecasters expect Minnesota's unemployment rate could top to 8 percent by the end of 2009, with a total loss of nearly 80,000 jobs for calendar years 2008 and 2009.

## Membership Report

This report provides complete and reliable information on which management decisions may be based and through which compliance with statutory requirements may be assessed. Visit the website at [www.msrs.state.mn.us](http://www.msrs.state.mn.us) for an electronic copy of the CAFR, in its entirety. A summary of the CAFR will be published in the next issue of *Messenger*, MSRS' newsletter.

This report is also complemented by information on the MSRS website addressing many questions about the financial impact of the volatile markets on Minnesota's public pension systems. On the MSRS website, we provide assurance to our members and retirees that the Minnesota public pension systems and SBI are monitoring the economic situation closely, and that members' benefits and pensions are safe and will be paid.

## National Recognition

MSRS received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2008 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. These standards were developed by a coalition of three associations that represent public pension funds who cover the vast majority of public employees in the U.S. They are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. The PPCC has offered this awards program to public retirement systems for the past six years. MSRS is proud to be a recipient of this prestigious award for the second consecutive year.

## Acknowledgements

We would like to express our utmost gratitude to you, all of our outstanding staff, advisors, and our business associates for your outstanding hard work, professionalism, and commitment to MSRS. Because of your tremendous contributions, MSRS continues to experience the success it has enjoyed year after year.

Respectfully submitted,



David Bergstrom  
Executive Director



Judith M. Hunt  
Assistant Executive Director

## **MSRS Board of Directors**

**As of June 30, 2008**

**Mary Benner, Chair**

*Elected by General Plan Membership  
Term expires : May 7, 2012*

**Mathew Hodapp, Vice Chair**

*Elected State Patrol Representative  
Term expires: May 6, 2010*

**Steven Amic**

*Elected Correctional Plan Representative  
Term expires: May 7, 2012*

**Robert J. Mayer**

*Elected by General Plan Membership  
Term expires: May 6, 2010*

**Michelle Sommers**

*Appointed Metropolitan Transit Commission  
(MTC) Representative  
Term expires: at the discretion of MTC*

**Tom Hanson, Commissioner**

*Appointed by Governor  
Term expires: January 3, 2011*

**Allen E. Hoppe**

*Elected by General Plan Membership  
Term expires: May 7, 2012*

**Susan O'Connell**

*Elected by General Plan Membership  
Term expires: May 6, 2010*

**Sally (R.W.) Olsen**

*Appointed by Governor  
Term expires: January 5, 2009*

**John Richter**

*Elected Retiree Representative  
Term expires: May 7, 2012*

**Peggy Ingison**

*Appointed by Governor  
Term expires: January 3, 2011*

## **Key Administrative Staff**

Executive Director:

David Bergstrom

Assistant Executive Director:

Judith M. Hunt

Assistant Executive Director:

Erin M. Leonard

## **Professional Consultants**

Actuary:

Mercer Human Resource Consulting

Legal Counsel:

Assistant Attorney General Jon Murphy

Assistant Attorney General Rory Foley

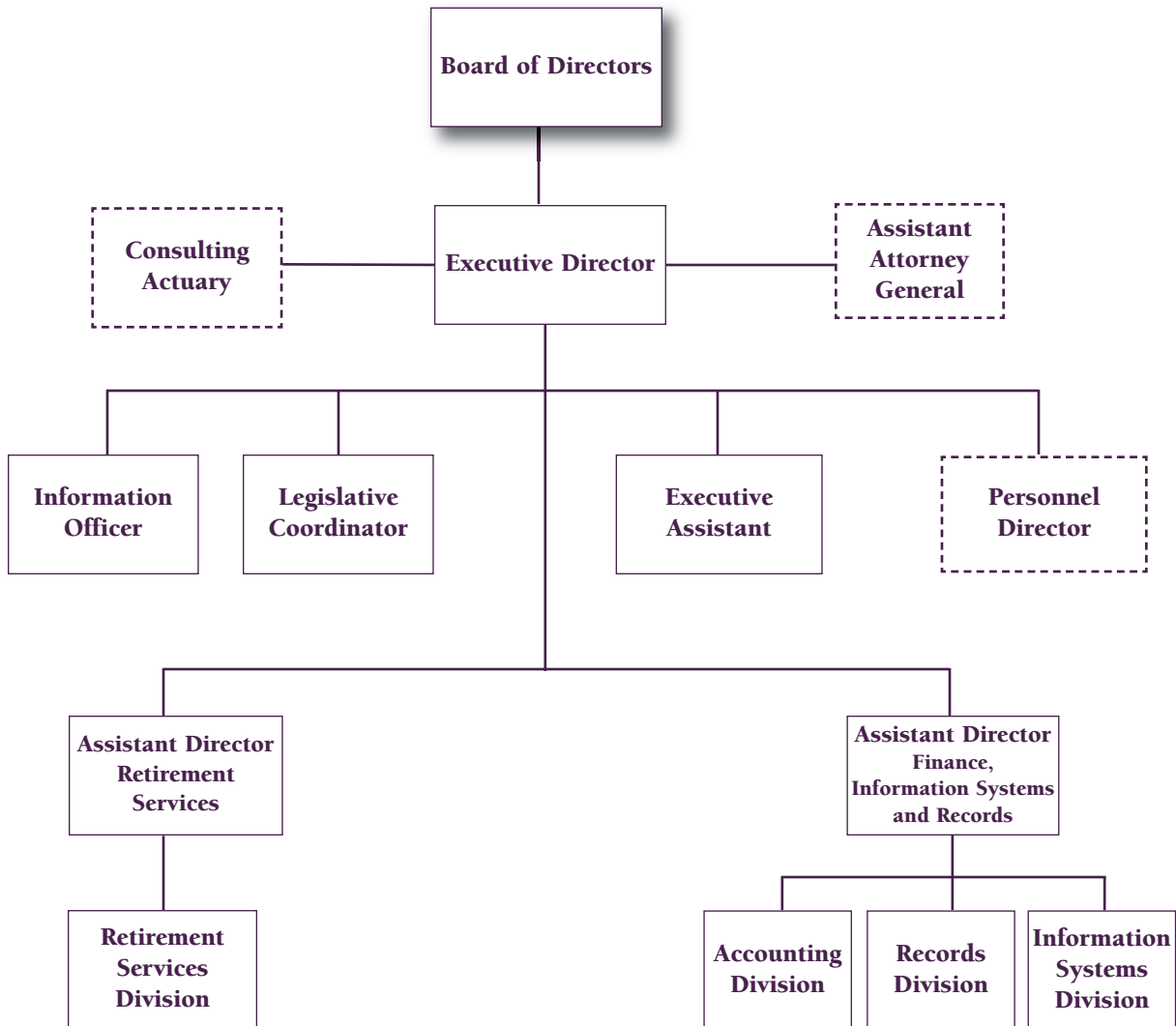
Medical Advisor:

Minnesota Department of Health

NOTE: MSRS invests its funds in various investment pools administered by the Minnesota 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 71 of the Financial Section.

# Organization Chart

As of June 30, 2008



## Mission Statement

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



# Summary of Retirement System Plans

## Purpose

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

## Administration

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

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

## Defined Benefit Plan

### 1. General Employees Plan

#### A. Coverage

- Most state employees and selected metropolitan agency employees

#### B. Contribution rates

- 4.25 percent, employee; 4.25 percent, employer; increased to 4.5 percent for both the employee and employer effective 07/01/08

#### C. Benefit formula

- 1.2 percent of a high five 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

#### D. 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 07/01/89 only)
- The plan also offers total and permanent disability benefits for employees with at least three years of service

#### E. 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

#### F. Refunds

- Employee contributions plus 6 percent interest

#### G. Retirement and disability options

- Single-Life annuity
- 100 percent Joint and Survivor with bounce back, meaning if your survivor dies first, your benefit would increase to the higher single-life amount
- 75 percent Joint and Survivor with bounce-back
- 50 percent Joint and Survivor with bounce back
- 15 Year Certain and Life Thereafter

## Summary of Retirement System Plans

### 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

#### B. Contribution rates

- Military Affairs and Transportation Pilots - 5.85 percent, employee; 5.85 percent, employer; increased to 6.10 percent for both employee and employer effective 07/01/08
- Deputy Fire Marshals - 7.03 percent employee; 8.45 percent employer; increased to 7.28 percent and 8.70 percent, respectively, effective 07/01/08

#### C. Retirement age and service years

- Military Affairs, age 60, with at least three years of service, no reduction
- Transportation Pilots, age 62, with at least three years of service, no reduction,
- Fire Marshals, age 55 with 2.0 percent accrual rate, with at least three years of service, no reduction

#### D. Disability

- Eligible for disability with at least five years of service and unable to perform duties
- 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

#### B. Contribution rates

- 9.1 percent, employee; 13.6 percent, employer; increased to 9.8 percent and 14.6 percent, respectively, effective 07/01/08

#### C. Benefit formula

- 3 percent of successive, high five year salary for each year of service

#### D. 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

#### E. 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 high-five year average salary, plus 3 percent for each year beyond 20; minimum non-job related disability is 45 percent

#### F. 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 of employee contribution plus 6 percent interest if no survivor benefit payable and if unpaid funds are available

# Summary of Retirement System Plans

## **G. Refunds**

- Employee contributions plus 6 percent interest

## **H. Annuity and disability options**

- Single-Life annuity
- 100 percent Joint and Survivor with bounce back
- 75 percent Joint and Survivor with bounce back
- 50 percent Joint and Survivor with bounce back

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

### **A. Coverage**

- Employees who have direct contact with inmates at Minnesota correctional facilities

### **B. Contribution rates**

- 6.4 percent, employee; 9.10 percent, employer; increased to 7.0 percent and 10.10 percent, respectively, effective 07/01/08

### **C. Benefit formula**

- 2.4 percent of high five year average salary for each year of service or an accelerated annuity to age 62 or 65, then an actuarially adjusted benefit thereafter

### **D. Retirement age and service years**

- Age 55 with at least three years of service
- Age 50 with at least three years of service, reduction from age 55
- Job-related disability, benefit equals 50 percent of high five 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

### **B. Contribution rates**

- 8.0 percent, employee; 20.5 percent, employer

### **C. 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 high five year average salary within last decade; the formula is capped at 76.8 percent

### **D. 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

### **E. 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 high five year salary

## Summary of Retirement System Plans

### **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

### **G. Refunds**

- Employee contributions with 6 percent interest

### **H. Annuity and disability options**

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

## General Fund Plans

### **6. Legislators Retirement Plan**

#### **A. Coverage**

- Legislators; newly elected legislators are covered by the Unclassified Plan as of July 1, 1997

#### **B. Contribution rates**

- 9 percent, employee; as needed from General Fund appropriation, employer

#### **C. Benefit formula**

- 2.5 percent high five year average salary, plus a variable actuarial adjustment based on retirement age

#### **D. 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

#### **E. 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

#### **F. Refunds**

- Employee contributions with 6 percent interest

#### **G. Annuity options**

- Single-Life annuity
- 100 percent Joint and Survivor with bounce back, discounted by value of automatic 50 percent spousal benefit applicable
- 100 percent and 50 percent Joint and Survivor options for other than spouse

### **7. Elective State Officers Retirement Plan**

#### **A. Coverage**

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

# Summary of Retirement System Plans

## Defined Contribution Plans

### 1. Unclassified Employees Retirement Plan (IRC Section 401(a) Plan)

#### A. Coverage

- Specified employees in unclassified positions

#### B. Contribution rates

- 4 percent, employee; 6 percent, employer

#### C. Benefits

- Account balance or annuity benefit withdrawal based on age and 6 percent interest assumption

#### D. Retirement age and service years

- Age 55 with any length of service

#### E. Refunds

- Account value

#### F. Annuity and Disability Option

- Single-Life annuity
- 100 percent Joint and Survivor with bounce back
- 75 percent Joint and Survivor with bounce back
- 50 percent Joint and Survivor with bounce back
- 15 Year Certain and Life Thereafter

### 2. Health Care Savings Plan (Approved Plan through Private Letter Ruling)

#### A. Coverage

- Negotiated by bargaining unit or personnel department

#### B. Contribution rate

- Employee or negotiated employer funding criteria bargained per labor contract; may include severance pay

#### C. Benefits

- Account balance and investment experience

#### D. 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

#### E. Refunds

- None; dependents, or if none, beneficiaries use the account after the death of the member for eligible healthcare reimbursements as designated in Internal Revenue Service Code

#### F. Availability

- All public employees in the State of Minnesota

## Summary of Retirement System Plans

### 3. Minnesota State Deferred Compensation Plan (IRC Section 457 Plan)

#### A. Coverage

- Optional for all state employees and political subdivision employees

#### B. Contribution rate

- Tax deferred with a \$10.00 per payperiod minimum

#### C. Third-party Administrator

- Great-West Life and Annuity Insurance Company

#### D. Withdrawal events

- Termination of service or death
- Unforeseeable emergency

#### E. Withdrawal options:

- Lump-sum
- Periodic withdrawals distributions
- Various annuities

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

#### A. Coverage

- Optional for employees of Hennepin County, Minnesota, who began employment prior to April 14, 1982

#### B. Contribution rates

- 1 percent, employee; 1 percent, employer

#### C. Benefits

- Account balance including investment earnings

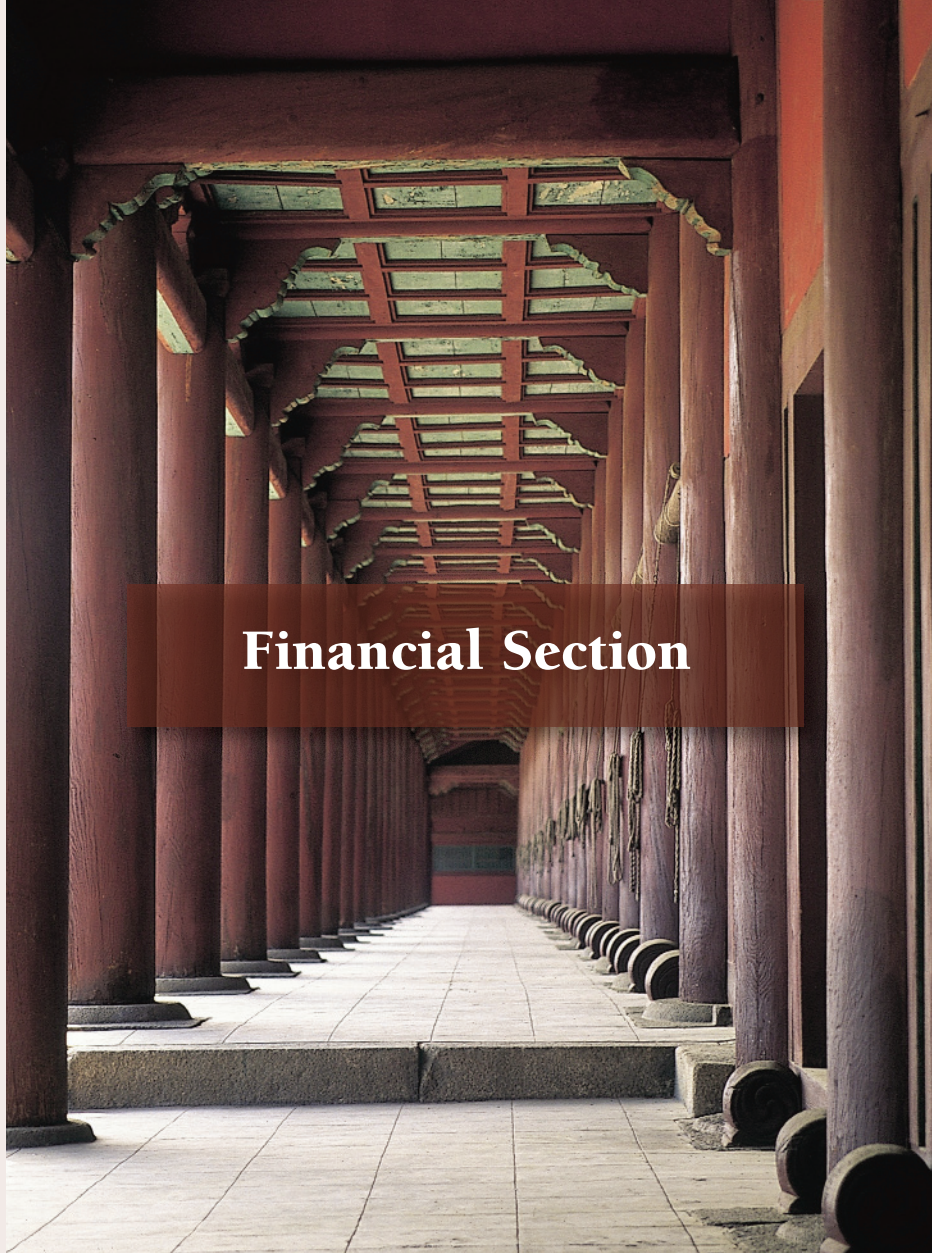
#### D. Withdrawal events

- Termination of service or death
- Retirement

#### E. 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

Mr. David Bergstrom, Executive Director  
Minnesota State Retirement System

We have audited the accompanying basic financial statements of the Minnesota State Retirement System as of and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Minnesota State Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Retirement System as of June 30, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Minnesota State Retirement System has implemented Governmental Accounting Standards Board Statement No. 50 on *Pension Disclosures*. This statement requires certain pension disclosures as of the most recent actuarial valuation date to be presented as part of the notes to the financial statements rather than as required supplementary information, as presented previously.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, on our consideration of the Minnesota State Retirement System'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

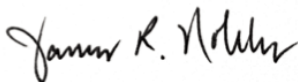


Members of the Board of Trustees  
Mr. David Bergstrom, Executive Director  
Page 2

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

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



James R. Nobles  
Legislative Auditor



Cecile M. Ferkul, CPA  
Deputy Legislative Auditor

March 27, 2009

## Management Discussion and Analysis

**We, the management of the Minnesota State Retirement System (MSRS), present this discussion and analysis of MSRS' financial activities for the fiscal year ended June 30, 2008. We encourage you to read the information contained in this narrative in conjunction with the transmittal letter which begins on page 8, and the financial statements and required supplementary information contained in this section of the CAFR.**

### Financial Highlights

- The three largest MSRS defined benefit funds remain adequately funded with sufficient assets to pay projected future benefits for many years. As of July 1, 2008, the most recent actuarial valuation date, the State Employees Retirement Fund was 90.18 percent funded, the State Patrol Retirement Fund was 85.79 percent funded, the Correctional Employees Retirement Fund was 75.32 percent funded.
- Net assets for all MSRS pension trust funds decreased nearly \$858 million or 5.64 percent throughout fiscal year 2008, from \$15.214 billion as of July 1, 2007 to \$14.356 billion as of June 30, 2008. This reduction was due in large part to lower values for investments and securities lending collateral at fiscal year end.
- Net investment losses throughout fiscal year 2008 exceeded increased member and employer contributions to generate a negative \$61 million as total additions to plan net assets for the year.
- Deductions from plan net assets totaled \$797 million for fiscal year 2008, increasing 4.46 percent primarily due to benefits that increased with growth in the number of benefit recipients and a 2.5 percent cost-of-living increase that took effect on January 1, 2008.

### Overview of the Financial Statements

This comprehensive annual financial report includes two basic financial statements, the Statement of Plan Net Assets found on pages 30-31, and the Statement of Changes in Plan Net Assets, found on pages 32-33. The purpose of these statements, along with the accompanying Notes to the Financial Statements, found on pages 34-56, is to comply with Minnesota Statutes Chapter 356.20 and to provide the reader with financial information in a format that is reasonably comparable to that of other public pension trust funds. As indicated in Note 2A, these statements are prepared using the accrual basis of accounting as required by generally accepted accounting principles.

**The Statement of Plan Net Assets** provides a summary of financial resources and obligations as of June 30, 2008. 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. Comparisons of net assets as of June 30, 2008 and 2007 are depicted in the table below.

<b>Summary Statement of Plan Net Assets - All MSRS Funds</b>				
As of June 30, 2008				
(Dollars in millions)				
	<b>FY 2008</b>	<b>FY 2007</b>	<b>Change</b>	<b>% Change</b>
<b>Total Assets</b>	\$15,449	\$17,062	\$(1,613)	(9.45%)
<b>Total Liabilities</b>	1,093	1,848	(755)	(40.85%)
<b>Net Assets</b>	<u>\$14,356</u>	<u>\$15,214</u>	<u>\$(858)</u>	(5.64%)

## Management Discussion and Analysis

Total assets as of June 30, 2008 were \$15.449 billion, a decrease of \$1.613 billion or 9.45 percent from the prior year. This decrease was due primarily to a substantial decline in the fair value of investment due to the economic downturn and a lower value of collateral through the securities lending programs administered by the Minnesota State Board of Investment (SBI).

Total liabilities as of June 30, 2008 were \$1.093 billion, a decrease of \$755 million or 40.85 percent from the prior fiscal year. This decrease was primarily due to the lower values of securities lending collateral at fiscal year end.

**The Statement of Changes in Plan Net Assets** presents information detailing the revenues and other additions that increased the expenses and other deductions that decreased net assets during the fiscal year. Total additions by major source and total deductions by type for the fiscal years ended June 30, 2008 and 2007 are presented below.

<b>Summary Statement of Changes in Plan Net Assets - All MSRS Funds</b>				
(Dollars in millions)				
	<b>FY 2008</b>	<b>FY 2007</b>	<b>Change</b>	<b>% Change</b>
<b>Additions (by Major Source):</b>				
<b>Member Contributions</b>	\$431	\$391	\$40	10.23%
<b>Employer Contributions</b>	139	122	17	13.93%
<b>Investment Income (Net)</b>	(655)	2,279	(2,934)	(128.74)%
<b>Other (includes transfers)</b>	24	29	(5)	(17.24)%
<b>Total Additions</b>	<u>\$(61)</u>	<u>\$2,821</u>	<u>\$(2,882)</u>	<u>(102.16)%</u>
<b>Deductions (by Type):</b>				
<b>Benefits</b>	\$585	\$547	\$38	6.95%
<b>Refunds</b>	181	179	2	1.12%
<b>Administrative Expenses</b>	10	9	1	11.11%
<b>Other (includes transfers)</b>	21	28	(7)	(25.00)%
<b>Total Deductions</b>	<u>\$797</u>	<u>\$763</u>	<u>\$34</u>	<u>4.46%</u>
<b>Net Increase (Decrease)</b>	<u>\$(858)</u>	<u>\$2,058</u>	<u>\$(2,916)</u>	<u>(141.69)%</u>

Total additions to plan net assets were a negative \$61 million, a decrease of 102.16 percent for fiscal year 2008. This decrease was due to net investment losses of \$655 million that exceeded total member and employer contributions of \$570 million and other income of \$24 million. The net investment losses resulted from a negative five percent rate of return for the year.

Total contributions paid by members and their employers increased by \$57 million, or just over 11 percent. This change was primarily due to contribution rate increases that took effect July 1, 2007. The increases in contribution rates for the General Employees, Military Affairs, Transportation Pilots, Fire Marshalls, State Patrol, and Correctional Employees Plans are found on pages 17-19. No contribution rate increases took effect in the fiscal year for the remaining defined benefit plans.

Total deductions to plan net assets were \$797 million, an increase of \$34 million or 4.46 percent for fiscal year 2008. This change was substantially due to an increase in total benefits of \$38 million or 6.95 percent to \$585 million. The increase in benefits resulted from an increase in the number of benefit recipients by more than 1,200 and a 2.5 percent cost-of-living increase for most retirees that took effect January 1, 2008.

## Management Discussion and Analysis

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

### Financial Analysis of MSRS' 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 two tables compare various performance measures of each of the following defined benefit funds to the previous fiscal year: The State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CERF) and the Judges Retirement Fund (JRF). The Legislative Retirement Fund and the Elective State Officers Retirement Fund are excluded from this analysis because they are funded mostly by state General Fund appropriations.

<b>Summary Statement of Plan Net Assets</b>				
<b>Defined Benefit Plans</b>				
(Dollars in millions)				
	<b>SERF</b>	<b>SPRF</b>	<b>CERF</b>	<b>JRF</b>
<b>Total Assets, 06/30/2008</b>	\$9,709	\$650	\$623	\$161
<b>Total Assets, 06/30/2007</b>	<u>\$11,023</u>	<u>\$756</u>	<u>\$693</u>	<u>\$189</u>
<b>Change</b>	<u>(\$1,314)</u>	<u>(\$106)</u>	<u>\$(70)</u>	<u>\$(28)</u>
<b>% Change</b>	<u>(11.92)%</u>	<u>(14.02)%</u>	<u>(10.10)%</u>	<u>(14.81)%</u>
<b>Total Liabilities, 06/30/2008</b>	\$906	\$61	\$58	\$15
<b>Total Liabilities, 06/30/2007</b>	<u>\$1,516</u>	<u>\$107</u>	<u>\$98</u>	<u>\$30</u>
<b>Change</b>	<u>\$(610)</u>	<u>\$(46)</u>	<u>\$(40)</u>	<u>\$(15)</u>
<b>% Change</b>	<u>(40.24)%</u>	<u>(42.99)%</u>	<u>(40.82)%</u>	<u>(50.00)%</u>
<b>Net Assets, 06/30/2008</b>	\$8,803	\$589	\$565	\$146
<b>Net Assets, 06/30/2007</b>	<u>9,507</u>	<u>649</u>	<u>595</u>	<u>159</u>
<b>Change</b>	<u>\$(704)</u>	<u>\$(60)</u>	<u>\$(30)</u>	<u>\$(13)</u>
<b>% Change</b>	<u>(7.41)%</u>	<u>(9.24)%</u>	<u>(5.04)%</u>	<u>(8.18)%</u>

## Management Discussion and Analysis

### Summary Statement of Changes in Plan Net Assets

#### Defined Benefit Plans

(Dollars in millions)

	SERF	SPRF	CERF	JRF
<b>Total Additions, year ended 06/30/2008</b>	\$ (265)	\$ (17)	\$ 2	\$ 2
<b>Total Additions, year ended 06/30/2007</b>	<u>1,697</u>	<u>113</u>	<u>109</u>	<u>36</u>
<b>Change</b>	<u>\$ (1,962)</u>	<u>\$ (130)</u>	<u>\$ (107)</u>	<u>\$ (34)</u>
<b>% Change</b>	<u>(115.62)%</u>	<u>(115.04)%</u>	<u>(98.17)%</u>	<u>(94.44)%</u>
<b>Total Deductions, year ended 06/30/2008</b>	\$ 439	\$ 43	\$ 32	\$ 15
<b>Total Deductions, year ended 06/30/2007</b>	<u>411</u>	<u>41</u>	<u>30</u>	<u>15</u>
<b>Change</b>	<u>\$ 28</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 0</u>
<b>% Change</b>	<u>6.81%</u>	<u>4.88%</u>	<u>6.67%</u>	<u>0.00%</u>
<b>Net Additions (Deductions)</b>				
<b>For the Fiscal Year Ended 06/30/2008</b>	\$ (704)	\$ (60)	\$ (30)	\$ (13)
<b>Net Additions (Deductions)</b>				
<b>For the Fiscal Year Ended 06/30/2007</b>	<u>1,286</u>	<u>72</u>	<u>79</u>	<u>21</u>
<b>Change</b>	<u>\$ (1,990)</u>	<u>\$ (132)</u>	<u>\$ (109)</u>	<u>\$ (34)</u>
<b>% Change</b>	<u>(154.74)%</u>	<u>(183.33)%</u>	<u>(137.97)%</u>	<u>(161.90)%</u>

All of the defined benefit funds showed substantial decreases in net assets, yet are considered to be financially healthy to pay promised benefits during fiscal year 2009 and beyond. Even though members and employers rate increases are scheduled to take effect on July 1, 2008 and 2009 for all of these funds but the Judges Retirement Fund, additional investment losses may trigger the need for higher contribution rates beyond 2009.

#### Defined Contribution Funds

The Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Minnesota State Deferred Compensation Fund and the Supplemental Retirement Fund for Hennepin County 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 negative investment returns during fiscal year 2008, MSRS experienced significant decreases in net assets. Yet, all of the funds remain reasonably financially sound and with steady or improving market conditions during the later half of fiscal year 2009 or early in fiscal year 2010, the funds will continue to be sound. If the recent turmoil in the financial marketplace is not reversed soon, the funded status of the retirement funds will continue to deteriorate and losses will further increase contribution deficiencies. MSRS management will continue to closely monitor economic conditions, changes in funding ratios and contribution deficiency percentages, and the impact on the security and financial stability of our funds.

#### Request for Information

This financial report is intended to provide a general overview of MSRS' finances. If you have any questions or comments concerning the contents of this report, please contact Minnesota State Retirement System by mail at 60 Empire Drive Suite 300, Saint Paul, MN 55103-3000 or by telephone toll-free at 1-800-657-5757.

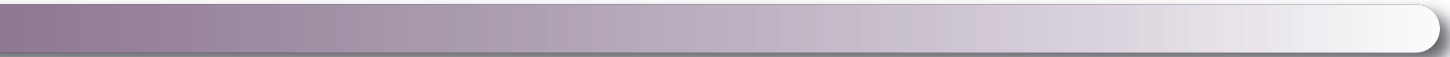
# Statement of Plan Net Assets

As of June 30, 2008

(Dollars in thousands)

	Defined Benefit Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>Assets:</b>					
<b>Cash and Cash Equivalents</b>	\$35,948	\$1,450	\$5,230	\$782	\$0
<b>Receivables:</b>					
Accounts Receivable	\$10,903	\$759	\$1,615	\$257	\$0
Accrued Interest	97	4	5	1	0
Due from Other Plans	4,995	0	0	0	0
Total Receivables	\$15,995	\$763	\$1,620	\$258	\$0
<b>Investments (at fair value):</b>					
Equity in Minnesota Post Retirement Investment Fund (MPRIF)	\$3,439,802	\$361,829	\$275,491	\$97,812	\$31,526
Fixed Income	1,269,161	53,817	67,679	11,187	0
External Domestic Equity	1,638,284	69,462	87,366	14,422	0
Passive Domestic Equity	817,627	34,712	43,581	7,326	0
Alternative Investments	763,542	32,475	40,672	7,005	0
Global Equity	825,800	35,042	44,025	7,353	0
Supplemental Investment Fund	0	0	0	0	0
Mutual Funds	0	0	0	0	0
Total Investments	\$8,754,216	\$587,337	\$558,814	\$145,105	\$31,526
<b>Securities Lending Collateral</b>	896,588	60,428	57,358	14,923	3,270
<b>Capital Assets Net of Accumulated Depreciation</b>	6,261	0	0	0	0
<b>Due from State General Fund</b>	0	0	0	0	7,708
<b>Total Assets</b>	\$9,709,008	\$649,978	\$623,022	\$161,068	\$42,504
<b>Liabilities:</b>					
Accounts Payable	\$2,295	\$71	\$88	\$15	\$0
Accrued Compensated Absences	682	0	0	0	0
Securities Lending Collateral	896,588	60,428	57,358	14,923	3,270
Due to Other Plans	0	100	396	41	25
Bonds Payable	6,303	0	0	0	0
<b>Total Liabilities</b>	\$905,868	\$60,599	\$57,842	\$14,979	\$3,295
<b>Net Assets Held in Trust for Pension Benefits</b>	\$8,803,140	\$589,379	\$565,180	\$146,089	\$39,209

(A schedule of funding progress for each defined benefit fund is presented on page 58.)



**Defined Benefit Funds**

**Defined Contribution Funds**

<b>Elective State Officers</b>	<b>Unclassified Employees</b>	<b>Health Care Savings Plan</b>	<b>Deferred Compensation</b>	<b>Hennepin County Supplemental</b>	<b>Totals</b>
\$0	\$1,921	\$9,082	\$0	\$55	\$54,468
\$0	\$416	\$5,597	\$471	\$38	\$20,056
0	0	0	0	0	107
0	0	0	0	0	4,995
<u>\$0</u>	<u>\$416</u>	<u>\$5,597</u>	<u>\$471</u>	<u>\$38</u>	<u>\$25,158</u>
\$0	\$0	\$0	\$0	\$0	\$4,206,460
0	0	0	0	0	1,401,844
0	0	0	0	0	1,809,534
0	0	0	0	0	903,246
0	0	0	0	0	843,694
0	0	0	0	0	912,220
0	287,065	205,386	1,064,091	126,301	1,682,843
0	0	0	2,518,112	0	2,518,112
<u>\$0</u>	<u>\$287,065</u>	<u>\$205,386</u>	<u>\$3,582,203</u>	<u>\$126,301</u>	<u>\$14,277,953</u>
0	23,737	10,196	0	10,879	1,077,379
0	0	0	0	0	6,261
213	0	0	0	0	7,921
<u>\$213</u>	<u>\$313,139</u>	<u>\$230,261</u>	<u>\$3,582,674</u>	<u>\$137,273</u>	<u>\$15,449,140</u>
\$0	\$0	\$0	\$719	\$0	\$3,188
0	0	0	0	0	682
0	23,737	10,196	0	10,879	1,077,379
1	197	2,488	1,742	5	4,995
0	0	0	0	0	6,303
<u>\$1</u>	<u>\$23,934</u>	<u>\$12,684</u>	<u>\$2,461</u>	<u>\$10,884</u>	<u>\$1,092,547</u>
<u>\$212</u>	<u>\$289,205</u>	<u>\$217,577</u>	<u>\$3,580,213</u>	<u>\$126,389</u>	<u>\$14,356,593</u>

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

# Statement of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
<b>Additions:</b>				
<b>Contributions:</b>				
Plan Member Contributions	\$99,280	\$5,595	\$12,775	\$2,859
Employer Contributions	96,746	8,279	18,623	7,935
General Fund Contributions	0	0	0	0
<b>Total Contributions</b>	<u>\$196,026</u>	<u>\$13,874</u>	<u>\$31,398</u>	<u>\$10,794</u>
<b>Investment Income:</b>				
Investment Income	\$(470,848)	\$(30,306)	\$(30,421)	\$(8,804)
Less Investment Expenses	13,286	898	845	226
Net Investment Income	<u>\$(484,134)</u>	<u>\$(31,204)</u>	<u>\$(31,266)</u>	<u>\$(9,030)</u>
Income from Securities Lending Activities:				
Security Lending Income	\$56,972	\$3,840	\$3,644	\$949
Security Lending Expenses:				
Borrower Rebates	\$45,319	\$3,056	\$2,900	\$754
Management Fees	2,364	159	151	39
Total Security Lending Expenses	<u>\$47,683</u>	<u>\$3,215</u>	<u>\$3,051</u>	<u>\$793</u>
Net Income From Securities Lending Activities	<u>\$9,289</u>	<u>\$625</u>	<u>\$593</u>	<u>\$156</u>
<b>Total Net Investment Income</b>	<u>\$(474,845)</u>	<u>\$(30,579)</u>	<u>\$(30,673)</u>	<u>\$(8,874)</u>
<b>Other Additions:</b>				
Transfers From Other Plans	\$13,244	\$0	\$1,839	\$0
Other Income	288	0	6	0
<b>Total Other Additions</b>	<u>\$13,532</u>	<u>\$0</u>	<u>\$1,845</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$(265,287)</u>	<u>\$(16,705)</u>	<u>\$2,570</u>	<u>\$1,920</u>
<b>Deductions:</b>				
Annuity Benefits	\$418,757	\$42,804	\$30,932	\$15,116
Ongoing Withdrawals	0	0	0	0
Health Care Reimbursements	0	0	0	0
Refunds	11,676	6	795	0
Interest to MPRIF	490	178	304	20
Transfers to Other Plans	2,503	0	6	4
Recordkeeper Expenses	0	0	0	0
Administrative Expenses	5,152	109	410	54
Other Deductions	0	0	0	0
<b>Total Deductions</b>	<u>\$438,578</u>	<u>\$43,097</u>	<u>\$32,447</u>	<u>\$15,194</u>
<b>Net Increase (Decrease)</b>	<u>\$(703,865)</u>	<u>\$(59,802)</u>	<u>\$(29,877)</u>	<u>\$(13,274)</u>
<b>Net Assets Held in Trust for Pension Benefits</b>				
July 1, 2007	\$9,507,005	\$649,181	\$595,057	\$159,363
June 30, 2008	<u>\$8,803,140</u>	<u>\$589,379</u>	<u>\$565,180</u>	<u>\$146,089</u>

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



Defined Benefit Funds		Defined Contribution Funds				Totals
Legislators	Elective State Officers	Unclassified Employees	Health Care Savings Plan	Deferred Compensation	Hennepin Cty. Supplemental	
\$180	\$0	\$5,209	\$73,082	\$231,671	\$601	431,252
0	0	6,362	0	0	601	138,546
<u>2,217</u>	<u>434</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,651</u>
<u>\$2,397</u>	<u>\$434</u>	<u>\$11,571</u>	<u>\$73,082</u>	<u>\$231,671</u>	<u>\$1,202</u>	<u>\$572,449</u>
\$(1,219)	0	\$(4,195)	\$(2,450)	\$(93,065)	\$(9,729)	\$(651,037)
<u>48</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,303</u>
<u>\$(1,267)</u>	<u>0</u>	<u>\$(4,195)</u>	<u>\$(2,450)</u>	<u>\$(93,065)</u>	<u>\$(9,729)</u>	<u>\$(666,340)</u>
<u>\$208</u>	<u>\$0</u>	<u>\$1,477</u>	<u>\$687</u>	<u>\$0</u>	<u>\$651</u>	<u>\$68,428</u>
\$165	\$0	\$1,166	\$544	\$0	\$520	\$54,424
<u>9</u>	<u>0</u>	<u>65</u>	<u>29</u>	<u>0</u>	<u>27</u>	<u>2,843</u>
<u>\$174</u>	<u>\$0</u>	<u>\$1,231</u>	<u>\$573</u>	<u>\$0</u>	<u>\$547</u>	<u>\$57,267</u>
<u>\$34</u>	<u>\$0</u>	<u>\$246</u>	<u>\$114</u>	<u>\$0</u>	<u>\$104</u>	<u>\$11,161</u>
<u>\$(1,233)</u>	<u>\$0</u>	<u>\$(3,949)</u>	<u>\$(2,336)</u>	<u>\$(93,065)</u>	<u>\$(9,625)</u>	<u>\$(655,179)</u>
\$0	\$0	\$668	\$0	\$0	\$0	\$15,751
<u>0</u>	<u>0</u>	<u>210</u>	<u>1,318</u>	<u>4,608</u>	<u>50</u>	<u>6,480</u>
<u>\$0</u>	<u>\$0</u>	<u>\$878</u>	<u>\$1,318</u>	<u>\$4,608</u>	<u>\$50</u>	<u>\$22,231</u>
<u>\$1,164</u>	<u>\$434</u>	<u>\$8,500</u>	<u>\$72,064</u>	<u>\$143,214</u>	<u>\$(8,373)</u>	<u>\$(60,499)</u>
\$6,786	\$430	\$0	\$0	\$0	\$0	\$514,825
0	0	0	0	37,039	5,885	42,924
0	0	0	27,548	0	0	27,548
1	0	23,256	0	144,837	227	180,798
0	0	44	0	0	0	1,036
0	0	13,238	0	0	0	15,751
0	0	0	0	4,558	0	4,558
34	4	157	1,090	2,728	6	9,744
<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19</u>	<u>41</u>	<u>63</u>
<u>\$6,824</u>	<u>\$434</u>	<u>\$36,695</u>	<u>\$28,638</u>	<u>\$189,181</u>	<u>\$6,159</u>	<u>\$797,247</u>
<u>\$(5,660)</u>	<u>\$0</u>	<u>\$(28,195)</u>	<u>\$43,426</u>	<u>\$(45,967)</u>	<u>\$(14,532)</u>	<u>\$(857,746)</u>
\$44,869	\$212	\$317,400	\$174,151	\$3,626,180	\$140,921	\$15,214,339
<u>\$39,209</u>	<u>\$212</u>	<u>\$289,205</u>	<u>\$217,577</u>	<u>\$3,580,213</u>	<u>\$126,389</u>	<u>\$14,356,593</u>

**1. Description of the System**

The Minnesota State Retirement System (MSRS) 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, 2008, the number of employers contributing to the various funds was:

<b>State of Minnesota and branches</b> .....	9
<b>University of Minnesota</b> .....	1
<b>Metropolitan agencies</b> .....	6
<b>Counties</b> .....	83
<b>Cities</b> .....	282
<b>School Districts</b> .....	349
<b>Unions</b> .....	6
<b>Other</b> .....	296
	1,032

MSRS funds are pension trust funds of the state of Minnesota and as such are included with similar funds in the state's 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 Minnesota State Board of Investment (SBI). Investments primarily include obligations and stocks of the United States and Canadian governments, their agencies, registered corporations and short-term obligations of specifically high quality. Various alternative investments, including international securities, are limited by statute to 35 percent of the fund pool.

**C. Investment Valuations**

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

**Assumptions made in valuing securities are as follows:**

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

**D. Capital Assets**

Capital assets consist of office equipment and fixtures, land, building, and unamortized bond issuance charges. All were capitalized at historical cost at the date of acquisition, issuance, or completion. Balances at June 30, 2008 were:

Capital Asset Type	Cost	(Dollars in thousands)	
		Accumulated Depreciation/Amortization	Undepreciated/ Unamortized Balance
Office Equipment and Fixtures	\$930	\$892	\$38
Land	87	N/A	87
Building	7,269	1,271	5,998
Building Improvements	80	0	80
Building Equipment	2	1	1
Deferred Bond Issuance Charges	75	18	57
<b>Totals</b>	<u>\$8,443</u>	<u>\$2,182</u>	<u>\$6,261</u>

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

Capital Asset Type	Useful Life	Depreciation Method
Office Equipment and Fixtures	3 - 10 years	Straight Line
Land	N/A	Not Depreciated
Building	30 years	Straight Line
Building Improvements	10 years	Straight Line
Building Equipment	10 years	Straight Line
Deferred Bond Issuance Charges	30 years	Straight Line

**E. Accrued Compensated Absences**

MSRS employees accrue vacation, sick, and compensatory leave in accordance with various collective bargaining agreements. The obligation, \$681,990, for future payment of these balances at June 30, 2008 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 Minnesota Management and Budget Department 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, 2008 were:

(Dollars in thousands)	
- Legislators Retirement Fund	.....\$7,708
- Elective State Officers Fund	..... 213
<b>Total</b>	<u>.....\$7,921</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 state 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, the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Supplemental Retirement Fund for Hennepin County, the employee reserve includes all assets that are not reserved for the payment of administrative expenses.

## Notes to the Financial Statements and the Required Supplemental Information

These balances at June 30, 2008 were:

(Dollars in thousands)	
<b>State Employees Retirement Fund</b> .....	\$ 1,041,731
<b>State Patrol Retirement Fund</b> .....	49,374
<b>Correctional Employees Retirement Fund</b> .....	81,233
<b>Judges Retirement Fund</b> .....	25,450
<b>Legislators Retirement Fund</b> .....	6,266
<b>Elective State Officers Retirement Fund</b> .....	36
<b>Unclassified Employees Retirement Fund</b> .....	288,595
<b>Health Care Savings Plan</b> .....	218,247
<b>Minnesota State Deferred Compensation Plan</b> .....	3,569,895
<b>Supplemental Retirement Plan for Hennepin County</b> .....	126,359
	<u>\$5,407,186</u>

**- Benefit Reserve**

For all funds except the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Supplemental Retirement Fund for Hennepin County the benefit reserve is credited with all investment earnings and employer contributions. For the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Supplemental Retirement Fund for Hennepin County 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, 2008 were:

(Dollars in thousands)	
<b>State Employees Retirement Fund</b> .....	\$4,321,607
<b>State Patrol Retirement Fund</b> .....	178,175
<b>Correctional Employees Retirement Fund</b> .....	208,455
<b>Judges Retirement Fund</b> .....	22,827
<b>Legislators Retirement Fund</b> .....	1,417
<b>Elective State Officers Retirement Fund</b> .....	176
<b>Unclassified Employees Retirement Fund</b> .....	610
<b>Health Care Savings Plan</b> .....	(670)
<b>Minnesota State Deferred Compensation Plan</b> .....	10,318
<b>Supplemental Retirement Plan for Hennepin County</b> .....	30
	<u>\$4,742,945</u>

**- Minnesota Post Retirement Investment Fund (MPRI) 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. Effective January 1, 2009, no additional assets will be transferred to this reserve. This account will be discontinued on June 30, 2009 and all assets restricted to it will be released from all such reservations. The Elected State Officers, the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Supplemental Retirement Fund for Hennepin County do not participate in this reserve. These balances at June 30, 2008 were:

(Dollars in thousands)	
<b>State Employees Retirement Fund</b> .....	\$3,439,802
<b>State Patrol Retirement Fund</b> .....	361,830
<b>Correctional Employees Retirement Fund</b> .....	275,492
<b>Judges Retirement Fund</b> .....	97,812
<b>Legislators Retirement Fund</b> .....	31,526
	<u>\$4,206,462</u>

**3. Cash and Investments**

**A. Cash**

MSRS cash is deposited into the state’s treasury accounts. On June 30, 2008 and throughout the year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*.

**B. Investment Valuation**

The combined funds’ proportionate share in the cost and fair values of the State Board of Investment pools at June 30, 2008, were:

	(Dollars in thousands)	
	<u>Cost</u>	<u>Fair Value</u>
<b>Post-Retirement Fund</b>	\$5,193,890	\$4,206,460
<b>Fixed Income</b>	1,488,899	1,401,844
<b>External Domestic Equity</b>	2,111,344	1,809,534
<b>Passive Domestic Equity</b>	863,077	903,246
<b>Alternative Investments</b>	757,907	843,694
<b>Global Equity</b>	889,681	912,220
<b>Supplemental Investment Fund</b>	1,412,460	1,682,843
<b>Mutual Funds *</b>	2,518,112	2,518,112
<b>Total</b>	<u>\$15,235,370</u>	<u>\$14,277,953</u>

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

**C. Securities Lending**

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

**D. Accounting and Financial Reporting for Securities Lending Transactions**

*Minnesota 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 State government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than one hundred and two percent (102%) 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. 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 there on during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, 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, 2008 such investment pool had an average maturity of 37 days and an average final maturity of 393 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, 2008 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, 2008 was \$1,487,813,174 and \$1,438,215,951, respectively.

### **E. Accounting and Financial Reporting for Certain Investments and for External Investment Pools**

During the fiscal year, 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 the 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.

**F. Deposit and Investment Risk 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 than 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 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.

As of June 30, 2008 MSRS proportionate share of the SBI's exposure to credit risk, based on S&P Quality Ratings, is as follows:

(Dollars in thousands)	
<b>Quality Rating</b>	<b>Fair Value</b>
<b>AA or Better</b>	\$ 2,242,173
<b>BBB to A</b>	516,952
<b>BB or Lower</b>	74,605
<b>Not Rated</b>	130,269

**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.

**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 as of June 30, 2008 had the following weighted-average maturities:

Security	Weighted Average Maturity (in years)
Cash Equivalents	0.16
Mutual Funds	3.25
Asset-Backed Securities	11.10
Corporate Debt	7.47
Municipal Bonds	1.50
U.S. Treasuries	9.40
U.S. Agencies	3.64
Mortgage-Backed Securities	25.90

#### 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. SBI has less than a 15 percent exposure to currency risk. Investments at June 30, 2008 were distributed among the following currencies (in thousands):

Currency	Investment Type (Fair Value in Thousand Dollars)			Totals
	Cash & Cash Equivalents	Equities	Fixed Income	
AUSTRALIAN DOLLAR		\$76,892		\$76,892
CANADIAN DOLLAR		91,694		91,694
EURO CURRENCY	\$322	412,020	\$110	412,452
HONG KONG DOLLAR		66,799		66,799
JAPANESE YEN	151	249,893		250,044
NEW TAIWAN DOLLAR		22,054		22,054
POUND STERLING	153	245,147		245,300
SOUTH KOREAN WON		26,180		26,180
SWEDISH KRONA		20,882		20,882
SWISS FRANC		93,128		93,128
OTHER	23,979	141,890	7,897	173,766
<b>Totals</b>	<u>\$24,605</u>	<u>\$1,446,579</u>	<u>\$8,007</u>	<u>\$1,479,191</u>

Note: Other currency includes Brazilian reals, Danish krone, Egyptian pounds, Hungarian forints, Indian rupees, Indonesian rupiahs, Malaysian ringits, Mexican pesos, new Turkish lira, Norwegian krone, Polishzloty, Singapore Dollars, South African rands, and Philippine Pesos.

#### 4. Interfund Receivables, Payables, and Interfund Transfers

The purpose of interfund receivables and payables is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30, 2008. Most of these balances are the result of our annual reallocation of administrative expenses. The only such balance that may not be completely liquidated during the ensuing fiscal year is the Health Care Savings Fund payable.



## Notes to the Financial Statements and the Required Supplemental Information

	(Dollars In thousands)	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Defined Benefit Retirement Funds</b>		
State Employees	\$4,995	
State Patrol		100
Correctional Employees		397
Judges		41
Legislators		25
Elective State Officers		1
<b>Defined Contribution Retirement Funds</b>		
Unclassified Employees		197
Health Care Savings Plan		2,488
Minnesota State Deferred Compensation Plan		1,741
Supplemental Retirement Plan for Hennepin County		5
<b>Totals</b>	<u>\$4,995</u>	<u>\$4,995</u>

Interfund transfers are primarily the result of elective membership eligibility changes that have occurred during the fiscal year. These interfund transfers during the fiscal year ended June 30, 2008 were as follows:

	(Dollars in thousands)	
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Defined Benefit Retirement Funds</b>		
State Employees	\$13,244	\$2,503
State Patrol		
Correctional Employees	1,839	6
Judges		4
Legislators		
Elected State Officers		
<b>Defined Contribution Retirement Funds</b>		
Unclassified Employees	668	13,238
Health Care Savings Plan		
Minnesota State Deferred Compensation Plan		
Supplemental Retirement Plan for Hennepin County		
<b>Totals</b>	<u>\$15,751</u>	<u>\$15,751</u>

### 5. Leases

MSRS moved into its new offices in the Retirement Systems of Minnesota 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 for branch offices in Mankato, St. Cloud, Detroit Lakes and Duluth. As of June 30, 2008 future obligations under the terms of those leases are as follows:

Location	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Totals
<b>Mankato</b>	\$22,605	\$22,879	\$23,427	\$23,427	\$3,904	\$96,242
<b>St. Cloud</b>	17,130	17,130	8,565	0	0	42,825
<b>Duluth</b>	9,208	0	0	0	0	9,208
<b>Detroit Lakes</b>	21,584	16,429	0	0	0	38,013
<b>Hennepin County Government Center</b>	5,200	5,200	2,600	0	0	13,000
<b>Totals</b>	<u>\$75,727</u>	<u>\$61,638</u>	<u>\$34,592</u>	<u>\$23,427</u>	<u>\$3,904</u>	<u>\$199,288</u>

**6. Actuarial Methods, Assumptions and Changes in Assumptions**

MSRS has implemented the Governmental Accounting Standards Board (GASB) Statement No. 50 on Pension Disclosures. The following disclosures are as of July 1, 2008, the most recent actuarial valuation date.

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

Contributions are made as a level percentage of covered salary. They are specified in statute as fixed percentages; there are no minimums or maximums. The actual inflation rate for all funds was 5.0 percent; there is no assumed inflation rate for any of the funds. However, annuity benefits are increased to cover the effects of inflation up to a maximum of 2.5 percent.

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

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

<b>State Employees Retirement Fund</b>	<b>.06/30/2020</b>
<b>State Patrol Retirement Fund</b>	<b>.06/30/2036</b>
<b>Correctional Employees Retirement Fund</b>	<b>.06/30/2038</b>
<b>Judges Retirement Fund</b>	<b>.06/30/2038</b>
<b>Legislators Retirement Fund</b>	<b>.06/30/2021</b>
<b>Elective State Officers Retirement Fund</b>	<b>.06/30/2017</b>

For projecting retiree mortality, all funds except the Judges Fund, use the 1983 Group Annuity Mortality Tables. These tables are set back or set forward (expressed in years) to match fund experience as follows:

<b>Fund</b>	<b>Pre-retirement</b>		<b>Post-retirement</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
<b>State Employees</b>	-5	-2	-2	-1
<b>State Patrol</b>	-5	-2	-2	-1
<b>Correctional Employees</b>	-5	-2	-2	-1
<b>Legislators</b>	-4	-2	0	0
<b>Elective State Officers</b>	-4	-2	0	0

**Changes in Actuarial Assumptions**

**Payroll Growth:** The payroll growth assumption was decreased from 5.00 percent per annum to 4.50 percent per annum for the General, Correctional, State Patrol, and Legislators plans. The payroll growth assumption was decreased from 5.00 percent per annum to 4.00 percent per annum for the Judges plan.

**State Employees Retirement Fund:** The assumption changes that follow resulted in a combined \$146 million decrease in the accrued actuarial liability.

**Salary Increases:** Change in select period rates, and decrease in the ultimate rates.

## Notes to the Financial Statements and the Required Supplemental Information

**Old Assumptions:** During the first 10 years of employment, referred to as the select period, an amount equal to 0.30 percent times  $(10 - T)$ , where T is completed years of service, is added to the ultimate rate.

**New Assumptions:** During the first 5 years of employment, referred to as the select period, an amount equal to 0.60 percent times  $(5 - T)$ , where T is completed years of service, is added to the ultimate rate.

OLD Assumptions		NEW Assumptions	
Age	Ultimate	Age	Ultimate
42	6.75%	42	5.75%
43	6.65%	43	5.65%
44	6.55%	44	5.55%
45	6.45%	45	5.45%
46	6.35%	46	5.35%
47	6.25%	47	5.25%
48	6.15%	48	5.15%
49	6.05%	49	5.05%
50	5.95%	50	4.95%
51	5.85%	51	4.85%
52	5.75%	52	4.75%
53	5.65%	53	4.65%
54	5.55%	54	4.55%
55	5.45%	55	4.45%
56	5.35%	56	4.35%
57+	5.25%	57	4.25%

**Withdrawal Rates:** Ultimate withdrawal rates for females ages 35 to 54 were decreased. Other rates remained the same.

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
20	6.90%	8.55%	6.90%	8.55%
21	6.70%	8.40%	6.70%	8.40%
22	6.50%	8.25%	6.50%	8.25%
23	6.30%	8.10%	6.30%	8.10%
24	6.10%	7.95%	6.10%	7.95%
25	5.90%	7.80%	5.90%	7.80%
26	5.70%	7.65%	5.70%	7.65%
27	5.50%	7.50%	5.50%	7.50%
28	5.30%	7.35%	5.30%	7.35%
29	5.10%	7.20%	5.10%	7.20%
30	4.90%	7.05%	4.90%	7.05%
31	4.70%	6.90%	4.70%	6.90%
32	4.50%	6.75%	4.50%	6.75%
33	4.30%	6.60%	4.30%	6.60%
34	4.10%	6.45%	4.10%	6.45%
35	3.90%	6.30%	3.90%	5.10%
36	3.70%	6.15%	3.70%	4.93%
37	3.50%	6.00%	3.50%	4.75%
38	3.40%	5.85%	3.40%	4.63%
39	3.30%	5.70%	3.30%	4.50%
40	3.20%	5.55%	3.20%	4.38%
41	3.10%	5.40%	3.10%	4.25%
42	3.00%	5.25%	3.00%	4.13%

## Notes to the Financial Statements and the Required Supplemental Information

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
43	2.90%	5.10%	2.90%	4.00%
44	2.80%	4.95%	2.80%	3.88%
45	2.70%	4.80%	2.70%	3.75%
46	2.60%	4.65%	2.60%	3.63%
47	2.50%	4.50%	2.50%	3.50%
48	2.40%	4.30%	2.40%	3.35%
49	2.30%	4.10%	2.30%	3.20%
50	2.20%	3.90%	2.20%	3.05%
51	2.10%	3.70%	2.10%	2.90%
52	2.00%	3.50%	2.00%	2.75%
53	1.90%	3.30%	1.90%	2.60%
54	1.80%	3.10%	1.80%	2.45%

**Retirement:** Rule of 90 retirement rates for ages 56 to 60 were reduced. Other age group rates remained the same.

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
55	25%	25%	25%	25%
56-60	25%	25%	20%	20%
61	25%	25%	25%	25%
62	50%	50%	50%	50%
63-64	40%	40%	40%	40%
65	45%	45%	45%	45%
66-70	30%	30%	30%	30%
71+	100%	100%	100%	100%

**Disability:** Disability rates for ages 50 to 65 were increased. Other age group rates remained the same.

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
33	0.010%	0.010%	0.010%	0.010%
34	0.020%	0.020%	0.020%	0.020%
35	0.030%	0.030%	0.030%	0.030%
36	0.040%	0.040%	0.040%	0.040%
37	0.050%	0.050%	0.050%	0.050%
38	0.060%	0.060%	0.060%	0.060%
39	0.070%	0.070%	0.070%	0.070%
40	0.080%	0.080%	0.080%	0.080%
41	0.090%	0.090%	0.090%	0.090%
42	0.100%	0.100%	0.100%	0.100%
43	0.110%	0.110%	0.110%	0.110%
44	0.120%	0.120%	0.120%	0.120%
45	0.130%	0.130%	0.130%	0.130%
46	0.140%	0.140%	0.140%	0.140%
47	0.150%	0.150%	0.150%	0.150%
48	0.180%	0.180%	0.180%	0.180%
49	0.210%	0.210%	0.210%	0.210%
50	0.240%	0.240%	0.288%	0.288%
51	0.270%	0.270%	0.324%	0.324%
52	0.300%	0.300%	0.360%	0.360%
53	0.340%	0.320%	0.408%	0.384%
54	0.380%	0.340%	0.456%	0.408%
55	0.420%	0.360%	0.504%	0.432%

## Notes to the Financial Statements and the Required Supplemental Information

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
56	0.460%	0.380%	0.552%	0.456%
57	0.500%	0.400%	0.600%	0.480%
58	0.550%	0.440%	0.660%	0.528%
59	0.600%	0.480%	0.720%	0.576%
60	0.650%	0.520%	0.780%	0.624%
61	0.700%	0.560%	0.840%	0.672%
62	0.750%	0.600%	0.900%	0.720%
63	0.800%	0.640%	0.960%	0.768%
64	0.850%	0.680%	1.020%	0.816%

### Correctional Employees Retirement Fund

The assumption changes that follow resulted in a combined \$ 7.0 million decrease in the accrued actuarial liability.

**Salary Increases:** Salary increase rates at all ages were decreased by 50 basis points (1/2 percent).

OLD Assumptions		NEW Assumptions	
Age	Ultimate	Age	Ultimate
20	7.75%	20	7.25%
21	7.15%	21	6.65%
22	7.07%	22	6.57%
23	7.05%	23	6.55%
24	7.04%	24	6.54%
25	7.00%	25	6.50%
26	7.00%	26	6.50%
27	7.00%	27	6.50%
28	7.00%	28	6.50%
29	7.00%	29	6.50%
30	7.00%	30	6.50%
31	7.00%	31	6.50%
32	7.00%	32	6.50%
33	7.00%	33	6.50%
34	7.00%	34	6.50%
35	7.00%	35	6.50%
36	6.90%	36	6.40%
37	6.81%	37	6.31%
38	6.71%	38	6.21%
39	6.61%	39	6.11%
40	6.50%	40	6.00%
41	6.35%	41	5.85%
42	6.21%	42	5.71%
43	6.06%	43	5.56%
44	5.90%	44	5.40%
45	5.75%	45	5.25%
46	5.69%	46	5.19%
47	5.64%	47	5.14%
48	5.58%	48	5.08%
49	5.54%	49	5.04%
50	5.50%	50	5.00%
51	5.44%	51	4.94%
52	5.38%	52	4.88%
53	5.32%	53	4.82%
54	5.28%	54	4.78%
55+	5.25%	55+	4.75%

**Judges Retirement Fund**

The assumption changes that follow resulted in a combined \$2.5 million increase in the accrued actuarial liability.

**Salary Increases:** The salary increase assumption was decreased from 5.00 percent per annum to 4.00 percent per annum.

**Retirement:** Retirement rates were decreased for age 64 from 10 percent to 5 percent, and increased for age 70 from 30 percent to 100 percent.

Age	OLD Assumptions	NEW Assumptions
61	0%	0%
62-63	10%	10%
64	10%	5%
65-67	20%	20%
68-69	30%	30%
70	30%	100%
71+	100%	100%

**Healthy Mortality:** For healthy retirees and beneficiaries, the Post Retirement Mortality table assumption changed to the RP-2000 Combined Annuity Mortality table, projected 8 years, with no collar adjustment. Previously, the 1983 Group Annuity Mortality table was used.

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
21	0.0392%	0.0201%	0.0309%	0.0167%
22	0.0408%	0.0212%	0.0319%	0.0169%
23	0.0424%	0.0225%	0.0331%	0.0173%
24	0.0444%	0.0238%	0.0339%	0.0178%
25	0.0464%	0.0253%	0.0347%	0.0185%
26	0.0488%	0.0268%	0.0360%	0.0194%
27	0.0513%	0.0283%	0.0367%	0.0202%
28	0.0542%	0.0301%	0.0378%	0.0213%
29	0.0572%	0.0320%	0.0396%	0.0225%
30	0.0607%	0.0342%	0.0427%	0.0244%
31	0.0645%	0.0364%	0.0479%	0.0288%
32	0.0687%	0.0388%	0.0540%	0.0328%
33	0.0734%	0.0414%	0.0606%	0.0367%
34	0.0785%	0.0443%	0.0674%	0.0401%
35	0.0860%	0.0476%	0.0743%	0.0435%
36	0.0907%	0.0502%	0.0808%	0.0467%
37	0.0966%	0.0535%	0.0868%	0.0499%
38	0.1039%	0.0573%	0.0919%	0.0534%
39	0.1128%	0.0617%	0.0965%	0.0574%
40	0.1238%	0.0665%	0.1012%	0.0626%
41	0.1370%	0.0716%	0.1062%	0.0686%
42	0.1527%	0.0775%	0.1121%	0.0755%
43	0.1715%	0.0841%	0.1189%	0.0830%
44	0.1932%	0.0919%	0.1268%	0.0912%
45	0.2183%	0.1010%	0.1358%	0.0988%
46	0.2471%	0.1117%	0.1444%	0.1066%
47	0.2790%	0.1237%	0.1537%	0.1147%
48	0.3138%	0.1366%	0.1635%	0.1240%
49	0.3513%	0.1505%	0.1739%	0.1340%
50	0.3909%	0.1647%	0.1849%	0.1461%
51	0.4324%	0.1793%	0.2101%	0.1628%
52	0.4755%	0.1948%	0.2269%	0.1803%

## Notes to the Financial Statements and the Required Supplemental Information

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
53	0.5200%	0.2119%	0.2481%	0.2004%
54	0.5660%	0.2315%	0.2719%	0.2237%
55	0.6131%	0.2541%	0.3108%	0.2548%
56	0.6618%	0.2803%	0.3632%	0.2945%
57	0.7139%	0.3103%	0.4091%	0.3341%
58	0.7719%	0.3442%	0.4635%	0.3769%
59	0.8384%	0.3821%	0.5225%	0.4266%
60	0.9158%	0.4241%	0.5930%	0.4856%
61	1.0064%	0.4702%	0.6802%	0.5585%
62	1.1133%	0.5210%	0.7760%	0.6395%
63	1.2391%	0.5769%	0.8944%	0.7347%
64	1.3868%	0.6385%	1.0077%	0.8280%
65	1.5592%	0.7064%	1.1378%	0.9324%
66	1.7579%	0.7817%	1.2977%	1.0523%
67	1.9804%	0.8681%	1.4477%	1.1685%
68	2.2229%	0.9702%	1.5965%	1.2917%
69	2.4817%	1.0921%	1.7690%	1.4276%
70	2.7530%	1.2385%	1.9677%	1.6084%
71	3.0354%	1.4128%	2.1772%	1.7706%
72	3.3370%	1.6159%	2.4174%	1.9694%
73	3.6680%	1.8481%	2.6926%	2.1715%
74	4.0388%	2.1091%	3.0039%	2.4067%
75	4.4597%	2.3992%	3.3799%	2.6357%
76	4.9388%	2.7184%	3.7671%	2.9039%
77	5.4758%	3.0672%	4.2244%	3.2241%
78	6.0678%	3.4459%	4.7324%	3.5541%
79	6.7125%	3.8549%	5.3021%	3.9238%
80	7.4070%	4.2945%	5.9395%	4.3372%
81	8.1484%	4.7655%	6.7015%	4.8005%
82	8.9320%	5.2691%	7.5477%	5.3218%
83	9.7525%	5.8071%	8.4134%	5.9090%
84	10.6047%	6.3807%	9.4326%	6.5718%
85	11.4836%	6.9918%	10.4704%	7.3806%
86	12.4170%	7.6570%	11.6087%	8.2981%
87	13.3870%	8.3870%	12.9648%	9.3297%
88	14.4073%	9.1935%	14.4671%	10.3917%
89	15.4859%	10.1354%	15.9879%	11.6324%
90	16.6307%	11.1750%	17.7620%	12.8555%
91	17.8214%	12.3076%	19.3465%	14.1170%
92	19.0460%	13.5630%	21.1461%	15.3875%
93	20.3007%	14.9577%	22.8113%	16.7725%
94	21.7904%	16.5103%	24.4739%	17.9895%
95	23.4086%	18.2419%	26.3241%	19.1419%
96	24.8436%	20.1757%	27.9394%	20.2116%
97	26.3954%	22.2043%	29.5088%	21.3524%
98	28.0803%	24.3899%	31.2782%	22.2162%
99	29.9154%	26.8185%	32.7575%	22.9542%
100	31.9185%	29.5187%	34.1809%	23.5574%
101	34.1086%	32.5225%	35.8628%	24.4834%
102	36.5052%	35.8897%	37.1685%	25.4498%
103	39.3102%	39.5842%	38.3040%	26.6044%
104	42.7255%	43.8360%	39.2003%	27.9055%
105	46.9531%	48.7816%	39.7886%	29.3116%
106	52.1945%	54.5886%	40.0000%	30.7811%

## Notes to the Financial Statements and the Required Supplemental Information

Age	OLD Assumptions		NEW Assumptions	
	Male	Female	Male	Female
107	58.6518%	61.4309%	40.0000%	32.2725%
108	66.5268%	69.4884%	40.0000%	33.7441%
109	76.0215%	78.9474%	40.0000%	35.1544%
110	100.0000%	100.0000%	40.0000%	36.4617%
111	100.0000%	100.0000%	40.0000%	37.6246%
112	100.0000%	100.0000%	40.0000%	38.6015%
113	100.0000%	100.0000%	40.0000%	39.3507%
114	100.0000%	100.0000%	40.0000%	39.8308%
115-119	100.0000%	100.0000%	40.0000%	40.0000%
120	100.0000%	100.0000%	100.0000%	100.0000%

The combined effects of the preceding actuarial changes resulted in increases or (decreases) to unfunded liabilities as follows:

<b>State Employees Retirement Fund</b>	\$(146,180,000)
<b>Correctional Employees Retirement Fund</b>	\$(7,021,000)
<b>Judges Retirement Fund</b>	\$2,482,000

Post retirement benefit increases are limited to the lesser of the actual inflation rate for the preceding 12 months or 2.5 percent. The Unclassified Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund, and the Supplemental Retirement Fund for Hennepin County are defined contribution plans and therefore they are neither applicable assumptions nor actuarial valuations. The funding status schedule which follows was prepared using the preceding actuarial methods and assumptions.

Status of Plan Funding:	SERF	SPRF	CERF	JRF	LRF	ESORF
<b>Most Recent Actuarial Valuation Date</b>	July 1, 2008	July 1, 2008	July 1, 2008	July 1, 2008	July 1, 2008	July 1, 2008
<b>Actuarial Value of Assets</b> (Dollars in thousands)	\$9,013,456	\$595,082	\$572,719	\$147,542	\$39,209	\$212
<b>Actuarial Accrued Liability</b> (Dollars in thousands)	\$9,994,602	\$693,686	\$760,363	\$231,623	\$86,131	\$3,908
<b>Total Unfunded Actuarial Accrued Liability</b> (Dollars in thousands)	\$981,146	\$98,604	\$187,644	\$84,081	\$46,922	\$3,696
<b>Actuarial Value of Assets as a Percentage of the Actuarial Liability (Funded Ratio as a Percentage)</b>	90.18%	85.79%	75.32%	63.74%	45.52%	5.42%
<b>Annual Covered Payroll</b> (Dollars in thousands)	\$2,256,528	\$60,029	\$194,391	\$38,296	\$1,993	\$0
<b>Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll (as a percentage)</b>	43.48	164.26	96.53	219.56	2,354.34	N/A



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

**7. Actuarial Asset Valuations**

Minnesota statutes provide for a graduated recognition of the unrealized investment gains or losses. The Actuarial Basis of assets is adjusted to spread the differences between actual return (measured on a fair value basis) and expected return (8 1/2 percent of assets) over five years. The amounts shown on the “Statement of Plan Net Assets” are presented at fair value and do not include any of the preceding adjustments. The unfunded liabilities determined using both methods as of June 30, 2008 were:

(Dollars in thousands)		
<b>Basis</b>	<b>Actuarial Basis</b>	<b>Fair Value</b>
<b>State Employees</b>	\$981,146	\$1,191,462
<b>State Patrol</b>	98,604	104,307
<b>Correctional Employees</b>	187,644	195,183
<b>Judges</b>	84,081	85,534
<b>Legislators</b>	46,922	46,922
<b>Elective State Officers</b>	3,696	3,696
	<u>\$1,402,093</u>	<u>\$1,627,104</u>

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

Until June 30, 2009, the Minnesota Post-Retirement Investment Fund (MPRIF) is legally dedicated and obliged to pay future benefits to participating annuitants. This obligation is actuarially valued each fiscal year using an assumed post-retirement investment income rate of 6 percent with excess earnings first used for benefit increases to offset inflation up to 2.5 percent and the remaining income applied to deficits. After June 30, 2009 these obligations will remain as part of the retirement funds. As of June 30, 2008 the fair value of investments dedicated to these obligations and the related deficits were as follows:

(Dollars in thousands)			
<b>Fund</b>	<b>MPRIF Assets</b>	<b>Actuarial Liability</b>	<b>MPRIF Excess (Deficit)</b>
<b>State Employees Retirement Fund</b>	\$3,439,802	\$4,251,341	\$(811,539)
<b>State Patrol Retirement Fund</b>	361,829	445,217	(83,388)
<b>Correctional Employees Retirement Fund</b>	275,491	338,510	(63,019)
<b>Judges Retirement Fund</b>	97,812	124,780	(26,968)
<b>Legislators Retirement Fund</b>	31,526	39,547	(8,021)
<b>Totals</b>	<u>\$4,206,460</u>	<u>\$5,199,395</u>	<u>\$(992,935)</u>

**9. Optional Retirement Annuities**

In the defined benefit funds, three Joint-and-Survivor annuity options are available. One provides a 50 percent survivor benefit, another 75 percent survivor benefit and another 100 percent survivor benefit to the beneficiary; each 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 Elective 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.

**10. Descriptions and Contribution Information of Individual Defined Benefit Funds**

**A. State Employees Retirement Fund**

The State Employees Retirement Fund includes the General Employees Plan, a multiple employer, cost sharing plan, and the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan, all single-employer plans. Only certain employees of the Departments of Military Affairs, Transportation and the State Fire Marshals office are eligible to be members of those plans, but all state employees who are not members of another plan are covered by the General Employees Plan. Membership statistics, as of June 30, 2008, follow:

<b>Members receiving benefits:</b>	
- Retirees and disabilitants.....	23,356
- Beneficiaries .....	3,090
<b>Terminated members:</b>	
- Vested, not receiving benefits .....	14,951
- Nonvested .....	6,865
<b>Active members:</b>	
- Vested .....	36,416
- Nonvested .....	<u>12,407</u>
<b>Total .....</b>	<u><u>97,085</u></u>
<b>Annual payroll (June 30, 2008) .....</b>	\$2,256,528,000
<b>Participating employer units .....</b>	33

*Minnesota Statutes*, Section 352.04 required that eligible employees contribute 4.25 percent of their total compensation. The employer contributes 4.25 percent. Effective July 1, 2008 these rates increased to 4.50 percent and 4.50 percent respectively. Retirement benefits can be computed by two methods: the step formula and the level formula. Step formula benefits are 1.2 percent of the high five-year average salary for each of the first 10 years, plus 1.7 percent for each year thereafter. Also, it includes full benefits under the *Rule of 90*. In contrast, the level formula does not include the Rule of 90, benefits are 1.7 percent of the high five-year average salary for all years of service, and full benefits are available at normal retirement age.

All employees of MSRS, except the Executive Director, are members of this plan. As stated in the preceding paragraph, the authority for the 4.25 percent employee and 4.25 percent employer contributions, is *Minnesota Statutes*, Section 352.04. MSRS employee and employer contributions were as follows:

	<b>Employee</b>	<b>Employer</b>
<b>Fiscal Year Ended June 30, 2008</b>	\$205,729	\$205,729
<b>Fiscal Year Ended June 30, 2007</b>	\$180,286	\$180,286
<b>Fiscal Year Ended June 30, 2006</b>	\$170,116	\$170,116
<b>Fiscal Year Ended June 30, 2005</b>	\$165,902	\$165,902
<b>Fiscal Year Ended June 30, 2004</b>	\$120,352	\$120,352

**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, 2008 follow:

<b>Members receiving benefits:</b>	
- Retirees and disabilitants.....	702
- Beneficiaries .....	194
<b>Terminated members:</b>	
- Vested, not receiving benefits .....	35
- Nonvested.....	7
<b>Active members:</b>	
- Vested .....	738
- Nonvested.....	<u>102</u>
<b>Total .....</b>	<u><b>1,778</b></u>
<b>Annual payroll (June 30, 2008) .....</b>	<b>\$60,029,000</b>

Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 9.10 percent of their total compensation, the employer contributes 13.60 percent. Effective July 1, 2008 these rates increased to 9.80 percent and 14.60 percent respectively. Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 3 percent of the high five-year average salary for each year of service.

**C. Correctional Employees Retirement Fund**

The Correctional Employees Retirement Fund includes only the Correctional Plan, a single-employer plan. Membership is limited to those state employees who have direct responsibility for inmates at Minnesota correctional facilities. Membership statistics, as of June 30, 2008 follow:

<b>Members receiving benefits:</b>	
- Retirees and disabilitants.....	1,477
- Beneficiaries .....	123
<b>Terminated members:</b>	
- Vested, not receiving benefits .....	888
- Nonvested.....	548
<b>Active members:</b>	
- Vested .....	2,792
- Nonvested.....	<u>1,728</u>
<b>Total .....</b>	<u><b>7,556</b></u>
<b>Annual payroll (June 30, 2008) .....</b>	<b>\$194,391,000</b>

Minnesota Statutes, Section 352.92 requires that eligible employees contribute 6.40 percent of their total compensation. The employer contributes 9.10 percent. Members become eligible for normal retirement benefits at age 62 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. Effective July, 2008 these rates increased to 7.00 percent and 10.10 percent respectively. 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, 2008 follow:

<b>Members receiving benefits:</b>	
- Retirees.....	190
- Beneficiaries.....	89
<b>Terminated members:</b>	
- Vested, not receiving benefits.....	40
- Nonvested .....	0
<b>Active Members:</b>	
- Vested.....	208
- Nonvested .....	<u>79</u>
<b>Total</b> .....	<u>606</u>
<b>Annual payroll (June 30, 2008)</b> .....	\$ 38,296,000

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 Elective 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 Elective 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, 1999 are members of the Unclassified Plan; those who took office prior to January 1, 1999 were given the option of selecting membership in whichever plan they preferred. Membership statistics, as of June 30, 2008 follow:

	<b>Legislators</b>	<b>Elective State Officers</b>
<b>Members receiving benefits:</b>		
- Retirees .....	277	11
- Beneficiaries .....	69	4
<b>Terminated members:</b>		
- Vested, not receiving benefits.....	106	1
- Nonvested .....	2	0
<b>Active members:</b>		
- Vested.....	52	0
- Nonvested .....	<u>0</u>	<u>0</u>
<b>Totals</b> .....	<u>506</u>	<u>16</u>
<b>Annual payroll (June 30, 2008)</b> .....	\$1,993,000	*

\* The remaining members 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 requires that legislators contribute 9 percent of their salary including certain per diem payments. The Elective State Officers Plan is closed and there are no active contributing participants. 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 Elective State Officers Plan has the same benefit eligibility.

**11. Descriptions and Contribution Information of Individual 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, 2008 were:

- <b>Active members</b> . . . . .	1,567
- <b>Inactive members</b> . . . . .	1,736
<b>Total</b> . . . . .	<u>3,303</u>
- <b>Annual payroll (June 30, 2008)</b> . . . . .	\$ 104,523,000
- <b>Participating employer units</b> . . . . .	12
<b>Statutorily Required Contribution rates:</b>	
- Employee . . . . .	.4%
- Employer . . . . .	.6%

*Minnesota Statutes*, Section 352D.01 through 352D.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), but functions as a hybrid between a defined contribution and a defined benefit plan. Retirement and disability benefits are available to some members through conversion, at the member's option, to the General Employees Plan provided he or she had prior service in that plan or at least 10 years of service. This reversion option is not available to judges, legislators and elected state officers. It is a contingent liability of the State Employees Retirement Fund and actuarially valued as of June 30, 2008 in the amount of \$ 10,321,000.

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>
<b>Fiscal Year Ended June 30, 2008</b>	\$4,168	\$6,252
<b>Fiscal Year Ended June 30, 2007</b>	\$4,107	\$6,160
<b>Fiscal Year Ended June 30, 2006</b>	\$4,075	\$6,112
<b>Fiscal Year Ended June 30, 2005</b>	\$3,994	\$5,991
<b>Fiscal Year Ended June 30, 2004</b>	\$3,913	\$5,870

**B. Health Care Savings Plan**

The Health Care Savings Plan is a defined contribution fund. 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, 2008 follow.

- Active members	36,877
- Inactive members	5,845
- Withdrawing members	<u>6,804</u>
<b>Total</b>	<u><u>49,526</u></u>
- Annual payroll (June 30, 2008)	NA
- Participating employer units	425

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. Minnesota State Deferred Compensation Plan**

The Minnesota State Deferred Compensation Plan 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, Great-West Life and Annuity Insurance Company. Membership statistics as of June 30, 2008 follow:

- Active members	55,565
- Inactive members	27,859
- Withdrawing members	<u>5,192</u>
<b>Total</b>	<u><u>88,616</u></u>
- Annual payroll (June 30, 2008)	NA
- Participating employer units	796

**D. Supplemental Retirement Plan for Hennepin County**

MSRS is the recordkeeper for the Supplemental Retirement Plan for Hennepin County, a defined contribution fund. Only employees of Hennepin County who began employment prior to April 14, 1982 are eligible to participate in this 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, 2008 follow.

- Active members	905
- Inactive members	980
- Withdrawing members	<u>307</u>
<b>Total</b>	<u><u>2,192</u></u>
- Annual payroll (June 30, 2008)	60,113,000
- Participating employer units	2

**12. Long-term Debt**

MSRS has entered into an agreement with the Teachers Retirement Association and the Public Employees Retirement Association for the purpose of construction and ownership of an administrative office building. Each agency owns an undivided portion of the asset total equal to their relative number of employees at the time the agreement was approved. For MSRS that portion was originally 20.4 percent of the total; it was later revised to 20.2 percent, and subsequently in July, 2007 to 24.6 percent. In order to finance building construction, on June 1, 2000 the state Department of Finance issued \$29,000,000 in 30-year revenue bonds. The bonds are secured by the value of the land purchased and the building that was constructed and are to be repaid from the revenues of the three retirement systems. The table that follows shows the debt service amounts for which MSRS is directly responsible. Pursuant to the joint and several liability clause in the bond sale official statement, in the event of default, MSRS could be liable for the entire remaining outstanding principal and interest balance of the bonds, \$46,178,081.30. Bonds Payable on the Statement of Plan Net Assets is the MSRS share of the outstanding debt at the current ownership interest, 24.6 percent. The current, revised schedule follows. Bonds Payable includes the principal balance as of 06/30/08 and also includes interest from the debt repayment schedule accrued for the month of June in the amount of \$30,307.84, i.e. 1/12 of \$363,694.08.

<b>Debt Repayment Schedule by Fiscal Year</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal &amp; Interest</b>
2009	147,600.00	363,694.08	\$511,294.08
2010	153,750.00	355,760.58	\$509,510.58
2011	166,050.00	347,496.52	\$513,546.52
2012	172,200.00	338,529.82	\$510,729.82
2013	184,500.00	329,144.92	\$513,644.92
2014	190,650.00	318,997.42	\$509,647.42
2015	202,950.00	308,416.36	\$511,366.36
2016	215,250.00	297,051.16	\$512,301.16
2017	227,550.00	284,889.52	\$512,439.52
2018	239,850.00	271,919.18	\$511,769.18
2019	258,300.00	258,127.80	\$516,427.80
2020	270,600.00	243,275.56	\$513,875.56
2021	289,050.00	227,580.76	\$516,630.76
2022	307,500.00	210,599.06	\$518,099.06
2023	325,950.00	192,533.44	\$518,483.44
2024	344,400.00	173,383.88	\$517,783.88
2025	369,000.00	153,150.38	\$522,150.38
2026	387,450.00	131,471.62	\$518,921.62
2027	412,050.00	108,708.94	\$520,758.94
2028	442,800.00	84,501.00	\$527,301.00
2029	467,400.00	57,933.00	\$525,333.00
2030	498,150.00	29,889.00	\$528,039.00
Totals	<u>\$6,273,000.00</u>	<u>\$5,087,054.00</u>	<u>\$11,360,054.00</u>

Total Unpaid Principal, 06/30/08	\$6,273,000.00		
Accrued Interest (1/12 of \$363,694.08)	30,307.84		
Total, per Statement of Plan Net Assets	<u>\$6,303,307.84</u>	<u>\$6,303</u>	(rounded to nearest thousand dollars)

**13. Administrative Expenses**

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, 2008 are as follows:

<b>Expenses by Fund</b>	Dollars in thousands
<b>State Employees Retirement Fund</b>	\$ 5,152
<b>State Patrol Retirement Fund</b>	109
<b>Correctional Employees Retirement Fund</b>	410
<b>Judges Retirement Fund</b>	54
<b>Legislators Retirement Fund</b>	34
<b>Elected State Officers Retirement Fund</b>	4
<b>Unclassified Employees Retirement Fund</b>	157
<b>Health Care Savings Plan</b>	1,090
<b>Minnesota State Deferred Compensation Plan</b>	2,728
<b>Hennepin County Supplemental Retirement Plan</b>	6
<b>Total Expenses</b>	<u>\$ 9,744</u>

**14. Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions**

Nearly all MSRS employees are covered by the State Employees Group Insurance Plan (SEGIP) administered by the department of Minnesota Management and Budget. At present, this plan subsidizes the cost of retiree insurance by charging a single premium rate for active employees and retirees, regardless of underwriting experience. At June 30, 2008 the SEGIP had an unfunded net obligation for future benefits \$31,702,000 to be funded on a pay-as-you-go basis. MSRS' allocated portion of this liability is \$17,000.

**15. Subsequent Events**

Pursuant to *Minnesota Statute* Section 11A.18, on November 24, 2008 the Minnesota State Board of Investment certified that the composite funding ratio, i.e. the combined funding ratio of all pension funds that participate, of the Minnesota Post Retirement Investment Fund (MPRIF) was 79.7 percent as of June 30, 2008. Because this ratio was less than the 80 percent threshold specified in statute, the MPRIF investment pool will be dissolved and the investments held in it will be distributed to the various participating retirement funds on June 30, 2009. Shares will be distributed according to ownership participation as of June 30, 2008.

**16. Required Supplemental Information**

A *Schedule of Funding Progress* and a *Schedule of Employer Contributions* for each of the defined benefit plans are presented in the pages that follow these notes.



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# Required Supplementary Information

## Schedule of Funding Progress

(UNAUDITED)

(Dollars in thousands)

Fiscal Year Ended June 30	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A)/(B)	Actual Covered Payroll (Previous FY)(C)	UAAL as Percent of Covered Payroll (B-A)/(C)
<b>State Employees Retirement Fund:</b>						
2003	\$7,757,292	\$7,830,671	\$73,379	99.06%	\$2,009,975	3.65%
2004	7,884,984	7,878,363	(6,621)	100.08	1,965,546	(0.34)
2005	8,081,736	8,455,336	373,600	95.58	1,952,323	19.14
2006	8,486,756	8,819,161	332,405	96.23	2,016,588	16.48
2007	8,904,517	9,627,305	722,788	92.49	2,095,310	34.50
2008	9,013,456	9,994,602	981,146	90.18	2,256,528	43.48
<b>State Patrol Retirement Fund:</b>						
2003	\$591,521	\$538,980	\$(52,541)	109.75%	\$54,175	(96.98)%
2004	594,785	545,244	(49,541)	109.09	51,619	(95.98)
2005	601,220	566,764	(34,456)	106.08	55,142	(62.49)
2006	618,990	641,479	22,489	96.49	57,765	38.93
2007	617,901	673,444	55,543	91.75	61,498	90.32
2008	595,082	693,686	98,604	85.79	60,029	164.26
<b>Correctional Employees Retirement Fund:</b>						
2003	\$470,716	\$484,974	\$14,258	97.06%	\$131,328	10.86%
2004	486,617	524,215	37,598	92.83	133,172	28.23
2005	503,573	546,118	42,545	92.21	132,335	32.15
2006	535,357	647,480	112,123	82.68	145,879	76.86
2007	559,852	708,292	148,440	79.04	167,727	88.50
2008	572,719	760,363	187,644	75.32	194,391	96.53
<b>Judges Retirement Fund:</b>						
2003	\$134,142	\$176,291	\$42,149	76.09%	\$33,771	124.81%
2004	138,948	190,338	51,390	73.00	34,683	148.17
2005	144,465	191,414	46,949	75.47	35,941	130.63
2006	151,850	202,301	50,451	75.06	36,529	138.11
2007	153,562	214,297	60,735	71.66	36,195	167.80
2008	147,542	231,623	84,081	63.74	38,296	219.56
<b>Legislators Retirement Fund:</b>						
2003	This fund was not actuarially valued in this fiscal year.					
2004	\$46,155	\$83,197	\$37,042	55.48%	\$3,815	970.89%
2005	45,523	81,836	36,313	55.63	3,014	1,204.81
2006	48,504	81,361	32,857	59.62	2,894	1,135.35
2007	44,869	86,449	41,580	51.90	2,380	1,747.06
2008	39,209	86,131	46,922	45.52	1,993	2,354.34
<b>Elective State Officers Retirement Fund*:</b>						
2003	This fund was not actuarially valued in this fiscal year.					
2004	\$204	\$4,002	\$3,798	5.09%	\$0	N/A
2005	204	4,065	3,861	5.03	0	N/A
2006	207	3,969	3,762	5.23	0	N/A
2007	211	3,969	3,758	5.33	0	N/A
2008	212	3,908	3,696	5.43	0	N/A

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

# Required Supplementary Information

## Schedule of Employer Contributions

(UNAUDITED)

(Dollars in thousands)						
Fiscal Year Ended June 30	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
<b>State Employees Retirement Fund:</b>						
2003	8.34%	\$2,009,975	\$83,850	\$83,782	\$80,399	95.96%
2004	9.43	1,965,546	82,102	103,249	78,622	76.15
2005	9.33	1,952,323	83,101	99,051	80,312	81.08
2006	10.55	2,016,588	85,379	127,371	82,645	64.88
2007	10.11	2,095,310	89,447	122,389	86,492	70.67
2008	11.76	2,256,528	99,280	166,088	96,746	58.25
<b>State Patrol Retirement Fund:</b>						
2003	14.34%	\$54,175	\$4,555	\$3,214	\$6,826	212.38%
2004	17.81	51,619	4,493	4,700	6,504	138.39
2005	18.15	55,142	4,517	5,491	6,670	121.47
2006	19.84	57,765	4,719	6,741	7,055	104.66
2007	26.69	61,498	4,987	11,427	7,461	65.30
2008	29.90	60,029	5,595	12,354	8,279	67.02
<b>Correctional Employees Retirement Fund:</b>						
2003	14.73%	\$131,328	\$7,610	\$11,735	\$10,480	89.31%
2004	15.83	133,172	7,748	13,333	10,627	79.71
2005	17.48	132,335	7,943	15,189	11,016	72.52
2006	17.71	145,879	8,964	16,871	12,152	72.03
2007	23.34	167,727	10,032	29,115	13,927	47.83
2008	24.44	194,391	12,775	34,734	18,623	53.62
<b>Judges Retirement Fund:</b>						
2003	26.82%	\$33,771	\$2,574	\$6,483	\$6,923	106.79%
2004	26.73	34,683	2,643	6,628	7,110	107.27
2005	29.42	35,941	2,662	7,912	7,225	91.32
2006	29.14	36,529	2,866	7,779	7,336	94.30
2007	30.73	36,195	2,792	8,331	7,572	90.88
2008	33.70	38,296	2,859	10,047	7,935	78.98
<b>Legislators Retirement Fund:</b>						
2003	This fund was not actuarially valued in this fiscal year.					
2004	63.12%	\$3,815	\$343	\$2,065	\$0	0.00%
2005	104.72	3,014	384	2,773	0	0.00
2006	112.64	2,894	264	2,995	0	0.00
2007	111.24	2,380	239	2,408	0	0.00
2008	171.10	1,993	180	3,230	0	0.00
<b>Elective State Officers Retirement Fund*:</b>						
2003	This fund was not actuarially valued in this fiscal year.					
2004	\$412	-	-	\$412	\$383	92.88%
2005	437	-	-	437	395	90.37
2006	465	-	-	465	417	89.66
2007	477	-	-	477	427	89.57
2008	506	-	-	506	435	85.97

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

## Schedule of Administrative Expenses

**For the Fiscal Year Ended June 30, 2008**

**(Dollars in thousands)**

**Personal Services**

Staff Salaries	\$4,782
Social Security & Medicare	349
Retirement	212
Insurance	901
Other Personal Services	105

<b>Total</b>	<b>\$6,349</b>
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**Professional services:**

Actuarial	\$231
Data Processing	590
Disability Examinations	38
Legal Counsel	21
Other Professional Services	62

<b>Total</b>	<b>\$942</b>
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**Communication:**

Printing	\$274
Telephone	134
Postage	303
Travel	147
Subscriptions, memberships and training	51

<b>Total</b>	<b>\$909</b>
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**Rentals:**

Office Space	\$81
Other Rentals	9

<b>Total</b>	<b>\$90</b>
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**Miscellaneous:**

Building Services	\$289
Supplies	76
Repairs and Maintenance Agreements	20
Department Head and Board Member Expense	24
Statewide Indirect Cost	155
Depreciation	324
Interest Expense	373
State Sales Taxes	20
Local Sales Taxes	2
Other Services	171

<b>Total</b>	<b>\$1,454</b>
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**Total Administrative Expenses**

**\$9,744**

**Allocation of Administrative Expenses by Fund:**

State Employees	\$5,152
State Patrol	109
Correctional Employees	410
Judges	54
Legislators	34
Elective State Officers	4
Unclassified Employees	157
Health Care Savings	1,090
Deferred Compensation	2,728
Hennepin County Supplemental	6

**Total Administrative Expenses**

**\$9,744**

## Schedule of Changes in Plan Net Assets

### State Employees Retirement Fund For the Fiscal Year Ended June 30, 2008 (Dollars in thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
<b>Additions:</b>				
<b>Contributions:</b>				
Plan Member Contributions	\$97,028	\$0	\$2,252	\$99,280
Employer Contributions	0	0	96,746	96,746
<b>Total Contributions</b>	<u>\$97,028</u>	<u>\$0</u>	<u>\$98,998</u>	<u>\$196,026</u>
<b>Investment Income:</b>				
Investment Income	\$0	\$(200,742)	\$(270,106)	\$(470,848)
Less Investment Expenses	0	5,273	8,013	13,286
Net Investment Income from				
Investment Activities	<u>\$0</u>	<u>\$(206,015)</u>	<u>\$(278,119)</u>	<u>\$(484,134)</u>
Income from Securities Lending Activities:				
Securities Lending Income	<u>\$0</u>	<u>\$22,680</u>	<u>\$34,292</u>	<u>\$56,972</u>
Securities Lending Expenses:				
Borrower Rebates	\$0	\$18,051	\$27,268	\$45,319
Management Fees	0	938	1,426	2,364
Total Securities Lending Expenses	<u>\$0</u>	<u>\$18,989</u>	<u>\$28,694</u>	<u>\$47,683</u>
Net Income from Securities				
Lending Activities	<u>\$0</u>	<u>\$3,691</u>	<u>\$5,598</u>	<u>\$9,289</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$(202,324)</u>	<u>\$(272,521)</u>	<u>\$(474,845)</u>
<b>Other Additions:</b>				
Transfers From Other Plans	\$1,773	\$0	\$11,471	\$13,244
Other Income	0	0	288	288
<b>Total Other Additions</b>	<u>\$1,773</u>	<u>\$0</u>	<u>\$11,759</u>	<u>\$13,532</u>
<b>Total Additions</b>	<u>\$98,801</u>	<u>\$(202,324)</u>	<u>\$(161,764)</u>	<u>\$(265,287)</u>
<b>Deductions:</b>				
Annuity Benefits	\$0	\$418,757	\$0	\$418,757
Refunds	7,819	0	3,857	11,676
Interest to MPRI	0	0	490	490
Transfers to Other Plans	762	0	1,741	2,503
Administrative Expenses	0	0	5,152	5,152
<b>Total Deductions</b>	<u>\$8,581</u>	<u>\$418,757</u>	<u>\$11,240</u>	<u>\$438,578</u>
<b>Other Changes in Reserves:</b>				
Retirements	\$(48,711)	\$363,896	\$(315,185)	\$0
Mortality Gains (Losses)	0	0	0	0
Other	(1,095)	0	1,095	0
<b>Total Other Changes</b>	<u>\$(49,806)</u>	<u>\$363,896</u>	<u>\$(314,090)</u>	<u>\$0</u>
<b>Net Increase</b>	<u>\$40,414</u>	<u>\$(257,185)</u>	<u>\$(487,094)</u>	<u>\$(703,865)</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>				
July 1, 2007	\$1,001,317	\$3,696,987	\$4,808,701	\$9,507,005
June 30, 2008	<u>\$1,041,731</u>	<u>\$3,439,802</u>	<u>\$4,321,607</u>	<u>\$8,803,140</u>

## Schedule of Changes in Plan Net Assets

### State Patrol Retirement Fund For the Fiscal Year Ended June 30, 2008 (Dollars in thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
<b>Additions:</b>				
<b>Contributions:</b>				
Plan Member Contributions	\$5,549	\$0	\$46	\$5,595
Employer Contributions	0	0	8,279	8,279
<b>Total Contributions</b>	<u>\$5,549</u>	<u>\$0</u>	<u>\$8,325</u>	<u>\$13,874</u>
<b>Investment Income:</b>				
Investment Income	\$0	\$(19,052)	\$(11,254)	\$(30,306)
Less Investment Expenses	0	555	343	898
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$(19,607)</u>	<u>\$(11,597)</u>	<u>\$(31,204)</u>
Income From Security Lending Activities:				
Security Lending Income	<u>\$0</u>	<u>\$2,386</u>	<u>\$1,454</u>	<u>\$3,840</u>
Security Lending Expenses:				
Borrower Rebates	\$0	\$1,899	\$1,157	\$3,056
Management Fees	0	99	60	159
Total Security Lending Expenses	<u>\$0</u>	<u>\$1,998</u>	<u>\$1,217</u>	<u>\$3,215</u>
Net Income From Security Lending Activities	<u>\$0</u>	<u>\$388</u>	<u>\$237</u>	<u>\$625</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$(19,219)</u>	<u>\$(11,360)</u>	<u>\$(30,579)</u>
<b>Other Additions:</b>				
Transfers From Other Plans	\$0	\$0	\$0	\$0
Other Income	0	0	0	0
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$5,549</u>	<u>\$(19,219)</u>	<u>\$(3,035)</u>	<u>\$(16,705)</u>
<b>Deductions:</b>				
Annuity Benefits	\$0	\$42,752	\$52	\$42,804
Refunds	6	0	0	6
Interest to MPRI	0	0	178	178
Transfers to Other Plans	0	0	0	0
Administrative Expenses	0	0	109	109
Other Deductions	0	0	0	0
<b>Total Deductions</b>	<u>\$6</u>	<u>\$42,752</u>	<u>\$339</u>	<u>\$43,097</u>
<b>Other Changes in Reserves:</b>				
Retirements	\$(3,527)	\$24,067	\$(20,540)	\$0
Mortality Gains (Losses)	0	0	0	0
Other	(7)	0	7	0
<b>Total Other Changes</b>	<u>\$(3,534)</u>	<u>\$24,067</u>	<u>\$(20,533)</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$2,009</u>	<u>\$(37,904)</u>	<u>\$(23,907)</u>	<u>\$(59,802)</u>
<b>Net Assets Held in Trust for Pension Benefits</b>				
July 1, 2007	\$47,365	\$399,734	\$202,082	\$649,181
June 30, 2008	<u>\$49,374</u>	<u>\$361,830</u>	<u>\$178,175</u>	<u>\$589,379</u>

## Schedule of Changes in Plan Net Assets

### Correctional Employees Retirement Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
<b>Additions:</b>				
<b>Contributions:</b>				
Plan Member Contributions	\$12,560	\$0	\$215	\$12,775
Employer Contributions	0	0	18,623	18,623
<b>Total Contributions</b>	<u>\$12,560</u>	<u>\$0</u>	<u>\$18,838</u>	<u>\$31,398</u>
<b>Investment Income:</b>				
Investment Income	\$0	\$(16,266)	\$(14,155)	\$(30,421)
Less Investment Expenses	0	422	423	845
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$(16,688)</u>	<u>\$(14,578)</u>	<u>\$(31,266)</u>
Income from Securities Lending Activities:				
Securities Lending Income	<u>\$0</u>	<u>\$1,816</u>	<u>\$1,828</u>	<u>\$3,644</u>
Securities Lending Expenses:				
Borrower Rebates	\$0	\$1,446	\$1,454	\$2,900
Management Fees	0	75	76	151
Total Securities Lending Expenses	<u>\$0</u>	<u>\$1,521</u>	<u>\$1,530</u>	<u>\$3,051</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$295</u>	<u>\$298</u>	<u>\$593</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$(16,393)</u>	<u>\$(14,280)</u>	<u>\$(30,673)</u>
<b>Other Additions:</b>				
Transfers From Other Plans	\$572	\$0	\$1,267	\$1,839
Other Income	0	0	6	6
<b>Total Other Additions</b>	<u>\$572</u>	<u>\$0</u>	<u>\$1,273</u>	<u>\$1,845</u>
<b>Total Additions</b>	<u>\$13,132</u>	<u>\$(16,393)</u>	<u>\$5,831</u>	<u>\$2,570</u>
<b>Deductions:</b>				
Annuity Benefits	\$0	\$30,932	\$0	\$30,932
Refunds	644	0	151	795
Interest to MPRI	0	0	304	304
Transfers to Other Plans	3	0	3	6
Administrative Expenses	0	0	410	410
<b>Total Deductions</b>	<u>\$647</u>	<u>\$30,932</u>	<u>\$868</u>	<u>\$32,447</u>
<b>Other Changes in Reserves:</b>				
Retirements	\$(3,539)	\$26,470	\$(22,931)	\$0
Mortality Gains (Losses)	0	0	0	0
Other	(64)	0	64	0
<b>Total Other Changes</b>	<u>\$(3,603)</u>	<u>\$26,470</u>	<u>\$(22,867)</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$8,882</u>	<u>\$(20,855)</u>	<u>\$(17,904)</u>	<u>\$(29,877)</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>				
July 1, 2007	\$72,351	\$296,347	\$226,359	\$595,057
June 30, 2008	<u>\$81,233</u>	<u>\$275,492</u>	<u>\$208,455</u>	<u>\$565,180</u>

## Schedule of Changes in Plan Net Assets

### Judges Retirement Fund For the Fiscal Year Ended June 30, 2008 (Dollars in thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
<b>Additions:</b>				
<b>Contributions:</b>				
Plan Member Contributions	\$2,859	\$0	\$0	\$2,859
Employer Contributions	0	0	7,935	7,935
<b>Total Contributions</b>	<u>\$2,859</u>	<u>\$0</u>	<u>\$7,935</u>	<u>\$10,794</u>
<b>Investment Income:</b>				
Investment Income	0	(6,528)	(2,276)	(8,804)
Less Investment Expenses	0	150	76	226
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$(6,678)</u>	<u>\$(2,352)</u>	<u>\$(9,030)</u>
Income from Securities Lending Activities:				
Securities Lending Income	<u>\$0</u>	<u>\$645</u>	<u>\$304</u>	<u>\$949</u>
Securities Lending Expenses:				
Borrower Rebates	\$0	\$513	\$241	\$754
Management Fees	0	27	12	39
Total Securities Lending Expenses	<u>\$0</u>	<u>\$540</u>	<u>\$253</u>	<u>\$793</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$105</u>	<u>\$51</u>	<u>\$156</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$(6,573)</u>	<u>\$(2,301)</u>	<u>\$(8,874)</u>
<b>Other Additions:</b>				
Transfers From Other Plans	0	0	0	0
Other Income	0	0	0	0
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$2,859</u>	<u>\$(6,573)</u>	<u>\$5,634</u>	<u>\$1,920</u>
<b>Deductions:</b>				
Annuity Benefits	\$0	\$13,892	\$1,224	\$15,116
Refunds	0	0	0	0
Interest to MPRI	0	0	20	20
Transfers to Other Plans	4	0	0	4
Administrative Expenses	0	0	54	54
<b>Total Deductions</b>	<u>\$4</u>	<u>\$13,892</u>	<u>\$1,298</u>	<u>\$15,194</u>
<b>Other Changes in Reserves:</b>				
Retirements	\$(1,967)	\$12,459	\$(10,492)	\$0
Mortality Gains (Losses)	0	0	0	0
Other	0	0	0	0
<b>Total Other Changes</b>	<u>\$(1,967)</u>	<u>\$12,459</u>	<u>\$(10,492)</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	\$888	\$(8,006)	\$(6,156)	\$(13,274)
<b>Net Assets Held in Trust for Pension Benefits:</b>				
July 1, 2007	\$24,562	\$105,818	\$28,983	\$159,363
June 30, 2008	<u>\$25,450</u>	<u>\$97,812</u>	<u>\$22,827</u>	<u>\$146,089</u>



## Schedule of Changes in Plan Net Assets

### Legislators Retirement Fund For the Fiscal Year Ended June 30, 2008 (Dollars in thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
<b>Additions:</b>				
<b>Contributions:</b>				
Plan Member Contributions	\$180	\$0	\$0	\$180
General Fund Contributions	0	0	2,217	2,217
<b>Total Contributions</b>	<u>\$180</u>	<u>\$0</u>	<u>\$2,217</u>	<u>\$2,397</u>
<b>Investment Income:</b>				
Investment Income	0	(1,219)	0	(1,219)
Less Investment Expenses	0	48	0	48
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$(1,267)</u>	<u>\$0</u>	<u>\$(1,267)</u>
Income from Securities Lending Activities:				
Securities Lending Income	\$0	\$208	\$0	\$208
Securities Lending Expenses:				
Borrower Rebates	0	165	0	165
Management Fees	0	9	0	9
Total Securities Lending Expenses	<u>\$0</u>	<u>\$174</u>	<u>\$0</u>	<u>\$174</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$34</u>	<u>\$0</u>	<u>\$34</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$(1,233)</u>	<u>\$0</u>	<u>\$(1,233)</u>
<b>Other Additions:</b>				
Transfers From Other Plans	\$0	\$0	\$0	\$0
Other Income	0	0	0	0
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$180</u>	<u>\$(1,233)</u>	<u>\$2,217</u>	<u>\$1,164</u>
<b>Deductions:</b>				
Annuity Benefits	\$0	\$5,215	\$1,571	\$6,786
Refunds	1	0	0	1
Interest to MPRI	0	0	0	0
Transfers to Other Funds	0	0	0	0
Administrative Expenses	0	0	34	34
Other Expenses	0	0	3	3
<b>Total Deductions</b>	<u>\$1</u>	<u>\$5,215</u>	<u>\$1,608</u>	<u>\$6,824</u>
<b>Other Changes in Reserves:</b>				
Retirements	\$(455)	\$0	\$455	\$0
Mortality Gains (Losses)	0	0	0	0
Other	0	0	0	0
<b>Total Other Changes</b>	<u>\$(455)</u>	<u>\$0</u>	<u>\$455</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$(276)</u>	<u>\$(6,448)</u>	<u>\$1,064</u>	<u>\$(5,660)</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>				
July 1, 2007	\$6,542	\$37,974	\$353	\$44,869
June 30, 2008	<u>\$6,266</u>	<u>\$31,526</u>	<u>\$1,417</u>	<u>\$39,209</u>

## Schedule of Changes in Plan Net Assets

### Elective State Officers Retirement Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
<b>Additions:</b>				
<b>Contributions:</b>				
Plan Member Contributions	\$0	\$0	\$0	\$0
General Fund Contributions	<u>0</u>	<u>0</u>	<u>434</u>	<u>434</u>
<b>Total Contributions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$434</u>	<u>\$434</u>
<b>Investment Income:</b>				
Investment Income	\$0	\$0	\$0	\$0
Less Investment Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Income from Securities Lending Activities:				
Securities Lending Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Securities Lending Expenses:				
Borrower Rebates	\$0	\$0	\$0	\$0
Management Fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Other Additions:</b>				
Transfers From Other Plans	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$434</u>	<u>\$434</u>
<b>Deductions:</b>				
Annuity Benefits	\$0	\$0	\$430	\$430
Refunds	0	0	0	0
Interest to MPRI	0	0	0	0
Transfers to Other Plans	0	0	0	0
Administrative Expenses	0	0	4	4
<b>Total Deductions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$434</u>	<u>\$434</u>
<b>Other Changes in Reserves:</b>				
Retirements	\$0	\$0	\$0	\$0
Mortality Gains (Losses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Changes</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>				
July 1, 2007	\$36	\$0	\$176	\$212
June 30, 2008	<u>\$36</u>	<u>\$0</u>	<u>\$176</u>	<u>\$212</u>

## Schedule of Changes in Plan Net Assets

### Unclassified Employees Retirement Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	Member	Benefit	Totals
<b>Additions:</b>			
<b>Contributions:</b>			
Plan Member Contributions	\$5,209	\$0	\$5,209
Employer Contributions	6,362	0	6,362
<b>Total Contributions</b>	<b>\$11,571</b>	<b>\$0</b>	<b>\$11,571</b>
<b>Investment Income:</b>			
Investment Income	(4,307)	112	(4,195)
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	\$(4,307)	\$112	\$(4,195)
Income from Securities Lending Activities:			
Securities Lending Income	\$1,477	\$0	\$1,477
Securities Lending Expenses:			
Borrower Rebates	\$1,166	\$0	\$1,166
Management Fees	65	0	65
Total Securities Lending Expenses	\$1,231	\$0	\$1,231
Net Income from Securities Lending Activities	\$246	\$0	\$246
<b>Total Net Investment Income</b>	<b>\$(4,061)</b>	<b>\$112</b>	<b>\$(3,949)</b>
<b>Other Additions:</b>			
Transfers From Other Plans	\$668	\$0	\$668
Other Income	0	210	210
<b>Total Other Additions</b>	<b>\$668</b>	<b>\$210</b>	<b>\$878</b>
<b>Total Additions</b>	<b>\$8,178</b>	<b>\$322</b>	<b>\$8,500</b>
<b>Deductions:</b>			
Annuity Benefits	\$0	\$0	\$0
Refunds	23,256	0	23,256
Interest to MPRI	0	44	44
Transfers to Other Funds	13,238	0	13,238
Administrative Expenses	0	157	157
<b>Total Deductions</b>	<b>\$36,494</b>	<b>\$201</b>	<b>\$36,695</b>
<b>Net Increase (Decrease)</b>	<b>\$(28,316)</b>	<b>\$121</b>	<b>\$(28,195)</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2007	\$316,911	\$489	\$317,400
June 30, 2008	\$288,595	\$610	\$289,205

## Schedule of Changes in Plan Net Assets

### Health Care Savings Plan

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	Member	Benefit	Totals
<b>Additions:</b>			
<b>Contributions:</b>			
Plan Member Contributions	\$73,082	\$0	\$73,082
Employer Contributions	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Contributions</b>	<u>\$73,082</u>	<u>\$0</u>	<u>\$73,082</u>
<b>Investment Income:</b>			
Investment Income	\$(2,631)	\$181	\$(2,450)
Less Investment Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Net Investment Income from Investment Activities	<u>\$(2,631)</u>	<u>\$181</u>	<u>\$(2,450)</u>
Income from Securities Lending Activities:			
Securities lending income	\$687	\$0	\$687
Securities lending expenses:			
Borrower Rebates	544	0	544
Management Fees	<u>29</u>	<u>0</u>	<u>29</u>
Total Securities Lending Expenses	<u>\$573</u>	<u>\$0</u>	<u>\$573</u>
Net Income from Securities Lending Activities	<u>\$114</u>	<u>\$0</u>	<u>\$114</u>
<b>Total Net Investment Income</b>	<u>\$(2,517)</u>	<u>\$181</u>	<u>\$(2,336)</u>
<b>Other Additions:</b>			
Transfers From Other Plans	\$0	\$0	\$0
Other Income	<u>0</u>	<u>1,318</u>	<u>1,318</u>
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$1,318</u>	<u>\$1,318</u>
<b>Total Additions</b>	<u>\$70,565</u>	<u>\$1,499</u>	<u>\$72,064</u>
<b>Deductions:</b>			
Health Care Reimbursements	\$27,548	\$0	\$27,548
Administrative Expenses	0	1,090	1,090
Other Expenses	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Deductions</b>	<u>\$27,548</u>	<u>\$1,090</u>	<u>\$28,638</u>
<b>Net Increase (Decrease)</b>	\$43,017	\$409	\$43,426
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2007	\$175,230	\$(1,079)	\$174,151
June 30, 2008	<u>\$218,247</u>	<u>\$(670)</u>	<u>\$217,577</u>

## Schedule of Changes in Plan Net Assets

### Minnesota State Deferred Compensation Plan For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	Member	Benefit	Totals
<b>Additions:</b>			
<b>Contributions:</b>			
Plan Member Contributions	\$231,671	\$0	\$231,671
Employer Contributions	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Contributions</b>	<u>\$231,671</u>	<u>\$0</u>	<u>\$231,671</u>
<b>Investment Income:</b>			
Investment Income	\$(93,640)	\$575	\$(93,065)
Less Investment Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Net Investment Income from Investment Activities	<u>\$(93,640)</u>	<u>\$575</u>	<u>\$(93,065)</u>
Income from Securities Lending Activities:			
Securities lending income	\$0	\$0	\$0
Securities lending expenses:			
Borrower rebates	0	0	0
Management fees	<u>0</u>	<u>0</u>	<u>0</u>
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Net Investment Income</b>	<u>\$(93,640)</u>	<u>\$575</u>	<u>\$(93,065)</u>
<b>Other Additions:</b>			
Transfers From Other Plans	\$0	\$0	\$0
Other Income	<u>0</u>	<u>4,608</u>	<u>4,608</u>
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$4,608</u>	<u>\$4,608</u>
<b>Total Additions</b>	<u>\$138,031</u>	<u>\$5,183</u>	<u>\$143,214</u>
<b>Deductions:</b>			
Ongoing Withdrawals (Periodic Payments)	\$37,039	\$0	\$37,309
Refunds	144,837	0	144,837
Recordkeeping Expenses	1,380	3,178	4,558
Administrative Expenses	0	2,728	2,728
Other Expenses	<u>0</u>	<u>19</u>	<u>19</u>
<b>Total Deductions</b>	<u>\$183,256</u>	<u>\$5,925</u>	<u>\$189,181</u>
<b>Net Increase (Decrease)</b>	\$(45,225)	\$(742)	\$(45,967)
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2007	\$3,615,120	\$11,060	\$3,626,180
June 30, 2008	<u>\$3,569,895</u>	<u>\$10,318</u>	<u>\$3,580,213</u>

## Schedule of Changes in Plan Net Assets

### Hennepin County Supplemental Retirement Plan

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	Member	Benefit	Totals
<b>Additions:</b>			
<b>Contributions:</b>			
Plan Member Contributions	\$601	\$0	\$601
Employer Contributions	<u>601</u>	<u>0</u>	<u>601</u>
<b>Total Contributions</b>	<u>\$1,202</u>	<u>\$0</u>	<u>\$1,202</u>
<b>Investment Income:</b>			
Investment Income	\$(9,734)	\$5	\$(9,279)
Less Investment Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Net Investment Income from Investment Activities	<u>\$(9,734)</u>	<u>\$5</u>	<u>\$(9,729)</u>
Income from Securities Lending Activities:			
Securities Lending Income	\$651	\$0	\$651
Securities Lending Expenses:			
Borrower rebates	520	0	520
Management fees	<u>27</u>	<u>0</u>	<u>27</u>
Total Securities Lending Expenses	<u>\$547</u>	<u>\$0</u>	<u>\$547</u>
Net Income from Securities Lending Activities	<u>\$104</u>	<u>\$0</u>	<u>\$104</u>
<b>Total Net Investment Income</b>	<u>\$(9,630)</u>	<u>\$5</u>	<u>\$(9,625)</u>
<b>Other Additions:</b>			
Fund to Fund Transfers In	\$0	\$0	\$0
Other Income	<u>0</u>	<u>50</u>	<u>50</u>
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$50</u>	<u>\$50</u>
<b>Total Additions</b>	<u>\$(8,428)</u>	<u>\$55</u>	<u>\$(8,373)</u>
<b>Deductions:</b>			
Ongoing Withdrawals (Periodic Payments)	\$5,885	\$0	\$5,885
Refunds	227	0	227
Recordkeeping Expenses	0	0	0
Administrative Expenses	0	6	6
Other Expenses	<u>0</u>	<u>41</u>	<u>41</u>
<b>Total Deductions</b>	<u>\$6,112</u>	<u>\$47</u>	<u>\$6,159</u>
<b>Net Increase (Decrease)</b>	\$(14,540)	\$8	\$(14,532)
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2007	\$140,899	\$22	\$140,921
June 30, 2008	<u>\$126,359</u>	<u>\$30</u>	<u>\$126,389</u>

## Summary Schedule of Commissions and Payables to Consultants

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

Individual or Firm Name	Services Received	Fees Paid
<b>William Mercer Inc.</b>	Consulting Actuary	\$146
<b>Segal Company</b>	Actuary	\$85
<b>State of Minnesota:</b>		
Department of Health	Medical advisor	\$29
Office of the Attorney General	Legal counsel	\$21

## Schedule of Investment Expenses

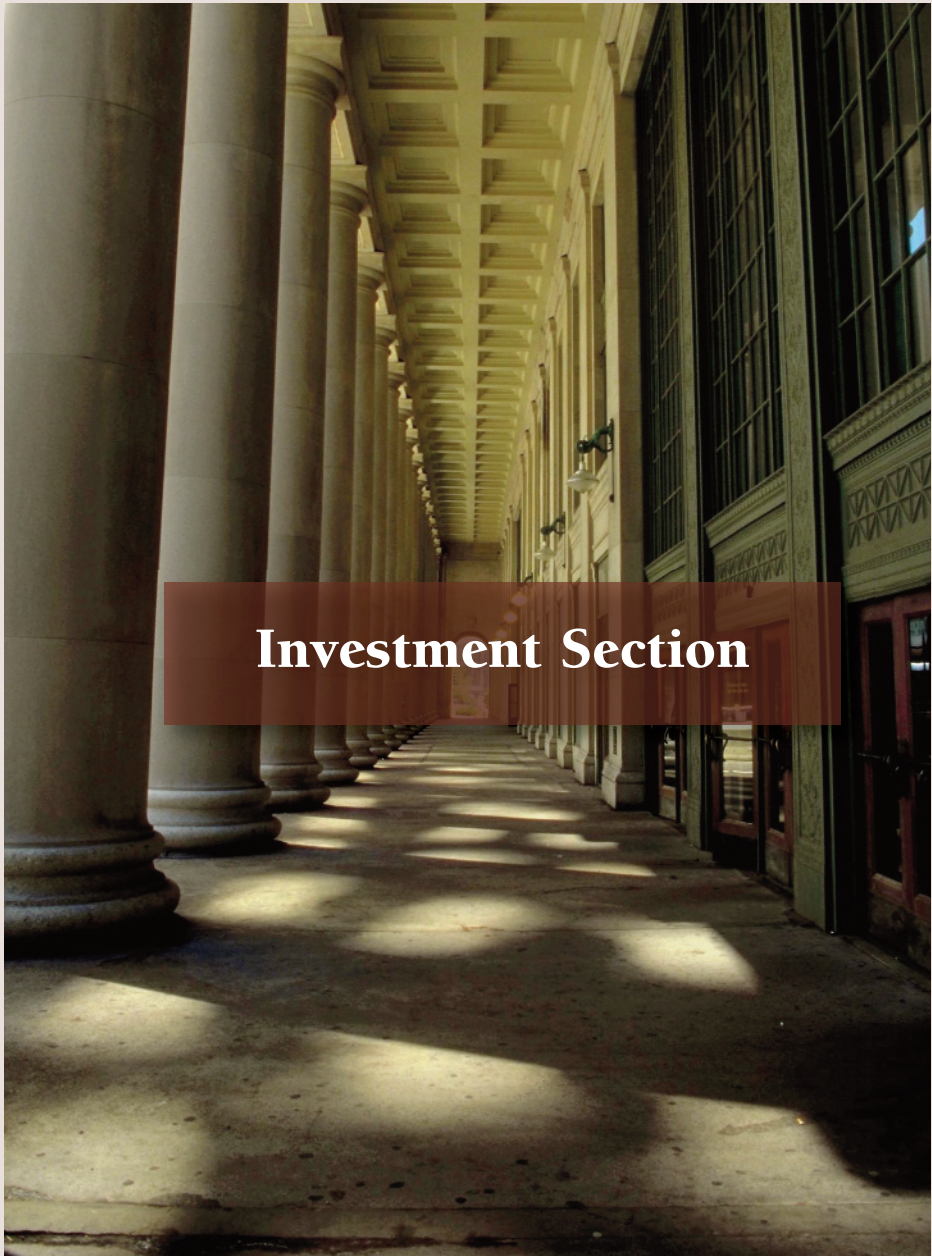
For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Totals
<b>Outside Money Managers, Equities</b>	\$10,796	\$729	\$686	\$184	\$39	\$12,434
<b>Outside Money Managers, Bonds</b>	1,928	131	123	33	7	2,222
<b>Minnesota State Board of Investment</b>	433	29	28	7	2	499
<b>Financial Control Systems</b>	52	4	3	1	0	60
<b>Richards &amp; Tierney</b>	69	5	5	1	0	80
<b>Pension Consultants</b>	8	0	0	0	0	8
<b>Total Investment Expenses</b>	<u>\$13,286</u>	<u>\$898</u>	<u>\$845</u>	<u>\$226</u>	<u>\$48</u>	<u>\$15,303</u>

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**Investment Section**

## MINNESOTA STATE BOARD OF INVESTMENT



### Board Members:

**Governor**  
**Tim Pawlenty**

**State Auditor**  
**Rebecca Otto**

**Secretary of State**  
**Mark Ritchie**

**Attorney General**  
**Lori Swanson**

### Executive Director

**Howard J. Bicker**

*60 Empire Drive  
Suite 355  
St. Paul, MN 55103  
(651) 296-3328  
FAX (651) 296-9572  
E-mail:  
[minn.sbi@state.mn.us](mailto:minn.sbi@state.mn.us)  
[www.sbi.state.mn.us](http://www.sbi.state.mn.us)*

*An Equal Opportunity  
Employer*

### Investment Authority

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

### Investment Policy

Investment policy stipulates that the SBI "will operate within standard investment practices of the prudent person. The SBI will exercise the judgment and care — under prevailing circumstances — which persons of prudence, discretion and intelligence exercise in the management of their own affairs. This work is not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived from this activity." (Minnesota Statutes, Section 11A.04) The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, mutual funds, resource investments and real estate interests subject to specific constraints. Particularly, pension-fund assets are to be invested for the exclusive benefit of the fund members.

### Investment Objectives

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

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

When a member retires, MSRS transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (MPRIF). The assets of the MPRIF — which include the eight plans that participate in the Basic Funds and the Legislative Retirement Fund — finance monthly annuity payments to retirees. Moneys in the MPRIF are generally invested a bit more conservatively, but still heavily in equities, to take advantage of the 15-year to 20-year time horizon associated with the length of time a typical retiree can be expected to draw benefits. The actuarial return target for the MPRIF is 6 percent plus 2.5 percent allowance for inflation adjustment.

### Combined Funds

The combined funds, while not existing under statute, represent the assets of the active and retired public employees who participate in the defined benefit plans of MSRS, the Public Employees Retirement System, and the Teachers Retirement Association. The SBI looks at the combined funds for comparison purposes only, since most public pension plans do not separate the assets of their active employees and retirees. The long-term objectives of the combined funds are to:

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

As of June 30, 2008, the combined funds returned 9.7 percent annually over the past 20 years which was 6.6 percentage points above the consumer price index and returned 5.7 percent annually over the past 10 years which was 0.1 percentage point below the composite index.

### Investment Presentation

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

Respectfully submitted,



Howard Bicker  
Executive Director  
State Board of Investment

## Investment Results

### Investment Returns by Sector

Performance of Asset Pools (Net of Fees)			
	Rates of Return (Annualized)		
	FY2008	Three-Year	Five-Year
<b>Domestic Stock</b>	-13.1%	4.3%	8.2%
--Russell 3000	-12.7	4.7	8.4
<b>Bonds</b>	4.3%	3.4%	3.8%
--Lehman Aggregate Bond Index	7.1	4.1	3.9
<b>International Stock</b>	-6.6%	16.0%	18.8%
--Composite Index	-6.4	15.8	19.0
<b>Alternative Investments</b>	13.4%	27.0%	24.9%

### Asset Allocation (at June 30, 2008)\*

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 Fund and the Minnesota Post Retirement Investment Fund (MPRIF).

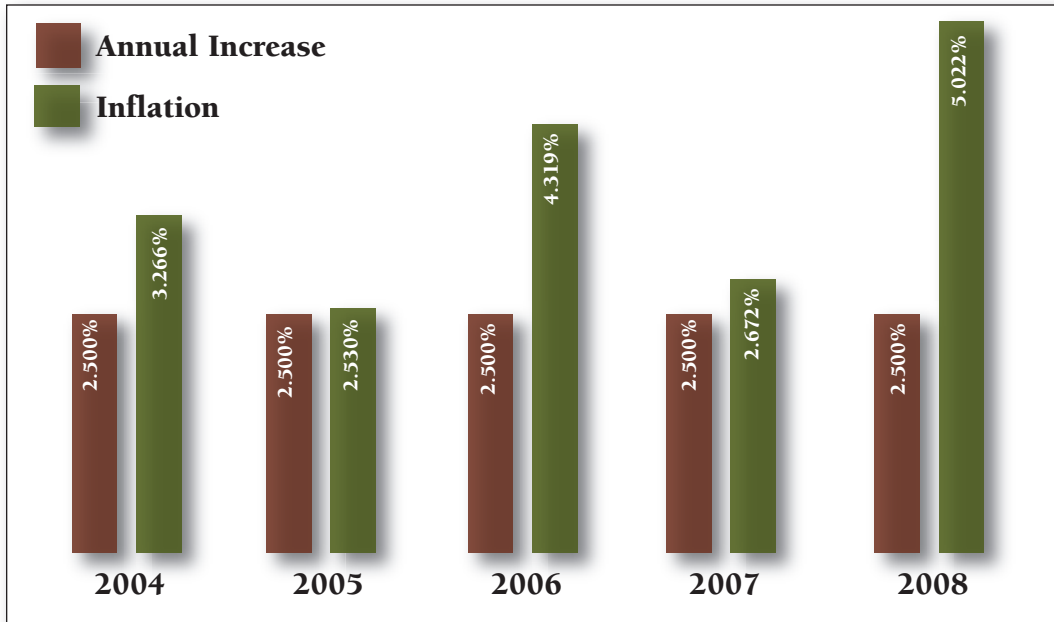
Investment Type	Basic Fund		MPRIF	
	Actual Asset Mix	Long-Term Policy Target	Actual Asset Mix	Long-Term Policy Target
<b>Domestic Equity</b>	45.9%	45.0%	46.7%	45.0%
<b>International Equity</b>	15.4	15.0	15.5	15.0
<b>Bond</b>	23.6	24.0	25.0	25.0
<b>Alternative Investments**</b>	14.5	15.0	11.3	12.0
<b>Cash</b>	.6	1.0	1.5	3.0
<b>Total</b>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

\* Source: Minnesota State Board of Investment, fiscal year 2008 annual report.  
 \*\* Alternative investments are real estate, venture capital and resource funds.

## Investment Results

### Annuity Increases vs. Inflation (Last 5 Years)

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.



### Fund Performance

	Rates of Return (Annualized)		
	FY2008	Three-Year	Five-Year
<b>Basic Funds (Active Accounts)</b>			
<b>Basic Composite Market Index</b>	-4.8%	8.3%	10.5
	-3.9	8.6	10.5
<b>MPRIF (Retiree Accounts)</b>			
<b>MPRIF Composite Market Index</b>	-5.2%	7.9	10.0
	-4.0	8.1	10.0
<b>Combined Funds (Active and Retiree) *</b>			
<b>Combined Composite Market Index</b>	-5.0%	8.1%	10.3%
	-3.9	8.3	10.3

\*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.

Investment Type	Market Indicator
<b>Domestic stocks</b>	Russell 3000
<b>International stocks</b>	EAFE
<b>Domestic bonds</b>	Lehman Aggregate
<b>Alternative assets</b>	Wilshire Real Estate Index, venture capital funds, resource funds
<b>Unallocated cash</b>	91-day treasury bills

## List of Largest Assets Held

As of June 30, 2008

### Composite Holdings of Ten Largest Equities (by Fair Value):

Company	(Dollars in thousands)	
	Total State Portfolio at Fair Value	Percent of Portfolio
<b>Exxon Mobil Corporation</b>	656,560	1.724%
<b>Microsoft Corporation</b>	364,895	.958%
<b>General Electric Company</b>	349,963	.919%
<b>UBS Trumbuk Property</b>	318,061	.835%
<b>Prime Property Fund</b>	304,501	.800%
<b>A T &amp; T Corporation</b>	299,622	.787%
<b>Conoco Phillips</b>	283,181	.744%
<b>Proctor and Gamble Co.</b>	283,121	.744%
<b>Chevron Corporation</b>	267,423	.702%
<b>Apple Inc.</b>	253,387	.665%

### Composite Holdings of Ten Largest Bond Holdings (by Fair Value):

Security	Coupon Rate	Maturity Date	(Dollars in thousands)	
			Total State Portfolio at Fair Value	Percent of Portfolio
<b>FNMA</b>	5.00%	12/1/2099	270,816	1.921%
<b>FNMA</b>	5.50%	12/1/2099	247,737	1.757%
<b>Bank of America TRI PARTY C</b>	2.30%	7/1/2008	150,000	1.064%
<b>U.S. Treasury Notes</b>	3.50%	5/31/2013	117,383	.833%
<b>Federal Home Loan Pool</b>	5.50%	7/1/2038	100,869	.715%
<b>Federal Home Loan Bank</b>	2.86%	11/20/2008	90,000	.638%
<b>Federal Home Loan Mortgage Notes</b>	1.97%	7/14/2008	89,933	.638%
<b>FNMA Pool</b>	7.00%	4/1/2037	86,113	.611%
<b>ING Triparty C</b>	2.60%	7/1/2008	86,000	.610%
<b>FNMA Pool</b>	5.00%	5/1/2036	81,359	.577%

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, 2008

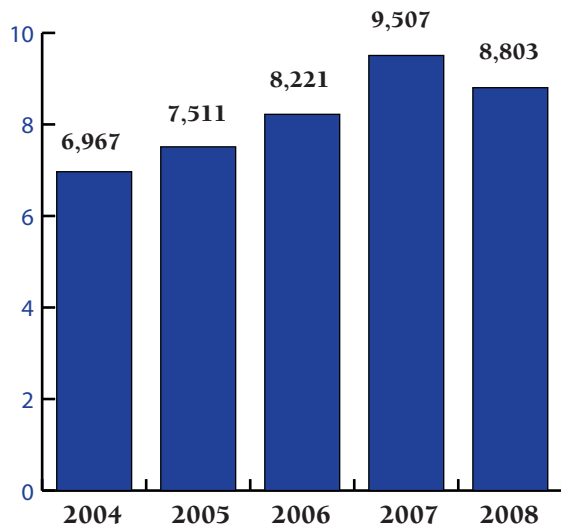
(Dollars in thousands)

	Fair Value June 30, 2007	Fair Value June 30, 2008	Percent of Portfolio
<b>State Employees Retirement Fund:</b>			
External Domestic Equity Pool	\$1,948,014	\$1,638,284	31%
Passive Domestic Equity Pool	928,409	817,627	16%
Global Equity Pool	944,081	825,800	15%
Fixed Income Pool	1,288,157	1,269,161	24%
Alternative Investments	624,093	763,542	14%
<b>Totals</b>	<u>\$5,732,754</u>	<u>\$5,314,414</u>	<u>100%</u>
<b>State Patrol Retirement Fund:</b>			
External Domestic Equity Pool	\$84,885	\$69,462	31%
Passive Domestic Equity Pool	40,564	34,712	15%
Global Equity Pool	41,202	35,042	16%
Fixed Income Pool	56,064	53,817	24%
Alternative Investments	27,388	32,475	14%
<b>Totals</b>	<u>\$250,103</u>	<u>\$225,508</u>	<u>100%</u>
<b>Correctional Employees Retirement Fund:</b>			
External Domestic Equity Pool	\$101,054	\$87,366	31%
Passive Domestic Equity Pool	48,198	43,581	15%
Global Equity Pool	48,996	44,025	16%
Fixed Income Pool	66,801	67,679	24%
Alternative Investments	32,439	40,672	14%
<b>Totals</b>	<u>\$297,488</u>	<u>\$283,323</u>	<u>100%</u>
<b>Judges Retirement Fund:</b>			
External Domestic Equity Pool	\$18,913	\$14,422	30%
Passive Domestic Equity Pool	9,014	7,326	15%
Global Equity Pool	9,166	7,353	16%
Fixed Income Pool	12,506	11,187	24%
Alternative Investments	6,059	7,005	15%
<b>Totals</b>	<u>\$55,658</u>	<u>\$47,293</u>	<u>100%</u>

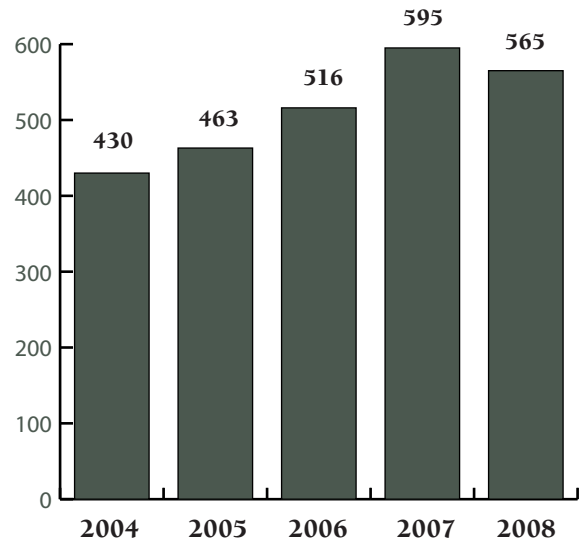
# Fair Value of Net Assets (In Millions of U.S. Dollars)

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

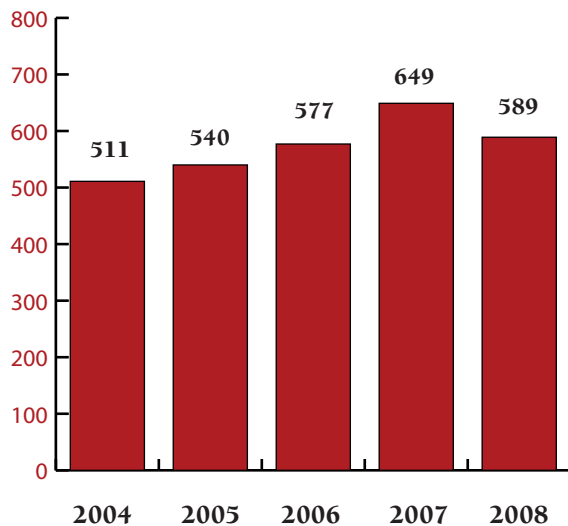
### State Employees Retirement Fund



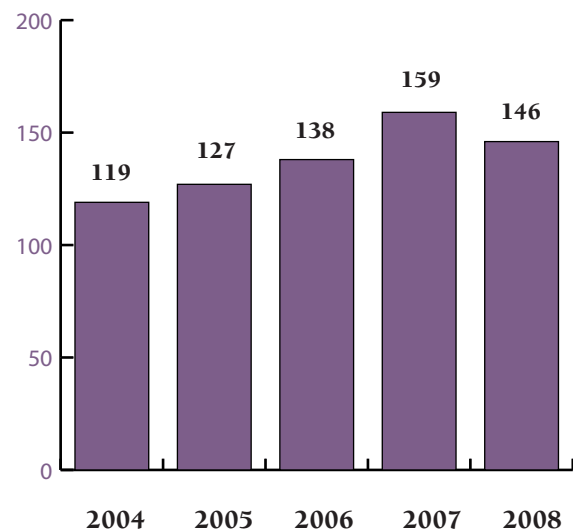
### Correctional Employees Retirement Fund



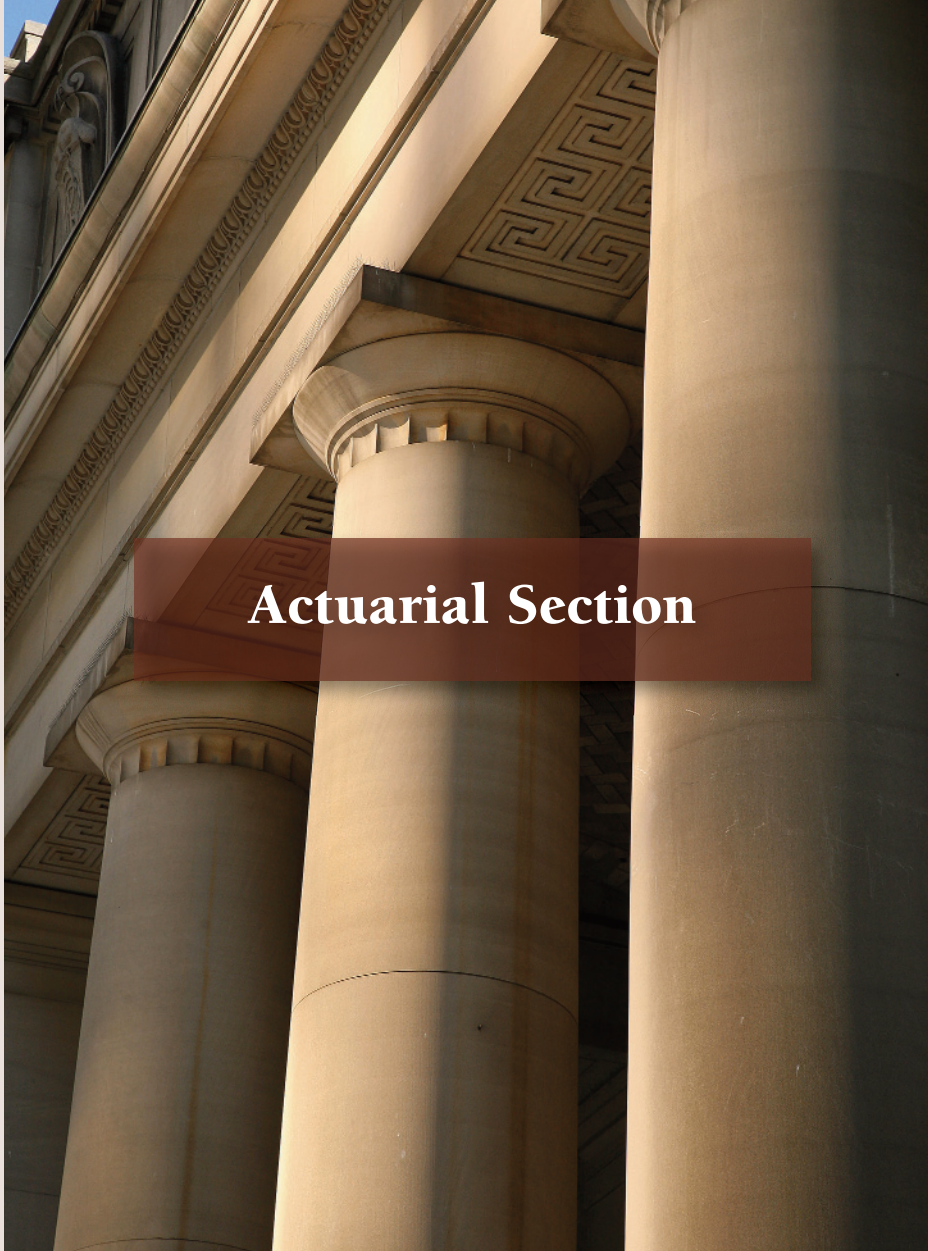
### State Patrol Retirement Fund



### Judges Retirement Fund







**Actuarial Section**

## MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

333 South 7th Street, Suite 1600  
Minneapolis, MN 55402-2427  
612 642 8600 Fax 612 642 8686  
www.mercer.com

December 23, 2008

Board of Trustees  
Minnesota State Retirement System  
60 Empire Drive, Suite 300  
St. Paul, Minnesota 55103-2088

Members of the Board:

We have prepared actuarial valuations 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, 2008 for the plan year ending June 30, 2009. These reports reflect the provisions of the Plans effective July 1, 2008. To the best of our knowledge, these actuarial valuations were performed in accordance with the requirements of Minnesota Statutes, Section 356.215 and the requirements of the Standards of Actuarial Work established by the Minnesota Legislative Commission on Pensions and Retirement (LCPR).

The results of the valuations indicate that:

- The SERF is 90.18% funded, and the contribution rates are deficient by 3.39% of payroll to meet the target of full funding by 2020.
- The SPRF is 85.79% funded, and the contribution rates are deficient by 10.09% of payroll to meet the target of full funding by 2036.
- The CERF is 75.32% funded, and the contribution rates are deficient by 6.56% of payroll to meet the target of full funding by 2038.
- The JRF is 63.70% funded, and the contribution rates are deficient by 0.22% of payroll to meet the target of full funding by 2038.
- The LRF is 45.52% funded, and the contribution rates are deficient by 234.21% of payroll to meet the target of full funding by 2021.
- The ESORF is 5.43% funded, and the contribution rates are deficient by approximately \$550,000 per year to meet the target of full funding by 2017. This plan has no active participants, and so the deficiency is expressed as a dollar amount rather than as a percent of payroll.

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 contributions at the time of benefit commencement.

## MERCER



MARSH MERCER KROLL  
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Page 2  
December 23, 2008  
Board of Trustees  
Minnesota State Retirement System

The valuation reports have been prepared exclusively for the Minnesota State Retirement System (MSRS) and the LCPR to determine the annual required contributions and present accounting results required under GASB Nos. 25 (as amended by GASB 50) and 27. Mercer is not responsible for consequences arising from the use of any elements of this report for any other than their intended purpose. Determinations for other purposes may be significantly different from the results shown in this report.

A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it is neither a prediction of a pension plan's future financial condition nor a prediction of a pension plan's ability to pay benefits in the future.

Over time, a plan's total cost will depend on a number of factors, including the amount of benefits it pays, the number of people to whom it pays them, and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the valuation date, but are predicted to fall within a reasonable range of possibilities. To prepare this report, *actuarial assumptions*, as described within, are used to select a single scenario from the range of possibilities. The results of that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from valuation to valuation based on experience, changes in expectations about the future, and other factors. Evaluating the effect of changes in assumptions is beyond the scope of this assignment.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a valuation report or reports.

Several actuarial assumptions were changed this year.

- For SERF, CERF, SPRF and LRF the payroll growth assumption was lowered from 5.0% to 4.5% per year.
- For SERF, the ultimate salary increase rates were lowered by 1.00% at all ages. The select period for salary increases changed from 10 years with an adjustment of .30% x (10 – T) to 5 years with an adjustment of .60% x (5 – T). The retirement rates at ages 56 to 60 for Rule of 90 retirements were reduced slightly. The withdrawal rates

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Page 3  
December 23, 2008  
Board of Trustees  
Minnesota State Retirement System

for females between ages 35 and 54 were reduced and the disability rates for members between ages 50 and 65 were increased.

- For CERF, the ultimate salary increase rates were lowered by 0.50% at all ages. The full funding date was reset to 2038.
- For JRF, the salary increase rate and payroll growth assumptions were lowered from 5.0% to 4.0% per year. The full funding date was reset to 2038. The retirement rates at age 64 were reduced from 10% to 5%, and retirement rates at age 70 were increased from 30% to 100%. The healthy retirees and beneficiaries post retirement mortality assumption changed to the RP-2000 Combined Annuity Mortality table, projected 8 years, with no collar adjustment. Previously the 1983 Group Annuity Mortality table was used.

We used and relied on financial data submitted by MSRS without further audit. We have also used and relied on participant data supplied by the Fund; this data would customarily not be verified by the Fund's actuary. We have reviewed the participant data for internal consistency and have no reason to doubt its substantial accuracy. MSRS is solely responsible for the validity and completeness of this information.

All costs, liabilities and other factors were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current federal and state statutes and regulations issued thereunder. The economic assumptions are set in Minnesota Statutes, and the remaining assumptions are adopted by the LCPR. We believe that these assumptions are reasonable. This report fully and fairly discloses the actuarial position of the Fund on an ongoing basis.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

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Page 4  
December 23, 2008  
Board of Trustees  
Minnesota State Retirement System

**The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.**

Handwritten signature of Stephen T. McElhaney in black ink.

Stephen T. McElhaney  
FSA, EA, MAAA

Handwritten signature of Bonita J. Wurst in black ink.

Bonita J. Wurst  
ASA, EA, MAAA

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# Summary of Actuarial Assumptions and Methods

## Actuarial Cost Method

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

### Assumptions:

#### Retirement

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

#### Mortality

The 1983 Group Annuity Mortality Tables<sup>(9)</sup> are used for all funds, except for the Judges Post-Retirement. These tables are set back or set forward (expressed in years) to match fund experience as follows:

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

The Judges Retirement Fund uses the RP 2000 Combined Annuity Mortality Table projected 8 years, with no collar adjustment.

<b>Separation</b>	Graded rates are based on actual experience. <sup>(8)</sup>
<b>Allowance for Expenses</b>	Prior year expenses are expressed as a percentage of prior year payroll. <sup>(8)</sup>
<b>Interest</b>	8.5 percent <sup>(9)</sup>

#### Salary Increases

- A.) **State Employees Retirement Fund**<sup>(10)</sup> - 5-year select and ultimate table. During the select period, 0.6 percent times (5-T) where T is completed years of service is added to the ultimate rate. An ultimate table ranges from 5.75 percent at age 20 down to 4.25 percent at age 70.
- B.) **State Patrol Retirement Fund**- experience adjusted rates from 7.75 percent at age 20 declining to 5.25 percent at age 55 and thereafter, **Correctional Employee Plans**- experience adjusted rates from 6.75 percent at age 20 declining to 4.75 percent at age 55 and thereafter.
- C.) **Judges Retirement Fund** - 4 percent annually.
- D.) **Legislators and Elective State Officers Retirement Funds** - 5 percent annually.

\*Post-retirement tables are statutorily gender neutral.

(Footnote references are found on page 87)

# Summary of Actuarial Assumptions and Methods

## Contribution Refund

Employees who withdraw are assumed to take the larger of a refund or a deferred benefit.<sup>(4)</sup>

## Social Security

The Correctional Employees Retirement Fund<sup>(3)</sup> 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

For active members, market values, less a percentage of the unrecognized asset return, are determined at the close of each of the four preceding fiscal years. The unrecognized asset return is the difference between the actual net return on market value of assets and the asset return expected during the fiscal year based on the assumed interest rate, 8.5 percent.<sup>(10)</sup> For retirees the market value of the Minnesota Post Retirement Investment Fund (MPRIF) is reported as the prorated share of the combined market value of the fund. The Elective State Officers Retirement Fund does not participate in the MPRIF.

## Actuarial Changes

The State Employees Retirement Fund, the Correctional Employees Retirement Fund and the Judges Retirement Fund, implemented various changes in actuarial assumptions and methods. The combined effects of these changes in increases or (decreases) to unfunded liability as follows:

<b>State Employees Retirement Fund</b>	\$ (146,180,000)
<b>Correctional Employees Retirement Fund</b>	(7,021,000)
<b>Judges Retirement Fund</b>	2,481,000

## Footnote references:

Effective dates that actuarial assumptions were adopted:

(1) June 30, 1972	(6) June 30, 1984	(11) June 30, 2002
(2) June 30, 1973	(7) June 30, 1989	(12) June 30, 2006
(3) June 30, 1974	(8) June 30, 1994	(13) June 30, 2007
(4) June 30, 1979	(9) June 30, 1997	(14) June 30, 2008
(5) June 30, 1980	(10) June 30, 2000	

## Required Reserves \*

As of July 1, 2008

(Dollars in thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	Elective State Officers Fund*
<b>Active Members:</b>						
Retirement Annuities	\$4,146,782	\$228,176	\$324,464	\$88,971	\$11,221	\$0
Disability Benefits	177,367	9,742	30,647	2,883	0	0
Survivor Benefits	107,299	3,524	6,504	3,595	69	0
Deferred Retirements	162,873	1,170	11,515	0	0	0
Refunds	(72,944)	(458)	(8,010)	204	6	0
<b>Total Active Members</b>	<u>\$4,521,377</u>	<u>\$242,154</u>	<u>\$365,120</u>	<u>\$95,653</u>	<u>\$11,296</u>	<u>\$0</u>
<b>Deferred Retirements</b>	1,201,939	5,590	55,820	4,372	19,884	303
<b>Former Members Not Vested</b>	9,624	15	912	0	25	0
<b>Annuitants in MPRIF</b>	4,251,341	445,217	338,511	124,780	39,547	0
<b>Annuitants Not in MPRIF</b>	0	710	0	6,818	15,379	3,605
<b>Unclassified Plan</b>						
<b>Contingent Liability</b>	10,321	0	0	0	0	0
<b>Total Required Reserves</b>	<u>\$9,994,602</u>	<u>\$693,686</u>	<u>\$760,363</u>	<u>\$231,623</u>	<u>\$86,131</u>	<u>\$3,908</u>

## Actual Contribution Rates as Compared to Actuarially Recommended Rates

	As of Date	Actual Contribution Rates			Recommended Rate	Sufficiency/ (Deficiency)
		Employee	Employer	Total		
<b>State Employees Fund</b>	July 1, 2008	4.50%	4.50%	9.00%	12.39%	(3.39)%
<b>State Patrol Fund</b>	July 1, 2008	9.80	14.60	24.40	34.49	(10.09)
<b>Correctional Employees Fund</b>	July 1, 2008	7.00	10.10	17.10	23.66	(6.56)
<b>Judges Fund*</b>	July 1, 2008	7.43	20.50	27.93	28.15	(0.22)
<b>Legislators Fund</b>	July 1, 2008	9.00	0.00	9.00	243.21	(234.21)
<b>Elective State Officers Fund*</b>	July 1, 2008	N/A	N/A	N/A	N/A	N/A

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

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



## Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL)

For the Fiscal Year Ended June 30, 2008

(Dollars in thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	State Judges Fund	Legislators Fund	Elective State Officers Fund
<b>A. UAAL, at the Beginning of the Year or Last Valuation</b>	\$722,788	\$55,543	\$148,440	\$60,735	\$41,580	\$3,758
<b>B. Change Due to Interest Requirements and Current Rate of Funding</b>						
<b>1. Normal Cost and Expenses</b>	\$193,891	\$15,328	\$33,534	\$6,903	\$477	\$4
<b>2. Contributions</b>	(196,026)	(13,874)	(31,398)	(10,797)	(2,397)	(435)
<b>3. Interest on A, B1, and B2</b>	61,346	4,783	12,708	4,997	3,453	301
<b>4. Totals (B1+B2+B3)</b>	\$59,211	\$6,237	\$14,844	\$1,103	\$1,533	\$(130)
<b>C. Expected UAAL at End of the Year (A+B)</b>	\$781,999	\$61,780	\$163,284	\$61,838	\$43,113	\$3,628
<b>D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations From the Expected</b>						
<b>1. Salary Increases</b>	\$(48,586)	\$(4,294)	\$(1,540)	\$(2,359)	\$(1,225)	0
<b>2. Investment Return</b>	403,575	45,173	34,378	14,568	4,897	23
<b>3. MPRIF Mortality</b>	9,563	(4,236)	(3,775)	2,285	1,040	0
<b>4. Mortality of Other Benefit Recipients</b>	0	0	0	525	25	104
<b>5. Other Items</b>	(19,255)	181	2,318	4,742	(928)	(59)
<b>6. Totals</b>	\$345,297	\$36,824	\$31,381	\$19,761	\$3,809	\$68
<b>E. Asset Valuation Method Change</b>	\$(146,180)	\$0	\$(7,021)	\$2,482	\$0	\$0
<b>F. UAAL at the End of the Year</b>	\$981,116	\$98,604	\$187,644	\$84,081	\$46,922	\$3,696

## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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### State Employees Retirement Fund:

06/30/03	48,136	\$2,009,975,000	\$41,756	7.04%
06/30/04	46,899	1,965,546,000	41,910	0.37
06/30/05	47,125	1,952,323,000	41,429	(1.15)
06/30/06	48,000	2,016,588,000	42,012	1.41
06/30/07	48,379	2,095,310,000	43,310	3.09
06/30/08	48,823	2,256,528,000	46,219	6.71

### State Patrol Retirement Fund:

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
06/30/07	844	61,498,000	72,865	7.35
06/30/08	840	60,029,000	71,463	(1.92)

### Correctional Employees Retirement Fund:

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
06/30/07	4,332	167,727,000	38,718	3.78
06/30/08	4,520	194,391,000	43,007	11.08

### Judges Retirement Fund:

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)
06/30/07	308	36,195,000	117,516	(2.52)
06/30/08	308	38,296,000	124,338	5.80

### Legislators Retirement Fund:

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)
06/30/07	54	2,380,000	44,074	15.74
06/30/08	52	1,993,000	38,327	(13.04)

### Elective State Officers Retirement Fund:

This fund was not actuarially valued for fiscal year 2003.

06/30/04	0	-	-	N/A
06/30/05	0	-	-	N/A
06/30/06	0	-	-	N/A
06/30/07	0	-	-	N/A
06/30/08	0	-	-	N/A

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

## Schedule of Retirees and Beneficiaries

(Fiscal Year End Totals)

Valuation Date	Number Added	Number Removed	Annual Number	Benefits	Percent Increase in Annual Benefits	Average Annual Benefit
<b>State Employees Retirement Fund:</b>						
06/30/03	1,366	717	21,454	\$311,472,000	4.99%	\$14,518
06/30/04	2,024	824	22,654	339,323,000	8.94	14,979
06/30/05	1,687	974	23,367	347,959,000	2.55	14,891
06/30/06	1,945	1,108	24,204	366,797,000	1.77	15,154
06/30/07	2,090	948	25,346	392,058,000	6.89	15,468
06/30/08	2,107	1,007	26,446	418,757,000	6.81	15,834
<b>State Patrol Retirement Fund:</b>						
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	4.05	44,795
06/30/06	69	48	846	38,767,000	2.30	45,824
06/30/07	69	39	876	40,581,000	4.68	46,325
06/30/08	49	29	896	42,804,000	5.48	47,772
<b>Correctional Employees Retirement Fund:</b>						
06/30/03	143	21	1,060	\$19,256,000	12.57%	\$18,166
06/30/04	148	20	1,188	22,020,000	14.35	18,535
06/30/05	128	37	1,279	23,816,000	8.16	18,621
06/30/06	143	47	1,375	26,161,000	2.17	19,026
06/30/07	174	47	1,502	28,565,000	9.19	19,018
06/30/08	135	37	1,600	30,932,000	8.29	19,332
<b>Judges Retirement Fund:</b>						
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	1.70	53,922
06/30/06	26	20	261	14,260,000	1.32	54,636
06/30/07	22	20	263	14,516,000	1.8	55,194
06/30/08	25	9	279	15,116,000	4.13	54,179
<b>Legislators Retirement Fund:</b>						
06/30/03	22	5	310	\$5,539,000	5.65%	\$17,868
06/30/04	12	7	315	5,766,000	4.10	18,305
06/30/05	21	17	319	5,942,000	3.01	18,627
06/30/06	12	12	319	6,094,000	2.56	19,103
06/30/07	34	13	340	6,390,000	4.86	18,794
06/30/08	17	11	346	6,786,000	6.20	19,613
<b>Elective State Officers Retirement Fund:</b>						
06/30/03	1	0	14	\$370,000	4.82%	\$26,429
06/30/04	0	1	13	381,000	2.97	29,308
06/30/05	2	0	15	391,000	2.62	26,067
06/30/06	0	0	15	409,000	4.60	27,267
06/30/07	0	0	15	419,000	2.44	27,933
06/30/08	0	0	15	430,000	2.63	28,667

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

## Solvency Test – Funding Ratio

(Dollars in thousands)

Valuation Date	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Employer Financed Portion (3)	Reported Assets	Portion Covered by Reported Assets			Funding Ratio
	Aggregate Accrued Liabilities				(1)	(2)	(3)	
<b>State Employees Retirement Fund:</b>								
06/30/03	\$855,953	\$3,116,008	\$3,858,710	\$7,757,292	100%	100%	98.1%	99.1%
06/30/04	888,028	3,287,223	3,703,112	7,884,984	100	100	100.2	100.0
06/30/05	928,590	3,487,930	4,038,816	8,081,736	100	100	90.8	95.6
06/30/06	966,951	3,689,443	4,162,767	8,486,756	100	100	92.0	96.2
06/30/07	1,001,316	3,963,536	4,662,453	8,904,517	100	100	84.5	92.5
6/30/08	1,041,731	4,251,341	4,701,530	9,013,456	100	100	79.1	90.2
<b>State Patrol Retirement Fund:</b>								
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	103.6
06/30/07	47,365	431,969	194,110	617,901	100	100	71.4	91.8
06/30/08	49,380	445,217	199,089	595,082	100	100	50.5	85.8
<b>Correctional Employees Retirement Fund:</b>								
06/30/03	\$55,441	\$192,732	\$236,801	\$470,716	100%	100%	94.0%	97.1%
06/30/04	58,960	223,239	242,016	486,617	100	100	84.5	92.8
06/30/05	62,573	223,544	260,001	503,573	100	100	83.6	92.2
06/30/06	67,221	290,370	289,889	535,357	100	100	61.3	82.7
06/30/07	72,259	319,813	316,220	559,852	100	100	53.1	79.0
06/30/08	81,233	338,511	340,619	572,719	100	100	44.9	75.3
<b>Judges Retirement Fund:</b>								
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	104,600	64,609	144,465	100	100	27.3	75.5
06/30/06	23,179	112,627	64,495	151,850	100	100	24.9	75.1
06/30/07	24,562	114,005	75,730	153,562	100	100	9.8	71.7
06/30/08	25,450	124,780	81,393	147,542	100	98.6	0	63.7
<b>Legislators Retirement Fund:</b>								
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	49,115	25,829	45,523	100	78.7	0	55.6
06/30/06	7,050	48,955	25,356	48,504	100	84.7	0	59.6
06/30/07	6,543	53,180	25,356	44,869	100	72.1	0	51.9
06/30/08	6,266	54,926	24,939	39,209	100	60.0	0	45.5
<b>Elective State Officers Retirement Fund*:</b>								
Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03								
06/30/04	\$80	\$3,550	\$372	\$204	100%	0.0%	0%	5.0%
06/30/05	36	3,850	179	204	100	4.4	0	5.0
06/30/06	36	3,716	218	207	100	4.6	0	5.2
06/30/07	36	3,691	242	212	100	4.8	0	5.3
06/30/08	36	3,605	267	212	100	4.9	0	5.4

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

## Summary of Unfunded Accrued Liability (UAL)

(Dollars in thousands)

Valuation Date	Aggregate Accrued Liabilities	Actuarial Assets	Unfunded Accrued Liabilities	Member Payroll	UAL as a Percent Payroll
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### State Employees Retirement Fund:

06/30/03	\$7,830,671	\$7,757,292	\$73,379	\$2,009,975	3.60%
06/30/04	7,878,363	7,884,984	(6,621)	1,965,546	(0.30)
06/30/05	8,455,336	8,081,736	373,600	1,952,323	19.14
06/30/06	8,819,161	8,486,756	332,405	2,016,588	16.48
06/30/07	8,904,517	9,627,305	722,788	2,095,310	34.50
06/30/08	9,994,602	9,013,456	981,146	2,256,528	43.48

### State Patrol Retirement Fund:

06/30/03	\$538,980	\$591,521	\$(52,541)	\$54,175	(97.00)%
06/30/04	545,244	594,785	(49,541)	51,619	(96.00)
06/30/05	566,764	601,220	(34,456)	55,142	(62.49)
06/30/06	641,479	618,990	22,489	57,765	38.93
06/30/07	673,444	617,901	55,543	61,498	90.32
06/30/08	693,686	595,082	98,604	60,029	164.26

### Correctional Employees Retirement Fund:

06/30/03	\$484,974	\$470,716	\$14,258	\$131,328	10.90%
06/30/04	524,215	486,617	37,598	133,172	28.20
06/30/05	546,118	503,573	42,544	132,335	32.15
06/30/06	647,480	535,357	112,123	145,879	76.86
06/30/07	708,292	559,852	148,440	167,727	88.50
06/30/08	760,363	572,719	187,644	194,391	96.53

### Judges Retirement Fund:

06/30/03	\$176,291	\$134,142	\$42,149	\$33,771	124.80%
06/30/04	190,338	138,948	51,390	34,683	148.20
06/30/05	191,414	144,465	46,949	35,941	130.63
06/30/06	202,301	151,850	50,451	36,529	138.11
06/30/07	214,297	153,562	60,735	36,195	167.80
06/30/08	231,623	147,542	84,081	38,296	219.56

### Legislators Retirement Fund:

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	971.00%
06/30/05	81,836	45,523	36,314	3,014	1,204.84
06/30/06	81,361	48,504	32,857	2,894	1,135.35
06/30/07	86,449	44,869	41,580	2,380	1,747.06
06/30/08	86,131	39,209	46,922	1,993	2,354.34

### Elective State Officers Fund:\*

An actuarial valuation of this fund was not prepared for the fiscal year ended 06/30/03.

06/30/04	\$4,002	\$204	\$3,798	\$0	N/A
06/30/05	4,065	204	3,861	0	N/A
06/30/06	3,970	207	3,763	0	N/A
06/30/07	3,969	212	3,758	0	N/A
06/30/08	3,908	212	3,696	0	N/A

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

# Sample Assumed Annual Rates of Termination

As of July 1, 2008

Per 10,000 Members and Assumed Salary Increases

Age	Pre-Retirement				Retirement				
	Death		Withdrawal		Disability		Retirement *		Salary Increases
	Male	Female	Male	Female	Male	Female	Male/ R90	Female/ Other	
<b>State Employees Retirement Fund:</b>									
20	0.0301%	0.0167%	0.0690%	0.0855%	0.0100%	0.0100%	0%	0%	5.75%
25	0.0339	0.0178	0.0590	0.0780	0.0100	0.0100	0	0	5.75
30	0.0427	0.0244	0.0490	0.0705	0.0100	0.0100	0	0	5.75
35	0.0743	0.0435	0.0390	0.0630	0.0300	0.0300	0	0	5.75
40	0.1012	0.0626	0.0320	0.0555	0.0800	0.0800	0	0	5.75
45	0.1358	0.0988	0.0270	0.0480	0.1300	0.1300	0	0	5.45
50	0.1849	0.1461	0.0220	0.0390	0.2880	0.2880	0	0	4.95
55	0.3108	0.2548	0.0000	0.0000	0.5040	0.5040	25	25	4.45
60	0.5930	0.4856	0.0000	0.0000	0.7800	0.7800	20	20	4.25
65	1.1378	0.9324	0.0000	0.0000	0.0000	0.0000	40	40	4.25
70	1.9677	1.6084	0.0000	0.0000	0.0000	0.0000	30	30	4.25
<b>State Patrol Retirement Fund:</b>									
20	0.0301%	0.0167%	0.0147%	0.0147%	0.0400%	0.0400%	0%	0%	7.75%
25	0.0339	0.0178	0.0113	0.0113	0.0600	0.0600	0	0	7.00
30	0.0427	0.0244	0.0080	0.0080	0.0800	0.0800	0	0	7.00
35	0.0743	0.0435	0.0047	0.0047	0.1100	0.1100	0	0	7.00
40	0.1012	0.0626	0.0040	0.0040	0.1800	0.1800	0	0	6.50
45	0.1358	0.0988	0.0040	0.0040	0.2900	0.2900	0	0	5.75
50	0.1849	0.1461	0.0000	0.0000	0.5000	0.5000	7	7	5.50
55	0.3108	0.2548	0.0000	0.0000	0.8800	0.8800	60	60	5.25
60	0.5930	0.4856	0.0000	0.0000	1.4100	1.4100	100	100	5.25
65	1.1378	0.9324	0.0000	0.0000	0.0000	0.0000	0	0	5.25
70	1.9677	1.6084	0.0000	0.0000	0.0000	0.0000	0	0	5.25
<b>Correctional Employees Retirement Fund:</b>									
20	0.0301%	0.0167%	12.0000%	8.0000%	0.0500%	0.0800%	0%	0%	7.25%
25	0.0339	0.0178	7.3500	7.1000	0.0800	0.1200	7	0	6.50
30	0.0427	0.0244	4.5500	6.7500	0.1100	0.1600	0	0	6.50
35	0.0743	0.0435	3.0000	6.4500	0.1500	0.2200	0	0	6.50
40	0.1012	0.0626	2.2000	5.2000	0.2400	0.3600	0	0	5.25
45	0.1358	0.0988	1.7000	3.2000	0.3900	0.5800	0	0	5.00
50	0.1849	0.1461	1.2000	2.3500	0.6700	1.0000	5	5	4.75
55	0.3108	0.2548	0.7000	1.6500	1.1700	1.7600	60	60	4.75
60	0.5930	0.4856	0.0000	0.0000	1.8800	2.8200	10	10	4.75
65	1.1378	0.9324	0.0000	0.0000	0.0000	0.0000	100	100	4.75
70	1.9677	1.6084	0.0000	0.0000	0.0000	0.0000	0	0	4.75

\*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

As of July 1, 2008

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	Female	
<b>Judges Retirement Fund*:</b>									
25	0.0339%	0.0178%	0.0000%	0.0000%	0.0000%	0.0000%	0%	0%	4
30	0.0427	0.0244	0.0000	0.0000	0.0200	0.0200	0	0	4
35	0.0743	0.0435	0.0000	0.0000	0.0200	0.0200	0	0	4
40	0.1012	0.0626	0.0000	0.0000	0.0200	0.0200	0	0	4
45	0.1358	0.0988	0.0000	0.0000	0.0300	0.0300	0	0	4
50	0.1849	0.1461	0.0000	0.0000	0.1400	0.1400	0	0	4
55	0.3108	0.2548	0.0000	0.0000	0.3400	0.3400	0	0	4
60	0.5930	0.4856	0.0000	0.0000	0.7600	0.7600	0	0	4
65	1.1378	0.9324	0.0000	0.0000	0.0000	0.0000	20	20	4
70	1.9677	1.6084	0.0000	0.0000	0.0000	0.0000	100	100	4

## 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	10	5.00
8	5	5	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

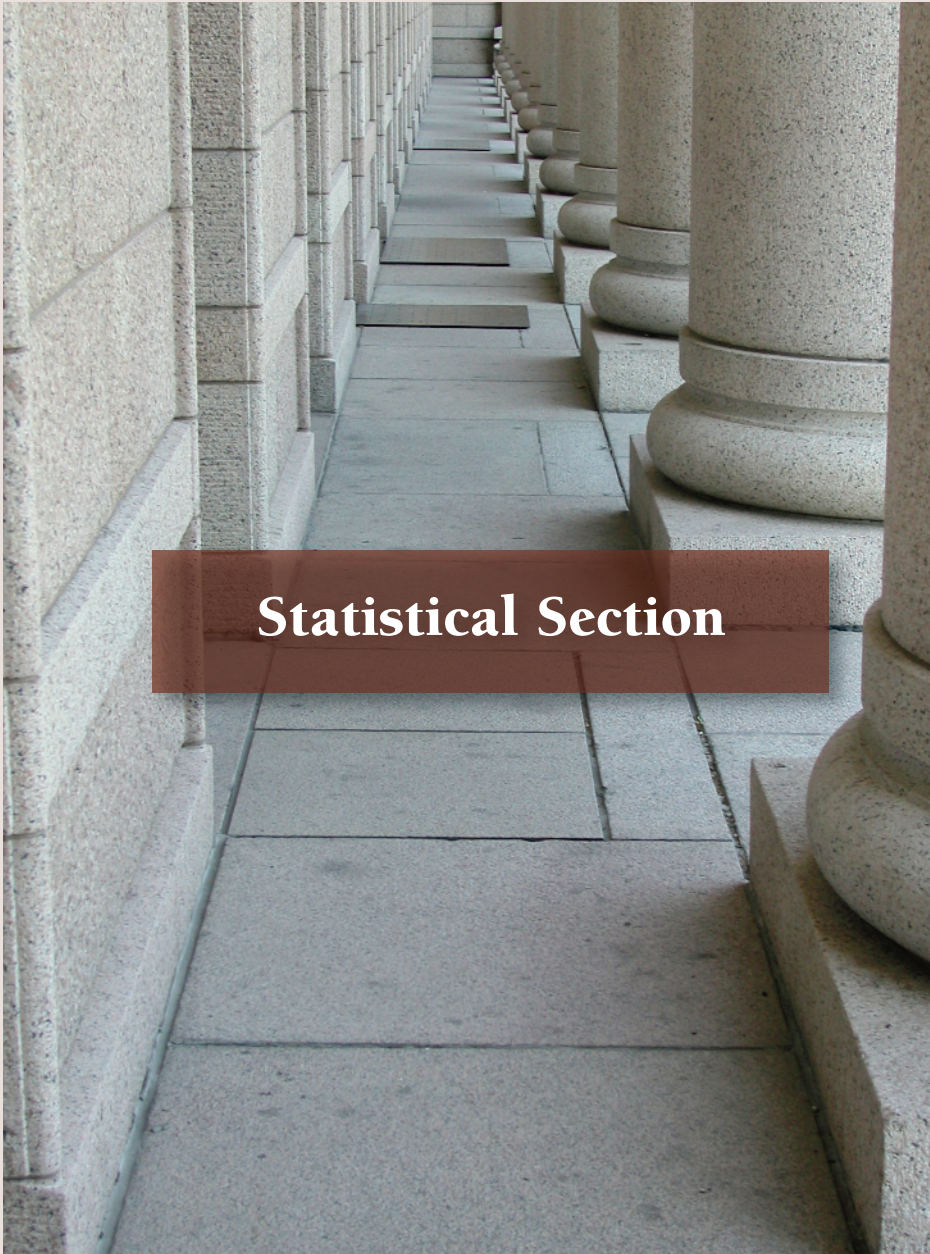
\* For the Judges Retirement Fund, the retirement rates for male and female are 10,000 at age 68. By statute all judges must retire by the age of 70.

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

\*\*\* For the Elective State 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 Revenue by Source

(Dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Actual Covered Payroll	Percentage Employer Contributions
<b>State Employees Retirement Fund:</b>							
2003	\$83,850	\$80,399	\$116,353	\$9,766	\$290,368	\$2,009,975	4.00%
2004	82,103	78,622	979,639	7,876	1,148,240	1,965,546	4.00
2005	83,101	80,312	732,101	12,639	908,153	1,952,323	4.00
2006	85,379	82,645	915,632	11,760	1,095,416	2,016,588	4.00
2007	89,447	86,492	1,503,390	17,609	1,696,938	2,096,363	4.00
2008	99,280	96,746	(474,845)	13,532	(165,287)	2,156,528	4.25
<b>State Patrol Retirement Fund:</b>							
2003	\$4,555	\$6,826	\$9,142	\$0	\$20,523	\$54,175	12.60%
2004	4,493	6,504	73,141	59	84,197	51,619	12.60
2005	4,517	6,671	55,018	0	66,206	55,142	12.60
2006	4,719	7,055	64,911	0	76,685	57,765	12.60
2007	4,987	7,461	100,147	3	112,598	57,903	12.60
2008	5,595	8,279	(30,579)	0	(16,705)	60,029	13.60
<b>Correctional Employees Retirement Fund:</b>							
2003	\$7,611	\$10,480	\$5,390	\$529	\$24,010	\$131,328	7.98%
2004	7,748	10,627	57,155	80	75,610	133,172	7.98
2005	7,943	11,016	39,104	1	58,064	132,335	7.98
2006	8,964	12,152	59,786	0	80,902	145,879	7.98
2007	10,032	13,927	84,830	131	99,920	167,727	7.98
2008	12,775	18,623	(30,673)	1,845	2,570	194,391	9.10
<b>Judges Retirement Fund:</b>							
2003	\$2,574	\$6,923	\$2,588	\$10	\$12,095	\$33,771	20.50%
2004	2,643	7,110	16,922	12	26,687	34,683	20.50
2005	2,662	7,225	12,354	10	22,251	35,941	20.50
2006	2,866	7,336	15,456	0	25,658	36,529	20.50
2007	2,792	7,571	25,523	0	35,886	34,156	20.50
2008	2,859	7,935	(8,874)	0	1,920	38,296	20.50
<b>Legislators Retirement Fund:</b>							
2003	\$433	N/A	\$528	\$5,396	\$6,357	\$3,610	N/A
2004	343	N/A	5,578	426	6,347	3,815	N/A
2005	384	N/A	3,523	6,602	10,509	3,014	N/A
2006	264	N/A	3,539	5,704	9,507	2,894	N/A
2007	239	N/A	6,808	1,783	8,830	2,380	N/A
2008	180	N/A	(1,233)	2,217	1,164	1,993	N/A
<b>Elective State Officers Retirement Fund*:</b>							
2003	\$0	\$0	\$0	\$371	\$371	N/A*	N/A
2004	0	0	0	383	383	N/A*	N/A
2005	0	0	0	395	395	N/A*	N/A
2006	0	0	0	409	409	N/A*	N/A
2007	0	0	0	428	428	N/A*	N/A
2008	0	0	0	434	434	N/A	N/A

\*The Elective State Officers Retirement Fund has no active members.

## Schedule of Expenses by Type

(Dollars in thousands)

Fiscal Year Ended June 30	Benefits	Administrative Expenses	Refunds	Other	Total
<b>State Employees Retirement Fund:</b>					
2003	\$311,472	\$4,191	\$8,195	\$2,172	\$326,030
2004	328,546	4,673	10,777	1,696	345,692
2005	347,959	4,336	10,707	693	363,695
2006	366,797	4,588	12,555	1,495	385,435
2007	392,058	4,916	11,102	2,898	410,974
2008	418,757	5,152	11,676	2,993	438,578
<b>State Patrol Retirement Fund:</b>					
2003	\$34,316	\$94	\$12	\$134	\$34,556
2004	35,501	95	17	129	35,742
2005	36,954	93	4	99	37,150
2006	38,767	101	52	190	39,110
2007	40,581	112	133	98	40,924
2008	42,804	109	6	178	43,097
<b>Correctional Employees Retirement Fund:</b>					
2003	\$19,256	\$286	\$607	\$327	\$20,476
2004	21,299	275	722	253	22,549
2005	23,816	298	649	277	25,040
2006	26,162	336	730	340	27,568
2007	28,565	405	752	358	30,080
2008	30,932	410	795	310	32,447
<b>Judges Retirement Fund:</b>					
2003	\$13,558	\$37	\$0	\$38	\$13,633
2004	13,520	31	0	35	13,586
2005	13,750	37	111	41	13,939
2006	14,260	60	0	78	14,398
2007	14,516	49	45	63	14,673
2008	15,116	54	0	24	15,194
<b>Legislators Retirement Fund:</b>					
2003	\$5,539	\$27	\$94	\$40	\$5,700
2004	5,766	23	0	0	5,789
2005	5,942	27	0	3	5,972
2006	6,094	33	78	34	6,239
2007	6,390	29	35	26	6,480
2008	6,786	34	1	3	6,824
<b>Elective State Officers Retirement Fund:</b>					
2003	\$370	\$1	\$0	\$0	\$371
2004	381	1	0	0	382
2005	391	3	0	0	394
2006	409	5	0	0	414
2007	419	4	0	0	423
2008	430	4	0	0	434

## Schedule of Benefit Expenses by Type

(Dollars in thousands)

Fiscal Year	Retirement	Survivor	Disability	Refund	Totals
<b>State Employees Retirement Fund:</b>					
2003	\$266,208	\$31,290	\$13,974	\$8,195	\$319,667
2004	279,915	33,417	15,213	10,777	339,322
2005	295,463	36,198	16,298	10,707	358,666
2006	310,380	38,758	17,659	12,555	379,352
2007	331,464	41,816	18,778	11,102	392,058
2008	354,317	44,403	20,037	11,676	430,433
<b>State Patrol Retirement Fund:</b>					
2003	\$29,138	\$4,093	\$1,085	\$12	\$34,328
2004	30,201	4,123	1,177	17	35,518
2005	31,245	4,401	1,311	4	36,961
2006	32,539	4,667	1,561	52	38,819
2007	33,911	5,079	1,591	133	40,714
2008	35,561	5,510	1,733	6	42,810
<b>Correctional Employees Retirement Fund:</b>					
2003	\$16,098	\$824	\$2,334	\$607	\$19,863
2004	17,837	915	2,547	722	22,021
2005	20,054	1,026	2,736	649	24,465
2006	21,981	1,150	3,031	730	26,892
2007	24,069	1,307	3,189	752	29,317
2008	26,133	1,404	3,395	795	31,727
<b>Judges Retirement Fund:</b>					
2003	\$9,917	\$3,224	\$417	\$0	\$13,558
2004	9,827	3,270	423	0	13,520
2005	9,998	3,303	449	111	13,861
2006	10,359	3,314	587	0	14,260
2007	10,467	3,427	622	45	14,561
2008	10,959	3,520	637	0	15,116
<b>Legislators Retirement Fund:</b>					
2003	\$4,737	\$802	\$0	\$94	\$5,633
2004	4,977	789	0	0	5,766
2005	5,107	834	0	0	5,941
2006	5,275	819	0	78	6,172
2007	5,496	894	0	35	6,425
2008	5,837	949	0	1	6,787
<b>Elective State Officers Retirement Fund:</b>					
2003	\$252	\$118	\$0	\$0	\$370
2004	293	88	0	0	381
2005	308	83	0	0	391
2006	324	85	0	0	409
2007	332	87	0	0	419
2008	340	90	0	0	430

# Active Employees Average Age Tables

(In years)

(These statistics are not available for the Legislators or Elective State Officers Retirement Funds.)

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:

06/30/03	34.4	33.6	33.9	32.1	31.8	31.9	46.3	44.5	45.3	13.3	11.2	12.2
06/30/04	34.8	33.2	33.8	32.2	31.7	31.9	46.6	44.7	45.5	13.5	11.4	12.4
06/30/05	35.3	34.3	34.7	32.4	31.9	32.1	46.9	45.1	45.9	13.7	11.7	12.6
06/30/06	35.8	35.2	35.1	32.6	32.2	32.4	47.0	45.3	46.1	13.6	11.6	12.5
06/30/07	36.4	34.9	35.5	32.9	32.4	32.6	47.2	45.4	46.2	13.4	11.6	12.4
06/30/08	36.6	35.5	35.9	33.2	32.6	32.9	47.3	45.5	46.3	13.2	11.5	12.3

## State Patrol Retirement Fund:

06/30/03	26.5	30.8	27.3	28.2	28.5	28.3	41.5	38.4	41.2	13.1	9.7	12.8
06/30/04	28.9	29.9	29.4	28.2	27.0	28.1	41.0	37.0	40.6	12.7	9.8	12.4
06/30/05	31.8	31.7	31.7	28.4	28.7	28.4	41.2	39.6	41.0	12.7	10.6	12.5
06/30/06	33.4	32.0	33.2	28.6	29.0	28.7	41.1	39.4	41.0	12.5	10.1	12.2
06/30/07	36.2	36.8	36.3	28.8	29.0	28.8	41.5	39.9	41.3	12.6	10.8	12.4
06/30/08	32.8	29.5	32.3	29.0	28.9	29.0	41.6	40.3	41.5	12.5	11.2	12.4

## Correctional Employees Retirement Fund:

06/30/03	34.0	37.7	35.4	31.4	34.7	32.5	41.0	41.1	41.0	9.2	6.0	8.1
06/30/04	33.0	33.9	33.4	31.4	34.5	32.5	41.0	40.8	41.0	9.2	6.0	8.1
06/30/05	32.2	33.2	32.6	31.6	34.2	32.5	40.4	40.4	40.4	8.6	5.9	7.6
06/30/06	32.8	33.9	33.3	31.6	33.9	32.4	40.2	39.9	40.1	8.2	5.7	7.4
06/30/07	34.2	35.4	34.8	32.0	34.2	32.8	40.3	39.7	40.1	7.9	5.2	6.9
06/30/08	33.5	34.7	34.1	32.0	34.3	32.9	40.5	40.0	40.3	8.2	5.5	7.1

## Judges Retirement Fund:

06/30/03	50.0	49.5	49.9	44.7	42.6	44.2	55.7	51.5	54.6	10.5	8.8	10.1
06/30/04	46.3	49.6	47.4	45.1	42.8	44.5	56.2	52.4	55.2	10.7	9.6	10.4
06/30/05	45.3	46.5	46.2	45.2	43.0	44.5	57.0	52.5	55.7	11.4	9.4	10.9
06/30/06	49.5	41.6	47.0	45.6	43.1	44.9	57.0	52.2	55.7	11.1	9.1	10.5
06/30/07	50.2	46.1	49.3	46.1	43.3	45.3	57.0	52.8	55.8	10.6	9.5	10.3
06/30/08	53.2	46.5	50.7	46.6	44.1	45.9	57.1	52.9	55.9	10.4	8.7	9.9

# Employees Eligible for an Immediate Annuity

As of June 30, 2008

## State Employees Retirement Fund:

Full Benefit	816
Reduced Benefit Due to Early Retirement	8,479
Proportional Benefit (Age equal to or more than 65 and service years fewer than 10)	108
Rule of 90	2,309
Vested Employees Not Eligible to Immediate Benefit	24,705
Employees Not Vested	<u>12,399</u>
<b>Total</b>	<u><u>48,816</u></u>

## State Patrol Retirement Fund:

Full Benefit	15
Reduced Benefit	124
Vested Employees Not Eligible to Immediate Benefit	599
Employees Not Vested	<u>102</u>
<b>Total</b>	<u><u>840</u></u>

## Correctional Employees Retirement Fund:

Full Benefit	194
Reduced Benefit	531
Vested Employees Not Eligible to Immediate Benefit	2,067
Employees Not Vested	<u>1,728</u>
<b>Total</b>	<u><u>4,520</u></u>

## Judges Retirement Fund:

Full Benefit	17
Reduced Benefit	10
Vested Judges Not Eligible to Immediate Benefit	129
Judges Not Vested	<u>131</u>
<b>Total</b>	<u><u>287</u></u>

## Legislators Retirement Fund:

Full Benefit	30
Reduced Benefit	10
Vested Members Not Eligible for an Immediate Benefit	12
Members Not Vested	<u>0</u>
<b>Total</b>	<u><u>52</u></u>

## Elective State Officers Retirement Fund:

No Remaining Active Members as of June 30, 2001	
<b>Total</b>	<u><u>0</u></u>

## Schedule of Refund Statistics

(These statistics are not available for the Legislators or Elective State Officers Retirement Funds.)

Year Ended	Number of Refunds			Average Age		Average Years Forfeited		Number of Employees Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
<b>State Employees Retirement Fund*</b>								
06/30/03	637	978	1,615	37.7	36.6	2.4	2.4	368
06/30/04	804	1,277	2,081	39.1	38.5	2.7	2.5	570
06/30/05	681	1,170	1,851	39.8	39.8	2.7	2.7	541
06/30/06	730	1,340	2,070	39.0	38.7	2.7	2.6	576
06/30/07	588	1,031	1,619	39.5	38.3	2.9	2.9	520
06/30/08	738	1,197	1,935	39.4	39.2	2.8	2.5	481
<b>State Patrol Retirement Fund:</b>								
06/30/03	1	0	1	36.3	-	0.3	-	0
06/30/04	1	0	1	28.4	0.0	1.0	0.0	0
06/30/05	2	0	2	54.6	0.0	0.4	0.0	0
06/30/06	2	0	2	45.2	0.0	3.9	0.0	1
06/30/07	1	0	1	42.5	0.0	16.4	0.0	1
06/30/08	1	1	2	61.1	30.9	.1	.7	0
<b>Correctional Employees Retirement Fund:</b>								
06/30/03	51	57	108	34.6	35.5	1.8	1.4	20
06/30/04	66	69	135	35.3	36.6	2.3	2.0	32
06/30/05	48	60	108	35.7	38.1	2.0	1.9	25
06/30/06	96	71	167	34.6	39.1	1.8	1.7	34
06/30/07	78	63	141	36.9	36.7	2.1	1.5	27
06/30/08	119	95	214	34.6	36.8	1.7	1.1	27
<b>Judges Retirement Fund:</b>								
06/30/03	0	0	0	-	-	-	-	0
06/30/04	0	0	0	-	-	-	-	0
06/30/05	1	0	1	55.9	0.0	13.5	0.0	1
06/30/06	0	0	0	-	-	-	-	0
06/30/07	0	1	1	0	47.6	-	4.2	1
06/30/08	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, 2008

## 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	6,482	5,291	364	668	0	159	4,011	2,121	246	104
\$500-\$999	5,705	4,251	496	871	2	85	3,283	2,127	234	61
\$1,000-\$1,499	4,637	3,545	412	632	1	47	2,539	1,926	129	43
\$1,500-\$1,999	3,470	2,877	206	360	2	25	1,689	1,682	78	21
\$2,000-\$2,499	2,489	2,159	85	224	1	20	1,157	1,281	35	16
\$2,500-\$2,999	1,489	1,313	28	131	0	17	620	844	17	8
\$3,000-\$3,499	932	836	8	82	1	5	364	557	5	6
\$3,500-\$3,999	552	491	6	48	0	7	204	342	3	3
\$4,000-\$4,499	342	300	1	28	1	12	144	189	4	5
\$4,500-\$4,999	158	145	0	11	0	2	59	98	0	1
\$5,000+	189	167	0	14	1	7	54	134	0	1
<b>Totals</b>	<b>26,445</b>	<b>21,375</b>	<b>1,606</b>	<b>3,069</b>	<b>9</b>	<b>386</b>	<b>14,124</b>	<b>11,301</b>	<b>751</b>	<b>269</b>

**Type:**

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

**Option:**

- Life - Single Life annuity
- I - Joint and Survivor annuity
- 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	22	9	0	13	6	5	11
\$500-\$999	26	5	2	19	7	7	12
\$1,000-\$1,499	26	11	1	14	13	8	5
\$1,500-\$1,999	42	11	2	29	12	25	5
\$2,000-\$2,499	62	14	7	41	14	37	11
\$2,500-\$2,999	63	35	1	27	14	46	3
\$3,000-\$3,499	75	52	10	13	34	39	2
\$3,500-\$3,999	80	60	7	13	30	47	3
\$4,000-\$4,499	123	111	4	8	34	88	1
\$4,500-\$4,999	111	100	3	8	40	69	2
\$5,000+	267	252	5	10	152	113	2
<b>Totals</b>	<b>897</b>	<b>660</b>	<b>42</b>	<b>195</b>	<b>356</b>	<b>484</b>	<b>57</b>

**Type:**

- 1 Retired members
- 2 Disabilities
- 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, 2008

## Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	221	178	7	36	153	44	24	0
\$500-\$999	268	223	12	33	186	62	19	1
\$1000-\$1499	318	213	78	27	228	79	8	3
\$1500-\$1999	250	181	53	16	173	68	7	2
\$2000-\$2499	202	174	21	7	146	53	2	1
\$2500-\$2999	142	128	11	3	109	33	0	0
\$3000-\$3499	112	108	1	3	90	22	0	0
\$3500-\$3999	45	45	0	0	39	6	0	0
\$4000-\$4499	29	29	0	0	21	8	0	0
\$4500-\$4999	6	6	0	0	6	0	0	0
\$5000+	8	8	0	0	7	1	0	0
<b>Totals</b>	<u>1,601</u>	<u>1,293</u>	<u>183</u>	<u>125</u>	<u>1,158</u>	<u>376</u>	<u>60</u>	<u>7</u>

**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	4	1	0	3	2	0	2	0
\$1000-\$1499	8	3	0	5	3	2	2	1
\$1500-\$1999	13	6	0	7	6	7	0	0
\$2000-\$2499	16	7	0	9	7	8	1	0
\$2500-\$2999	21	12	0	9	7	13	1	0
\$3000-\$3499	16	7	1	8	5	9	2	0
\$3500-\$3999	29	10	1	18	7	16	6	0
\$4000-\$4499	29	20	1	8	9	17	3	0
\$4500-\$4999	26	17	0	9	5	17	2	2
\$5000+	117	98	6	13	43	65	3	6
<b>Totals</b>	<u>279</u>	<u>181</u>	<u>9</u>	<u>89</u>	<u>94</u>	<u>154</u>	<u>22</u>	<u>9</u>

**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, 2008

### Legislators and Elective State Officers Retirement Funds

Monthly Benefit Amount	Retirement Type			
	Elective State Officers		Legislators	
	Member	Survivor	Member	Survivor
\$0-\$499	0	13	18	
\$500-\$999	4	2	65	21
\$1000-\$1499	1	0	70	12
\$1500-\$1999	0	1	42	11
\$2000-\$2499	0	0	26	3
\$2500-\$2999	1	0	21	0
\$3000-\$3499	0	0	14	1
\$3500-\$3999	0	0	10	1
\$4000-\$4499	1	1	7	2
\$4500-\$4999	1	0	4	0
\$5000+	2	0	5	1
<b>Totals</b>	<u>11</u>	<u>4</u>	<u>277</u>	<u>70</u>

## Schedule of New Retirees and Initial Benefit Paid

For the Six Fiscal Years Ended June 30, 2008

### State Employees Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/02 to 6/30/03:</b>								
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
<b>Period 7/1/03 to 6/30/04:</b>								
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
<b>Period 7/1/04 to 6/30/05:</b>								
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
<b>Period 7/1/05 to 6/30/06:</b>								
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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$136	\$371	\$634	\$983	\$1,235	\$1,629	\$2,288	\$1,291
Number of Current Retirees	231	174	188	203	218	203	526	1,743
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$147	\$428	\$740	\$1,026	\$1,395	\$1,691	\$2,335	\$1,338
Number of Current Retirees	224	184	163	209	198	208	541	1,727
<b>Period 7/1/02 to 6/30/08:</b>								
Average Monthly Benefit	\$152	\$353	\$603	\$901	\$1,191	\$1,535	\$2,197	\$1,225
Number of Current Retirees	1,194	922	1,010	1,042	1,075	1,115	2,823	9,181

### State Patrol Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/02 to 6/30/03:</b>								
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
<b>Period 7/1/03 to 6/30/04:</b>								
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
<b>Period 7/1/04 to 6/30/05:</b>								
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
<b>Period 7/1/05 to 6/30/06:</b>								
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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$1,829	\$1,633	\$3,158	\$3,403	\$4,634	\$3,887	\$3,534
Number of Current Retirees	0	2	1	10	8	6	10	37
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$185	\$774	\$1,986	\$2,788	\$3,151	\$4,469	\$4,256	\$3,541
Number of Current Retirees	1	2	3	6	6	12	13	43
<b>Period 7/1/02 to 6/30/08:</b>								
Average Monthly Benefit	\$380	\$1,037	\$1,899	\$2,864	\$3,262	\$4,162	\$4,517	\$3,635
Number of Current Retirees	4	11	6	28	35	54	66	204

## Schedule of New Retirees and Initial Benefit Paid

For the Six Fiscal Years Ended June 30, 2008

### Correctional Employees Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/02 to 6/30/03:</b>								
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
<b>Period 7/1/03 to 6/30/04:</b>								
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
<b>Period 7/1/04 to 6/30/05:</b>								
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
<b>Period 7/1/05 to 6/30/06:</b>								
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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$339	\$751	\$1,365	\$1,474	\$2,266	\$2,674	\$3,690	\$1,580
Number of Current Retirees	18	33	28	23	18	11	16	147
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$407	\$774	\$1,265	\$1,501	\$2,044	\$2,841	\$3,171	\$1,504
Number of Current Retirees	17	32	18	22	13	17	10	129
<b>Period 7/1/02 to 6/30/08:</b>								
Average Monthly Benefit	\$334	\$735	\$1,168	\$1,459	\$1,986	\$2,752	\$3,075	\$1,561
Number of Current Retirees	88	131	133	126	110	108	70	766

### Judges Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/02 to 6/30/03:</b>								
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
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$1,496	\$0	\$4,247	\$4,516	\$4,421	\$6,073	\$4,217
Number of Current Retirees	0	1	0	2	2	1	1	7
<b>Period 7/1/04 to 6/30/05:</b>								
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
<b>Period 7/1/05 to 6/30/06:</b>								
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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$2,064	\$2,624	\$3,823	\$5,993	\$0	\$0	\$4,281
Number of Current Retirees	0	1	3	3	5	0	0	12
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$2,606	\$3,038	\$4,243	\$5,252	\$5,588	\$0	\$4,675
Number of Current Retirees	0	1	3	2	12	1	0	19
<b>Period 7/1/02 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$1,938	\$3,042	\$3,931	\$5,379	\$5,107	\$6,073	\$4,441
Number of Current Retirees	0	5	11	15	34	3	1	69

## Schedule of New Retirees and Initial Benefit Paid

For the Six Fiscal Years Ended June 30, 2008

### Legislators Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/02 to 6/30/03:</b>								
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
<b>Period 7/1/03 to 6/30/04:</b>								
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
<b>Period 7/1/04 to 6/30/05:</b>								
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
<b>Period 7/1/05 to 6/30/06:</b>								
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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$1,225	\$1,340	\$1,707	\$2,057	\$2,567	\$3,038	\$1,661
Number of Current Retirees	0	7	6	2	2	3	1	21
<b>Period 7/1/07 to 6/30/08</b>								
Average Monthly Benefit	\$0	\$1,372	\$1,233	\$1,289	\$2,935	\$2,318	\$0	\$1,505
Number of Current Retirees	0	5	5	1	1	1	0	13
<b>Period 7/1/02 to 6/30/08:</b>								
Average Monthly Benefit	\$511	\$1,073	\$1,163	\$1,375	\$2,109	\$2,422	\$2,924	\$1,402
Number of Current Retirees	5	28	24	5	6	9	4	81

### Elective State Officers Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/02 to 6/30/03:</b>								
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
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$0	\$694	\$0	\$0	\$0	\$0	\$0	\$694
Number of Current Retirees	0	2	0	0	0	0	0	2
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
<b>Period 7/1/07 to 6/30/08</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
<b>Period 7/1/02 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$694	\$0	\$3,757	\$0	\$0	\$0	\$1,715
Number of Current Retirees	0	2	0	1	0	0	0	3

# Participating Employer Units

As of June 30, 2008

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

# Participating Employer Units

As of June 30, 2008

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

# Participating Employer Units

As of June 30, 2008

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



# Participating Employer Units

As of June 30, 2008

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



**MSRS** | **Minnesota State Retirement System**  
MNDCP | Minnesota State Deferred Compensation Plan  
HCSP | Health Care Savings Plan

60 Empire Drive | Suite 300 | St. Paul, MN 55103  
Telephone: 651-296-2761 | Toll-free: 1-800-657-5757  
[www.msrs.state.mn.us](http://www.msrs.state.mn.us) | Fax: 651-297-5238