

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

Minnesota State Retirement System
Pension Trust Funds of the State of Minnesota

Investing in
Your Future

Since 1929

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About our cover...

For this year's theme, *Investing in Your Future*, we've collected many historical photos to capture just some of the highlights of the past 83 years since MSRS has been in operation. It is often necessary to look at our history to get a better perspective of our future. Our history shows that MSRS has survived many events. There have been recessions, periods of great economic growth, terrorists attacks, wars and many other events that have helped shape what we are today. The one steadfast theme through it all is that MSRS is here to stay. There are plenty of headlines proclaiming the terrible state of public pension plans. With a proactive Board of Directors, Minnesota is one of the leaders in the public pension industry. We hope you enjoy the look back at the historical photos and feel confident that as we continue to write our history, it will be one of success and serving our participants in the best possible way. We look forward to continuing on this journey of *Investing in Your Future*.

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, 2012

Prepared by MSRS Finance, Information Systems and Executive Division Staff

Retirement Systems of Minnesota Building

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

Table of Contents

Introductory Section

- Achievement Awards.....8
- Board Chairperson’s Report.....9
- Letter of Transmittal.....10
- MSRS Board of Directors, Administrative Staff and Professional Consultants.....16
- Organization Chart.....17
- Summary of Retirement System Plans.....18

Financial Section

- Independent Auditor’s Report.....30
- Management’s Discussion and Analysis.....32
- Basic Financial Statements:
 - Statement of Plan Net Assets.....38
 - Statement of Changes in Plan Net Assets.....40
 - Notes to the Financial Statements.....42
- Required Supplementary Information:
 - Schedule of Funding Progress.....70
 - Schedule of Contributions from the Employer(s) and Other Contributing Entities.....72
 - Notes to Required Supplementary Information.....74
- Supporting Schedules:
 - Schedule of Administrative Expenses.....80
 - Schedule of Changes in Plan Net Assets.....81
 - Summary Schedule of Commissions and Payments to Consultants.....91
 - Schedule of Investment Expenses.....91

Investment Section

- Investment Report.....96
- Fair Value of Net Assets.....98
- Investment Returns by Sector.....99
- Asset Allocation.....100
- Investment Results - Annuity Increases vs. Inflation (Last 5 Years).....100
- Investment Results by Investment Pool.....101
- List of Largest Assets Held.....101
- Schedule of Investment Manager Fees, Commissions and Other Investment Expenses.....102
- Investment Summary at Fair Value.....104

Actuarial Section

- Actuary’s Certification Letter.....110
- Summary of Actuarial Methods and Assumptions.....114
- Required Reserves.....122
- Actual Contribution Rates as Compared to Actuarially Recommended Rates.....122
- Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL).....123
- Schedule of Active Member Valuation Data.....124
- Schedule of Retirees and Beneficiaries.....126
- Solvency Test.....128
- Summary of Unfunded Actuarial Accrued Liabilities (UAAL).....130
- Sample Assumed Annual Rates of Termination.....132

Statistical Section

- Introduction.....140
- Schedule of Changes in Plan Net Assets.....140
- Schedule of Revenues by Source.....152
- Schedule of Expenses by Type.....154
- Schedule of Benefits and Refunds by Type.....156
- Active Members Average Age Tables.....160
- Schedule of Retired Members by Type of Benefit.....162
- Schedule of New Retirees and Average Benefit Payments.....165
- Schedule of Principal Participating Employers.....171
- Schedule of Participating Employers.....173

Introductory Section

By W. B. RAGSDALE

WASHINGTON—(AP)—A plan to take care of the families of those who go into military service is being worked out for incorporation in the social security program.

Informed officials say it will be sent to the Capitol in the session of Congress along with a renewal of suggestions that and domestic workers be added to the 52 million men and women in industry and commerce who already have social security counts.

For the needy man who heeds the call to military service, the man being considered would work

or older get \$20.45. Widowers who have died, and children under 18, are getting an average of \$19.73 a month. dependent parents of insured workers who died are getting

Here For 83 Years – And Counting



1934

Minnesota State Highway Patrol Officers
practicing a Motorcycle Calvary Drill.
Photograph Collection 1934



6



1933

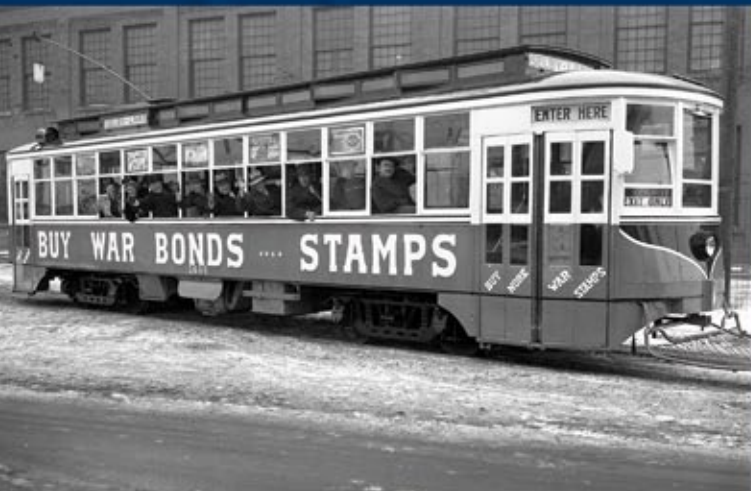


The progressive 1933 legislative session saw a comprehensive response to the depression. In addition to the state old-age pension system, it provided a moratorium on mortgage foreclosures, a reduction in property taxes for farmers and homeowners, the state income tax, chain store taxes, and steps toward preserving the region that later became the Boundary Waters Canoe Area Wilderness (now the BWCA).
Photograph Collection 1933

Passengers get on a streetcar at west entrance to Selby tunnel, St. Paul.
Photograph Collection 1929



1942



Selby-Lake streetcar advertising war bonds and stamps.
Photograph Collection 1942

Achievement Awards

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minnesota State Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers' Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell
President

Jeffrey R. Enow
Executive Director



Public Pension Coordinating Council

Recognition Award for Administration 2012

Presented to

Minnesota State Retirement System

In recognition of meeting professional standards for
plan 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)

Alan H. Winkle

Alan H. Winkle
Program Administrator

Board Chairperson's Report



December 31, 2012

Dear Members, Benefit Recipients, and Employers:

This year's Comprehensive Annual Financial Report theme is *Investing in Your Future*. We've highlighted photos that show the changes during the past 83 years MSRS has been in operation. Hand-written paper ledgers have been replaced with data stored on computers, streetcars no longer run through the cities, and cars are a bit faster and sleeker. These are just a few of the changes.

The photos also show another important aspect that is often overlooked. The photos show that during the past 83 years, we've survived the depression, wars, stock market crashes and terrorist attacks. There have been times of market rebounds, times of high inflation, low inflation--we've survived it all.

Throughout all the change and all the turmoil, one steadfast principal remains the same: The MSRS Board of Directors is committed to keeping our retirement plans secure and financially stable to be able to pay promised benefits to both current and future retirees.

There have been numerous news articles claiming that public retirement plans are unsustainable. These articles focus on the unfunded liabilities of pension plans nationwide. But here in Minnesota, we have been, and will continue to be, fiscally responsible. Minnesota is not Illinois, New Jersey, or California. The MSRS Board of Directors has always taken our fiduciary responsibility very seriously. And we have worked hard with Minnesota legislators throughout the years to help them understand the complexity and the critical nature of public pensions both for individuals and the state economy. We have been proactive.

The MSRS Board of Directors recommended vital changes in 2010 to stabilize our funding. We asked both our members and our retirees to take a little less to further our goal of ensuring our defined benefit plans have sufficient funds to pay future benefits. The Board's proactive approach has made Minnesota a leader in the public pension plan industry. Despite the stock market crash in 2008 and the Great Recession that followed, MSRS' General Retirement Plan (State Employees Retirement Fund) retains a healthy funding status above 80 percent. As of July 1, 2012, the General Plan is 82.67 percent funded, which is considered above average by Fitch and Standard & Poor's rating agencies. Still the General Plan's statutory contribution rates are 2.32 percent deficient to reach full funding by June 30, 2040 and additional changes are likely to be needed to reduce the plan's unfunded liability.

As we move forward on this journey of *Investing in Your Future*, we continue our commitment to achieving financial sustainability of your retirement funds. And we appreciate your support.

Sincerely,



Mary Benner, Chair
Board of Directors

Letter of Transmittal



December 31, 2012

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

Dear Directors:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) for the Minnesota State Retirement System (MSRS) for the fiscal year ended June 30, 2012, our 83rd year of operation. Throughout this report, you will find affirmations of our efforts to fulfill our mission to administer secure retirement plans, ensure timely benefit payments, be proactive in public pension policies, and provide exemplary customer service. We do this by carefully monitoring our financial position, funding progress, and evaluating our operations to ensure they are carried out effectively and in compliance with *Minnesota Statutes*.

This CAFR is designed to meet the financial reporting requirements of *Minnesota Statutes* 356.20. The information contained in this report is accurate in all material respects and is intended to fairly present MSRS' financial position and results of operations for the fiscal year ended June 30, 2012. 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 contained in the financial statements, supporting schedules, and statistical tables is reliable.

Readers of this transmittal letter are encouraged to refer to *Management's Discussion and Analysis* in the *Financial Section* on pages 32-37 for financial highlights and an overview of MSRS' financial statements for fiscal year 2012.

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*. This report is available online at <http://www.mmb.state.mn.us/fin/acct>.

About MSRS Plans

MSRS administers six defined benefit and four defined contribution plans, which are identified below. The net assets of these plans totaled \$15.7 billion as of June 30, 2012.

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 Deferred Compensation Plan (MNDCP)
- 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 55,000 active employees from nearly 30 employer units, 35,800 benefit recipients, and 25,000 members who are no longer contributing, but are eligible for either future monthly benefits or a lump-sum distribution. Net assets for these plans exceeded \$10.74 billion at June 30, 2012.

MSRS also serves over 79,500 participants in the MNDCP with net assets totaling \$4.28 billion at June 30, 2012. Over 73,800 members participate in the Health Care Savings Plan with net assets at fiscal year end exceeding \$509 million. Over 1,700 members participate in the Supplemental Retirement Plan for Hennepin County with net assets at June 30, 2012, totaling nearly \$124 million.

Major Initiatives

A number of major initiatives began in 2012, which will ultimately lead to a more efficient and secure retirement system.

With the enactment of the 2012 Omnibus Retirement Bill in May 2012, the state's investment return assumption was changed to a select and ultimate approach. For all defined benefit funds, the pre-retirement and post-retirement investment return assumptions were reduced. Lowering the investment return assumption rate is important to public employee pension plans because it more accurately reflects current conditions. Decreased funded ratios and increased liabilities and projected benefit costs may trigger the need for increased contribution rates or other legislative initiatives designed to improve each plan's funding status and net financial position.

A concerted effort was made during the fiscal year to improve internal controls throughout MSRS. An initial step in this process was to hire Crowe Horwath to perform an enterprise risk assessment. The assessment looked at key business processes, including financial reporting, information technology, and contribution and benefit payment processing. Risks that could prevent MSRS from achieving its mission were identified and evaluated. Corresponding internal controls, designed to mitigate these risks to an acceptable level, were documented. This assessment provided a foundation and methodology for future risk assessments and more importantly, a roadmap for strengthening MSRS' internal control structure. This risk assessment was completed by October 31, 2012.

Another significant project began during 2012 involving the conversion of our mainframe-based COBOL batch applications to a more current and flexible technology platform, JAVA. This multi-year, multi-phase project also provides an opportunity to streamline critical business processes to improve overall efficiency and productivity. During the 2012 fiscal year, we issued a request for proposal (RFP) for professional and technical services to lead this project effort and in partnership with MSRS, deliver the desired solution. Computer Sciences Corporation (CSC) was selected as a vendor; the contract was executed in August 2012.

In recent years, MSRS has been occupying space on three different floors of the Retirement Services Building (RSB) in St. Paul. When another state agency vacated space on the third floor of the RSB, we acquired this space to consolidate staff to a single floor location. We began a remodeling project which will continue into fiscal year 2013. To accommodate the remodeling project, in May the Board of Directors approved an increase in MSRS' building ownership percentage. Effective July 1, 2012, MSRS' building ownership ratio increased from 24.6 percent to 26.8 percent.

With borrowing rates at a historic low, we also seized the opportunity to refinance the bonds which financed the construction of the RSB in 2000. New refunding bonds were issued in July of 2012 at a significantly lower interest rate, with the proceeds used to pay off the original bondholders in September 2012. Consequently, the bond refunding generated MSRS a shortened bond term (by five years) and a present value of savings that exceeds \$2.5 million.

With the five-year contract with our former actuary, Mercer, expiring at the end of fiscal year 2012, MSRS issued a request for proposal for actuarial services. Gabriel Roeder Smith and Company (GRS) was selected as the new actuary, effective July 1, 2012. GRS performed the actuarial work for this CAFR.

Effective January 1, 2012, we began offering participants the option to invest after-tax Roth contributions in our Minnesota Deferred Compensation Plan (MNDPCP). This required MSRS to develop new forms, print new investment materials, and provide additional communications and education to participants and their employers.

On July 1, 2011, we added Target Date Retirement Funds as another investment option for participants in the Minnesota Deferred Compensation Plan.

We changed to a new email system during fiscal year 2012. The change enabled us to comply with Financial Industry Regulatory Authority (FINRA) requirements and to demonstrate protection of participants' private data.

We began redesigning our website to allow MSRS employees to make changes to and manage certain components of the website they own. This will make it easier to keep the website up-to-date. This project will continue into fiscal year 2013.

Future plans include continuation of the COBOL conversion and completion of the remodeling project started in fiscal year 2012. In addition, a second data center will be established, which will serve as a warm site in the event of a business interruption.

The contract for the current recordkeeper and custodian for the defined contribution funds will expire on June 30, 2014. We issued an RFP and are awaiting responses due in mid-January 2013. If the RFP review committee selects a new recordkeeper, the contract with the new service provider must begin early in fiscal year 2013 to allow ample time for a successful transition from the former to the new record keeping system. This is the largest contract administered by MSRS.

Letter of Transmittal

In June 2012, the Governmental Accounting and Standards Board (GASB) issued two new standards for pension accounting and financial reporting. The standards are a monumental change, disconnecting the link between accounting and funding measures. While MSRS must implement changes no later than June 30, 2014, fiscal year 2013 will be a year to prepare for the change and educate employers and stakeholders.

Several legislative initiatives will be introduced in the 2013 Minnesota legislative session, with the focus on reducing contribution deficiencies for the State Patrol and Judges Retirement Funds. When enacted, plan provision changes will ensure continued security and financial stability of these funds in the future.

Financial Information

Accounting System and Reports

MSRS prepares its financial statements in accordance with generally accepted accounting principles promulgated by 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 were processed through the SWIFT (Statewide Integrated Financial Tools) System under the oversight of the department of Minnesota Management and Budget.

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.

Financial Summary

The following schedule is a comparative summary of the additions and deductions for MSRS' defined benefit and defined contribution funds for the fiscal years ended June 30, 2012 and 2011. 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 2.4 percent investment return for fiscal year 2012 (following a 23.3 percent investment return for fiscal year 2011), MSRS realized an increase of only \$50.6 million in total net assets for all MSRS pension trust funds. This amount is comprised of a decrease of \$111.6 million for MSRS' defined benefit funds and an increase of \$162.2 million for its defined contribution funds.

Summary Statement of Changes in Plan Net Assets – All MSRS Pension Trust Funds For the Fiscal Years Ended June 30, 2012 and 2011

(Dollars in thousands)

Source	Defined Benefit Funds		Defined Contribution Funds	
	FY 2012	FY 2011	FY 2012	FY 2011
Total Additions	\$580,486	\$2,367,079	\$464,436	\$1,128,383
Total Deductions	692,043	640,712	302,225	282,594
Change in Net Assets	<u>\$(111,557)</u>	<u>\$1,726,367</u>	<u>\$162,211</u>	<u>\$845,789</u>

Actuarial Funding Status

MSRS contracted with GRS of Minneapolis, Minnesota to perform the annual actuarial valuation for each MSRS defined benefit fund and to provide other actuarial consulting services during fiscal year 2012. The actuarial valuations measure current costs and contribution requirements to determine how much employers and members should contribute to maintain appropriate funding progress to pay future benefits. Actuarial valuations also measure assets and liabilities to determine the level of funding for each defined benefit retirement fund 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 funded ratio gives members more assurance that their pensions are secure, and that present 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 liability, funded ratio and contribution deficiency (expressed as a percent of payroll except for Legislators and Elective State Officers

Retirement Funds, which are expressed in dollars) for each defined benefit fund as of the latest actuarial valuation date, July 1, 2012.

Highlights of the 2012 Actuarial Valuations

(Dollars in thousands)

Defined Benefit Retirement Fund	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Contribution Deficiency
State Employees	\$9,162,301	\$11,083,227	82.67%	2.32%
State Patrol	554,244	760,955	72.84	11.52
Correctional Employees	663,713	968,166	68.55	4.58
Judges	144,898	281,576	51.46	13.50
Legislators *	15,523	247,657	6.27	\$18,208
Elective State Officers*	0	8,907	0.00	\$991

**Unlike the other defined benefit retirement funds, the Legislators and Elective State Officers Retirement Funds are financed on a pay-as-you-go basis. The current prescribed actuarial assumptions for these two funds are not GASB-compliant for financial reporting purposes. Amounts reported for actuarial accrued liability, funded ratio and contribution deficiency are based on actuarial valuation results using GASB-compliant alternative assumptions. The fiscal year 2012 contribution deficiency is expressed as a dollar amount rather than a percentage of payroll.*

For all the defined benefit funds, except the Correctional Employees Retirement Fund, the contribution deficiencies as of the July 1, 2012 valuation date grew in comparison to the contribution deficiencies one year prior due to the changes in actuarial assumptions. For all funds, the contribution deficiencies remain significant. In the long run, without further changes in contribution levels, benefits or actuarial assumptions, favorable actuarial experience or better than expected investment returns, the funded status for all of these defined benefit plans will deteriorate in the future. Changes in each defined benefit fund's plan provisions that affect employees first hired after June 30, 2010 are expected to ultimately reduce the cost of each fund, but they have not had a material impact on the actuarial valuation results.

The Minnesota Legislature annually reviews reports of the actuarial funding status of the retirement systems. The Legislature has the 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. Additionally, current law for each of MSRS' three largest defined benefit funds (e.g., State Employees, State Patrol, and Correctional Employees Retirement Funds) requires employee and employer contribution rates to increase automatically at .25 percent per year until the contribution deficiency is not greater than .5 percent.

The assumptions and actuarial methods used in the valuation are in accordance with *Minnesota Statutes*, Section 356.215. The individual entry age normal cost method again was the actuarial method used to determine the actuarial accrued liabilities and required contributions. The decrement timing was changed from beginning of year to mid-year for actuarial valuation purposes. Experience studies were performed in the State Patrol Retirement Fund, Correctional Employees Retirement Fund and Judges Retirement Fund. These studies resulted in many actuarial assumption changes. These changes are detailed in the *Financial Section* of this report. Additional information regarding the actuarial methods, assumptions, and funding status of MSRS' defined benefit retirement funds is presented in the *Actuarial Section*.

Letter of Transmittal

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 Mark Dayton, 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 person 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 the funds under its control.

MSRS does not own specific securities, but instead owns shares in various pools invested by SBI. During fiscal year 2012, the domestic stock pool reported a 3.1 percent

return, lower than the Russell 3000 Index by .7 percentage point. The bond pool posted a 7.8 percent return for fiscal year 2012, outperforming the Barclays Capital Aggregate Bond Index by .3 percent. The International Stock Pool also reported a (14.7) percent return for the fiscal year, slightly underperforming 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.) by 0.1 percent for the fiscal year. Within this investment environment, the Combined Funds, which represent all defined benefit pension assets under SBI's control, reported a 2.4 percent return (net of fees) for the 2012 fiscal year. Annualized over the latest ten-year period, it generated a 7.0 percent return, outperforming a composite market index (weighted in manner that reflects the long-term asset allocation of the Combined Funds as indicated in the table below) by 0.1 percentage point.

Combined Funds Asset Allocation and Market Indices		
Investment Type	Market Indicator	Long-Term Policy Target
Domestic Equity	Russell 3000 Index	45.0%
International Equity	Morgan Stanley Capital International All Country World Ex-U.S. Index (net)	15.0
Alternative Assets	Wilshire Real Estate Funds, Venture Capital Funds, Resources Funds	20.0
Bonds	Barclays Capital Aggregate Bond Index	18.0
Unallocated Cash	3-Month Treasury Bills	2.0
		<u>100.0%</u>

Please refer to the *Investment Section* of this CAFR for additional details on the investment results of MSRS' largest defined benefit retirement funds for fiscal year 2012.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Minnesota State Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the third consecutive year that MSRS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We are also very pleased to report that MSRS also received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2012 Award, in recognition of meeting professional standards for plan 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 ten years. MSRS is proud to be a recipient of this award.

Respectfully submitted,



David Bergstrom
Executive Director

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. It is reproduced, in its entirety, on MSRS' website, www.msrs.state.mn.us. A summary of the CAFR will be published in the next issue of the *Messenger*, MSRS' newsletter.

Acknowledgements

Three very special individuals deserve significant recognition and our utmost appreciation for their time and effort in preparation of this report: Accounting Director Joan Weber and Internal Control Specialist Cheryl Jahnke for their financial management and reporting expertise; and Communications Officer, Deb Otto, for her extraordinary artistic creativity and publishing talents as demonstrated in the layout and design of this CAFR. This report would not be possible without their cooperative enthusiasm and tremendous dedication.

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



Judith M. Hunt
Assistant Executive Director
Finance, Records, and Contract Administration

MSRS Board of Directors, Administrative Staff and Professional Consultants

As of June 30, 2012

Mary Benner, Chair

*Appointed by Governor
Term expires: January 3, 2015*

Mathew Hodapp, Vice Chair

*Elected State Patrol Representative
Term expires: May 5, 2014*

Michael Keapproth

*Elected Correctional Plan Representative
Term expires: May 2, 2016*

Chester Jorgenson

*Elected by General Plan Membership
Term expires: May 5, 2014*

Michelle Sommers

*Appointed Representative for employees of
Metropolitan Council's Transit Division
Term expires: at the discretion of the Executive
Board for the Amalgamated Transit Union,
Local 1005*

**Jim Schowalter, Commissioner
Minnesota Management and Budget**

*Appointed by Governor
Term expires: January 3, 2015*

Allen E. Hoppe

*Elected by General and Unclassified Plans Membership
Term expires: May 2, 2016*

Thomas Ruter

*Elected by General Plan Membership
Term expires: May 5, 2014*

Sally (R.W.) Olsen

*Appointed by Governor
Term expires: January 5, 2013*

Wes Skoglund

*Elected Retiree Representative
Term expires: May 2, 2016*

Michael Schweyen

*Elected by General and Unclassified Plans Membership
Term expires: May 2, 2016*

Key Administrative Staff

Executive Director:

David Bergstrom

**Assistant Executive Director -
Finance, Records and Contract
Administration:**

Judith M. Hunt

**Assistant Executive Director -
Retirement Services:**

Erin M. Leonard

Professional Consultants

Actuaries:

Mercer, Inc.
Gabriel Roeder Smith & Company

Legal Counsel:

Assistant Attorney General Julie Leppink
Assistant Attorney General Rory Foley

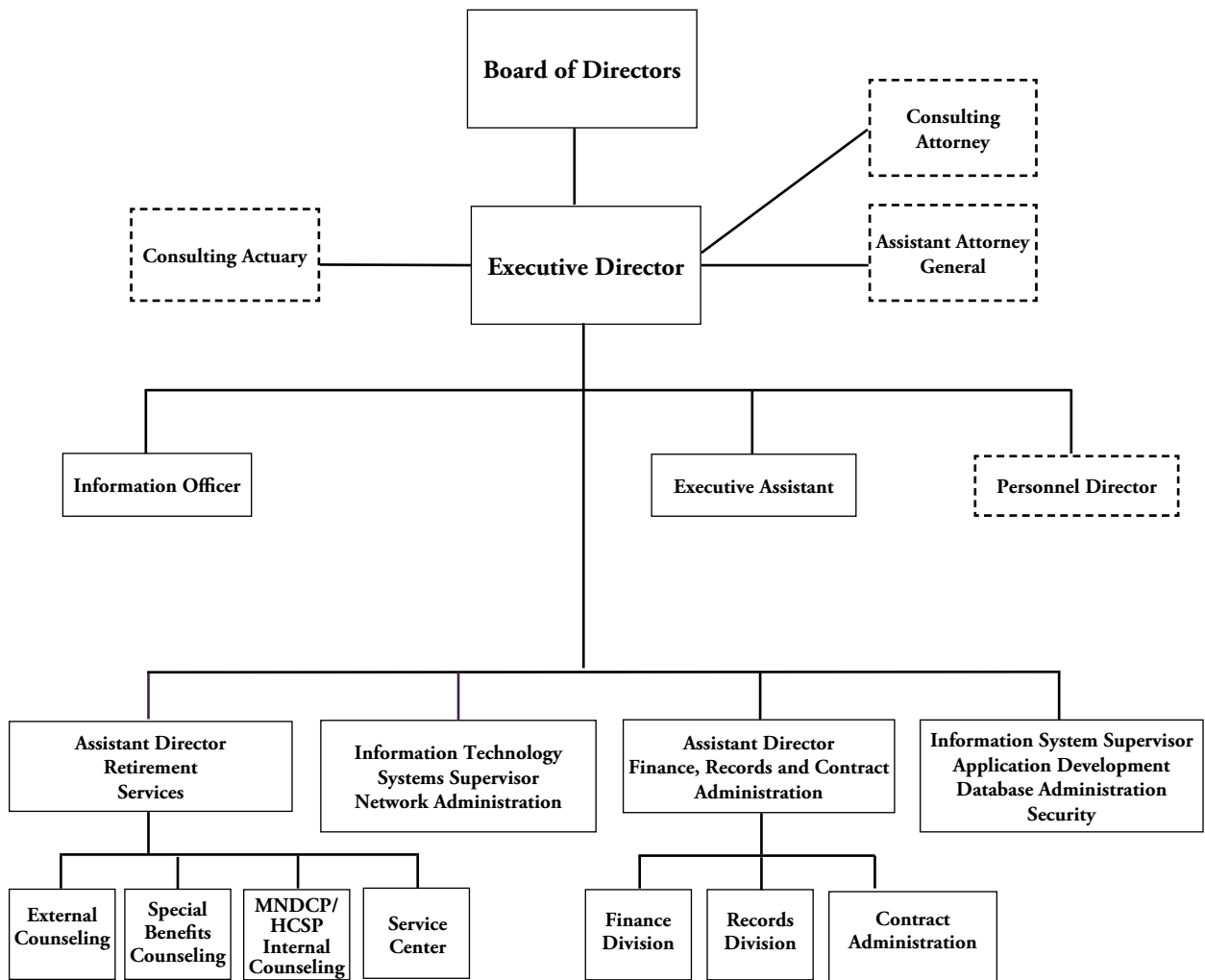
Medical Advisor:

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 pages 102 and 103 of the *Investment Section* of this CAFR.

Organization Chart

As of June 30, 2012



Mission Statement

To administer secure retirement plans, a tax-free health care savings plan, and a low cost deferred compensation plan; ensure 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 Transit Commission representative, and three members appointed by the governor.

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

Defined Benefit Plans

1. General Employees Retirement Plan

A. Coverage

- Most state employees, University of Minnesota non-faculty employees, and selected metropolitan agency employees

B. Contribution Rates

- Employees: 5.0 percent of salary effective July 1, 2010
- Employers: 5.0 percent of salary effective July 1, 2010
- Employee contributions are “picked up” according to the provisions of Internal Revenue Code 414(h).

C. Benefit Formula

- If first hired before July 1, 1989, the benefit formula is the greater of (a) or (b):
 - (a) 1.2 percent of a high-five year salary for the first 10 years of allowable service and 1.7 percent of high-five salary for each subsequent year with a reduction of .25 percent for each month the member is under age 65 at time of retirement, or under age 62 with 30 years of allowable service. There is no reduction in the formula if the member’s age plus years of allowable service total 90 (Rule of 90) or more.

(b) 1.7 percent of high-five year salary for each year of allowable service and actuarial reduction for each month the member is under age 65.

- If first hired after June 30, 1989, the benefit formula is 1.7 percent of high-five year salary for each year of allowable service with an actuarial equivalent, early retirement reduction from age 66.
- Salary includes wages, allowances and overtime. It excludes lump sum payments at separation, employer contributions to deferred compensation and tax sheltered annuity plans, and benevolent vacation and sick leave donation programs.

D. Retirement Age and Service Requirements

Eligibility for unreduced retirement benefits:

- Age 65 for employees hired before July 1, 1989; or age 66 for employees hired on or after July 1, 1989
- Age 62 for employees hired before July 1, 1989 with 30 or more 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 if hired prior to July 1, 2010 or five years of service if hired after June 30, 2010, reduced from full retirement age
- Any age with 30 years of service, reduced from age 62 (pre-July 1, 1989 hires only)
- The plan also offers total and permanent disability benefits for employees with at least three years of service (five years of service after June 30, 2010).

E. Surviving Spouse Benefit

- Generally, the spouse of an employee who was hired prior to July 1, 2010 with at least three years of service at death, or with five years of service if hired after June 30, 2010, is eligible for a 100 percent survivor annuity or a refund.

F. Refunds

- Employee contributions are refunded with six percent interest compounded daily until June 30, 2011, and four percent thereafter.

G. Retirement and Disability Options

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

H. Post-Retirement Benefit Increase

- Benefit recipients receive future annual 2 percent benefit increases effective January 1, 2011.
- Annual benefit increase will revert to 2.5 percent when the Plan's funded ratio reaches 90 percent on a market value of assets (instead of an actuarial value of assets) basis.
- Retirees must wait at least six months for their initial post-retirement benefit increase.
- Only employees who retire before June 1 will be eligible for a prorated increase the next January. The prorated increase amount depends on the month the employee retired.

2. Military Affairs, Transportation Pilots (hired before June 1, 2008) and Fire Marshals Retirement Plans

(Provisions differing from the General Plan)

A. Coverage

- Required retirement from federal military status at age 60, age 62 for transportation pilots, and no such requirement is defined for deputy fire marshals

B. Contribution Rates

- For Military Affairs and Transportation Pilots Plans, both employee and employer contribution rates are 6.60 percent effective July 1, 2010.
- For the Deputy Fire Marshals Plan, the employee contribution rate is 7.78 percent and the employer contribution rate is 9.20 percent, effective July 1, 2010.

C. Retirement Age and Service Requirements

- Military Affairs, age 60, with at least three years of service if hired prior to June 30, 2010 (or five years of service if hired after July 1, 2010), no reduction
- Transportation Pilots, age 62, with at least three years of service if hired prior to June 30, 2010 (or five years of service if hired after July 1, 2010), 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 three 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 disability

3. State Patrol Retirement Plan

(Provisions differing from the General Plan)

A. Coverage

- State troopers, conservation officers, and certain crime bureau and gambling enforcement agents

B. Contribution Rates

- Employees: 12.4 percent effective July 1, 2011
- Employers: 18.6 percent effective July 1, 2011

C. Benefit Formula

- Three percent of high-five year salary for each year of allowable service

D. Retirement Age and Service Requirements

- Age 55 with three years of allowable service if hired prior to July 1, 2010 (five years if hired after June 30, 2010), no reduction
- Early retirement at age 50 with three years of allowable service if hired prior to July 1, 2010 (five years if hired after June 30, 2010), with a reduction in the normal retirement benefit 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
- For a job-related disability, benefit is equal to 60 percent of high-five year average salary, plus three percent for each year beyond 20 years of allowable service
- A regular (non-duty) disability benefit is equal to 45 percent of high-five average salary, plus 3 percent for each year of service beyond 15 years of allowable service.

Summary of Retirement System Plans

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 ten percent of final average salary per child plus \$20 per month, prorated among all dependent children.
- If no survivor benefit is payable, employee contributions are refunded with six percent interest compounded daily until June 30, 2011, and four percent thereafter.

G. Annuity and Disability Options

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

H. Post-Retirement Benefit Increase

- Benefit recipients receive future annual 1.5 percent benefit increases beginning January 1, 2011. If the accrued liability funded ratio of the plan reaches 90 percent (on a market value of assets basis), the benefit increase reverts to 2.5 percent.

4. Correctional Employees Retirement Plan

(Provisions differing from the General Plan)

A. Coverage

- Certain state employees who spend at least 75 percent working time in direct contact with inmates or patients at Minnesota Correctional facilities.

B. Contribution Rates

- Employees: 8.6 percent effective July 1, 2010
- Employers: 12.1 percent effective July 1, 2010

C. Benefit Formula

- 2.4 percent of high-five year average salary (2.2 percent for employees hired after June 30, 2010) for each year of allowable service or an accelerated annuity to age 62 or 65, then an actuarially-adjusted benefit thereafter

D. Vesting

- For members hired before July 1, 2010: 100 percent vested after three years of allowable service
- For members hired after June 30, 2010: graded vesting applies ranging from 50 percent vested after five years of allowable service to 100 percent vested after ten years of allowable service

E. Retirement Age and Service Requirements

- Age 55 and vested
- Age 50 and vested, reduction from age 55

F. Disability

- For a job-related disability, benefit equals 50 percent of high-five year average salary plus 2.4 percent for each year beyond 20 years and ten months of allowable service; the minimum non-job related disability is 36 percent (there is no minimum non-job related disability benefit for those hired after July 1, 2009)
- Member is reclassified from disabled to retired at age 55 (age 65 if disabled prior to July 1, 2009)
- Regular disability requirement is one year of covered correctional service for employees hired before July 1, 2009. Correctional employees hired after June 30, 2009 must be vested to be eligible for regular disability benefits.

5. Judges Retirement Plan

(Provisions differing from the General Plan)

A. Coverage

- District, appellate and supreme court judges

B. Contribution Rates

- Employees: 8.0 percent
- Employers: 20.5 percent

C. Benefit Formula

- 2.7 percent for each year of allowable service prior to July 1, 1980, plus 3.2 percent of same average salary for allowable service after June 30, 1980
- Formula applied to high-five year average salary within the last decade
- Maximum benefit is capped at 76.8 percent of average salary

D. Retirement Age and Service Requirements

- Age 70 (mandatory retirement age)
- Age 65 with five years of service, no reduction
- Age 60 with five years of service; normal retirement benefit is reduced for each month member is under age 65.

E. Disability

- Member is eligible for disability if permanently unable to perform duties of a judge
- Continuation of full salary for one year, but not beyond age 70
- Benefit is computed under the formula with no reduction, and subject to a minimum of 25 percent of high-five year salary

F. Survivor Benefits

- Spouse is eligible for larger of 25 percent of average salary or 60 percent of normal retirement benefit had the member retired at date of death.

G. Annuity and Disability Options

- Single-Life annuity
- 50, 75 or 100 percent Joint and Survivor with bounce-back feature
- 50, 75 or 100 percent Joint and Survivor without bounce-back feature
- 15-year Certain and Life Thereafter

State of Minnesota General Fund Retirement Plans

6. Legislators Retirement Plan

(Provisions differing from the General Plan)

A. Coverage

- Legislators first elected before July 1, 1997
- Effective July 1, 1997, newly-elected legislators are covered by the Unclassified Employees Retirement Plan

B. Contribution Rates

- Employee: 9 percent of salary
- Employer's share is funded by annual appropriation, as needed, from the state's General Fund.

C. Benefit Formula

- For legislators first elected prior to January 1, 1979: 5 percent of high-five average salary for the first eight years of service prior to January 1, 1979, and 2.5 percent for subsequent years
- For legislators elected after December 31, 1978: 2.5 percent of high-five average salary

D. Retirement Age and Service Requirements

- 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 55 or more at death
- First child's benefit is 25 percent of the retirement benefit (computed as for surviving spouse) with 12.5 percent for each additional child
- Maximum benefit payable to children and spouse is 100 percent of the retirement benefit

F. Annuity Options

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

G. Post-Retirement Benefit Increase

- Benefit recipients receive future annual 2.0 percent benefit increases beginning January 1, 2011. If the accrued liability funded ratio of the State Employees Retirement Fund reaches 90 percent (on a market value of assets basis), the benefit increase will revert to 2.5 percent.

Summary of Retirement System Plans

7. Elective State Officers Retirement Plan

(Provisions differing from the General 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.

B. Contribution Rates

- Plan is funded by annual appropriations from the state's General Fund

C. Post-Retirement Benefit Increase

- Benefit recipients receive future annual 2.0 percent benefit increases beginning January 1, 2011. If the accrued liability funded ratio of the State Employees Retirement Fund reaches 90 percent (on a market value of assets basis), the benefit increase will revert to 2.5 percent.

Defined Contribution Plans

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

A. Coverage

- Specified employees in unclassified positions

B. Contribution Rates

- Employees: 5 percent effective July 1, 2010
- Employers: 6 percent of salary

C. Investment Options

- Supplemental Investment Fund (SIF) Money Market Account
- Fixed Interest Account
- Bond Market Account
- Income Share Account
- Common Stock Index Account
- Growth Share Account
- International Share Account

D. Administrative Fees

- \$1 per month for an account balance less than \$10,000
- \$2 per month for an account balance that is \$10,000 to \$50,000
- \$3 per month for an account balance exceeding \$50,000
- Plan fees only apply to contributions made after July 1, 1992. Prior to July 1, 1992, participants were charged a front-end fee.

E. Benefits

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

F. Retirement Age and Service Requirements

- Age 55 with any length of service

G. Refunds

- Account value

H. Annuity and Disability Options for Employees Who Elect Coverage in the General Employees Retirement Plan

- Employees appointed prior to July 1, 2010 may elect to transfer their Unclassified Plan service to the General Plan if they have ten or more years of service, or employees may select General Plan coverage in the first year of employment.
- Employees appointed after June 30, 2010 may elect to be covered by the General Plan within seven years of their appointment.
- Single-Life annuity
- 100, 75 or 50 percent Joint and Survivor with bounce-back feature
- 15 Year Certain and Life Thereafter

I. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants and processes all distribution and other requests. Prior to that date, MSRS administered this plan.

2. Health Care Savings Plan

[Created in 2001 through state legislation (Minnesota Statute 352.98). The trust is exempt from federal income tax through a 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. Investment Options

- Supplemental Investment Fund (SIF) Money Market Account
- Fixed Interest Account
- Bond Market Account
- Income Share Account
- Common Stock Index Account
- Growth Share Account
- International Share Account

D. Annual Administrative Fees

- 0.65 percent, prorated and deducted from participant accounts on a monthly basis
- Maximum annual fee: \$140

E. Benefits

- Account balance including investment gains/losses, which must be used for qualifying health-related expenses
- Effective January 1, 2013, the annual maximum Health Care Savings Plan reimbursement limit increases from \$25,000 to \$27,000 for non-insurance premium, qualified health care expenses.

F. When Used

- Upon termination of employment, designation of disability, during medical leave beyond six months, or if normal leave of absence extends beyond one year

G. Refunds

- None
- After participant's death, legal dependents, or if none exist, beneficiaries may use account for eligible health-care reimbursements as designated in the Internal Revenue Code

- Non-dependent beneficiary reimbursements are taxable

H. Availability

- All public employees in the State of Minnesota

I. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants and processes all distribution and other requests. Prior to that date, MSRS administered this plan.

3. Minnesota Deferred

Compensation Plan (IRC Section 457 Plan)

A. Coverage

- Optional for all state employees and political subdivision employees

B. Contributions

- Tax deferred with a \$10 per pay period minimum
- After-tax Roth option for eligible employees

C. Investment Options

(for pre-tax and Roth after-tax contributions)

- Various retail mutual funds contracted by the Minnesota State Board of Investment (SBI)
- Self-directed brokerage account through TD Ameritrade
- SBI Supplemental Investment Fund Fixed Interest Account and Money Market Account
- Target (date) Retirement Funds managed by State Street Global Advisors

D. Annual Administrative Fees

- 0.07 percent, reduced to 0.05 percent on July 1, 2012, prorated and deducted from participant accounts on a monthly basis
- Maximum annual fee: \$70, reduced to \$50 on July 1, 2012, on the first \$100,000 of a participant's account
- \$30 annual fee for members opting to use the Self-directed brokerage account option through TD Ameritrade
- Program fee charged on the managed account balance for participants who opt to use a professional account manager through ING

Summary of Retirement System Plans

E. Withdrawal Events

- Termination of service or death
- Unforeseeable emergency

F. Withdrawal Options

- Lump-sum
- Ongoing withdrawals
- Various annuities, including a fixed annuity provided through an insurance company
- Combinations of the above options

G. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants and processes all distribution and other requests. Prior to that date, Great West Life and Annuity Insurance Company administered this plan.
- MSRS Representatives are also representatives of ING Investment Advisors, LLC (member SIPC). The Minnesota State Retirement System and Minnesota Deferred Compensation Plan are not members of the ING family of companies.

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

- Employee: 1 percent of salary
- Employer: 1 percent of salary

C. Investment Options

- Supplemental Investment Fund (SIF) Money Market Account
- Bond Market Account
- Income Share Account
- Common Stock Index Account
- Growth Share Account
- International Share Account

D. Annual Administrative Fees

- 0.04 percent effective on January 1, 2010, prorated and deducted from participant accounts on a monthly basis

E. Benefits

- Account balance including investment earnings/losses

F. Withdrawal Events

- Termination of service or death
- Retirement
- Unforeseeable emergency

G. Withdrawal Options:

- Lump-sum
- Monthly withdrawals for five years
- Annual withdrawals for five years

H. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants and processes all distribution and other requests.
- From December 1, 2005 through June 30, 2009 MSRS internally administered this plan.

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



1947

Minnesota State Capitol main
switchboard operators at work.
Photograph Collection 1947

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Change in State Pension

Financial Section

at Statehouse Bureau

A major change in state laws covering retirement funds of public employes was approved Thursday by the Minnesota Senate Civil Administration committee.

Under terms of bills approved for each of the funds, the salary limits on which credits are determined and deductions made would be increased from the maximum of \$4,800 to a new maximum of \$6,000.

The change would cover the more than 100,000 members of the five public retirement systems in the state.

with more than 42,000 members; the State Police Officers Retirement Fund with about 200 members, and the Highway Patrolmen's Retirement Association with almost 450 members.

Under the plans approved yesterday, employer contributions to all the funds, except PERA, would increase to \$15.1 million from the present annual contribution of \$13.2 million.

In PERA, employer contributions would increase by \$710,000 a year from the present \$11.7-million annual figure.

Employee contributions to

PERA would be \$490,000 more than last year. Contributions to the other funds would be almost the same as the present contributions.

But the increase in contributions and employer costs set by most of the bills would be offset by

The SERA deficit would be increased by \$1.7 million from the \$1.7 million deficit of the State Patrolmen's Retirement Association.

Rollin' into the '50s and '60s

War in Vietnam, Civil and Equal Rights, end of streetcars, suburban development.



1954

Employees and visitors evacuating offices and going to the basement during mock air alert, State Capitol
Photograph Collection 1954



28



1967

Dr. Martin Luther King, Jr. speaking
against the war in Vietnam at a rally at
the University of Minnesota.
Photograph Collection 1967

1964



President Lyndon Johnson signs the 1964
Civil Rights Act into law as a group of
legislators, including Minnesota Senator
Walter Mondale, looks on.
Photograph Collection 1964

Independent Auditor's Report



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 (MSRS) as of and for the year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of MSRS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

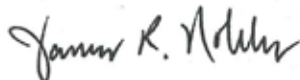
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of MSRS as of June 30, 2012, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of MSRS's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, and contracts; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MSRS's basic financial statements. The Supporting Schedules in the Financial Section, and the Introductory, Investment, Actuarial, and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



James R. Nobles
Legislative Auditor



Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 21, 2012

Management's 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, 2012. We encourage you to read the information contained in this narrative in conjunction with the transmittal letter which begins on page 10, and the financial statements and required supplementary information contained in this section of the CAFR.

Financial Highlights

Overall, the financial condition of all MSRS' pension trust funds improved slightly during fiscal year 2012. Net assets held in trust for pension benefits, totaling \$15.7 billion as of June 30, 2012, increased nearly \$51 million or 0.33 percent during the fiscal year. This increase was primarily the result of a minor increase in investment values and their associated income in Correctional Employees Retirement Fund, Health Care Savings and Minnesota Deferred Compensation Plans. Investments during the 2012 fiscal year generated a 2.4 percent return. Additional information about investment activity can be found in the *Investment Section* of this report.

As of July 1, 2012, the most recent actuarial valuation date, the State Employees Retirement Fund was 82.67 percent funded, the State Patrol Retirement Fund was 72.84 percent funded, the Correctional Employees Retirement Fund was 68.55 percent funded, and the Judges Retirement Fund was 51.46 percent funded, based on the actuarial value of assets. All of the funded ratios for these retirement funds declined slightly in comparison to the July 1, 2011 funded ratios due to more growth in the actuarial accrued liabilities than in the actuarial value of assets. Proposed changes to the State Patrol and Judges Retirement Funds will likely be introduced in the 2013 legislative session to improve the stability of these funds. Structural changes to the State Employees and Correctional Employees Retirement Funds were made in 2010, including increased vesting periods, increased early retirement penalties, and reduced cost-of-living adjustments.

Experience studies were completed in fiscal year 2012 for the State Patrol Retirement Fund, the Correctional Employees Retirement Fund, and the Judges Retirement Fund. The studies looked at member data for the years 2006-2011, except for the Judges Retirement Fund, which covered 2007-2011. Based on the studies, a majority of the actuarial assumptions used in the valuations of these funds were changed. These changes in assumptions led to increases in the actuarial accrued liability and required contribution rates for the State Patrol and Judges Retirement Funds. In the State Patrol Retirement Fund, the accrued liability increased \$36.9 million and the required contribution increased by 2.9 percent of payroll. The accrued liability in the Judges Retirement Fund

increased \$25.6 million and the required contribution increased by 6.2 percent of payroll. The contribution deficiency for the Correctional Employees Retirement Fund was lowered due to changes in actuarial assumptions. The Correctional Employees Retirement Fund accrued liability decreased by \$8.3 million and the required contribution rate decreased by 1.4 percent.

All contribution deficiencies remain significant in amount. In the long run, without favorable actuarial experience or further changes in contribution rates, plan provisions, or better than expected investment returns, the funding status for all of the defined benefit funds will continue to deteriorate and assets will be depleted. Plan changes affecting members first hired after June 30, 2010 are expected to reduce the cost of each fund over time, but have not yet had a material impact on the actuarial valuation results of State Employees Retirement Fund, Correctional Employees Retirement Fund, and State Patrol Retirement Fund. Additional information about the July 1, 2012 actuarial valuation results for each defined benefit fund can be found in the *Actuarial Section* of this report.

Member and employer contributions decreased slightly from \$676 million in fiscal year 2011 to \$662 million in fiscal year 2012. In addition, net investment income was significantly less in 2012, decreasing from \$2.8 billion in 2011 to \$347 million in 2012. This is a direct result of the return on investments declining from 23.3 percent in fiscal year 2011 to 2.4 percent in fiscal year 2012. The reduction in investment income was the primary factor in generating the \$2.4 billion decrease in total additions to plan net assets during the fiscal year.

Deductions from plan net assets varied a small amount from fiscal year 2011, increasing 7.7 percent to a total of \$994 million for fiscal year 2012. This is mostly due to increases in annuity benefits, including the annual 2 percent cost-of-living adjustment for all defined benefit retirement funds except for the State Patrol Retirement Fund, which has an annual 1.5 percent cost-of-living adjustment. Refunds increased due to employee turnover and members transferring funds to other retirement plans.

Overview of the Financial Statements

This comprehensive annual financial report includes two basic financial statements, the *Statement of Plan Net Assets* found on pages 38-39, and the *Statement of Changes in Plan Net Assets*, found on pages 40-41. The purpose of these statements, along with the accompanying *Notes to the Financial Statements*, found on pages 42-68, 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 employee pension trust funds. As indicated in Note 1, 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 snapshot of the financial resources and obligations for all of MSRS' pension trust funds at a particular point in time, June 30, the last day of the fiscal year. The assets available and the liabilities owed are reported at fair value as of that date. The difference between total assets and total liabilities is net assets held in trust; this amount is available for payment of future pension benefits or other obligations. Comparisons of total net assets as of June 30, 2012 and 2011 are depicted in the table below.

Summary Statement of Plan Net Assets – All MSRS Pension Trust Funds

As of June 30, 2012 and 2011
(Dollars in millions)

	FY 2012	FY 2011	Change	% Change
Total Assets	\$16,675	\$16,387	\$288	1.8%
Total Liabilities	1,020	783	237	30.3%
Total Net Assets	<u>\$15,655</u>	<u>\$15,604</u>	<u>\$51</u>	0.3%

Total assets as of June 30, 2012, equal to \$16.7 billion, increased nearly \$288 million or 1.8 percent from the prior year. This positive growth was primarily the result of an increase in the fair value of investments in the

Correctional Employees Retirement Fund, Health Care Savings Fund, and the Minnesota Deferred Compensation Fund, as well as an increase in securities lending collateral from \$760 million in fiscal year 2011 to \$1.0 billion in fiscal year 2012, or 32 percent.

Total liabilities as of June 30, 2012, equal \$1.0 billion, increasing \$237 million, or 30.3 percent, from the prior fiscal year. The increase is mostly due to a higher value of securities lending collateral at year end.

The *Statement of Changes in Plan Net Assets* summarizes the financial transactions that occurred during a fiscal year. Additions include contributions, net investment income, and other revenue sources. Deductions include benefit payments, refunds, and other expenses. This fiscal year, net assets held in trust for pension benefits decreased primarily due to the lower investment returns. Total additions by major source and total deductions by type for the fiscal years ended June 30, 2012 and 2011 are depicted below.

Summary Statement of Changes in Plan Net Assets – All MSRS Pension Trust Funds

For the fiscal years ended June 30, 2012 and 2011
(Dollars in millions)

	FY 2012	FY 2011	Change	% Change
<u>Additions (by Major Source)</u>				
Member Contributions	\$497	\$509	\$(12)	(2.4)%
Employer Contributions	165	167	(2)	(1.2)
Investment Income (Net)	347	2,783	(2,436)	(87.5)
Other (includes transfers)	36	36	0	0
Total Additions	<u>\$1,045</u>	<u>\$3,495</u>	<u>\$(2,450)</u>	(70.1)
<u>Deductions (by Type)</u>				
Benefits	\$763	\$695	\$68	9.8
Refunds	193	189	4	2.1
Recordkeeper and Custodian Expenses	3	2	1	50.0
Administrative Expenses	11	12	(1)	(8.3)
Other (includes transfers)	24	25	(1)	(4.0)
Total Deductions	<u>\$994</u>	<u>\$923</u>	<u>\$71</u>	7.7
Net Increase (Decrease)				
in Net Assets	<u>\$51</u>	<u>\$2,572</u>	<u>\$(2,521)</u>	(98.0)

Management's Discussion and Analysis

Total additions to plan net assets of \$1.0 billion decreased \$2.5 billion or 70.1 percent from fiscal year 2011. This change was due to a drop in net investment income of \$2.4 billion that significantly exceeded total member and employer contributions of \$662 million and other income of \$36 million.

Total plan member and employer contributions decreased by \$14 million, or 2 percent, for fiscal year 2012. A majority of this change was in the Defined Contribution Funds (Health Care Savings and Minnesota Deferred Compensation). Contribution rates only increased in the State Patrol Retirement Fund, with the employee contribution rate increasing from 10.4 to 12.4 percent, and employer contribution rate increasing from 15.6 to 18.6 percent, effective July 1, 2011.

Total deductions to plan net assets of \$994 million increased \$71 million or 7.7 percent from fiscal year 2011. This change was due largely to an increase in annuity benefits, health care reimbursements and refunds to members. Cost-of-living adjustments on annuity benefits increased 2.0 percent effective January 1, 2012 for all defined benefit retirement funds except the State Patrol Retirement Fund, which increased 1.5 percent. Health Care Savings Plan reimbursements rose primarily due to the increase in the number of retirements and service terminations. Refunds increased due to employee turnover and members rolling funds over to other qualified retirement plans.

The *Notes to the Financial Statements* are an integral part of the financial statements. They provide additional information relevant to obtain a full understanding of the financial statements. *Required Supplementary Information* and related notes thereto present 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 for 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 (CORR) 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 primarily by annual state of Minnesota General Fund appropriations.

All of MSRS' four largest defined benefit funds, except the Correctional Employees Retirement Fund, showed decreases in net assets, but are still considered to be financially healthy to pay promised benefits during fiscal year 2013 and for many years to come. However, there likely will be a need for higher contribution rates or other legislative initiatives designed to decrease contribution deficiencies, and improve each plan's funding status and net financial position.

Summary Statement of Plan Net Assets – MSRS Pension Trust Funds
Defined Benefit Plans

For the Fiscal Years Ended June 30, 2012 and 2011
(Dollars in millions)

	SERF	SPRF	CORR	JRF
Total Assets, 06/30/2012	\$9,937	\$600	\$720	\$157
Total Assets, 06/30/2011	9,839	607	691	159
Change in Total Assets	<u>\$98</u>	<u>\$(7)</u>	<u>\$29</u>	<u>\$(2)</u>
% Change	<u>1.00%</u>	<u>(1.15)%</u>	<u>4.20%</u>	<u>(1.26)%</u>
Total Liabilities, 06/30/2012	\$839	\$50	\$61	\$13
Total Liabilities, 06/30/2011	643	39	45	10
Change in Total Liabilities	<u>\$196</u>	<u>\$11</u>	<u>\$16</u>	<u>\$3</u>
% Change	<u>30.48%</u>	<u>28.21%</u>	<u>35.56%</u>	<u>30.00%</u>
Total Net Assets, 06/30/2012	\$9,098	\$550	\$659	\$144
Total Net Assets, 06/30/2011	9,196	568	646	149
Change in Total Plan Net Assets	<u>\$(98)</u>	<u>\$(18)</u>	<u>\$13</u>	<u>\$(5)</u>
% Change	<u>(1.07)%</u>	<u>(3.17)%</u>	<u>2.01%</u>	<u>(3.36)%</u>

Management's Discussion and Analysis

Summary Statement of Changes in Plan Net Assets – MSRS Pension Trust Funds Defined Benefit Plans

For the Fiscal Years Ended June 30, 2012 and 2011
(Dollars in millions)

	SERF	SPRF	CORR	JRF
Total Additions, year ended 06/30/2012	\$472	\$32	\$57	\$14
Total Additions, year ended 06/30/2011	2,030	127	162	40
Change in Total Additions	<u>\$(1,558)</u>	<u>\$(95)</u>	<u>\$(105)</u>	<u>\$(26)</u>
% Change	<u>(76.75)%</u>	<u>(74.80)%</u>	<u>(64.81)%</u>	<u>(65.00)%</u>
Total Deductions, year ended 06/30/2012	\$570	\$50	\$44	\$19
Total Deductions, year ended 06/30/2011	526	48	41	18
Change in Total Deductions	<u>\$44</u>	<u>\$2</u>	<u>\$3</u>	<u>\$1</u>
% Change	<u>8.37%</u>	<u>4.17%</u>	<u>7.32%</u>	<u>5.56%</u>
Net Increase (Decrease)				
For the fiscal year ended 06/30/2012	\$ (98)	\$ (18)	\$ 13	\$ (5)
Net Increase (Decrease)				
For the fiscal year ended 06/30/2011	1,504	79	121	22
Change in Total Plan Net Assets	<u>\$(1,602)</u>	<u>\$(97)</u>	<u>\$(108)</u>	<u>\$(27)</u>
% Change	<u>(106.52)%</u>	<u>(122.78)%</u>	<u>(89.26)%</u>	<u>(122.73)%</u>

Defined Contribution Funds

The Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Minnesota 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.

Certain non-investment related financial activities of MSRS' defined contribution funds merit highlighting. For the Unclassified Employees Retirement Fund, transfers to other plans remained relatively constant at \$24 million in the past two fiscal years, as Unclassified Employees Retirement Plan participants elected coverage under the State Employees Retirement Fund (General Plan). For the Health Care Savings Fund, health care reimbursements increased 31.8 percent in fiscal year 2012 in comparison to fiscal year 2011. This change was attributable to an increase in the number of persons eligible for reimbursements upon termination of employment, especially following the state's Early Retirement Incentive that ended June 30, 2011. Lastly, the Minnesota Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund have shown increases in refunds, at 4.7 percent and 58 percent, respectively. Refund amounts have steadily increased since fiscal year 2008, when the Great Recession officially began.

Summary

Despite the 2.4 percent investment returns, all of the retirement funds remain reasonably healthy, and with improving market conditions, MSRS' funds will continue to be financially sound for 2013 and beyond. If predictions for a solid, yet restrained economic recovery in 2013 do not hold true in the long run, the funding status of the retirement funds will continue to deteriorate. Losses will further increase contribution deficiencies and deplete assets. MSRS management will continue to closely monitor economic conditions, changes in funded ratios, contribution deficiency percentages, and actuarial experience driving changes in the unfunded accrued actuarial liability. These elements will impact the security and financial stability of our funds.

Request for Information

This financial report is intended to provide a general overview of MSRS' financial position as of June 30, 2012 and the results of financial activities for fiscal year 2012. 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, by telephone toll-free at 1-800-657-5757, or via e-mail at info@msrs.us.

Statement of Plan Net Assets

As of June 30, 2012
(Dollars in thousands)

	Defined Benefit Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
Assets					
Cash	\$8,216	\$739	\$1,625	\$450	\$1,195
Short-term investments	166,809	10,335	13,648	3,137	229
Total Cash & Short-term Investments	<u>\$175,025</u>	<u>\$11,074</u>	<u>\$15,273</u>	<u>\$3,587</u>	<u>\$1,424</u>
Receivables					
Accounts Receivable	\$8,226	\$572	\$1,280	\$0	\$0
Accrued Interest	39	2	3	1	0
Due from Other Plans	4,310	2	7	6	1
Due from the State's General Fund	0	0	0	0	56
Other	395	8	5	3	0
Total Receivables	<u>\$12,970</u>	<u>\$584</u>	<u>\$1,295</u>	<u>\$10</u>	<u>\$57</u>
Investment Pools (at fair value)					
Fixed Income Pool	\$2,026,807	\$122,482	\$146,439	\$31,977	\$3,207
Growth Share Pool	2,633,274	159,131	190,257	41,546	4,167
Common Stock Index Pool	1,480,449	89,465	106,964	23,357	2,343
Alternative Investment Pool	1,423,124	86,001	102,822	22,453	2,252
International Equity Pool	1,353,041	81,765	97,759	21,347	2,141
Supplemental Investment Fund (at fair value)	0	0	0	0	0
Mutual Funds (at fair value)	0	0	0	0	0
Total Investment Pools	<u>\$8,916,695</u>	<u>\$538,844</u>	<u>\$644,241</u>	<u>\$140,680</u>	<u>\$14,110</u>
Securities Lending Collateral	<u>\$826,547</u>	<u>\$49,953</u>	<u>\$59,745</u>	<u>\$13,049</u>	<u>\$1,307</u>
Capital Assets					
Land	\$88	\$0	\$0	\$0	\$0
Building, Improvements, Equip. (Net of Depr.)	5,340	0	0	0	0
Office Equipment and Fixtures (Net of Depr.)	61	0	0	0	0
Computer and VoIP System (Net of Amort.)	262	0	0	0	0
Computer Software (Net of Amortization)	237	0	0	0	0
Deferred Bond Charges (Net of Amortization)	46	0	0	0	0
Total Capital Assets	<u>\$6,034</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Assets	<u>\$9,937,271</u>	<u>\$600,455</u>	<u>\$720,554</u>	<u>\$157,326</u>	<u>\$16,898</u>
Liabilities					
Accounts Payable	\$6,151	\$315	\$409	\$96	\$12
Compensated Absences	733	0	0	0	0
Securities Lending Collateral	826,547	49,953	59,745	13,049	1,307
Due To Other Plans	16	231	877	95	56
Accrued OPEB Liability	67	0	0	0	0
Bonds Payable	5,660	0	0	0	0
Total Liabilities	<u>\$839,174</u>	<u>\$50,499</u>	<u>\$61,031</u>	<u>\$13,240</u>	<u>\$1,375</u>
Net Assets Held in Trust for Pension Benefits	<u>\$9,098,097</u>	<u>\$549,956</u>	<u>\$659,523</u>	<u>\$144,086</u>	<u>\$15,523</u>

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

Elective State Officers	Defined Contribution Funds				Totals
	Unclassified Employees	Health Care Savings Fund	MN Deferred Compensation	Hennepin County Supplemental	
\$0	\$0	\$0	\$0	\$0	\$12,225
0	454	1,289	16,616	202	212,719
<u>\$0</u>	<u>\$454</u>	<u>\$1,289</u>	<u>\$16,616</u>	<u>\$202</u>	<u>\$224,944</u>
\$0	\$279	\$4,192	\$6,688	\$26	\$21,263
0	0	0	8	0	53
0	1	4	0	0	4,331
8	0	0	0	0	64
0	7	214	487	4	1,123
<u>\$8</u>	<u>\$287</u>	<u>\$4,410</u>	<u>\$7,183</u>	<u>\$30</u>	<u>\$26,834</u>
\$0	\$0	\$0	\$0	\$0	\$2,330,912
0	0	0	0	0	3,028,375
0	0	0	0	0	1,702,578
0	0	0	0	0	1,636,652
0	0	0	0	0	1,556,053
0	272,991	505,884	1,352,196	123,532	2,254,603
0	0	0	2,907,468	0	2,907,468
<u>\$0</u>	<u>\$272,991</u>	<u>\$505,884</u>	<u>\$4,259,664</u>	<u>\$123,532</u>	<u>\$15,416,641</u>
\$0	\$2,657	\$4,923	\$41,453	\$1,202	\$1,000,836
\$0	\$0	\$0	\$0	\$0	\$88
0	0	0	0	0	5,340
0	0	0	0	0	61
0	0	0	0	0	262
0	0	0	0	0	237
0	0	0	0	0	46
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,034</u>
<u>\$8</u>	<u>\$276,389</u>	<u>\$516,506</u>	<u>\$4,324,916</u>	<u>\$124,966</u>	<u>\$16,675,289</u>
\$0	\$53	\$232	\$1,086	\$31	\$8,385
0	0	0	0	0	733
0	2,657	4,923	41,453	1,202	1,000,836
8	290	1,985	766	7	4,331
0	0	0	0	0	67
0	0	0	0	0	5,660
<u>\$8</u>	<u>\$3,000</u>	<u>\$7,140</u>	<u>\$43,305</u>	<u>\$1,240</u>	<u>\$1,020,012</u>
<u>\$0</u>	<u>\$273,389</u>	<u>\$509,366</u>	<u>\$4,281,611</u>	<u>\$123,726</u>	<u>\$15,655,277</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, 2012

(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
Additions				
Contributions				
Plan Member Contributions	\$118,358	\$7,753	\$17,203	\$2,931
Employer Contributions	115,159	11,620	24,188	7,922
General Fund Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Contributions	<u>\$233,517</u>	<u>\$19,373</u>	<u>\$41,391</u>	<u>\$10,853</u>
Investment Income				
Investment Income	\$222,061	\$13,238	\$16,516	\$3,470
Less Investment Expenses	<u>12,402</u>	<u>750</u>	<u>896</u>	<u>196</u>
Net Investment Income	<u>\$209,659</u>	<u>\$12,488</u>	<u>\$15,620</u>	<u>\$3,274</u>
Income from Securities Lending Activities				
Security Lending Income	<u>\$7,244</u>	<u>\$438</u>	<u>\$524</u>	<u>\$114</u>
Security Lending Expenses				
Borrower Rebates	\$205	\$12	\$15	\$3
Management Fees	<u>2,811</u>	<u>170</u>	<u>203</u>	<u>44</u>
Total Security Lending Expenses	<u>\$3,016</u>	<u>\$182</u>	<u>\$218</u>	<u>\$47</u>
Net Income From Securities Lending Activities				
Lending Activities	<u>\$4,228</u>	<u>\$256</u>	<u>\$306</u>	<u>\$67</u>
Total Net Investment Income	<u>\$213,887</u>	<u>\$12,744</u>	<u>\$15,926</u>	<u>\$3,341</u>
Other Additions				
Transfers from Other Plans	\$24,303	\$0	\$0	\$0
Other Income	<u>374</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Additions	<u>\$24,677</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$472,081</u>	<u>\$32,117</u>	<u>\$57,317</u>	<u>\$14,194</u>
Deductions				
Annuity Benefits	\$552,088	\$50,007	\$42,571	\$18,539
Ongoing Withdrawals	0	0	0	0
Health Care Reimbursements	0	0	0	0
Refunds	11,573	275	1,257	0
Transfers to Other Plans	204	0	0	0
Recordkeeper and Custodian Expenses	0	0	0	0
Administrative Expenses	6,341	158	548	72
Other Expenses	<u>15</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total Deductions	<u>\$570,221</u>	<u>\$50,440</u>	<u>\$44,376</u>	<u>\$18,612</u>
Net Increase (Decrease)	\$(98,140)	\$(18,323)	\$12,941	\$(4,418)
Net Assets Held in Trust for Pension Benefits				
Net Assets, July 1, 2011	<u>9,196,237</u>	<u>568,279</u>	<u>646,582</u>	<u>148,504</u>
Net Assets, June 30, 2012	<u>\$9,098,097</u>	<u>\$549,956</u>	<u>\$659,523</u>	<u>\$144,086</u>

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

Legislators	Elective State Officers	Defined Contribution Funds				Totals
		Unclassified Employees	Health Care Savings Fund	MN Deferred Compensation	Hennepin County Supplemental	
\$124	\$0	\$5,586	\$128,375	\$216,010	\$458	\$496,798
0	0	5,918	0	0	459	165,266
3,935	465	0	0	0	0	4,400
<u>\$4,059</u>	<u>\$465</u>	<u>\$11,504</u>	<u>\$128,375</u>	<u>\$216,010</u>	<u>\$917</u>	<u>\$666,464</u>
\$266	\$0	\$6,834	\$7,175	\$90,065	\$4,043	\$363,668
20	0	225	2,755	4,872	130	22,246
<u>\$246</u>	<u>\$0</u>	<u>\$6,609</u>	<u>\$4,420</u>	<u>\$85,193</u>	<u>\$3,913</u>	<u>\$341,422</u>
\$11	\$0	\$23	\$42	\$353	\$10	\$8,759
\$0	\$0	\$1	\$1	\$10	\$0	\$247
4	0	9	16	136	4	3,397
<u>\$4</u>	<u>\$0</u>	<u>\$10</u>	<u>\$17</u>	<u>\$146</u>	<u>\$4</u>	<u>\$3,644</u>
\$7	\$0	\$13	\$25	\$207	\$6	\$5,115
<u>\$253</u>	<u>\$0</u>	<u>\$6,622</u>	<u>\$4,445</u>	<u>\$85,400</u>	<u>\$3,919</u>	<u>\$346,537</u>
\$0	\$0	\$204	\$0	\$0	\$0	\$24,507
0	0	89	2,422	4,480	49	7,414
<u>\$0</u>	<u>\$0</u>	<u>\$293</u>	<u>\$2,422</u>	<u>\$4,480</u>	<u>\$49</u>	<u>\$31,921</u>
<u>\$4,312</u>	<u>\$465</u>	<u>\$18,419</u>	<u>\$135,242</u>	<u>\$305,890</u>	<u>\$4,885</u>	<u>\$1,044,922</u>
\$7,721	\$458	\$0	\$0	\$0	\$0	\$671,384
0	0	0	0	29,615	2,807	32,422
0	0	0	58,987	0	0	58,987
172	0	5,250	0	170,442	3,933	192,902
0	0	24,303	0	0	0	24,507
0	0	36	855	1,738	21	2,650
36	7	144	1,296	2,762	17	11,381
0	0	0	0	7	12	35
<u>\$7,929</u>	<u>\$465</u>	<u>\$29,733</u>	<u>\$61,138</u>	<u>\$204,564</u>	<u>\$6,790</u>	<u>\$994,268</u>
\$(3,617)	\$0	\$(11,314)	\$74,104	\$101,326	\$(1,905)	\$50,654
<u>19,140</u>	<u>0</u>	<u>284,703</u>	<u>435,262</u>	<u>4,180,285</u>	<u>125,631</u>	<u>15,604,623</u>
<u>\$15,523</u>	<u>\$0</u>	<u>\$273,389</u>	<u>\$509,366</u>	<u>\$4,281,611</u>	<u>\$123,726</u>	<u>\$15,655,277</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Organization

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. The defined benefit funds are listed below with parenthetical disclosure of the *Minnesota Statutes (MS)* that set forth criteria for benefit computations, members' and participating employers' obligations to make contributions, and other plan provisions:

- ◆ **State Employees Retirement Fund**
(*MS Sections 352.01 - 352.87*);
- ◆ **State Patrol Retirement Fund**
(*MS Chapter 352B*);
- ◆ **Correctional Employees Retirement Fund**
(*MS Sections 352.90 - 352.955*);
- ◆ **Judges Retirement Fund**
(*MS Chapter 490*);
- ◆ **Legislators Retirement Fund**
(*MS Chapter 3A*); and
- ◆ **Elective State Officers Retirement Fund**
(*MS Chapter 352C*).

The defined contribution funds are listed below with parenthetical disclosure of the *Minnesota Statutes* pertinent to plan administration:

- ◆ **Unclassified Employees Retirement Fund**
(*MS Chapter 352D*);
- ◆ **Health Care Savings Fund**
(*MS Chapter 352.98*);
- ◆ **Minnesota (MN) Deferred Compensation Fund**
(*MS Sections 352.965 - 352.97*); and
- ◆ **Hennepin County Supplemental Retirement Fund** (*MS Sections 383B.46 - 383B.52*).

Minnesota Statutes Section 356.20 defines financial reporting requirements for all MSRS administered retirement funds.

Participating Employers

MSRS members are employed by the state of Minnesota, the University of Minnesota (non-instructional), various quasi-state and metropolitan agencies, and approximately 67 counties, 231 cities, 221 school districts and 191 additional miscellaneous governmental entities.

Reporting Entity

MSRS functions as a separate statutory entity. The system maintains rights to sue or be sued in its own name and to hold property in its own name. For

financial reporting purposes, MSRS funds are considered pension trust funds of the State of Minnesota and are included in the State's Comprehensive Annual Financial Report with its fiduciary funds. MSRS does not have any component units and this report includes financial information for MSRS only.

Basis of Accounting

MSRS financial statements for all funds were prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues when due, pursuant to formal commitments and statutory requirements. Expenses are recorded when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investment Policies

Pursuant to *Minnesota Statutes*, Section 11A.04, 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 stocks of registered corporations and obligations of the United States and Canadian governments and their agencies, 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.

Investment Valuation Methodology

All investments are reported at fair value. Fair value is the proportionate share of the combined market value of the investment portfolios 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:

- 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.

● 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.

Information about state of Minnesota investments, including credit risk classification, can be obtained from Minnesota Management and Budget, 400 Centennial Building, 658 Cedar Street, Saint Paul, Minnesota 55155. Information on specific investments owned by the pooled accounts, currency risk, interest rate risk, investment activity, and investment management fees

paid can be obtained from the Minnesota State Board of Investment at the Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 355, Saint Paul, Minnesota 55103.

Capital Assets

Capital assets consist of office equipment and fixtures, computer and VoIP system, land, building, deferred bond issuance charges, and capitalized software development or purchase costs. All were capitalized at historical cost at the date of acquisition, issuance, or completion. Balances at June 30, 2012 are reported in **Exhibit 1**.

EXHIBIT 1: CAPITAL ASSETS				
(Dollars in thousands)				
Capital Asset Types	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Capital Assets, Not Depreciated:				
Land	\$88	\$0	\$0	\$88
Capital Assets, Depreciated or Amortized:				
Building, Improvements, and Building Equipment	\$7,378	\$0	\$0	\$7,378
Office Equipment and Fixtures	957	45	0	1,002
Computer and VoIP System	392	11	0	403
Computer Software	222	67	0	289
Deferred Bond Issuance Charges	74	0	0	74
Total Capital Assets, Depreciated or Amortized	<u>\$9,023</u>	<u>\$123</u>	<u>\$0</u>	<u>\$9,146</u>
Less Accumulated Depreciation or Amortization for:				
Building, Improvements and Building Equipment	\$(1,847)	\$(191)	\$0	\$(2,038)
Office Equipment and Fixtures	(938)	(3)	0	(941)
Computer and VoIP System	(59)	(82)	0	(141)
Computer Software	(11)	(41)	0	(52)
Deferred Bond Issuance Charges	(25)	(3)	0	(28)
Total Capital Assets, Depreciated or Amortized	<u>\$(2,880)</u>	<u>\$(320)</u>	<u>\$0</u>	<u>\$(3,200)</u>
Total Capital Assets, Net of Accumulated Depreciation or Amortization	<u>\$6,231</u>	<u>\$(197)</u>	<u>\$0</u>	<u>\$6,034</u>
The estimated useful lives and the depreciation or amortization methods used are as follows:				
Capital Asset Types	Useful Life (In Years)	Depreciation or Amortization Method		
Land	N/A	Not Depreciated		
Building	30	Straight Line		
Building Improvements and Building Equipment	10	Straight Line		
Office Equipment and Fixtures	3-10	Straight Line		
Computer and VoIP System	5	Straight Line		
Computer Software	4-10	Straight Line		
Deferred Bond Issuance Charges	30	Straight Line		

Notes to the Financial Statements

Accrued Compensated Absences

MSRS employees accrue vacation, sick, and compensatory leave in accordance with various collective bargaining agreements. The obligation, \$733,068, for future payment of these balances at June 30, 2012 has been accrued to the extent that the right to receipt is vested or expected to become vested.

Due from the State's General Fund

The Legislators and Elective State Officers Retirement Funds are primarily funded on a pay-as-you-go basis with annual appropriations from the State's General Fund. The balances due from the State's General Fund at June 30, 2012, as scheduled in **Exhibit 2**, represent the amount receivable for each fund's fiscal year 2012 administrative expenses.

EXHIBIT 2: DUE FROM THE STATE'S GENERAL FUND

(Dollars in thousands)

	<u>Amount as of June 30, 2012</u>
Legislators Retirement Fund	\$56
Elective State Officers Retirement Fund	<u>8</u>
Total	<u>\$64</u>

Reserve Accounts

Member Reserve

For the defined benefit funds, the member reserve is credited with the cumulative employee contributions. Upon retirement, these contributions are transferred to the Benefit Reserve for payment of future annuity benefits. Employees who terminate their covered employment prior to retirement can choose to receive a refund of their contributions plus interest or a deferred annuity benefit if they meet statutory vesting requirements. For the defined contribution funds, the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Minnesota Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund, the member reserve includes all assets that are not reserved for the payment of administrative expenses. The member reserve balances as of June 30, 2012 are scheduled in **Exhibit 3**.

EXHIBIT 3: MEMBER RESERVE

(Dollars in thousands)

Retirement Funds	Member Reserve Balance As of June 30, 2012
State Employees	\$1,221,756
State Patrol	61,604
Correctional Employees	119,804
Judges	29,887
Legislators	5,100
Elective State Officers	0
Unclassified Employees	273,635
Health Care Savings Fund	510,755
Minnesota Deferred Compensation Fund	4,272,033
Hennepin County Supplemental	<u>123,724</u>
Total	<u>\$6,618,298</u>

Benefit Reserve

For all MSRS defined benefit funds, the benefit reserve is credited with all investment earnings and employer contributions. For the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Minnesota Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund, the benefit reserves include only the remaining balances of participant fees

collected to pay administrative expenses and short-term interest earnings on benefit reserve assets. The deficit balances for the Unclassified Employees Retirement Fund and the Health Care Savings Fund resulted from the accrual of the year end reallocation of administrative expenses and will be paid from future administrative fee collections. The benefit reserve balances at June 30, 2012 are reported in **Exhibit 4**.

EXHIBIT 4: BENEFIT RESERVE	
(Dollars in thousands)	
Retirement Funds	Benefit Reserve Balance As of June 30, 2012
State Employees	\$7,876,341
State Patrol	488,352
Correctional Employees	539,719
Judges	114,199
Legislators	10,423
Elective State Officers	0
Unclassified Employees	(246)
Health Care Savings Fund	(1,389)
Minnesota Deferred Compensation Fund	9,578
Hennepin County Supplemental	2
Total	<u>\$9,036,979</u>

2. Cash and Investments

Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 2012 and throughout the year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*.

Investment Valuation

The MSRS' proportionate share in the fair values of the Minnesota State Board of Investment (SBI) pools at June 30, 2012, is scheduled in **Exhibit 5**.

EXHIBIT 5: INVESTMENTS AT FAIR VALUE	
(Dollars in thousands)	
Type	Amount As of June 30, 2012
Fixed Income Pool	\$2,330,912
Growth Share Pool	3,028,375
Common Stock Index Pool	1,702,578
Alternative Investment Pool	1,636,652
International Equity Pool	1,556,053
Supplemental Investment Fund	2,254,603
Mutual Funds	2,907,468
Total	<u>\$15,416,641</u>

Notes to the Financial Statements

Securities Lending

[Governmental Accounting Standards Board (GASB) Statement 28 Required Disclosures]

MSRS does not own specific securities, but instead owns shares in various pooled funds invested by the Minnesota State Board of Investment (SBI). 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 the investment managers, retained by SBI, of these investment pools. The types and amounts of securities loaned are presented in **Exhibit 6**.

EXHIBIT 6: SECURITIES LOANED	
(Dollars in thousands)	
Investment Type	Amount as of June 30, 2012
Domestic Equities	\$771,894
U.S. Government Bonds	423,011
International Equities	312,833
Domestic Corporate Bonds	102,342
International Corporate Bonds	51
Total	<u><u>\$1,610,131</u></u>

Minnesota Statutes, section 356A.06, subdivision 7, allows SBI to participate in securities lending transactions. SBI has, by way of a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, on behalf of SBI, certain securities held by State Street as custodian and received cash (both United States and foreign currency) or other collateral including securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify SBI in the event of default of the borrower. There were no failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration of notice of default of the borrower.

During the fiscal year, SBI and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2012, the investment pool had an average duration of 3.87 days and an average final maturity of 26.04 days for U.S. dollars. 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, 2012, SBI had no credit risk exposure to borrowers. MSRS' share of the collateral held and the fair value of securities on loan (in U.S. dollars) as of June 30, 2012 was \$1,658,257,223 and \$1,610,130,580, respectively. Cash collateral equal to \$1,000,835,946 is reported on the *Statement of Plan Net Assets* as an asset and correspondingly on the statement as a liability.

Deposit and Investment Risk

(GASB Statements 40 and 53 Required Disclosures)

SBI is responsible for investing various MSRS funds. The disclosures that follow apply to those investments. Cash deposit disclosures are also included in Note 2, found on page 45.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. 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:

- The aggregate value of these obligations may not exceed five percent of the fund for which SBI is investing;
- Participation is limited to 50 percent of a single offering; and
- 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, 2012, MSRS' proportionate share of SBI's exposure to credit risk, based on the lower of S&P or Moody's Quality Ratings for debt securities and short-term investments, is shown in **Exhibit 7**.

EXHIBIT 7: CREDIT RISK EXPOSURE	
(Dollars in thousands)	
Quality Rating	Fair Value As of June 30, 2012
AA or Better	\$1,700,064
BBB or A	665,613
BB or Lower	139,330
Not Rated	452,253

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 or pledged collateral, so they are not exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. SBI determined the concentration of credit risk based on security identification number. MSRS does not have a concentration of 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. SBI 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, 2012 had the following weighted-average maturities as shown in **Exhibit 8** on the following page.

Notes to the Financial Statements

EXHIBIT 8: INTEREST RATE RISK

(Dollars in thousands)

Security Type	Defined Benefit Funds		Defined Contribution Funds	
	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
U.S. Agencies	\$121,746	4.80	\$3,603	5.20
Asset-Backed Securities	71,213	3.79	3,950	2.95
Short-term investment securities	439,228	0.21	19,219	0.23
Commercial Mortgage-Backed Securities	4,460	1.96	7,471	0.75
Collateralized Mortgage Obligation	200,038	4.70	12,480	3.09
Corporate Debt	543,801	8.61	47,463	8.15
Energy Sector Assets	1,010	9.58	33	9.58
Foreign Country Bonds	154,891	6.83	5,636	6.84
Mortgage-Backed Securities (non-commercial)	696,396	4.44	42,876	4.93
State and Local Government Bonds	36,685	20.81	1,210	20.81
Preferred Stock	2,059	28.28	68	28.28
Private Placement	3,511	11.53	431	9.44
U.S. Treasury	<u>520,614</u>	9.24	<u>17,168</u>	9.24
Totals	<u>\$2,795,652</u>	6.04	<u>\$161,608</u>	5.70

U.S. Agencies:

Low-risk debt obligations issued by U.S. Government-sponsored entities (GSEs) and other federally related bodies. GSEs were created to reduce the costs associated with borrowing for certain areas of the economy, including homeowners, students, and farmers.

Asset-Backed Securities:

A security issued by a Special Purpose Entity, substantially all of the assets of which, by their terms, may convert into cash within a finite time period. Asset-backed securities include, but are not limited to, credit cards, student loans, and automobile loans. Asset-backed securities do not include government-issued or government-guaranteed securities.

Short-Term Investment Securities:

Investment securities that are short-term have high credit quality and are highly liquid. The securities have a low-risk, low-return profile and include U.S. Government Treasury bills, bank certificates of deposit, bankers' acceptances, corporate commercial paper, and other money market instruments.

Commercial Mortgage-Backed Securities:

Any security, debt instrument, or offering collateralized primarily by commercial mortgage-backed securities, regardless of issuer.

Collateralized Mortgage Obligations:

A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Corporate Debt:

Includes, but is not limited to, commercial paper of U.S. and non-U.S. companies, floating rate notes, master notes, medium term notes, or other corporate debt obligations.

Energy Sector Assets:

Related to producing or supplying energy, this sector includes companies involved in the exploration and development of oil or gas reserves, oil or gas drilling, or integrated power firms.

Foreign Country Bonds:

Bonds that are issued by a foreign entity. Bonds could include both those issued in dollars in the U.S. and those issued in another market in the currency of that market.

Mortgage-Backed Securities (non-commercial):

Securities backed by pools of U.S. or non-U.S. mortgage loans issued by governmental, government-related or private organizations, and securities issued by Special Purpose Entities sponsored or associated with governmental, government-related or private organizations.

State and Local Government Bonds:

Debt obligation of a state or local government entity. The funds may support general government needs or special projects.

Preferred Stock:

A class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock generally has a dividend that must be paid out before dividends to common stockholders are paid. The preferred shares usually do not have voting rights.

Private Placement:

The sale of securities to a relatively small number of select investors as a way of raising capital. Investors are usually large banks, mutual funds, insurance companies and pension funds. Private placement is the opposite of a public issue, in which securities are made available for sale on the open market.

U.S. Treasury:

Negotiable debt obligations of the U.S. Government, secured by its full faith and credit, and issued at various schedules and maturities.

Notes to the Financial Statements

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. Most foreign currency risk resides within SBI's international equity investment holdings. To reduce foreign currency risk, SBI implements several policies. 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. Various investments at June 30, 2012 were distributed among the following currencies shown in **Exhibit 9**.

EXHIBIT 9: FOREIGN CURRENCY RISK				
(Dollars in thousands)				
Currency	Cash & Cash Equivalents	Equities	Fixed Income	Investment Totals
Australian Dollar	\$525	\$91,041	\$0	\$91,566
Brazilian Real	121	18,880	0	19,001
Canadian Dollar	567	119,592	3,214	123,373
Danish Krone	112	17,220	0	17,332
Euro Currency	3,581	321,420	1,262	326,263
Hong Kong Dollar	680	87,661	0	88,341
Indian Rupee	31	27,417	0	27,448
Indonesian Rupiah	90	11,957	0	12,047
Israeli Shekel	73	3,270	0	3,343
Japanese Yen	4,374	256,087	0	260,461
Malaysian Ringgit	31	10,143	0	10,174
Mexican Peso	39	9,170	0	9,209
New Taiwan Dollar	76	20,393	0	20,469
New Zealand Dollar	111	1,198	0	1,309
Norwegian Krone	176	11,695	0	11,871
Polish Zloty	13	6,005	0	6,018
Pound Sterling	1,389	265,297	6,564	273,250
Singapore Dollar	151	19,212	0	19,363
South African Rand	175	13,745	0	13,920
South Korean Won	17	46,201	0	46,218
Swedish Krona	512	28,078	0	28,590
Swiss Franc	806	92,175	0	92,981
Thailand Baht	16	8,613	0	8,629
Turkish Lira	12	5,836	0	5,848
Other	33	18,226	0	18,259
Totals	<u>\$13,711</u>	<u>\$1,510,532</u>	<u>\$11,040</u>	<u>\$1,535,283</u>

Note: Examples of other currency include Chilean Peso, Colombian Peso, Czech Koruna, Egyptian Pound, Hungarian Forint, Moroccan Dirham, New Romanian Leu, New Turkish Lira, Philippine Peso, and Yuan Renminbi.

Derivative Financial Instruments

On behalf of MSRS, SBI invests in various types of derivative financial instruments. Derivatives are defined as any financial arrangement between two parties that has value based on or derived from future price fluctuations. The derivative financial instruments that SBI enters into include futures, options, stock warrants and rights, currency forwards, and synthetic guaranteed investment contracts.

Minnesota Statutes, Section 11A.24, provides that any agreement for put (sell) and call (buy) options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivatives are exchange-traded. The purpose of the SBI's derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to offset current futures positions.

Explanations of each derivative instrument type are presented below. The fair value balances and notional amounts (or face value) at June 30, 2012, classified by derivative instrument type (e.g., futures, options, currency forwards, and stock warrants and rights), and the changes in fair value for fiscal year 2012 are shown in **Exhibit 10** on page 52.

Futures

Futures are contract commitments to purchase (asset) or sell (liability) at a future date. The net change in the values of futures contracts is settled on a regular basis, and gains and losses are included in investment income.

Options

Options are contracts that give buyers or sellers the right to buy (calls) or sell (puts) a security at a predetermined price on a future date. Gains and losses result from variances in the market value of the security that is the subject of the contract that occur prior to or on the contract specified date. The gains and losses are included in investment income.

Currency Forward Contracts

Foreign currency forward contracts are used to manage portfolio foreign currency risk. The provisions of the contract vary based on what is negotiated between the two parties to the contract.

Stock Warrants and Rights

Stock warrants, similar to options, are the right to purchase shares of a stock at a certain price by a certain date. They usually have a longer term before expiration, e.g., five years or more. When exercised, the company issues new shares. Rights are the same but are issued to current stock owners to enable them to retain their relative ownership share. Gains and losses from the sale or exercise of stock warrants and rights are included in investment income.

Synthetic Guaranteed Investment Contracts

SBI maintains a fully benefit-responsive synthetic guaranteed investment contract for the Supplemental Investment Fund - Fixed Interest Account. The investment objective of the Fixed Interest Account is to protect investors from loss of their original investment and to provide a competitive interest rate. On June 30, 2012, SBI's portfolio of well-diversified, high quality, investment grade fixed income securities had a fair value of \$1,163,387,817 that is \$57,495,440 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool and a guaranteed investment contract with fair values of \$273,190,307 and \$86,752,321, respectively.

Notes to the Financial Statements

EXHIBIT 10: DERIVATIVE FINANCIAL INSTRUMENTS

As of June 30, 2012

(Dollars in thousands)

Derivative Investment Type	Changes in Fair Value During FY 2012	Fair Value at June 30, 2012	Notional Amount
Futures			
Equity Futures – Long	\$3,487	\$0	\$492
Equity Futures – Short	871	0	(6)
Fixed Income Futures – Long	3,086	0	32,376
Fixed Income Futures – Short	(6,556)	0	(83,090)
Options			
Futures Options Bought (Puts)	\$(106)	\$8	\$199
Futures Options Written (Calls)	376	(45)	(151)
Currency Forwards			
Foreign Exchange (FX) Forwards - Long-term Instruments	\$1,187	\$(98)	\$100,446
Stock Warrants and Rights			
Stock Warrants	\$(101)	\$0	\$54
Stock Rights	198	62	91

Credit Risk with Foreign Currency

Forward Contracts

SBI is exposed to credit risk through multiple counterparties in foreign currency forward contracts that are used to offset the currency risk of a security. MSRS' proportionate share of the maximum loss that SBI would have recognized as of June 30, 2012, if all counterparties failed to perform as contracted is \$712,524. These counterparties have S&P ratings of A+ or better. There is no collateral held or any liabilities included in netting arrangements with those counterparties that would have reduced SBI's exposure to credit risk.

3. Interfund Receivables, Payables, and Transfers

The purpose of interfund receivables and payables, as shown in **Exhibit 11**, is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30, 2012. Most of these balances are the result of our reallocation of administrative expenses which is done annually. The only such balances that may not be completely liquidated during the ensuing fiscal year are

the interfund payables from the Health Care Savings Fund and the Unclassified Employees Retirement Fund to the State Employees Retirement Fund. 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, 2012 are shown in **Exhibit 12**.

EXHIBIT 11: INTERFUND RECEIVABLES AND PAYABLES AS OF JUNE 30, 2012

(Dollars in thousands)

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Defined Benefit Retirement Funds</u>		
State Employees	\$4,310	\$16
State Patrol	2	231
Correctional Employees	7	877
Judges	6	95
Legislators	1	56
Elective State Officers		8
<u>Defined Contribution Retirement Funds</u>		
Unclassified Employees	1	290
Health Care Savings	4	1,985
Minnesota Deferred Compensation		766
Hennepin County Supplemental		7
Totals	<u>\$4,331</u>	<u>\$4,331</u>

EXHIBIT 12: FISCAL YEAR 2012 INTERFUND TRANSFERS

(Dollars in thousands)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Defined Benefit Retirement Funds</u>		
State Employees	\$24,303	\$204
State Patrol		
Correctional Employees		
Judges		
Legislators		
Elective State Officers		
<u>Defined Contribution Retirement Funds</u>		
Unclassified Employees	204	24,303
Health Care Savings		
Minnesota Deferred Compensation		
Hennepin County Supplemental		
Totals	<u>\$24,507</u>	<u>\$24,507</u>

Notes to the Financial Statements

4. Leases

MSRS' main office is housed in the Retirement Systems of Minnesota (RSM) building located in St. Paul. The three Minnesota statewide retirement systems, MSRS, Public Employees Retirement Association (PERA), and Teachers Retirement Association (TRA), jointly own this building under the terms of an interagency agreement.

MSRS also leases space for branch offices in Mankato, St. Cloud, Detroit Lakes and Duluth, counseling space in the Hennepin County Government Center and additional office space in the Retirement Services Building. Beginning in fiscal year (FY) 2013, additional space in Mankato is also being leased for business continuity purposes. As of June 30, 2012 future obligations under the terms of those leases are scheduled in **Exhibit 13**.

EXHIBIT 13: LEASES						
Location	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Totals
Mankato	\$66,912	\$75,609	\$75,609	\$75,609	\$75,609	\$369,348
St. Cloud	17,130	8,565	0	0	0	25,695
Duluth	26,731	15,819	0	0	0	42,550
Detroit Lakes	16,767	16,767	16,767	4,192	0	54,493
Hennepin County Govt. Center	5,200	2,600	0	0	0	7,800
St. Paul RSM Building	13,918	0	0	0	0	13,918
Totals	<u>\$146,658</u>	<u>\$119,360</u>	<u>\$92,376</u>	<u>\$79,801</u>	<u>\$75,609</u>	<u>\$513,804</u>

5. Actuarial Methods and Assumptions

Actuarial valuations are performed annually using the entry age normal actuarial cost method. For all MSRS defined benefit funds except the Legislators and Elective State Officers Retirement Funds, assets are valued based on a five-year smoothing method. For the Legislators and Elective State Officers Retirement Funds, fair market value is the actuarial valuation method, consistent with the valuations since July 1, 2000.

The State Employees, Correctional Employees, and Judges Retirement Funds assume an 8 percent pre-retirement and 6 percent post-retirement rate of return, the State Patrol Retirement Fund assumes an 8 percent pre-retirement and 6.5 percent post-retirement rate of return, and the Legislators and Elective State Officers Retirement Funds assume a 0 percent pre- and post-retirement rate of return.

Payroll is assumed to grow at 3.75 percent for the State Employees, State Patrol, and Correctional Employees Retirement Funds, and at 3 percent for the Judges Retirement Fund. Salary growth is assumed to be 3 percent in the Judges Retirement Fund and 5 percent in the Legislators Retirement Fund. Salary growth is based on a service-related rate table for the State Employees, Corrections Employees and State Patrol Retirement Funds. The Elective State Officers Retirement Fund has

no contributing members, therefore, no payroll or salary growth.

For projecting member mortality all funds use RP-2000 mortality tables. These tables are set back or set forward to match fund experience as shown in the *Actuarial Section* of this report. For all defined benefit retirement funds, assumed withdrawal rates are based on actual fund experience and adjusted periodically to reflect the most recent experience study completed.

For all funds except the State Patrol Fund, annuity benefits are increased annually by 2.0 percent to cover the effects of inflation. For the State Patrol Fund, the annual benefit increase rate after retirement is 1.5 percent. No additional benefit increases are assumed. These annual benefit increase rates will revert to 2.5 percent when each of the funds, except for the Legislators and Elective State Officers Retirement Funds, is 90.0 percent funded, determined on a market value of assets basis. For the Legislators and Elective State Officers Retirement Funds, the annual benefit increases will revert to 2.5 percent when the State Employees Retirement Fund reaches the 90.0 percent funding level, determined on a market value of assets basis.

For additional actuarial assumptions used in determination of the July 1, 2012 valuation results, please refer to pages 114-121 of the *Actuarial Section* of this report.

6. Changes in Actuarial Assumptions

State Employees Retirement Fund

For the State Employees Retirement Fund, two changes in actuarial assumptions were recognized in the July 1, 2012 actuarial valuation process.

The salary scale assumption was reduced .25 percent for all years of service.

The investment return assumption was changed from 8.5 percent pre-retirement and 6.5 percent post-retirement to 8.0 percent pre-retirement and 6.0 percent post-retirement through June 30, 2017. After June 30, 2017, the rates will return to 8.5 percent and 6.5 percent.

The combined impact of these changes increased the actuarial accrued liability by \$.1 billion and increased the required contribution by 0.3 percent of payroll.

State Patrol Retirement Fund

The investment return assumption was changed from 8.5 percent pre-retirement and 7.0 percent post-retirement to 8.0 percent pre-retirement and 6.5 percent post-retirement through June 30, 2017. After June 30, 2017, the rates will return to 8.5 percent and 7.0 percent.

The mortality table for healthy pre- and post-retirement was changed from the 1983 Group Annuity Mortality tables to the RP-2000 Generational tables. The table for disabled employees was changed from the combined annuity mortality to the RP-2000 annuitant generational mortality table.

The salary scale assumption was changed from an age-related table to a service-related table.

Payroll growth was changed from 4.5 percent to 3.75 percent.

The assumed married percent was reduced from 100 percent to 85 percent.

Benefit assumptions for both male and female active married members were adjusted.

Retirement, termination, and disability rates were adjusted to more closely reflect actual experience.

The combined impact of these changes increased the actuarial accrued liability by \$36.9 million and increased the required contribution by 2.9 percent of payroll.

Correctional Employees Retirement Fund

The investment return assumption was changed from 8.5 percent pre-retirement and 6.5 percent post-retirement to 8.0 percent pre-retirement and 6.0 percent post-retirement through June 30, 2017. After June 30, 2017, the rates will return to 8.5 percent and 6.5 percent.

The mortality table for healthy pre-retirement was changed from the 1983 Group Annuity Mortality table to the RP-2000 employee generational mortality table. The mortality table for healthy post-retirement was changed from the 1983 Group Annuity Mortality table to the RP-2000 annuitant generational mortality table. The table for disabled employees was changed to the RP-2000 disabled mortality table.

The salary scale assumption was changed from an age-related table to a service-related table.

The payroll growth assumption was changed from 4.5 percent to 3.75 percent.

Retirement, termination, and disability rates were adjusted to more closely reflect actual experience.

The rates at which active married members choose various benefit options was changed, so more members are choosing 100 percent joint and survivor benefits and fewer are choosing straight life annuity.

The combined impact of these changes decreased by the accrued liability by \$8.3 million and decreased the required contribution by 1.4 percent of payroll.

Notes to the Financial Statements

Judges Retirement Fund

The investment return assumption was changed from 8.5 percent pre-retirement and 6.5 percent post-retirement to 8.0 percent pre-retirement and 6.0 percent post-retirement through June 30, 2017. After June 30, 2017, the rates will return to 8.5 percent and 6.5 percent.

The mortality table for healthy pre-retirement was changed from the 1983 Group Annuity Mortality table to the RP-2000 employee generational mortality table. The table for healthy post-retirement and disabled employees was changed from the RP-2000 combined annuity mortality to the RP-2000 annuitant generational table.

The salary increase and payroll growth assumptions were changed from 4.0 percent to 3.0 percent.

The retirement and disability rates were adjusted to more closely reflect actual experience.

The allowance for Combined Service Annuity on former member liability was changed from 30 percent to 0 percent.

The combined impact of these changes increased the actuarial accrued liability by \$25.6 million and increased the required contribution by 6.2 percent of payroll.

Legislators Retirement Fund

The amortization method was changed from level percent of payroll to level dollar amortization.

The investment return assumption was changed from 8.5 percent pre-retirement and 6.5 percent post-retirement to 0 percent for pre- and post-retirement. Post-retirement benefit increases are now accounted for explicitly in the projected benefits.

The mortality table for healthy pre-retirement was changed from the 1983 Group Annuity Mortality table to the RP-2000 employee generational mortality table. The table for healthy post-retirement was changed from the 1983 Group Annuity Mortality table to the RP-2000 annuitant generational mortality table.

Retirement rates were adjusted to more closely reflect actual experience. Retirement rates were changed from age 62, or if over 62, one year from the valuation date to age-related tables.

All retired members were assumed to have a spouse eligible for the survivor benefit unless reported with a joint and survivor option. Previously, only members reported with a spouse benefit were assumed to be eligible for the automatic survivor benefit.

The combined impact of these changes increased the actuarial accrued liability by \$160 million and increased the required contribution by \$6.3 million.

Elective State Officers Retirement Fund

The investment return assumption was changed from 8.5 percent pre-retirement and 6.5 percent post-retirement to 0 percent for pre- and post-retirement. Post-retirement benefit increases are now accounted for explicitly in the projected benefits.

The mortality table for healthy pre-retirement was changed from the 1983 Group Annuity Mortality table to the RP-2000 employee generational mortality table. The table for healthy post-retirement was changed from the 1983 Group Annuity Mortality table to the RP-2000 annuitant generational mortality table.

All retired members were assumed to have a spouse eligible for the survivor benefit unless reported with a joint and survivor option. Previously, only members reported with a spouse benefit were assumed to be eligible for the automatic survivor benefit.

The combined impact of these changes increased the actuarial accrued liability by \$5.3 million and increased the required contribution by \$.14 million.

Use of Alternative Actuarial Assumptions in July 1, 2012, Valuations

For the Legislators and Elective State Officers Retirement Funds, the statutory pre-retirement investment return assumption is 0 percent and the statutory post-retirement investment return assumption is negative 2 percent (-2.0) until June 30, 2040 and negative 2.5 percent (-2.5) after June 30, 2040. In order to comply with GASB, MSRS directed GRS to use a post-retirement investment return assumption of 0 percent instead of the negative statutory post-retirement investment return assumption. Because the 2 percent post-retirement benefit increases are accounted for explicitly in the benefit payments instead of through the use of a lower post-retirement interest assumption, the results are approximately equivalent to those that would be obtained by using a post-retirement investment return assumption of negative 2 percent (-2.0) for all years.

Applicability to MSRS Defined Contribution Funds

The Unclassified Employees Retirement Fund, the Health Care Savings Plan, the Minnesota Deferred Compensation Fund, and the Hennepin County Supplemental Retirement Fund are defined contribution plans and therefore, actuarial methods, assumptions, and valuations are not applicable.

Notes to the Financial Statements

7. Funding Status

The funding status schedule, as shown in **Exhibit 14**, was prepared using the actuarial methods and assumptions specified in Note 5.

EXHIBIT 14: SCHEDULE OF FUNDING PROGRESS (Dollars in Thousands)						
	Defined Benefit Retirement Funds					
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers
A. Most Recent Actuarial Valuation Date	July 1, 2012	July 1, 2012	July 1, 2012	July 1, 2012	July 1, 2012	July 1, 2012
B. Actuarial Value of Assets	\$9,162,301	\$554,244	\$663,713	\$144,898	\$15,523	\$0
C. Actuarial Accrued Liability	<u>11,083,227</u>	<u>760,955</u>	<u>968,166</u>	<u>281,576</u>	<u>247,657</u>	<u>8,907</u>
D. Total Unfunded Actuarial Accrued Liability (C-B)	<u>\$1,920,926</u>	<u>\$206,711</u>	<u>\$304,453</u>	<u>\$136,678</u>	<u>\$232,134</u>	<u>\$8,907</u>
E. Funded Ratio (B/C)	82.67%	72.84%	68.55%	51.46%	6.27%	0.00%
F. Actual Covered Payroll	\$2,367,160	\$62,524	\$200,035	\$38,644	\$1,378	\$0
G. Ratio of the Unfunded Actuarial Accrued Liability to Annual Covered Payroll (D/F)	81.15%	330.61%	152.20%	353.69%	16,845.72%	N/A

The required *Schedule of Funding Progress* immediately following these *Notes to the Financial Statements* presents multiyear trend information about whether the actuarial values of fund assets are increasing or decreasing over the ten years presented relative to the actuarial accrued liability for benefits. Other actuarial information is presented later in this report in the *Actuarial Section*.

8. 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 percent of assets) for the period July 1, 2012 to June

30, 2017. The amounts shown in the *Statement of Plan Net Assets* are presented at fair value and do not include any of the preceding adjustments. The June 30, 2012 current asset values, funded ratio, and contribution deficiency as a percent of payroll for MSRS' four largest defined benefit funds, determined using both methods, are detailed in **Exhibit 15**.

EXHIBIT 15: COMPARISON OF ACTUARIAL VALUATION RESULTS GIVEN DIFFERENT BASES FOR ASSET VALUES FOR MSRS' FOUR LARGEST DEFINED BENEFIT FUNDS						
(Dollars in thousands)						
Retirement Fund	Actuarial Basis			Fair Value Basis		
	Current Assets	Funded Ratio	Contribution Deficiency	Current Assets	Funded Ratio	Contribution Deficiency
State Employees	\$9,162,301	82.67%	2.32%	\$9,098,097	82.09%	2.48%
State Patrol	554,244	72.84	11.52	549,956	72.27	11.95
Correctional Employees	663,713	68.55	4.58	659,523	68.12	4.71
Judges	144,898	51.46	13.50	144,086	51.17	13.68

9. Optional Retirement Annuities

In the defined benefit funds, three joint and survivor annuity options are available: a 50 percent survivor benefit; a 75 percent survivor benefit; and a 100 percent survivor benefit to the beneficiary. Each option includes 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. By statute, the Legislators and Elective State Officers Retirement Funds automatically provide a 50 percent benefit continuance to a surviving spouse. Also, legislators can choose 100 percent survivor coverage with an actuarially-reduced benefit.

Notes to the Financial Statements

10. Membership Statistics, Fund Descriptions, and Contribution Information for Defined Benefit Funds

Membership statistics as of June 30, 2012, for all MSRS defined benefit funds are shown in **Exhibit 16**. Specific descriptions of each of these funds, including employee and employer contribution rate information, are contained in the paragraphs that follow.

EXHIBIT 16: MEMBERSHIP STATISTICS - DEFINED BENEFIT FUNDS						
As of June 30, 2012	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers*
Members Receiving Benefits						
Retirees	26,524	733	1,773	190	287	10
Disabilitants	1,750	48	244	25	N/A	N/A
Beneficiaries	3,701	182	180	99	80	4
Terminated Members						
Vested, Not Receiving	15,702	40	1,180	17	74	1
Nonvested	5,788	15	473	0	1	0
Active Members						
Vested	38,227	771	3,408	229	34	0
Nonvested	9,980	52	868	79	0	0
Total Members	<u>101,672</u>	<u>1,841</u>	<u>8,126</u>	<u>639</u>	<u>476</u>	<u>15</u>
Participating Employers	27	1	1	1	1	1

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

State Employees Retirement Fund

The State Employees Retirement Fund includes the General Employees Retirement Plan (General 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 of Minnesota employees who are not members of another plan are covered by the General Plan.

Minnesota Statutes, Section 352.04 requires that eligible employees contribute 5.00 percent of their total compensation to the State Employees Retirement Fund. Participating employers also are required to contribute 5.00 percent to this fund.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate of six percent through June 30, 2011 and four percent thereafter. For monthly retirement benefits, members hired before July 1, 2010 are vested after three years of covered service; new hires after June 30, 2010 are vested after five years of covered service.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989 may use the Step or Level formula. Members hired on or after July 1, 1989 must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high five-year average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. Also, it includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high five-year average salary for all years of covered service, and full benefits are available at normal retirement age.

As of June 30, 2012, all MSRS employees are members of the General Plan. As stated in the preceding paragraph, the authority for the 5.00 percent employee and the 5.00 percent employer contribution rate is *Minnesota Statutes*, Section 352.04. MSRS employee and employer contributions, as reported in **Exhibit 17**, were funded at 100 percent of the statutory contributions.

EXHIBIT 17: MSRS CONTRIBUTIONS TO THE STATE EMPLOYEES RETIREMENT FUND		
For Fiscal Year Ended	Employee	Employer
June 30, 2012	\$272,077	\$272,077
June 30, 2011	272,715	272,715
June 30, 2010	253,656	253,656

Total covered payroll for MSRS employees was approximately \$5.4 million for fiscal year 2012.

Notes to the Financial Statements

State Patrol Retirement Fund

The State Patrol Retirement Fund includes only the State Patrol Retirement Plan, a single employer plan. Membership is limited to state of Minnesota employees who are state troopers, conservation officers, and certain crime bureau and gambling enforcement officers.

Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 10.40 percent of their total compensation, while the employer contributes 15.60 percent. Effective the first day of the first pay period beginning after July 1, 2011 these rates increased to 12.40 percent and 18.60 percent, respectively.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate of six percent through June 30, 2011, and four percent thereafter. For monthly retirement benefits, members hired before July 1, 2010 become vested after three years of allowable service; new hires after June 30, 2010 are vested after five years of allowable service.

Members become eligible for normal retirement benefits at 55 years of age. The benefit is 3 percent of the high five-year average salary for each year of allowable service.

Correctional Employees Retirement Fund

The Correctional Employees Retirement Fund includes only the Correctional Plan, a single employer plan. Membership is limited to state of Minnesota employees with 75 percent working time spent in direct contact with inmates or patients in Minnesota correctional facilities.

Minnesota Statutes, Section 352.92 requires that eligible employees contribute 8.60 percent of their total compensation. The employer contributes 12.10 percent of salary.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate of six percent through June 30, 2011, and four percent thereafter. For monthly retirement benefits, members hired before July 1, 2010, become vested after three years of allowable service. New hires after June 30, 2010, must have a minimum of five years allowable service before a graded vesting schedule begins, which ranges from 50 percent vested after five years of allowable service to 100 percent vested after ten years of allowable service.

Members become eligible for normal retirement benefits at 55 years of age, if vested. The benefit is 2.4 percent of the high five-year average monthly salary for each year of allowable service, pro-rated for completed months. The monthly benefit can be received either as level lifelong

payments or accelerated payments until a reversion age of 62 or 65. Upon attaining the reversion age, the benefit is adjusted actuarially for the larger payment previously provided.

Judges Retirement Fund

The Judges Retirement Fund includes only the Judges Retirement Plan, a single employer plan. Membership is limited to Minnesota district, appellate and Supreme Court judges. Also, retirees include former municipal and county court judges.

Minnesota Statutes, Section 490.123 requires that eligible employees contribute 8.00 percent of their total compensation. The employer contributes 20.5 percent of salary.

Members become eligible for retirement benefits at age 65 with five years of allowable service. Reduced retirement benefits are available to members at age 60 with five years of allowable service. Mandatory retirement age is age 70.

The retirement benefit is 2.7 percent of the average high five-year salary for each year of allowable service prior to July 1, 1980, plus 3.2 percent of the same average salary for each year of allowable service after June 30, 1980. The maximum benefit a member receives is 76.80 percent of average high-five year salary.

General Fund Plans

The General Fund Plans include the Legislators Retirement Plan and the Elective State Officers Retirement Plan. Each is a single employer plan that is closed to new membership.

The Legislators Retirement Plan includes members of the Minnesota State Legislature – the House of Representatives and Senate – who were first elected to office before July 1, 1997, and who elected to retain coverage under this plan. Legislators elected after that date are members of the Unclassified Employees Retirement Plan, a defined contribution plan. Although the Legislators Retirement Plan is closed, a small number of members actively contribute to the plan. *Minnesota Statutes*, Section 3A.03 requires that these active members contribute 9 percent of their salary to the plan to the state's General Fund. Legislators are eligible for full retirement benefits at age 62 with six years of allowable service. Reduced retirement benefits are available at age 55 with the same service requirement. For members first elected prior to January 1, 1979, the retirement benefit is computed at 5.0 percent of average high-five year

salary for the first eight years of service prior to January 1, 1979, and 2.5 percent of average salary for subsequent years. For members elected after December 31, 1978, the retirement benefit is computed at 2.5 percent of the average high-five year salary for each year of allowable service. Benefits are financed on a pay-as-you-go basis. The Legislators Retirement Plan is partially funded by annual appropriations from the state's General Fund. Annual retirement benefits to members who retired prior to January 1, 2003 are financed by the remaining assets of the Legislators Retirement Fund. The Legislators Fund's assets are expected to be depleted within the next five years. Upon depletion of those assets, all benefits will be funded on a pay-as-you-go basis with annual appropriations from the state's General Fund.

The Elective State Officers Retirement Plan includes constitutional officers (e.g., Governor, Lieutenant Governor, Secretary of State, Attorney General and State Auditor) who were first elected to office prior to July 1, 1997 and elected to retain coverage under this plan. The plan has no active contributing participants. It operates on a pay-as-you-go basis, with benefits financed by annual appropriations from the state's General Fund.

11. Membership Statistics, Fund Descriptions and Contribution Information for Defined Contribution Funds

MSRS contracts with a third-party administrator, ING, to provide various record keeping services for administering its four defined contribution funds. Membership statistics are provided in **Exhibit 18**.

EXHIBIT 18: MEMBERSHIP STATISTICS – DEFINED CONTRIBUTION FUNDS				
(Dollars in thousands)				
As of June 30, 2012	Unclassified Employees	Health Care Savings	MN Deferred Compensation	Hennepin County Supplemental
Active Members	1,418	47,409	52,361	508
Inactive Members	1,775	17,375	23,017	1,042
Withdrawing Members	N/A	9,107	4,160	154
Total Members	<u>3,193</u>	<u>73,891</u>	<u>79,538</u>	<u>1,704</u>
Annual Payroll	\$111,726	N/A	N/A	\$45,886
Participating Employers	12	490	687	2

Notes to the Financial Statements

Unclassified Employees Retirement Fund

The Unclassified Employees Retirement Fund is a tax-deferred, defined contribution fund comprised entirely of a single, multiple-employer defined contribution plan, the Unclassified Employees Retirement Plan. Participation is limited to certain, specified employees of the state of Minnesota and various statutorily designated entities. *Minnesota Statutes*, Section 352D.01 through 352D.12 authorized creation of this plan. No MSRS employees are active participants of the Unclassified Employees Retirement Plan.

It is considered a money purchase plan, i.e., participants 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 plan and a defined benefit plan.

Minnesota Statutes, Section 352D.04, subdivision 2, requires a contribution rate of 5.0 percent of salary from participating employees, which is equivalent to the employee contribution rate for members of the General Plan. The employer contribution rate for the Unclassified Employees Retirement Plan is 6.0 percent of salary. Employees covered by this plan also contribute to Social Security.

Unclassified Employees Retirement Plan participants are eligible to apply for the balance in their account after termination of public service. There is no minimum employment requirement to qualify for this lump-sum payment. Since contributions made to this plan are not taxed, participants pay taxes when funds are withdrawn and may be subject to a 10 percent tax penalty if funds are withdrawn in a lump sum before the member reaches age 59 1/2. Monthly benefits are available to terminated participants at age 55 or later, regardless of the individual's length of service. Participants age 55 or older may also apply for a portion of their account balance as a lump-sum payment and the remainder in lifetime, monthly benefits.

Retirement and disability benefits are available to some participants through conversion, at the participant's option, to the General Employees Retirement Plan (General Plan) provided the employee has at least 10 years of allowable service in the Unclassified and/or the General Plan if hired prior to July 1, 2010 or has no more than seven years of service if hired after June 30, 2010. 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, 2012 in the amount of \$15,256,000.

Health Care Savings Fund

The Health Care Savings Fund is a defined contribution fund comprised entirely of the Health Care Savings Plan. It is an employer-sponsored program authorized by *Minnesota Statutes* Section 352.98. The Health Care Savings Plan allows employees to save tax-deferred contributions in an investment account to be used to reimburse the plan participants for future medical expenses and/or medical insurance premiums after they terminate 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. Contribution rates are determined by collective bargaining agreements or employer personnel policies. They are highly variable, ranging from a percentage of weekly earnings to terminal, lump sum benefits such as severance pay.

Minnesota Deferred Compensation Fund

The Minnesota Deferred Compensation Fund is a voluntary defined contribution fund offered to all state employees and political subdivisions located in Minnesota. Authorized under Section 457 of the Internal Revenue Code, contributions and investment earnings are tax sheltered until the time of withdrawal. Employee contributions may be as little as \$10 each paycheck. Some employer units or bargaining units may match a portion of an employee's contributions annually. However, all contributions are subject to annual maximum limits determined by the Internal Revenue Service (IRS). All assets and income are held in trust, custodial accounts, or annuity contracts for the sole benefit of plan participants and beneficiaries. Plan participants may only withdraw money from their account upon separation of service or retirement. Unlike many other supplemental retirement plans, Section 457 plan participants who take a distribution before reaching age 59 1/2 are not subject to the IRS 10 percent early withdrawal penalty.

Hennepin County Supplemental Retirement Fund

MSRS is responsible for providing record keeping services for the Hennepin County Supplemental Retirement Fund, a defined contribution fund. Only employees of Hennepin County who began employment prior to April 14, 1982 are eligible to participate in this tax sheltered nonqualified plan. This plan was 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.

12. Long-term Debt

MSRS entered into an agreement with the Minnesota Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) for the purpose of construction and ownership of an administrative office building. Each agency owned an undivided portion of the total asset 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, it was increased to 24.6 percent based on MSRS' proportionate share of the building's useable space in square feet. To finance the building construction, the state Department of Finance (currently known as Minnesota Management and Budget, or MMB) issued \$29,000,000 in 30-year revenue bonds on June 1, 2000. The bonds are secured by assets of the three retirement systems, excluding assets in the Defined Contribution Plans and MSRS' General Fund Plans. Principal and interest payments are made by the retirement systems using the same ownership ratio to determine amounts.

Exhibit 19 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, \$37,865,744. 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. Bonds Payable includes the principal balance as of June 30, 2012, \$5,633,400, and interest accrued for the month of June in the amount of \$26,851.

On July 1, 2012, the MSRS ownership percentage changed to 26.8 percent. On September 4, 2012, the bonds were paid using funds obtained via a bond refunding. A schedule of long-term debt as a result of the percentage ownership change and bond refunding is reflected in the subsequent event note.

EXHIBIT 19: DEBT REPAYMENT SCHEDULE BY FISCAL YEAR

Fiscal Year	Principal	Interest	Total Principal & Interest
2013	\$184,500	\$329,145	\$513,645
2014	190,650	318,997	509,647
2015	202,950	308,416	511,366
2016	215,250	297,051	512,301
2017	227,550	284,890	512,440
2018	239,850	271,919	511,769
2019	258,300	258,128	516,428
2020	270,600	243,276	513,876
2021	289,050	227,581	516,631
2022	307,500	210,599	518,099
2023	325,950	192,533	518,483
2024	344,400	173,384	517,784
2025	369,000	153,150	522,150
2026	387,450	131,472	518,922
2027	412,050	108,709	520,759
2028	442,800	84,501	527,301
2029	467,400	57,933	525,333
2030	498,150	29,889	528,039
Totals	<u>\$5,633,400</u>	<u>\$3,681,573</u>	<u>\$9,314,973</u>
Total Unpaid Principal, 06/30/12		\$5,633,400	
Accrued Interest		<u>26,851</u>	
Total per Statement of Plan Net Assets		<u>\$5,660,251</u>	<u>\$5,660 (in 000s)</u>

Notes to the Financial Statements

13. Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (OPEB)

(GASB Statement 45 Required Disclosures)

All MSRS employees are covered by the State Employees Group Insurance Plan (SEGIP), a multiple-employer cost-sharing defined benefit plan, administered by MMB. 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, 2012 the SEGIP had an actuarially determined unfunded net obligation for future benefits of \$168,441,000, to be funded on a pay-as-you-go basis. MSRS' allocated portion of this liability is \$67,000. The MSRS share of the required contributions and the net OPEB obligation is presented in **Exhibit 20**.

EXHIBIT 20: REQUIRED OPEB CONTRIBUTIONS AND NET OPEB OBLIGATION

State Employee Group Insurance Plan OPEB Disclosures:

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percent	Net OPEB Obligation
June 30, 2012	\$65,000	\$78,000	120.00%	\$67,000
June 30, 2011	62,000	48,000	77.42	80,000
June 30, 2010	57,000	36,000	63.16	65,000
June 30, 2009	56,000	30,000	53.57	43,000
June 30, 2008	N/A	N/A	N/A	17,000

14. Administrative Expenses

MSRS administrative expenses are disbursed from the State Employees Retirement Fund. While no designated revenue source is statutorily dedicated to the payment of administrative expenses, as a policy, they are paid from investment earnings. 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, 2012 are detailed on page 80.

15. Reemployed Retirees' Earnings Limitations

MSRS members whose age is under the Social Security full retirement age, and who return to work in a MSRS-covered position after their retirement, are subject to an annual earnings limitation unless hired under a Post-Retirement Option (PRO) agreement. The maximum annual earnings limit for calendar years 2011 and 2012 were \$14,100 and \$14,640, respectively. Benefit payments for members exceeding the earnings limit are stopped for the remainder of the calendar year and held in abeyance for later distribution to the retiree. Six percent interest, compounded annually, accrued on these funds through December 31, 2010. Effective January 1, 2011, funds held in abeyance no longer accrue interest. Members must wait one year following termination of their post-retirement employment to be eligible to receive a distribution of these funds. When eligible, the member may choose a lump-sum payment or a direct rollover to an eligible retirement plan as defined by section 402(c) of the Internal Revenue Code. As of June 30, 2012, MSRS had 59 re-employed retirees with funds held in abeyance, which totaled \$1,861,411 (\$1,407,202 for the State Employees Retirement Fund and \$454,209 for the Correctional Employees Retirement Fund). MSRS processed 7 distributions of these funds, totaling \$289,135 (\$288,477 for the State Employees Retirement Fund and \$658 for the Correctional Employees Retirement Fund) during fiscal year 2012. These distributions are included as a Refunds deduction in the respective fund's *Statement of Changes in Plan Net Assets*.

16. Subsequent Events

- MSRS entered into an agreement with TRA and PERA for the purpose of construction and ownership of an administrative office building. Each agency owned an undivided portion of the total asset 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 to 24.6 percent in 2007. Effective July 1, 2012, the MSRS ownership was increased to 26.8 percent based on MSRS' proportionate share of the building's useable space in square feet.

- To finance the original building construction, MMB (formerly the Department of Finance) issued \$29,000,000 in 30-year revenue bonds on June 1, 2000.

In August, 2012 the bonds were refunded with the proceeds of a new, lower-interest rate bond issue. The bonds are secured by the value of the total assets of the retirement systems, excluding all amounts contributed to and deposited in the Defined Contribution Plans administered by the retirement systems and MSRS' General Fund Plans.

Through the issuance of the refunding bonds, which received a AAA rating, the bond term has been reduced by five years and the net present value of the savings to the retirement systems is \$9,582,538. MSRS' share of the net present value of savings is \$2,568,120.

Notes to the Financial Statements

Exhibit 21 shows the debt service amounts for which MSRS is directly responsible based on the new ownership percentage (26.8%).

EXHIBIT 21: DEBT REPAYMENT SCHEDULE BY FISCAL YEAR

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2013	\$443,540	\$115,819	\$559,359
2014	420,760	133,920	554,680
2015	431,480	125,504	556,984
2016	440,860	116,875	557,735
2017	448,900	108,058	556,958
2018	458,280	99,080	557,360
2019	471,680	89,914	561,594
2020	478,380	80,480	558,860
2021	491,780	70,913	562,693
2022	502,500	61,077	563,577
2023	513,220	51,027	564,247
2024	494,460	30,498	524,958
2025	268,000	10,720	278,720
Totals	<u>\$5,863,840</u>	<u>\$1,093,885</u>	<u>\$6,957,725</u>

17. Required Supplemental Information

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

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Schedule of Funding Progress

Required Supplementary Information

Last Ten Years -- Unaudited

(Dollars in thousands)

Actuarial Valuation Date July 1	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A)/(B)	Actual Covered Payroll (Previous FY)(C)	UAAL as Percent of Covered Payroll (B-A)/(C)
State Employees Retirement Fund						
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	1,952,320	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
2009	9,030,401	10,512,760	1,482,359	85.90	2,329,499	63.63
2010	8,960,391	10,264,071	1,303,680	87.30	2,327,398	56.01
2011	9,130,011	10,576,481	1,446,470	86.32	2,440,580	59.27
2012	9,162,301	11,083,227	1,920,926	82.67	2,367,160	81.15
State Patrol Retirement Fund						
2003	\$591,521	\$538,980	\$(52,541)	109.75%	\$54,175	(96.98)%
2004	594,785	545,244	(49,542)	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
2009	584,501	725,334	140,833	80.58	61,511	228.96
2010	567,211	683,360	116,149	83.00	63,250	183.63
2011	563,046	700,898	137,852	80.33	63,250	217.95
2012	554,244	760,955	206,711	72.84	62,524	330.61
Correctional Employees Retirement Fund						
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
2009	590,399	821,250	230,851	71.89	193,445	119.34
2010	603,863	851,086	247,223	70.95	192,450	128.46
2011	637,027	907,012	269,985	70.23	197,702	136.56
2012	663,713	968,166	304,453	68.55	200,035	152.20

Actuarial Valuation Date July 1	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A)/(B)	Actual Covered Payroll (Previous FY)(C)	UAAL as Percent of Covered Payroll (B-A)/(C)
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Judges Retirement Fund

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	63.70	38,296	219.56
2009	147,120	241,815	94,695	60.84	39,444	240.07
2010	144,728	240,579	95,851	60.16	39,291	243.95
2011	145,996	248,630	102,634	58.72	40,473	253.59
2012	144,898	281,576	136,678	51.46	38,644	353.69

Legislators Retirement Fund

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	36,314	55.63	3,014	1,204.81
2006	48,504	81,361	32,858	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
2009	28,663	90,431	61,768	31.70	1,963	3,146.61
2010	26,821	86,236	59,415	31.10	1,877	3,165.42
2011*	19,140	216,559	197,419	8.84	1,774	11,128.47
2012*	15,523	247,657	232,134	6.27	1,378	16,845.72

Elective State Officers Retirement Fund**

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	3,970	3,763	5.22	0	N/A
2007	212	3,969	3,758	5.33	0	N/A
2008	212	3,908	3,696	5.43	0	N/A
2009	213	3,886	3,673	5.49	0	N/A
2010	214	3,782	3,568	5.66	0	N/A
2011*	0	7,610	7,610	0.00	0	N/A
2012*	0	8,907	8,907	0.00	0	N/A

*Amounts are based on GASB-compliant alternate actuarial assumptions.

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

Schedule of Contributions from the Employer(s) and Other Contributing Entities

Required Supplementary Information

Last Ten Years -- Unaudited

(Dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contributions [(A)x(B)]-(C)	Actual Employer Contributions	Percent Contributed
State Employees Retirement Fund						
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
2009	12.39	2,329,499	108,866	179,759	107,211	59.64
2010	14.85	2,327,398	115,180	230,439	113,716	49.35
2011	10.99	2,440,580	122,029	146,191	118,563	81.10
2012	11.03	2,367,160	118,358	142,740	115,159	80.68
State Patrol Retirement Fund						
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	5,594	12,355	8,279	67.01
2009	34.49	61,511	6,216	14,999	9,178	61.19
2010	38.16	63,250	6,726	17,410	10,104	58.04
2011	33.84	63,250	6,578	14,826	9,873	66.59
2012	36.25	62,524	7,753	14,912	11,620	77.92
Correctional Employees Retirement Fund						
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
2009	23.66	193,445	14,031	31,738	20,126	63.41
2010	24.85	192,450	15,267	32,557	21,988	67.54
2011	25.43	197,702	17,002	33,274	23,892	71.80
2012	26.00	200,035	17,203	34,806	24,188	69.49

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contributions [(A)x(B)]-(C)	Actual Employer Contributions**	Percent Contributed
Judges Retirement Fund						
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	2,861	10,045	7,936	79.00
2009	30.33	39,444	2,978	8,985	8,219	91.47
2010	31.53	39,291	2,988	9,400	8,283	88.11
2011	31.66	40,473	3,010	9,804	8,297	84.63
2012	33.15	38,644	2,931	9,879	7,922	80.19

Legislators Retirement Fund

2003	This fund was not actuarially valued in this fiscal year.					
2004	63.12%	\$3,815	\$343	\$2,065	\$425	20.58%
2005	104.72	3,014	384	2,773	1,822	65.71
2006	112.64	2,894	264	2,995	5,684	189.78
2007	111.24	2,380	239	2,408	1,772	73.59
2008	171.10	1,993	180	3,230	2,217	68.64
2009	243.21	1,963	248	4,526	1,269	28.04
2010	413.00	1,877	171	7,582	1,975	26.05
2011	432.92	1,774	160	7,520	2,805	37.30
2012	1,320.95	1,378	124	18,079	3,935	21.77

Elective State Officers Retirement Fund*

2003	This fund was not actuarially valued in this fiscal year.					
2004	\$412	\$0	\$0	\$412	\$383	92.88%
2005	437	0	0	437	395	90.37
2006	465	0	0	465	417	89.66
2007	477	0	0	477	427	89.57
2008	506	0	0	506	435	85.92
2009	558	0	0	558	442	79.28
2010	601	0	0	601	453	75.37
2011	644	0	0	644	460	71.54
2012	1,269	0	0	1,269	N/A	N/A

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

**For the Legislators and Elective State Officers Retirement Funds, actual employer contributions include contributions from other sources (e.g., appropriations from the state's General Fund).

Notes to Required Supplementary Information

State Employees Retirement Fund

Valuation Date	7/1/2012
ACTUARIAL METHODS	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	28 Years (By June 30, 2040)
Asset Valuation Method	Market Value Smoothed Over 5 Years (2009)
ACTUARIAL ASSUMPTIONS	
Investment Return	Select and Ultimate Rates: <u>July 1, 2012 to June 30, 2017</u> 8.00% per year pre-retirement 6.00% per year post-retirement <u>July 1, 2017 and later</u> 8.50% per year pre-retirement 6.50% per year post-retirement (2012)
Salary Increases	Service-related rates (2012)
Assumed Inflation Rate	3%
Payroll Growth	3.75% per year (2010)
Mortality Rates - Healthy Pre-retirement	RP-2000 employee generational mortality table white collar adjustment Males: set forward 3 years Females: set back 1 year (2010)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table white collar adjustment (2010)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	2.0% per year until 90% funded (on a market value of assets basis), then 2.5% per year (2010)

For additional actuarial assumptions used in determination of the July 1, 2012 valuation results, please refer to pages 114-121 of the *Actuarial Section* of this report.

Effective dates that the actuarial assumptions are adopted are noted parenthetically.

State Patrol Retirement Fund

Valuation Date	7/1/2012
ACTUARIAL METHODS	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	25 Years (By June 30, 2037)
Asset Valuation Method	Market Value Smoothed Over 5 Years (2009)
ACTUARIAL ASSUMPTIONS	
Investment Return	Select and Ultimate Rates: <u>July 1, 2012 to June 30, 2017</u> 8.00% per year pre-retirement 6.50% per year post-retirement <u>July 1, 2017 and later</u> 8.50% per year pre-retirement 7.00% per year post-retirement (2012)
Salary Increases	Service-related rates (2012)
Assumed Inflation Rate	3%
Payroll Growth	3.75% per year (2012)
Mortality Rates - Healthy Pre-retirement	RP-2000 employee generational mortality table white collar adjustment (2012)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table white collar adjustment Males: set back 2 years Females: set forward 1 year (2012)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	1.5% per year until 90% funded (on a market value of assets basis), then 2.5% per year (2010)

For additional actuarial assumptions used in determination of the July 1, 2012 valuation results, please refer to pages 114-121 of the *Actuarial Section* of this report.

Effective dates that the actuarial assumptions are adopted are noted parenthetically.

Notes to Required Supplementary Information

Correctional Employees Retirement Fund

Valuation Date	7/1/2012
ACTUARIAL METHODS	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	26 Years (By June 30, 2038)
Asset Valuation Method	Market Value Smoothed Over 5 Years (2009)
ACTUARIAL ASSUMPTIONS	
Investment Return	Select and Ultimate Rates: <u>July 1, 2012 to June 30, 2017</u> 8.00% per year pre-retirement 6.00% per year post-retirement <u>July 1, 2017 and later</u> 8.50% per year pre-retirement 6.50% per year post-retirement (2012)
Salary Increases	Service-related rates (2012)
Assumed Inflation Rate	3%
Payroll Growth	3.75% per year (2012)
Mortality Rates - Healthy Pre-retirement	RP-2000 employee generational mortality table white collar adjustment (2012)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table white collar adjustment Males: set forward 1 year Females: set back 1 year (2012)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	2.0% per year until 90% funded (on a market value of assets basis), then 2.5% per year (2010)

For additional actuarial assumptions used in determination of the July 1, 2012 valuation results, please refer to pages 114-121 of the *Actuarial Section* of this report.

Effective dates that the actuarial assumptions are adopted are noted parenthetically.

Judges Retirement Fund

Valuation Date	7/1/2012
ACTUARIAL METHODS	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	27 Years (By June 30, 2039)
Asset Valuation Method	Market Value Smoothed Over 5 Years (2009)
ACTUARIAL ASSUMPTIONS	
Investment Return	Select and Ultimate Rates: <u>July 1, 2012 to June 30, 2017</u> 8.00% per year pre-retirement 6.00% per year post-retirement <u>July 1, 2017 and later</u> 6.50% per year post-retirement 8.50% per year pre-retirement (2012)
Salary Increases	3.0% per year (2012)
Assumed Inflation Rate	3.0%
Payroll Growth	3.0% per year (2012)
Mortality Rates - Healthy Pre-retirement	RP-2000 employee generational mortality table white collar adjustment (2012)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table white collar adjustment Males: set back 1 year Females: set back 2 years (2012)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	2.0% per year until 90% funded (on a market value of assets basis), then 2.5% per year (2010)

For additional actuarial assumptions used in determination of the July 1, 2012 valuation results, please refer to pages 114-121 of the *Actuarial Section* of this report.

Effective dates that the actuarial assumptions are adopted are noted parenthetically.

Notes to Required Supplementary Information

Legislators Retirement Fund

Valuation Date	7/1/2012
ACTUARIAL METHODS	
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar (2012)
Remaining Amortization Period	14 Years (By June 30, 2026)
Asset Valuation Method	Market Value (2000)
ACTUARIAL ASSUMPTIONS	
Investment Return	0% pre-retirement and post-retirement (2012)
Salary Increases	5.0% (1994)
Assumed Inflation Rate	3.0%
Payroll Growth	Not Applicable: Closed plan with decreasing payroll
Mortality Rates - Healthy Pre-retirement	RP-2000 employee generational mortality table white collar adjustment Males: set forward 3 years Females: set back 1 year (2012)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table white collar adjustment (2012)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	2.0% per year until the State Employees Retirement Fund is 90% funded (on a market value of assets basis), then 2.5% per year (2010)

For additional actuarial assumptions used in determination of the July 1, 2012 valuation results, please refer to pages 114-121 of the *Actuarial Section* of this report.

Effective dates that the actuarial assumptions are adopted are noted parenthetically.

Elective State Officers Retirement Fund

Valuation Date	7/1/2012
ACTUARIAL METHODS	
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	9 Years (By June 30, 2021)
Asset Valuation Method	Market Value (2000)
ACTUARIAL ASSUMPTIONS	
Investment Return	0% pre-retirement and post-retirement (2012)
Salary Increases	Not Applicable: Closed plan with no contributing members
Assumed Inflation Rate	3.0%
Payroll Growth	Not Applicable: Closed plan with decreasing payroll
Mortality Rates - Healthy Pre-retirement	RP-2000 employee generational mortality table white collar adjustment Males: set forward 3 years Females: set back 1 year (2012)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table white collar adjustment (2012)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	2.0% per year until the State Employees Retirement Fund is 90% funded (on a market value of assets basis), then 2.5% per year (2010)

For additional actuarial assumptions used in determination of the July 1, 2012 valuation results, please refer to pages 114-121 of the *Actuarial Section* of this report.

Effective dates that the actuarial assumptions are adopted are noted parenthetically.

Schedule of Administrative Expenses

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Personnel Services	
Staff Salaries	\$5,428
Social Security and Medicare	395
Retirement	272
Health Insurance	988
Other Personnel Services	18
Total	<u>\$7,101</u>
Communication-Related Expenses	
Printing	\$301
Telephone	161
Postage	191
Subscriptions and Memberships	15
Total	<u>\$668</u>
Office Building and Maintenance Expenses	
Office Space Rentals	\$112
Building Services	310
Building and Building Improvement Depreciation	191
Bond Interest and Issuance Expense	340
Other Building and Maintenance Expenses	2
Total	<u>\$955</u>
Professional Services	
Actuarial	\$345
Data Processing	375
Disability Examinations	39
Legal Counsel	14
Other Professional Services	903
Total	<u>\$1,676</u>
Miscellaneous	
Office Supplies	\$99
Computer Components and Supplies	199
Equipment Repairs and Maintenance Expenses	60
Department Head and Board Member Expenses	4
Training and Licenses	59
Travel	115
Statewide Indirect Costs	265
Equipment Depreciation and Software Amortization	125
Other Rentals	5
State and Local Sales Taxes	47
Other Expenses	3
Total	<u>\$981</u>
Total Administrative Expenses	<u>\$11,381</u>
Allocation of Administrative Expenses by Fund	
State Employees	\$6,341
State Patrol	158
Correctional Employees	548
Judges	72
Legislators	36
Elective State Officers	7
Unclassified Employees	144
Health Care Savings	1,296
Minnesota Deferred Compensation	2,762
Hennepin County Supplemental	17
Total Administrative Expenses	<u>\$11,381</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

State Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$115,652	\$2,706	\$118,358
Employer Contributions	0	115,159	115,159
Total Contributions	<u>\$115,652</u>	<u>\$117,865</u>	<u>\$233,517</u>
Investment Income			
Investment Income	\$0	\$222,061	\$222,061
Less Investment Expenses	0	12,402	12,402
Net Investment Income from			
Investment Activities	<u>\$0</u>	<u>\$209,659</u>	<u>\$209,659</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$7,244</u>	<u>\$7,244</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$205	\$205
Management Fees	0	2,811	2,811
Total Securities Lending Expenses	<u>\$0</u>	<u>\$3,016</u>	<u>\$3,016</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$4,228</u>	<u>\$4,228</u>
Total Net Investment Income	<u>\$0</u>	<u>\$213,887</u>	<u>\$213,887</u>
Other Additions			
Transfers from Other Plans	\$4,451	\$19,852	\$24,303
Other Income	0	374	374
Total Other Additions	<u>\$4,451</u>	<u>\$20,226</u>	<u>\$24,677</u>
Total Additions	<u>\$120,103</u>	<u>\$351,978</u>	<u>\$472,081</u>
Deductions			
Annuity Benefits	\$0	\$552,088	\$552,088
Refunds	7,464	4,109	11,573
Transfers to Other Plans	57	147	204
Administrative Expenses	0	6,341	6,341
Other Expenses	0	15	15
Total Deductions	<u>\$7,521</u>	<u>\$562,700</u>	<u>\$570,221</u>
Other Changes in Reserves			
Retirements	\$(77,213)	\$77,213	\$0
Other	(782)	782	0
Total Other Changes in Reserves	<u>\$(77,995)</u>	<u>\$77,995</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$34,587</u>	<u>\$(132,727)</u>	<u>\$(98,140)</u>
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	<u>1,187,169</u>	<u>8,009,068</u>	<u>9,196,237</u>
June 30, 2012	<u>\$1,221,756</u>	<u>\$7,876,341</u>	<u>\$9,098,097</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

State Patrol Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$7,753	\$0	\$7,753
Employer Contributions	0	11,620	11,620
Total Contributions	<u>\$7,753</u>	<u>\$11,620</u>	<u>\$19,373</u>
Investment Income			
Investment Income	\$0	\$13,238	\$13,238
Less Investment Expenses	0	750	750
Net Investment Income from			
Investment Activities	<u>\$0</u>	<u>\$12,488</u>	<u>\$12,488</u>
Income from Security Lending Activities			
Security Lending Income	<u>\$0</u>	<u>\$438</u>	<u>\$438</u>
Security Lending Expenses			
Borrower Rebates	\$0	\$12	\$12
Management Fees	0	170	170
Total Security Lending Expenses	<u>\$0</u>	<u>\$182</u>	<u>\$182</u>
Net Income from Security Lending Activities	<u>\$0</u>	<u>\$256</u>	<u>\$256</u>
Total Net Investment Income	<u>\$0</u>	<u>\$12,744</u>	<u>\$12,744</u>
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	0	0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$7,753</u>	<u>\$24,364</u>	<u>\$32,117</u>
Deductions			
Annuity Benefits	\$0	\$50,007	\$50,007
Refunds	138	137	275
Transfers to Other Plans	0	0	0
Administrative Expenses	0	158	158
Other Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>\$138</u>	<u>\$50,302</u>	<u>\$50,440</u>
Other Changes in Reserves			
Retirements	\$(5,619)	\$5,619	\$0
Other	<u>(4)</u>	<u>4</u>	<u>0</u>
Total Other Changes in Reserves	<u>\$(5,623)</u>	<u>\$5,623</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$1,992</u>	<u>\$(20,315)</u>	<u>\$(18,323)</u>
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	<u>59,612</u>	<u>508,667</u>	<u>568,279</u>
June 30, 2012	<u>\$61,604</u>	<u>\$488,352</u>	<u>\$549,956</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Correctional Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$17,187	\$16	\$17,203
Employer Contributions	0	24,188	24,188
Total Contributions	<u>\$17,187</u>	<u>\$24,204</u>	<u>\$41,391</u>
Investment Income			
Investment Income	\$0	\$16,516	\$16,516
Less Investment Expenses	0	896	896
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$15,620</u>	<u>\$15,620</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$524</u>	<u>\$524</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$15	\$15
Management Fees	0	203	203
Total Securities Lending Expenses	<u>\$0</u>	<u>\$218</u>	<u>\$218</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$306</u>	<u>\$306</u>
Total Net Investment Income	<u>\$0</u>	<u>\$15,926</u>	<u>\$15,926</u>
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	0	0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$17,187</u>	<u>\$40,130</u>	<u>\$57,317</u>
Deductions			
Annuity Benefits	\$0	\$42,571	\$42,571
Refunds	1,031	226	1,257
Transfers to Other Plans	0	0	0
Administrative Expenses	0	548	548
Other Expenses	0	0	0
Total Deductions	<u>\$1,031</u>	<u>\$43,345</u>	<u>\$44,376</u>
Other Changes in Reserves			
Retirements	\$(6,595)	\$6,595	\$0
Other	(86)	86	0
Total Other Changes in Reserves	<u>\$(6,681)</u>	<u>\$6,681</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$9,475</u>	<u>\$3,466</u>	<u>\$12,941</u>
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	110,329	536,253	646,582
June 30, 2012	<u>\$119,804</u>	<u>\$539,719</u>	<u>\$659,523</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Judges Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$2,929	\$2	\$2,931
Employer Contributions	0	7,922	7,922
Total Contributions	<u>\$2,929</u>	<u>\$7,924</u>	<u>\$10,853</u>
Investment Income			
Investment Income	\$0	\$3,470	\$3,470
Less Investment Expenses	0	196	196
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$3,274</u>	<u>\$3,274</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$114</u>	<u>\$114</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$3	\$3
Management Fees	0	44	44
Total Securities Lending Expenses	<u>\$0</u>	<u>\$47</u>	<u>\$47</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$67</u>	<u>\$67</u>
Total Net Investment Income	<u>\$0</u>	<u>\$3,341</u>	<u>\$3,341</u>
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	0	0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$2,929</u>	<u>\$11,265</u>	<u>\$14,194</u>
Deductions			
Annuity Benefits	\$0	\$18,539	\$18,539
Refunds	0	0	0
Transfers to Other Plans	0	0	0
Administrative Expenses	0	72	72
Other Expenses	0	1	1
Total Deductions	<u>\$0</u>	<u>\$18,612</u>	<u>\$18,612</u>
Other Changes in Reserves			
Retirements	\$(2,516)	\$2,516	\$0
Other	0	0	0
Total Other Changes in Reserves	<u>\$(2,516)</u>	<u>\$2,516</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$413</u>	<u>\$(4,831)</u>	<u>\$(4,418)</u>
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	<u>29,474</u>	<u>119,030</u>	<u>148,504</u>
June 30, 2012	<u>\$29,887</u>	<u>\$114,199</u>	<u>\$144,086</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Legislators Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$124	\$0	\$124
General Fund Contributions	0	3,935	3,935
Total Contributions	<u>\$124</u>	<u>\$3,935</u>	<u>\$4,059</u>
Investment Income			
Investment Income	\$0	\$266	\$266
Less Investment Expenses	0	20	20
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$246</u>	<u>\$246</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$11</u>	<u>\$11</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$0	\$0
Management Fees	0	4	4
Total Securities Lending Expenses	<u>\$0</u>	<u>\$4</u>	<u>\$4</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$7</u>	<u>\$7</u>
Total Net Investment Income	<u>\$0</u>	<u>\$253</u>	<u>\$253</u>
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	0	0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$124</u>	<u>\$4,188</u>	<u>\$4,312</u>
Deductions			
Annuity Benefits	\$0	\$7,721	\$7,721
Refunds	73	99	172
Transfers to Other Plans	0	0	0
Administrative Expenses	0	36	36
Other Expenses	0	0	0
Total Deductions	<u>\$73</u>	<u>\$7,856</u>	<u>\$7,929</u>
Other Changes in Reserves			
Retirements	\$(242)	\$242	\$0
Other	0	0	0
Total Other Changes in Reserves	<u>\$(242)</u>	<u>\$242</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$(191)</u>	<u>\$(3,426)</u>	<u>\$(3,617)</u>
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	5,291	13,849	19,140
June 30, 2012	<u>\$5,100</u>	<u>\$10,423</u>	<u>\$15,523</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Elective State Officers Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$0	\$0	\$0
General Fund Contributions	0	465	465
Total Contributions	\$0	\$465	\$465
Investment Income			
Investment Income	\$0	\$0	\$0
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	\$0	\$0	\$0
Income from Securities Lending Activities			
Securities Lending Income	\$0	\$0	\$0
Securities Lending Expenses			
Borrower Rebates	\$0	\$0	\$0
Management Fees	0	0	0
Total Securities Lending Expenses	\$0	\$0	\$0
Net Income from Securities Lending Activities	\$0	\$0	\$0
Total Net Investment Income	\$0	\$0	\$0
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	0	0
Total Other Additions	\$0	\$0	\$0
Total Additions	\$0	\$465	\$465
Deductions			
Annuity Benefits	\$0	\$458	\$458
Refunds	0	0	0
Transfers to Other Plans	0	0	0
Administrative Expenses	0	7	7
Other Expenses	0	0	0
Total Deductions	\$0	\$465	\$465
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	0	0	0
Total Other Changes in Reserves	\$0	\$0	\$0
Net Increase (Decrease)	\$0	\$0	\$0
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	0	0	0
June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Unclassified Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$5,586	\$0	\$5,586
Employer Contributions	5,918	0	5,918
Total Contributions	\$11,504	\$0	\$11,504
Investment Income			
Investment Income	\$6,833	\$1	\$6,834
Less Investment Expenses	225	0	225
Net Investment Income from			
Investment Activities	\$6,608	\$1	\$6,609
Income from Securities Lending Activities			
Securities Lending Income	\$23	\$0	\$23
Securities Lending Expenses			
Borrower rebates	\$1	\$0	\$1
Management fees	9	0	9
Total Securities Lending Expenses	\$10	\$0	\$10
Net Income from Securities Lending Activities	\$13	\$0	\$13
Total Net Investment Income	\$6,621	\$1	\$6,622
Other Additions			
Transfers from Other Plans	\$204	\$0	\$204
Other Income	0	89	89
Total Other Additions	\$204	\$89	\$293
Total Additions	\$18,329	\$90	\$18,419
Deductions			
Annuity Benefits	\$0	\$0	\$0
Refunds	5,250	0	5,250
Transfers to Other Plans	24,303	0	24,303
Recordkeeper and Custodian Expenses	0	36	36
Administrative Expenses	0	144	144
Other Expenses	0	0	0
Total Deductions	\$29,553	\$180	\$29,733
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	0	0	0
Total Other Changes in Reserves	\$0	\$0	\$0
Net Increase (Decrease)	\$(11,224)	\$(90)	\$(11,314)
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	284,859	(156)	284,703
June 30, 2012	<u>\$273,635</u>	<u>\$(246)</u>	<u>\$273,389</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Health Care Savings Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$128,375	\$0	\$128,375
Employer Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total Contributions	<u>\$128,375</u>	<u>\$0</u>	<u>\$128,375</u>
Investment Income			
Investment Income	\$7,168	\$7	\$7,175
Less Investment Expenses	<u>2,755</u>	<u>0</u>	<u>2,755</u>
Net Investment Income from			
Investment Activities	<u>\$4,413</u>	<u>\$7</u>	<u>\$4,420</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$42</u>	<u>\$0</u>	<u>\$42</u>
Securities Lending Expenses			
Borrower Rebates	\$1	\$0	\$1
Management Fees	<u>16</u>	<u>0</u>	<u>16</u>
Total Securities Lending Expenses	<u>\$17</u>	<u>\$0</u>	<u>\$17</u>
Net Income from Securities Lending Activities	<u>\$25</u>	<u>\$0</u>	<u>\$25</u>
Total Net Investment Income	<u>\$4,438</u>	<u>\$7</u>	<u>\$4,445</u>
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	<u>0</u>	<u>2,422</u>	<u>2,422</u>
Total Other Additions	<u>\$0</u>	<u>\$2,422</u>	<u>\$2,422</u>
Total Additions	<u>\$132,813</u>	<u>\$2,429</u>	<u>\$135,242</u>
Deductions			
Annuity Benefits	\$0	\$0	\$0
Health Care Benefits	58,987	0	58,987
Refunds	0	0	0
Recordkeeper and Custodian Expenses	0	855	855
Administrative Expenses	0	1,296	1,296
Other Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>\$58,987</u>	<u>\$2,151</u>	<u>\$61,138</u>
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Changes in Reserves	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Increase (Decrease)	\$73,826	\$278	\$74,104
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	<u>436,929</u>	<u>(1,667)</u>	<u>435,262</u>
June 30, 2012	<u>\$510,755</u>	<u>\$(1,389)</u>	<u>\$509,366</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Minnesota Deferred Compensation Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$216,010	\$0	\$216,010
Employer Contributions	0	0	0
Total Contributions	\$216,010	\$0	\$216,010
Investment Income			
Investment Income	\$90,009	\$56	\$90,065
Less Investment Expenses	4,861	11	4,872
Net Investment Income from			
Investment Activities	\$85,148	\$45	\$85,193
Income from Securities Lending Activities			
Securities Lending Income	\$353	\$0	\$353
Securities Lending Expenses			
Borrower Rebates	\$10	\$0	\$10
Management Fees	136	0	136
Total Securities Lending Expenses	\$146	\$0	\$146
Net Income from Securities Lending Activities	\$207	\$0	\$207
Total Net Investment Income	\$85,355	\$45	\$85,400
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	4,480	4,480
Total Other Additions	\$0	\$4,480	\$4,480
Total Additions	\$301,365	\$4,525	\$305,890
Deductions			
Ongoing Withdrawals (Periodic Payments)	\$29,615	\$0	\$29,615
Refunds	170,442	0	170,442
Recordkeeper and Custodian Expenses	0	1,738	1,738
Administrative Expenses	0	2,762	2,762
Other Expenses	0	7	7
Total Deductions	\$200,057	\$4,507	\$204,564
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	0	0	0
Total Other Changes in Reserves	\$0	\$0	\$0
Net Increase (Decrease)	\$101,308	\$18	\$101,326
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	4,170,725	9,560	4,180,285
June 30, 2012	<u>\$4,272,033</u>	<u>\$9,578</u>	<u>\$4,281,611</u>

Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Hennepin County Supplemental Retirement Fund

	Reserve		Totals
	Member	Benefit	
Additions			
Contributions			
Plan Member Contributions	\$458	\$0	\$458
Employer Contributions	459	0	459
Total Contributions	<u>\$917</u>	<u>\$0</u>	<u>\$917</u>
Investment Income			
Investment Income	\$4,041	\$2	\$4,043
Less Investment Expenses	130	0	130
Net Investment Income from Investment Activities	<u>\$3,911</u>	<u>\$2</u>	<u>\$3,913</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$10</u>	<u>\$0</u>	<u>\$10</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$0	\$0
Management Fees	4	0	4
Total Securities Lending Expenses	<u>\$4</u>	<u>\$0</u>	<u>\$4</u>
Net Income from Securities Lending Activities	<u>\$6</u>	<u>\$0</u>	<u>\$6</u>
Total Net Investment Income	<u>\$3,917</u>	<u>\$2</u>	<u>\$3,919</u>
Other Additions			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	49	49
Total Other Additions	<u>\$0</u>	<u>\$49</u>	<u>\$49</u>
Total Additions	<u>\$4,834</u>	<u>\$51</u>	<u>\$4,885</u>
Deductions			
Ongoing Withdrawals (Periodic Payments)	\$2,807	\$0	\$2,807
Refunds	3,933	0	3,933
Recordkeeper and Custodian Expenses	0	21	21
Administrative Expenses	0	17	17
Other Expenses	0	12	12
Total Deductions	<u>\$6,740</u>	<u>\$50</u>	<u>\$6,790</u>
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	0	0	0
Total Other Changes in Reserves	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Increase (Decrease)	\$(1,906)	\$1	\$(1,905)
Net Assets Held in Trust for Pension Benefits			
July 1, 2011	<u>125,630</u>	<u>1</u>	<u>125,631</u>
June 30, 2012	<u><u>\$123,724</u></u>	<u><u>\$2</u></u>	<u><u>\$123,726</u></u>

Summary Schedule of Commissions and Payments to Consultants

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

Individual or Firm Name	Services Received	Fees Paid
Mercer, Inc.	Actuarial Services	\$345
On Demand Services Group	Application Development Support	229
Aeritae Consulting Group	Network System Development	171
Survey and Ballot Systems, Inc.	Board Member Elections	90
Crowe Horwath	Risk Assessment	51
Iris Consulting	Application Development Support	43
Corporate Programming, USA	Application Development Support	41
Impact Mailing of MN, Inc.	Mailing Services	39
BDH and Young	Remodeling Services	39
Advanced Technologies	Web Redesign	28
Novell, Inc.	Computer Software Support	21
Sovran, Inc.	System Support	16
Systems Technology Group, Inc.	Legacy Migration Advice	15
Insight Public Sector	Computer Support	11
Comserv, Inc.	Death and SSN Validations	10
Ericksen Ellison & Associates, Inc.	Remodeling Services	9
Lexis/Nexis Risk Data Management, Inc.	Member Records Update	2
State of Minnesota		
Office of Legislative Auditor	Financial Audit	129
MINNCOR Industries	Design Services	73
Department of Health	Medical Evaluations	29
Attorney General	Legal Advice	14

Schedule of Investment Expenses*

Supplementary Information

For the Fiscal Year Ended June 30, 2012

(Dollars in thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Total
Domestic Equity Managers	\$3,784	\$229	\$273	\$60	\$6	\$4,352
International Equity Managers	4,195	254	303	66	7	4,825
Semi-Passive Managers	1,592	96	115	25	3	1,831
Passive Equity Managers	158	10	11	3	0	182
Fixed Income Managers	1,959	118	142	31	3	2,253
Minnesota State Board of Investment	554	34	40	9	1	638
Financial Control Systems	82	5	6	1	0	94
Pension Consultants	7	0	1	0	0	8
Nuveen Investment Consultants	71	4	5	1	0	81
Total Investment Expenses	\$12,402	\$750	\$896	\$196	\$20	\$14,264

*Note: MSRS does not directly pay any investment fees or commissions. All investment expenses are paid by the Minnesota State Board of Investment. These are the prorata portions of the expenses charged to the investment pools in which MSRS participates.



1965

St. Paul Winter Carnival Dance
Contest, Prom Ballroom, St. Paul
Photograph Collection 1965

Oct. 19, 1987

Stock Market Crashes on 'Black Monday'

Investment Section

On Oct. 19, 1987, a day that became known as "Black Monday," the stock market crashed as the Dow Jones Industrial Average plunged 508 points, or 22.6 percent in value, its largest single-day percentage drop. The crash came after a two-week period in which the Dow dropped 15 percent.

According to the Oct. 20 New York Times, "Business leaders were shaken by the collapse, which wiped out 1 percent of the market value of their companies."

Changes in the '70s and '80s

“A significant change in 1975 substantially improved the retirement annuity of a public employee who may have worked for the State, a local unit of Minnesota State Government or as a teacher or employee in a school system in Minnesota. It is called the ‘Combined Service Annuity.’”

Report on Operations, Fiscal Year Ended June 30, 1975



1975

Driver of the QT (Quick Transit) but used in downtown Minneapolis.
Photograph Collection 1975



94



1976

Tracy Oil Company gas station
with stop unemployment buy here
sign in St. Paul.
Photograph Collection 1976

In the wake of the 1973 oil crisis
and the 1979 energy crisis,
stagflation began to afflict the
U.S. economy.



1982

Vietnam Veterans Memorial
Washington, D.C.



Investment Report

MINNESOTA STATE BOARD OF INVESTMENT



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director:
Howard J. Bicker

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INVESTMENT AUTHORITY

The assets of the Minnesota State Retirement System (MSRS) are invested along with the assets of the Public Employees Retirement Association and the Teachers Retirement Association under the direction and authority of the State Board of Investment (SBI) in accordance with Minnesota Statutes, Chapters 11A and 365A. 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's executive director is a member of the IAC.

INVESTMENT POLICY

Investment policy stipulates that the SBI will operate within standard investment practices of the prudent person. The SBI is to "exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom." (See M.S., section 11A.09.) The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, resource investments, and real estate interests subject to specific constraints. (See M.S., section 11A.24). In particular, pension fund assets are to be invested for the exclusive benefit of the members of the funds.

INVESTMENT OBJECTIVES AND PERFORMANCE

MSRS's pension contributions from employees and employers are invested in the Combined Funds. The Combined Funds include the assets of active and retired public employees who participate in the defined benefit plans administered by MSRS, the Teachers Retirement Association, and the Public Employees Retirement Association. MSRS does not own any underlying assets, but instead owns a participation in the pooled Combined Funds. Because these assets normally accumulate for thirty to forty years, SBI's objective is to take advantage of the long investment time horizon offered by equities and alternative assets in order to meet its actuarial return target and ensure that sufficient funds are available to finance promised benefits at the time of retirement. The 2012 legislature lowered the actuarial return assumption from 8.5 percent to 8.0 percent annually for the period July 1, 2011 through June 30, 2016.

The long term objectives of the Combined Funds are:

- Provide returns that are 3-5 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.

Consistent with these objectives, the SBI maintains a long-term asset allocation for the Combined Funds as follows:

- Domestic Equity 45%
- International Equity 15%
- Alternatives 20%
- Fixed Income 18%
- Cash 2%

Based on values on June 30, 2012, the Combined Funds returned 5.7 percentage points above the CPI over the last 20 years and returned 0.1 percentage point above the composite index over the past 10 years. Investment returns ranked in the 35th percentile over the past five years and in the 34th percentile over the past 10 years, compared to similar funds in the Trust Universe Comparison Service.

INVESTMENT PRESENTATION

Investment returns were prepared using a time-weighted rate of return methodology based upon fair market value, net of investment expenses.

Respectfully submitted,



Howard Bicker
Executive Director
State Board of Investment

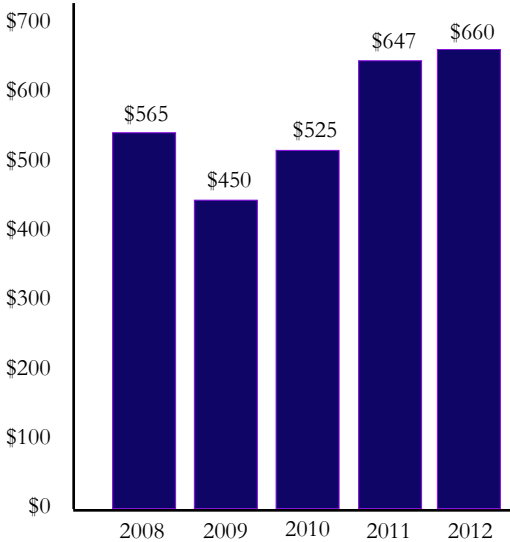
Fair Value of Net Assets (in Millions of U.S. Dollars)

Fair Value of MSRS' Four Largest Defined Benefit Retirement Funds
As of June 30, 2012

State Employees Retirement Fund



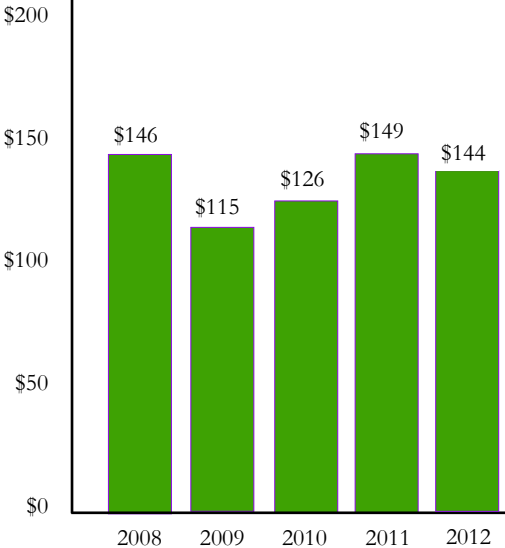
Correctional Employees Retirement Fund



State Patrol Retirement Fund



Judges Retirement Fund



Investment Returns by Sector

Investment Performance Compared to Target Indices (Net of Fees)

Funds	Rates of Return (Annualized)			
	FY2012	Three-Year	Five-Year	Ten-Year
Domestic Stock Pool	3.1%	16.7%	0.2%	5.6%
Russell 3000 Index	3.8	16.7	0.4	5.8
Bond Pool	7.8%	9.2%	6.8%	5.9%
Barclays Capital Aggregate Bond Index	7.5	6.9	6.8	5.6
International Stock Pool	(14.7)%	7.3%	(4.5)%	6.6%
Standard MSCI ACWI Free ex U.S. (Net)	(14.6)	7.0	(4.6)	6.7
Alternative Investments	9.8%	14.4%	6.8%	14.2%
Inflation (Note: This is the target rate of return; there is no comparable index available.)	1.7	2.1	2.0	2.4
Real Estate Investments Pool (Equity emphasis)	9.6%	1.4%	(2.4)%	6.7%
Inflation +5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	6.7	7.1	7.0	7.4
Private Equity Investments Pool (Equity emphasis)	7.8%	18.3%	7.7%	14.4%
Inflation +10% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	11.7	12.1	12.0	12.4
Resource Investments Pool (Equity emphasis)	15.7%	18.8%	11.2%	26.6%
Inflation +5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	6.7	7.1	7.0	7.4
Yield Oriented Investments Pool (Debt emphasis)	13.2%	11.6%	10.1%	16.1%
Inflation +5.5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	7.2	7.6	7.5	7.9

Note: Investment return percentages are the time-weighted rate of return, net of all management fees.

Asset Allocation*

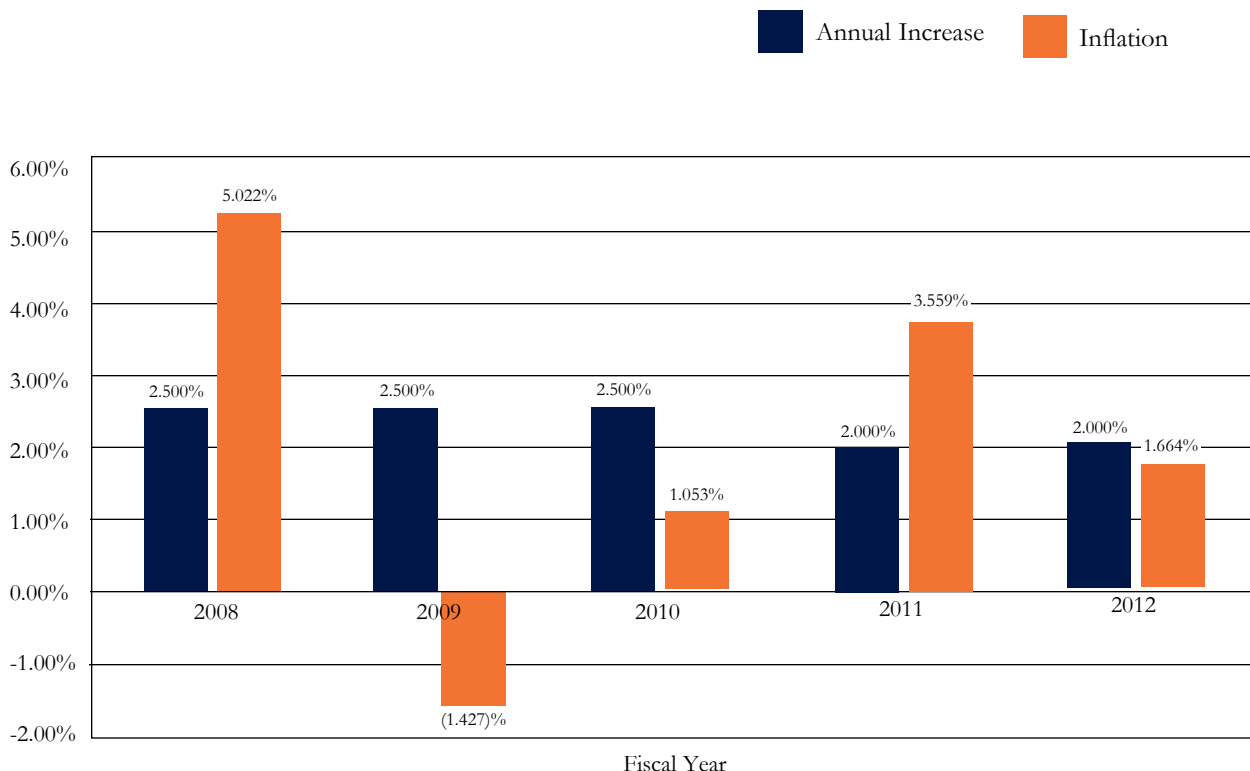
Asset allocation can have a significant effect on investment returns. To achieve the best results, investment allocations are periodically reviewed and adjusted to reflect changing market conditions and revised investment objectives.

Combined Funds		
Investment Type	Actual Asset Mix 06/30/2012	Long-Term Policy Target
Domestic Stocks	45.2%	45.0%
International Stocks	14.9	15.0
Bonds	22.3	18.0
Alternative Investments**	15.7	20.0
Cash	1.9	2.0
Totals	<u>100.0%</u>	<u>100.0%</u>

*Source: Minnesota State Board of Investment fiscal year 2012 annual report.
 **Alternative investments are real estate, venture capital and resource funds.

Investment Results Annuity Increases vs. Inflation (Last 5 Years)

Annual post-retirement annuity increases awarded to MSRS retirees have been less than inflation during two of the past five years: 2008 and 2011. Annuity increases and inflation are measured as of June 30. Annuity increases are effective January 1 of the following year.



Investment Results by Investment Pool

Investment Performance				
Funds	Rates of Return (Annualized)			
	FY2012	Three-Year	Five-Year	Ten-Year
Combined Funds	2.4%	13.3%	2.3%	7.0%
Combined Composite Market Index	3.0	12.6	2.3	6.9

Notes:

- Investment return percentages are the time-weighted rate of return, net of all management fees.
- The composite index is composed of the following market indicators, weighted according to asset allocation.

Investment Type	Market Indicator
Domestic Stocks	Russell 3000
International Stocks	Morgan Stanley Capital International All Country World Index Ex-U.S.
Domestic Bonds	Barclays Capital Aggregate Bond Index
Alternative Investments	Alternative investments are measured against themselves using actual portfolio returns
Unallocated cash	3-Month Treasury Bills

List of Largest Assets Held

As of June 30, 2012

(Dollars in thousands)

Composite of Top Ten Equity Holdings (by Fair Value)		
Company	Fair Value	Percent of Portfolio
Apple, Inc.	\$183,320	2.76%
Exxon Mobil Corporation	118,958	1.79
Microsoft Corporation	79,896	1.20
Chevron Corporation	72,191	1.09
International Business Machines Corporation	70,407	1.06
AT & T Corporation	64,948	0.98
Google Inc CL A	62,132	0.93
Wells Fargo + CO	58,092	0.87
Pfizer, Inc.	55,033	0.83
General Electric Co.	53,010	0.80

Composite of Top Ten Bond Holdings (by Fair Value)				
Security	Coupon Rate	Maturity Date	Fair Value	Percent of Portfolio
FNMA TBA 30Yr Single Family	3.500%	12/01/2099	\$65,629	2.73%
Federal Natl Mtg Assn TBA	3.500	08/01/2041	54,086	2.25
U.S. Treasury Bond	1.125	05/31/2019	34,101	1.42
U.S. Treasury Bond	3.125	11/15/2041	23,745	0.99
U.S. Treasury Bond	1.250	04/30/2019	23,263	0.97
U.S. Treasury Bond	0.625	05/31/2017	16,520	0.69
U.S. Treasury Bond	3.125	02/15/2042	15,252	0.63
U.S. Treasury Bond	1.000	03/31/2017	14,679	0.61
FNMA TBA Jul 15Yr	2.500	12/01/2099	13,544	0.56
FNMA TBA Jul 15Yr Single Family	3.000	12/01/2099	13,394	0.56

Legend:

FNMA = Federal National Mortgage Association TBA = To be Announced

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 SBI.

Schedule of Investment Manager Fees, Commissions and Other Investment Expenses

For the Fiscal Year Ended June 30, 2012

Investment Manager	Defined Benefit Retirement Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
Domestic Equity Managers					
Barrow, Hanley, Mewhinney & Strauss, Inc.	\$169,068	\$10,217	\$12,215	\$2,667	\$268
Earnest Partners, LLC	84,278	5,093	6,089	1,330	133
INTECH Investment Management, LLC	210,804	12,739	15,231	3,326	334
Goldman Sachs Asset Management	247,409	14,951	17,876	3,903	392
Hotchkis & Wiley Capital Management	249,797	15,096	18,048	3,941	395
Jacobs Equity Management, Inc.	201,142	12,155	14,533	3,173	318
Knelman Asset Management, LLC	65,288	3,945	4,717	1,030	103
LSV Asset Management	142,061	8,585	10,264	2,241	225
Martingale Asset Management	122,581	7,408	8,857	1,934	194
McKinley Capital Management	182,301	11,017	13,170	2,876	288
New Amsterdam Partners	108,050	6,530	7,807	1,705	171
Next Century Growth Investors, LLC	413,496	24,988	29,876	6,524	654
Peregrine Capital Management	295,712	17,870	21,366	4,666	468
Sands Capital Management, Inc.	325,270	19,656	23,500	5,132	515
Systematic Financial Management, L.P.	171,552	10,367	12,395	2,707	272
Turner Investment Partners	289,805	17,513	20,939	4,572	459
UBS Global Asset Management	122,770	7,419	8,870	1,937	194
Winslow Capital Management, Inc.	116,188	7,021	8,395	1,833	184
Zevenbergen Capital, Inc.	266,968	16,133	19,289	4,212	422
Totals	<u>\$3,784,540</u>	<u>\$228,703</u>	<u>\$273,437</u>	<u>\$59,709</u>	<u>\$5,989</u>
Domestic Equity - Semi-Passive Managers					
BlackRock Institutional Trust Co., N.A.	\$467,945	\$28,278	\$33,809	\$7,382	\$741
Mellon Capital Management	302,314	18,269	21,843	4,770	478
J.P. Morgan Investment Management	501,783	30,323	36,254	7,917	794
INTECH Investment Management, LLC	319,877	19,331	23,112	5,047	506
Totals	<u>\$1,591,919</u>	<u>\$96,201</u>	<u>\$115,018</u>	<u>\$25,116</u>	<u>\$2,519</u>
Domestic Equity - Passive Managers					
BlackRock Institutional Trust Co., N.A.	\$158,325	\$9,568	\$11,439	\$2,498	\$251

Schedule of Investment Manager Fees, Commissions and Other Investment Expenses

For the Fiscal Year Ended June 30, 2012

Investment Manager	Defined Benefit Retirement Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
International Equity Managers					
Acadian Asset Management, LLC	\$220,562	\$13,329	\$15,936	\$3,480	\$349
Alliance Bernstein, L.P.	99,405	6,007	7,182	1,568	157
Columbia Management					
Investment Advisors, LLC	154,510	9,337	11,163	2,438	245
AQR Capital Management, LLC	244,515	14,776	17,666	3,858	387
Capital International, Inc.	936,787	56,611	67,684	14,780	1,483
Pyramis Global Advisors					
Trust Company - Select	239,169	14,453	17,280	3,773	378
Pyramis Global Advisors					
Trust Company - Growth	146,001	8,823	10,549	2,303	231
Invesco Global Asset Management	135,702	8,201	9,805	2,141	215
J.P. Morgan Investment Management	188,465	11,389	13,617	2,973	298
Marathon Asset Management	319,939	19,334	23,116	5,048	506
McKinley Capital Management, Inc.	178,841	10,808	12,921	2,822	283
Morgan Stanley Investment					
Management	1,046,137	63,219	75,585	16,505	1,656
State Street Global Advisors Alpha	200,978	12,145	14,521	3,171	318
State Street Global Advisors Passive	83,566	5,050	6,038	1,318	132
Totals	\$4,194,577	\$253,482	\$303,063	\$66,178	\$6,638
Domestic Bond (Fixed Income) Managers					
Columbia Management					
Investment Advisors, LLC	\$180,735	\$10,922	\$13,058	\$2,851	\$286
BlackRock, Inc.	182,717	11,042	13,201	2,883	289
Aberdeen Asset Management	257,575	15,566	18,610	4,064	408
Dodge & Cox Investment					
Management Managers	223,484	13,505	16,147	3,526	354
Goldman Sachs Asset Management	255,631	15,448	18,470	4,033	405
Neuberger Investment Management	112,817	6,818	8,151	1,780	179
Western Asset Management	243,409	14,709	17,587	3,840	385
Pacific Investment					
Management Co. LLC (PIMCO)	502,494	30,366	36,306	7,928	795
Totals	\$1,958,862	\$118,376	\$141,530	\$30,905	\$3,101
Other Investment Expenses					
State Board of Investment	\$554,078	\$33,803	\$39,697	\$8,837	\$971
Financial Control Systems	81,644	5,000	5,815	1,306	150
Pension Consultants	6,892	422	491	110	13
Nuveen Investment Consultants	70,836	4,339	5,045	1,133	130
Totals	\$713,450	\$43,564	\$51,048	\$11,386	\$1,264
Total Investment Expenses	\$12,401,673	\$749,894	\$895,535	\$195,792	\$19,762

Investment Summary at Fair Value

As of June 30, 2011 and 2012
(Dollars in thousands)

Description	Fair Value June 30, 2011	Fair Value June 30, 2012	Percent of Portfolio
State Employees Retirement Fund			
Growth Share Pool	\$2,483,308	\$2,633,274	29%
Common Stock Index Pool	1,634,284	1,480,449	17
International Equity Pool	1,446,527	1,353,041	15
Fixed Income Pool	2,029,888	2,026,807	23
Alternative Investments Pool	1,344,120	1,423,124	16
Totals	<u>\$8,938,127</u>	<u>\$8,916,695</u>	<u>100%</u>
State Patrol Retirement Fund			
Growth Share Pool	\$153,565	\$159,131	29%
Common Stock Index Pool	101,063	89,465	17
International Equity Pool	89,452	81,765	15
Fixed Income Pool	125,526	122,482	23
Alternative Investments Pool	83,119	86,001	16
Totals	<u>\$552,725</u>	<u>\$538,844</u>	<u>100%</u>
Correctional Employees Retirement Fund			
Growth Share Pool	\$173,996	\$190,257	29%
Common Stock Index Pool	114,508	106,964	17
International Equity Pool	101,353	97,759	15
Fixed Income Pool	142,227	146,439	23
Alternative Investments Pool	94,177	102,822	16
Totals	<u>\$626,261</u>	<u>\$644,241</u>	<u>100%</u>
Judges Retirement Fund			
Growth Share Pool	\$39,951	\$41,546	29%
Common Stock Index Pool	26,292	23,357	17
International Equity Pool	23,271	21,347	15
Fixed Income Pool	32,657	31,977	23
Alternative Investments Pool	21,624	22,453	16
Totals	<u>\$143,795</u>	<u>\$140,680</u>	<u>100%</u>
Legislators Retirement Fund			
Growth Share Pool	\$5,103	\$4,167	29%
Common Stock Index Pool	3,359	2,343	17
International Equity Pool	2,973	2,141	15
Fixed Income Pool	4,171	3,207	23
Alternative Investments Pool	2,762	2,252	16
Totals	<u>\$18,368</u>	<u>\$14,110</u>	<u>100%</u>



1982

Hubert H. Humphrey Metrodome
becomes part of the Minneapolis skyline.
Photograph Collection 1982

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Actuarial Section

Goal to achieve full funding

To achieve our goal to reach full funding, the MSRS Board of Directors began making changes through 2006 legislation to gradually increase contribution rates for both employees and employers over three to four years. For more information, visit www.msrs.state.mn.us for a chart showing the contribution rates were phased in over time.

Bound for a new millenium

911, desktop computers, dot.com bubble and
burst, stock market crash of 2000, unemployment



1992

Cedar Street bridge construction, St. Paul
Photograph Collection 1992



108



1996

The 1996 dot-com tech bubble that resulted in a bull stock market and economic boom of the late '90s ended with the stock market crash of 2000.

Fifty years after the last streetcars ceased service in the Twin Cities, light rail begins again for Minneapolis and St. Paul.

2008



One of the more noteworthy failures of the dot-com bubble, pets.com was a high-profile, short-lived online business. It went from IPO on Nasdaq to liquidation in 268 days.

Actuary's Certification Letter



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December 13, 2012

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

Re: 2012 Comprehensive Annual Financial Report (CAFR)

Dear Members of the Board:

We have prepared and presented to you our annual actuarial valuation 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, 2012.

In this Comprehensive Annual Financial Report (CAFR), all supporting schedules in the Actuarial Section and the Schedule of Funding Progress and the Schedule of Employer Contributions in the Financial Section have been prepared by MSRS based on the information included in GRS' reports on the annual actuarial valuation. The annual actuarial valuation reports are available on the MSRS website.

Valuation Results

The results of the valuations are summarized in the following table. For all plans except LRF and ESORF, because the asset returns are smoothed over five years in the valuation, the actuarial value of assets is slightly larger than the market value of assets, and the funded ratios on that basis are slightly higher and the deficiencies are lower than the market value results. Valuations for the LRF and the ESORF are based on the market value of assets, consistent with valuations since July 1, 2000.

Plan	Accrued Liability Funded Ratio		Contribution Deficiency (% of Pay)		Statutory Amortization Date
	Actuarial Value of Assets	Market Value of Assets	Actuarial Value of Assets	Market Value of Assets	
SERF	82.67%	82.09%	2.32%	2.48%	2040
SPRF	72.84%	72.27%	11.52%	11.95%	2037
CERF	68.55%	68.12%	4.58%	4.71%	2038
JRF	51.46%	51.17%	13.50%	13.68%	2039
LRF	6.27%	6.27%	\$18.2 million per year*		2026
ESORF	0.00%	0.00%	\$990,661 per year*		2021

* These plans are closed to new hires and the deficiency is expressed as a dollar amount rather than a percent of payroll.

A contribution deficiency means that over the long run, without further changes or favorable actuarial experience, the contributions scheduled to be made to the fund will not meet the goal of full funding by the statutory amortization date. All of the plans have significant contribution

deficiencies. Without changes, the funded status of the plans will deteriorate in the future and assets will be depleted.

Changes in Plan Provisions

There were no changes in plan provisions for the SERF, SPRF, CERF, JRF, LRF or ESORF.

Changes in Actuarial Assumptions and Methods

The following changes were recognized this year for all plans:

- The pre-retirement investment return assumption was changed from 8.5% to a five year select and ultimate approach with rates of 8.0% for the period July 1, 2012 to June 30, 2017 and 8.5% thereafter, with the exception of LRF and ESORF which changed from 8.5% to 0% for all years.
- The post-retirement investment return assumption was changed from 6.5% to 6.0% for the period July 1, 2012 to June 30, 2017 for the SERF, CERF, and JRF. For the SPRF, the post-retirement investment return assumption was changed from 7.0% to 6.5% for the period July 1, 2012 to June 30, 2017. For the LRF and ESORF, the post-retirement investment return assumption was changed from 6.5% to 0% for all years.
- Decrement timing was changed from beginning of year to mid-year. This change had no impact on the ESORF.
- Mortality tables were changed to RP-2000 generational mortality tables for the SPRF, CERF, JRF, LRF, and ESORF. The SERF adopted RP-2000 generational mortality tables in 2010.

For the SERF the following changes were also recognized:

- The salary scale assumption was reduced 0.25% for all years of service.

For the SPRF the following changes were also recognized:

- The salary scale was changed from an age related table to a service related table.
- The payroll growth assumption was changed from 4.50% to 3.75%.
- Retirement, termination, disability and option election at retirement rates were all updated to more closely reflect actual experience.

Actuary's Certification Letter

Members of the Board
December 13, 2012
Page 3

- The percent assumed to be married at retirement was changed from 100% to 85%. The beneficiary age assumption was changed from the female spouse being three years younger than the male spouse to two years younger.
- Using the methodology outlined in MN statutes, the amortization period was extended by one year.

For the CERF the following changes were also recognized:

- The salary scale was changed from an age related table to a service related table.
- The payroll growth assumption was changed from 4.50% to 3.75%.
- Retirement, termination, disability and option election at retirement rates were all updated to more closely reflect actual experience.

For the JRF the following changes were recognized:

- The salary increase and payroll growth assumptions were changed from 4.00% to 3.00%.
- Retirement and disability rates were adjusted to more closely reflect actual experience.
- The allowance for Combined Service Annuity on former member liability was changed from 30% to 0%.
- Using the methodology outlined in MN statutes, the amortization period was extended by one year.

For the LRF the following changes were also recognized:

- The amortization method was changed from level percentage of payroll to level dollar amortization.
- Retirement rates were updated to more closely reflect actual experience.
- All retired and deferred members were assumed to have a spouse eligible for the automatic survivor benefit. Previously, only members reported with a spouse benefit were assumed eligible for the automatic survivor benefit.
- Using the methodology outlined in MN statutes, the amortization period was extended by five years.

For the ESORF the following changes were recognized:

- All retired and deferred members were assumed to have a spouse eligible for the automatic survivor benefit. Previously, only members reported with a spouse benefit were assumed eligible for the automatic survivor benefit.
- Using the methodology outlined in MN statutes, the amortization period was extended by four years.

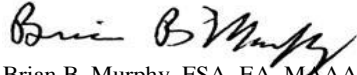
Members of the Board
December 13, 2012
Page 4

In the aggregate, the basic financial and membership data provided to us as of June 30, 2012 by MSRS appears reasonable in comparison to last year, and we have relied upon the data as submitted in performing the actuarial valuation and preparing trend data schedules. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by the MSRS Board, and approved by the Legislative Commission on Pensions and Retirement (LCPR).

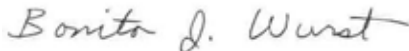
To the best of our knowledge and belief, the valuations were performed in accordance with generally accepted actuarial principles and procedures, current GASB pronouncements, the requirements of Minnesota Statutes, Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR. In our opinion, the results of the reports reflect the actuarial position of the plans on an ongoing basis under the prescribed assumptions, methods, and procedures.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. In addition, Mr. Murphy meets the requirements of "approved actuary" under Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (c). The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Respectfully submitted,



Brian B. Murphy, FSA, EA, MAAA



Bonita J. Wurst, ASA, EA, MAAA

BBM/BJW:sc

Summary of Actuarial Methods and Assumptions

The actuarial methods and assumptions that follow are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement (LCPR), and the MSRS Board of Directors. Changes in the assumptions are detailed in the *Notes to the Financial Statements*, (please refer to note 6) in the *Financial Section* of this report. Additional disclosures on the actuarial methods and assumptions used in the July 1, 2012 actuarial valuations can be found on the MSRS website at www.msrs.state.mn.us.

State Employees Retirement Fund

Actuarial Methods

- 1. Actuarial Cost Method
- 2. Asset Valuation Method
- 3. Funding Objective

- 4. Change in Methods since the 7/1/2011 Valuation

Entry Age Normal
 Market value smoothed over five years
 Establish contribution rates, which when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding
 Decrement timing was changed from beginning of year to mid-year

Actuarial Assumptions*

- 1. Investment Return

- 2. Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)
- 3. Salary Increases
- 4. Payroll Growth
- 5. Mortality Rates
 - a. Healthy Pre-retirement
 - b. Healthy Post-retirement
 - c. Disabled
- 6. Retirement
- 7. Withdrawal

- 8. Disability
- 9. Allowance for Combined Service Annuity

- 10. Administrative Expenses
- 11. Refund of Contributions

Select and Ultimate Rates:
 July 1, 2012 through June 30, 2017:
 8% per year pre-retirement and 6.0% per year post-retirement;
 July 1, 2017 and later:
 8.5% per year pre-retirement and 6.5% per year post-retirement (2012)
 2% per year until 90% funded on a market value of assets basis, then
 2.5% per year (2010)
 Service-related rates as shown in the table on page 132 of this section (2012)
 3.75% per year (2010)

RP-2000 employee generational mortality table; white collar adjustment; males-set forward 3 years; females-set back 1 year (2010)
 RP-2000 annuitant generational mortality table; white collar adjustment (2010)
 RP-2000 disabled mortality table; white collar adjustment; males-no setback; females-set forward 5 years (2010)
 Age-based rates as shown in the table on page 132 of this section (2010)
 Select and Ultimate rates based on actual experience;
 Males-45% in year 1, 14% in year 2, and 9% in year 3;
 Females-48% in year 1, 15% in year 2, and 10% in year 3;
 Rates after the third year are shown on page 132 of this section (2008)
 Age-related rates based on actual experience, as shown in the table on page 132 of this section (2008)
 Liabilities for active members are increased by 1.2% and liabilities for former members are increased by 40% to account for the effect of some participants having eligibility for a Combined Service Annuity.

Prior year administrative expenses expressed as a percentage of prior year projected payroll (1994)
 Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978)

*Year in parentheses is the date of adoption

State Patrol Retirement Fund

Actuarial Methods

1. Actuarial Cost Method
2. Asset Valuation Method
3. Funding Objective

4. Change in Methods since the 7/1/2011 Valuation

Entry Age Normal
Market value smoothed over five years
Establish contribution rates, which when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding
Decrement timing was changed from beginning of year to mid-year

Actuarial Assumptions*

1. Investment Return
2. Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)
3. Salary Increases
4. Payroll Growth
5. Mortality Rates
 - a. Healthy Pre-retirement
 - b. Healthy Post-retirement
 - c. Disabled
6. Retirement
7. Withdrawal
8. Disability
9. Allowance for Combined Service Annuity
10. Administrative Expenses
11. Refund of Contributions

Select and Ultimate Rates:
July 1, 2012 through June 30, 2017:
8% per year pre-retirement and 6.5% per year post-retirement;
July 1, 2017 and later:
8.5% per year pre-retirement and 7.0% per year post-retirement (2012)
1.5% per year until 90% funded on a market value of assets basis, then
2.5% per year (2010)

Service-related rates as shown in the table on page 133 of this section (2012)
3.75% per year (2012)

RP-2000 employee generational mortality table; white collar adjustment (2012)
RP-2000 annuitant generational mortality table; white collar adjustment; males-set back 2 years; females-set forward 1 year (2012)
RP-2000 annuitant generational mortality table; white collar adjustment; males-set back 2 years; females-set forward 1 year (2012)

Age-based rates as shown in the table on page 133 of this section (2012)
Select and Ultimate rates based on actual experience;
5% in year 1, 2% in year 2, and 2% in year 3:
Rates after the third year are shown on page 133 of this section (2012)
Age-related rates based on experience as shown in the table on page 133 of this section, assuming all incidences are duty-related (2012)
Liabilities for former members are increased by 30% to account for the effect of some participants having eligibility for a Combined Service Annuity.
Prior year administrative expenses expressed as a percentage of prior year projected payroll
Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978)

*Year in parentheses is the date of adoption.

Summary of Actuarial Methods and Assumptions

Correctional Employees Retirement Fund

Actuarial Methods

1. Actuarial Cost Method
2. Asset Valuation Method
3. Funding Objective
4. Change in Methods since the 7/1/2011 Valuation

Actuarial Assumptions*

1. Investment Return
2. Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)
3. Salary Increases
4. Payroll Growth
5. Mortality Rates
 - a. Healthy Pre-retirement
 - b. Healthy Post-retirement
 - c. Disabled
6. Retirement
7. Withdrawal
8. Disability
9. Allowance for Combined Service Annuity
10. Administrative Expenses
11. Refund of Contributions

Entry Age Normal

Market value smoothed over five years

Establish contribution rates, which when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding

Decrement timing was changed from beginning of year to mid-year

Select and Ultimate Rates:
 July 1, 2012 through June 30, 2017:
 8% per year pre-retirement and 6.0% per year post-retirement;
 July 1, 2017 and later:
 8.5% per year pre-retirement and 6.5% per year post-retirement (2012)
 2% per year until 90% funded on a market value of assets basis, then
 2.5% per year (2010)
 Service-related rates as shown in the table on page 133 of this section (2012)
 3.75% per year (2012)

RP-2000 employee generational mortality table; white collar adjustment (2012)

RP-2000 annuitant generational mortality table; white collar adjustment; males-set forward 1 year; females-set back 1 year (2012)

RP-2000 disabled mortality table (2012)

Age-based rates as shown in the table on page 133 of this section (2012)

Select and Ultimate rates based on actual experience;
 20% in year 1, 15% in year 2, and 8% in year 3;
 Rates after the third year are shown on page 133 of this section (2012)

Age-related rates based on experience as shown in the table on page 133 of this section, assuming all incidences are duty-related (2012)

Liabilities for former members are increased by 30% to account for the effect of some participants having eligibility for a Combined Service Annuity.

Prior year administrative expenses expressed as a percentage of prior year projected payroll (1994)

Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978)

*Year in parentheses is the date of adoption.

Judges Retirement Fund

Actuarial Methods

1. Actuarial Cost Method
2. Asset Valuation Method
3. Funding Objective
4. Change in Methods since the 7/1/2011 Valuation

Entry Age Normal
 Market value smoothed over five years
 Establish contribution rates, which when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding
 Decrement timing was changed from beginning of year to mid-year

Actuarial Assumptions*

1. Investment Return
2. Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)
3. Salary Increases
4. Payroll Growth
5. Mortality Rates
 - a. Healthy Pre-retirement
 - b. Healthy Post-retirement
 - c. Disabled
6. Retirement
7. Withdrawal
8. Disability
9. Allowance for Combined Service Annuity
10. Administrative Expenses
11. Refund of Contributions

Select and Ultimate Rates:
 July 1, 2012 through June 30, 2017:
 8.0% per year pre-retirement and 6.0% per year post-retirement;
 July 1, 2017 and later:
 8.5% per year pre-retirement and 6.5% per year post-retirement (2012)
 2% per year until 90% funded on a market value of assets basis, then
 2.5% per year (2010)
 3.0% per year (2012)
 3.0% per year (2012)

RP-2000 employee generational mortality table; white collar adjustment (2012)

RP-2000 annuitant generational mortality table; white collar adjustment; males-set back 1 year; females-set back 2 years (2012)

RP-2000 annuitant generational mortality table; white collar adjustment; males: set back one year; females: set back two years (2012)

Age-based rates as shown in the table on page 134 of this section (2012)

None

Rates after the third on year are shown on page 134 of this section (2012)
 Age-related rates are based on actual experience; see table of sample rates of page 134 of this section (2012)

Liabilities for former members are increased by 0% to account for the effect of some participants having eligibility for a Combined Service Annuity. (2012)

Prior year administrative expenses expressed as a percentage of prior year projected payroll

Account balances for deferred members accumulate interest until normal retirement date and are discounted back to the valuation date

*Year in parentheses is the date of adoption.

Summary of Actuarial Methods and Assumptions

Legislators Retirement Fund

Actuarial Methods

- | | |
|---|--|
| 1. Actuarial Cost Method | Entry Age Normal |
| 2. Asset Valuation Method | Market value (2000) |
| 3. Funding Objective | Pay-as-you-go, with annual benefit payments and administrative expenses financed primarily by State of Minnesota General Fund appropriations. |
| 4. Change in Methods since the 7/1/2011 Valuation | Decrement timing was changed from beginning of year to mid-year; Amortization method was changed from level percentage of payroll to level dollar amortization |

Actuarial Assumptions*

- | | |
|---|---|
| 1. Investment Return | 0% per year pre-retirement and post-retirement at MSRS' direction for GASB compliance (2011) |
| 2. Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment) | 2% per year until the State Employees Retirement Fund is 90% funded on a market value of assets basis, then 2.5% per year (2010) |
| 3. Salary Increases | 5% annually (1994) |
| 4. Payroll Growth | Not applicable; closed plan with decreasing payroll |
| 5. Mortality Rates | |
| a. Healthy Pre-retirement | RP-2000 employee generational mortality table; white collar adjustment; males-set forward 3 years; females-set back 1 year (2012) |
| b. Healthy Post-retirement | RP-2000 annuitant generational mortality table; white collar adjustment (2012) |
| c. Disabled | Not applicable |
| 6. Retirement | Age-based rates as shown in the table on page 134 of this section (2012) |
| 7. Withdrawal | Ultimate rates based on actual experience as shown on page 134 of this section |
| 8. Disability | No disability benefits |
| 9. Allowance for Combined Service Annuity | Liabilities for former members are increased by 30% to account for the effect of some participants having eligibility for a Combined Service Annuity. |
| 10. Administrative Expenses | Prior year administrative expenses expressed as a percentage of prior year projected payroll (1994) |
| 11. Refund of Contributions | Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978) |

*Year in parentheses is the date of adoption.

Elective State Officers Retirement Fund

Actuarial Methods

1. Actuarial Cost Method	Entry Age Normal
2. Asset Valuation Method	Market value (2000)
3. Funding Objective	Pay-as-you-go, with annual benefit payments and administrative expenses financed primarily by State of Minnesota General Fund appropriations..
4. Change in Methods Since the 7/1/2011 Valuation	None

Actuarial Assumptions*

1. Investment Return	0% per year pre-retirement and post-retirement at MSRS direction for GASB compliance (2012)
2. Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	2% per year until the State Employees Retirement Fund is 90% funded on a market value of assets basis, then 2.5% per year (2010)
3. Salary Increases	Not applicable; Closed plan with no contributing members
4. Payroll Growth	Not applicable; Closed plan with no contributing members
5. Mortality Rates	
a. Healthy Pre-retirement	RP-2000 employee generational mortality table; white collar adjustment; males-set forward 3 years; females-set back 1 year (2012)
b. Healthy Post-retirement	RP-2000 annuitant generational mortality table; white collar adjustment (2012)
c. Disabled	Not applicable
6. Retirement	No active members. Current terminated deferred member is assumed to begin receiving benefits at age 62
7. Allowance for Combined Service Annuity	Liabilities for former members are increased by 30% to account for the effect of some participants having eligibility for a Combined Service Annuity.
8. Administrative Expenses	\$1,000 per year (1994)
9. Refund of Contributions	All employees withdrawing after 8 years of service were assumed to leave their contributions on deposit and receive a deferred annuitant benefit

*Year in parentheses is the date of adoption.

Other Assumptions

Form of payment--Married members retiring from active status are assumed to elect annuities as displayed in the table below. Unmarried members are assumed to choose the straight life option. Members in the Judges Retirement Fund are assumed to elect a life annuity. Members in the Elective State Officers Retirement Fund are assumed to elect a life annuity with automatic survivor benefits. Active married members in the Legislators Retirement Fund are assumed to elect a 50 percent joint and survivor annuity, and the active single and deferred members are assumed to elect a life annuity.

ANNUITY OPTION SELECTED				
Retirement Fund	Benefit Option			
	50% Joint and Survivor	75% Joint and Survivor	100% Joint and Survivor	Straight Life
State Employees				
Male	15%	10%	50%	25%
Female	15	0	25	60
State Patrol				
Male	15%	25%	35%	25%
Female	25	30	5	40
Correctional Employees				
Male	10%	10%	40%	40%
Female	10	10	30	50

Member Information--Members are assumed to be married as displayed in the percentages in the table below. The assumed ages of member beneficiaries are also depicted below.

PERCENTAGE MARRIED AND BENEFICIARY AGE				
Retirement Fund	Percent Married		Age of Beneficiaries	
	Males	Females	Males	Females
State Employees	85%	70%	3 years younger	2 years older
State Patrol	85	85	2 years older	2 years younger
Correctional Employees	85	85	3 years older	3 years younger
Judges	Marital status as indicated in member data file		3 years older	3 years younger
Legislators	85	85	3 years older	3 years younger
Elective State Officers	100	100	3 years older	3 years younger

Independent Actuarial Review:

The Legislative Commission on Pensions and Retirement has retained an independent actuary to audit or review the actuarial valuation and experience study results of MSRS' consulting actuary.

Experience Studies:

Experience studies are generally conducted every four years for the State Employees Retirement -- General Plan, and typically every six to eight years for MSRS' smaller defined benefit plans. The most recent studies and the periods covered are shown in the table below.

EXPERIENCE STUDIES	
Retirement Fund	Fiscal Year Covered
State Employees	2004- 2008
State Patrol	2006 - 2011
Correctional Employees	2006 - 2011
Judges	2007 - 2011

Changes in Plan Provisions:

There were no other changes in plan provisions during fiscal year 2012.

Required Reserves

As of June 30, 2012
(Dollars in thousands)

	Defined Benefit Retirement Funds					
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers
Active Members						
Retirement Annuities	\$4,166,273	\$229,176	\$382,724	\$105,107	\$21,885	\$0
Disability Benefits	140,170	8,190	22,201	1,397	0	0
Survivor Benefits	69,384	1,372	4,809	1,653	470	0
Deferred Retirements	62,705	754	12,373	0	(224)	871
Refunds	(54,901)	(308)	(6,109)	134	(33)	0
Total Active Members	<u>\$4,383,631</u>	<u>\$239,184</u>	<u>\$415,998</u>	<u>\$108,291</u>	<u>\$22,098</u>	<u>\$871</u>
Deferred Retirements	1,180,318	8,589	94,021	4,023	78,940	0
Former Members Not Vested	14,266	76	1,652	0	37	0
Benefit Recipients	5,489,756	513,106	456,495	169,262	146,582	8,036
Unclassified Employees Retirement Plan						
Contingent Liability	15,256	0	0	0	0	0
Total Required Reserves	<u><u>\$11,083,227</u></u>	<u><u>\$760,955</u></u>	<u><u>\$968,166</u></u>	<u><u>\$281,576</u></u>	<u><u>\$247,657</u></u>	<u><u>\$8,907</u></u>

Actual Contribution Rates as Compared to Actuarially Recommended Rates

Retirement Fund	As of Date	Actual Contribution Rates			Recommended Rate	Sufficiency/ (Deficiency)
		Employee	Employer	Total		
State Employees	July 1, 2012	5.00%	5.00%	10.00%	12.32%	(2.32)%
State Patrol	July 1, 2012	12.40	18.60	31.00	42.52	(11.52)
Correctional Employees	July 1, 2012	8.60	12.10	20.70	25.28	(4.58)
Judges*	July 1, 2012	7.52	20.50	28.02	41.52	(13.50)
Legislators**	July 1, 2012	9.00	0.00	9.00	\$18.3 million per year	\$18.2 million per year
Elective State Officers **	July 1, 2012	N/A	N/A	N/A	\$990,661 per year	\$990,661 per year

* The employee and total rates reflect the fact that member contributions for Judges at the maximum benefit are directed to the Unclassified Employees Retirement Fund. If these contributions were not directed to the Unclassified Employees Retirement Fund, the employee and total rates would be 8.00 percent and 28.50 percent, respectively, instead of 7.52 and 28.02 percent as shown above.

** These plans are closed to new hires and the deficiency is expressed as a dollar amount rather than a percent of payroll.

Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL)

For the Fiscal Year Ended June 30, 2012
(Dollars in thousands)

	Defined Benefit Retirement Funds					Elective State Officers
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	
A. UAAL at the Beginning of the Year	\$1,446,470	\$137,852	\$269,985	\$102,634	\$65,894	\$3,693
B. Change Due to Interest Requirements and Current Rate of Funding						
1. Normal Cost and Expenses	\$181,829	\$15,285	\$37,341	\$7,175	\$329	\$7
2. Contributions	(233,517)	(19,373)	(41,391)	(10,853)	(4,059)	(466)
3. Interest on A, B1, and B2	120,753	11,544	22,777	8,568	5,442	294
4. Totals (B1+B2+B3)	\$69,065	\$7,456	\$18,727	\$4,890	\$1,712	\$(165)
C. Expected UAAL at End of the Year (A+B4)	\$1,515,535	\$145,308	\$288,712	\$107,524	\$67,606	\$3,528
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from the Expected						
1. Age and Service Requirements	\$9,319	\$3,231	\$6,270	\$872	\$0	\$0
2. Disability Requirements	815	(643)	(1,206)	(46)	0	0
3. Death-in-Service Benefits	707	(182)	(42)	(135)	6	0
4. Withdrawals	813	51	(3,879)	(36)	(14)	0
5. Salary Increases	(82,891)	(2,531)	3,055	(2,837)	(623)	0
6. Investment Return	391,769	24,438	24,921	5,495	1,247	0
7. Mortality of Annuitants	41,442	3,084	(1,058)	2,222	714	123
8. Other items	(13,074)	(2,235)	469	(233)	3,260	(37)
9. Totals	\$348,900	\$25,213	\$28,530	\$5,302	\$4,590	\$86
E. UAAL at End of Year Before Plan Amendments and Changes in Actuarial Assumptions (C + D9)	\$1,864,435	\$170,521	\$317,242	\$112,826	\$72,196	\$3,614
F. Change in UAAL Due to Changes in Plan Provisions	0	0	0	0	0	0
G. Change in UAAL Due to Changes in Actuarial Assumptions	140,932	36,885	(8,295)	25,551	160,236	5,254
H. Change in UAAL Due to Changes in Decrement Timing and Miscellaneous Methodology	(84,441)	(695)	(4,494)	(1,699)	(298)	39
I. UAAL at the End of the Year	<u>\$1,920,926</u>	<u>\$206,711</u>	<u>\$304,453</u>	<u>\$136,678</u>	<u>\$232,134</u>	<u>\$8,907</u>

Schedule of Active Member Valuation Data

As of June 30, 2012

Actuarial Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
State Employees Retirement Fund				
07/01/03	48,136	\$2,009,975,000	\$41,756	7.04%
07/01/04	46,899	1,965,546,000	41,910	0.37
07/01/05	47,125	1,952,323,000	41,429	(1.15)
07/01/06	48,000	2,016,588,000	42,012	1.41
07/01/07	48,379	2,095,310,000	43,310	3.09
07/01/08	48,823	2,256,528,000	46,219	6.71
07/01/09	48,989	2,329,499,000	47,551	2.88
07/01/10	48,494	2,327,398,000	47,994	0.93
07/01/11	47,955	2,440,580,000	48,191	0.41
07/01/12	48,207	2,367,160,000	48,815	1.29
State Patrol Retirement Fund				
07/01/03	805	\$54,175,000	\$67,298	10.62%
07/01/04	834	51,619,000	61,893	(8.03)
07/01/05	831	55,142,000	66,356	7.21
07/01/06	851	57,765,000	67,879	2.29
07/01/07	844	61,498,000	72,865	7.35
07/01/08	840	60,029,000	71,463	(1.92)
07/01/09	876	61,511,000	70,218	(1.74)
07/01/10	848	63,250,000	74,587	6.22
07/01/11	862	63,250,000	71,369	(4.31)
07/01/12	823	62,524,000	76,883	7.73
Correctional Employees Retirement Fund				
07/01/03	3,262	\$131,328,000	\$40,260	5.17%
07/01/04	3,326	133,172,000	40,040	(0.55)
07/01/05	3,607	132,335,000	36,688	(8.37)
07/01/06	3,910	145,879,000	37,309	1.69
07/01/07	4,332	167,727,000	38,718	3.78
07/01/08	4,520	194,391,000	43,007	11.08
07/01/09	4,403	193,445,000	43,935	2.16
07/01/10	4,268	192,450,000	45,091	2.63
07/01/11	4,332	197,702,000	44,200	(1.97)
07/01/12	4,276	200,035,000	47,358	7.14

Schedule of Active Member Valuation Data

As of June 30, 2012

Actuarial Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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Judges Retirement Fund

07/01/03	288	\$33,771,000	\$117,260	6.78%
07/01/04	294	34,683,000	117,968	0.60
07/01/05	295	35,941,000	121,834	3.28
07/01/06	303	36,529,000	120,558	(1.05)
07/01/07	308	36,195,000	117,516	(2.52)
07/01/08	308	38,296,000	124,338	5.80
07/01/09	312	39,444,000	126,423	1.68
07/01/10	312	39,291,000	125,933	(0.39)
07/01/11	308	40,473,000	127,032	0.87
07/01/12	308	38,644,000	127,844	0.64

Legislators Retirement Fund

07/01/03	This fund was not actuarially valued for fiscal year 2003.			
07/01/04	87	\$3,815,000	\$43,851	15.46%
07/01/05	78	3,014,000	38,641	(11.88)
07/01/06	76	2,894,000	38,079	(1.45)
07/01/07	54	2,380,000	44,074	15.74
07/01/08	52	1,993,000	38,327	(13.04)
07/01/09	48	1,963,000	40,900	6.71
07/01/10	47	1,877,000	39,936	(2.35)
07/01/11	38	1,774,000	41,241	3.27
07/01/12	34	1,378,000	38,328	(7.06)

Elective State Officers Retirement Fund*

07/01/03	This fund was not actuarially valued for fiscal year 2003.			
07/01/04	0	\$0	\$0	N/A
07/01/05	0	0	0	N/A
07/01/06	0	0	0	N/A
07/01/07	0	0	0	N/A
07/01/08	0	0	0	N/A
07/01/09	0	0	0	N/A
07/01/10	0	0	0	N/A
07/01/11	0	0	0	N/A
07/01/12	0	0	0	N/A

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

Schedule of Retirees and Beneficiaries

(Fiscal Year End Totals)

Year Ended	Added to Rolls		Removed from Rolls		Rolls at Fiscal Year End		% Change in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		

State Employees Retirement Fund

06/30/03	1,366	\$9,251,858	717	\$5,963,302	21,454	\$311,472,000	4.99%	\$14,518
06/30/04	2,024	17,076,673	824	6,242,698	22,654	339,323,000	8.94	14,979
06/30/05	1,687	12,525,129	974	7,170,529	23,367	347,959,000	2.55	14,891
06/30/06	1,945	16,683,000	1,108	6,254,000	24,204	366,797,000	1.77	15,154
06/30/07	2,090	20,344,000	948	6,223,000	25,346	392,058,000	6.89	15,468
06/30/08	2,107	21,456,000	1,007	7,102,000	26,446	418,757,000	6.81	15,834
06/30/09	1,873	18,931,000	976	7,210,000	27,343	445,792,000	6.46	16,304
06/30/10	2,071	23,023,000	979	8,116,000	28,435	473,447,000	6.20	16,650
06/30/11	2,699	27,821,000	970	9,607,000	30,164	505,573,000	6.79	16,761
06/30/12	2,971	32,057,768	1,160	11,467,895	31,975	552,088,000	9.20	17,266

State Patrol Retirement Fund

06/30/03	44	\$995,348	21	\$600,679	785	\$34,316,000	3.90%	\$43,715
06/30/04	42	1,263,132	23	483,337	804	35,518,000	3.50	44,177
06/30/05	53	1,141,561	32	482,290	825	36,956,000	4.05	44,795
06/30/06	69	1,614,000	48	569,000	846	38,767,000	2.30	45,824
06/30/07	69	1,506,000	39	326,000	876	40,581,000	4.68	46,325
06/30/08	49	1,503,000	29	414,000	896	42,804,000	5.48	47,772
06/30/09	33	1,080,000	21	434,000	908	44,480,000	3.92	48,987
06/30/10	37	1,041,000	21	413,000	924	46,119,000	3.68	49,912
06/30/11	36	1,064,000	28	723,000	932	47,844,000	3.74	51,335
06/30/12	51	1,704,000	20	541,200	963	50,007,000	4.52	51,928

Correctional Employees Retirement Fund

06/30/03	143	\$1,242,452	21	\$128,481	1,060	\$19,256,000	12.57%	\$18,166
06/30/04	148	1,441,329	20	119,635	1,188	22,020,000	14.35	18,535
06/30/05	128	1,548,114	37	293,654	1,279	23,816,000	8.16	18,621
06/30/06	143	1,650,000	47	160,000	1,375	26,161,000	2.17	19,026
06/30/07	174	2,061,000	47	317,000	1,502	28,565,000	9.19	19,018
06/30/08	135	1,580,000	37	284,000	1,600	30,932,000	8.29	19,332
06/30/09	139	1,871,000	30	190,000	1,709	33,239,000	7.46	19,449
06/30/10	173	2,116,000	23	175,000	1,859	36,078,000	8.54	19,407
06/30/11	195	2,103,000	38	330,000	2,016	39,116,000	8.42	19,403
06/30/12	222	1,804,146	41	395,124	2,197	42,571,000	8.83	19,377

Schedule of Retirees and Beneficiaries

(Fiscal Year End Totals)

Year Ended	Added to Rolls		Removed from Rolls		Rolls at Fiscal Year End		% Change in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
Judges Retirement Fund								
06/30/03	11	\$330,223	14	\$415,416	253	\$13,558,000	2.70%	\$53,589
06/30/04	13	290,958	12	379,165	254	13,520,000	(0.28)	53,228
06/30/05	11	189,005	10	311,340	255	13,750,000	1.70	53,922
06/30/06	26	769,000	20	546,000	261	14,260,000	1.32	54,636
06/30/07	22	542,000	20	427,000	263	14,516,000	1.80	55,194
06/30/08	25	833,000	9	272,000	279	15,116,000	4.13	54,179
06/30/09	17	580,000	11	187,000	285	16,261,000	7.57	57,056
06/30/10	20	933,000	14	223,000	291	17,058,000	4.90	58,619
06/30/11	25	780,000	19	831,000	297	17,585,000	3.09	59,209
06/30/12	24	784,130	7	367,857	314	18,539,000	5.43	59,041
Legislators Retirement Fund								
06/30/03	22	\$176,910	5	\$87,631	310	\$5,539,000	5.65%	\$17,868
06/30/04	12	82,544	7	60,839	315	5,766,000	4.10	18,305
06/30/05	21	129,494	17	56,708	319	5,942,000	3.01	18,627
06/30/06	12	537,000	12	65,000	319	6,094,000	2.56	19,103
06/30/07	34	341,000	13	46,000	340	6,390,000	4.86	18,794
06/30/08	17	177,000	11	85,000	346	6,786,000	6.20	19,613
06/30/09	22	289,000	10	159,000	358	7,016,000	3.39	19,598
06/30/10	19	164,000	18	224,000	359	7,159,000	2.00	19,942
06/30/11	23	340,000	14	144,000	368	7,464,000	4.26	20,283
06/30/12	15	173,314	16	157,452	367	7,721,000	3.44	21,038
Elective State Officers Retirement Fund*								
06/30/03	1	\$11,845	0	\$0	14	\$370,000	4.82%	\$26,429
06/30/04	0	0	1	6,238	13	381,000	2.97	29,308
06/30/05	2	14,375	0	0	15	391,000	2.62	26,067
06/30/06	0	0	0	0	15	409,000	4.60	27,267
06/30/07	0	0	0	0	15	419,000	2.44	27,933
06/30/08	0	0	0	0	15	430,000	2.63	28,667
06/30/09	0	0	0	0	15	440,000	2.33	29,333
06/30/10	0	0	0	0	15	451,000	2.50	30,067
06/30/11	1	12	2	32,164	14	460,000	2.00	32,857
06/30/12	0	0	0	0	14	458,000	(0.43)	32,714

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

Solvency Test

(Dollars in thousands)

Actuarial Valuation Date	Aggregate Accrued Liabilities			Reported Assets	Portion Covered by Reported Assets			Funded Ratio
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Member (Employer Financed) (3)		(1)	(2)	(3)	
State Employees Retirement Fund								
07/01/03	\$855,953	\$3,116,008	\$3,858,710	\$7,757,292	100%	100%	98.1%	99.1%
07/01/04	888,028	3,287,223	3,703,112	7,884,984	100	100	100.2	100.0
07/01/05	928,590	3,487,930	4,038,816	8,081,736	100	100	90.8	95.6
07/01/06	966,951	3,689,443	4,162,767	8,486,756	100	100	92.0	96.2
07/01/07	1,001,316	3,963,536	4,662,453	8,904,517	100	100	84.5	92.5
07/01/08	1,041,731	4,251,341	4,701,530	9,013,456	100	100	79.1	90.2
07/01/09	1,102,082	4,496,247	4,914,431	9,030,401	100	100	69.8	85.9
07/01/10	1,155,473	4,535,401	4,573,197	8,960,391	100	100	71.5	87.3
07/01/11	982,365	4,982,212	4,611,904	9,130,011	100	100	68.6	86.3
07/01/12	1,044,810	5,489,756	4,548,661	9,162,301	100	100	57.8	82.7
State Patrol Retirement Fund								
07/01/03	\$40,619	\$334,069	\$164,292	\$591,521	100%	100%	132.0%	112.9%
07/01/04	42,185	344,033	159,026	594,785	100	100	131.2	109.1
07/01/05	44,413	357,998	164,353	601,220	100	100	121.0	106.1
07/01/06	45,709	413,424	182,346	618,990	100	100	87.7	103.6
07/01/07	47,365	431,969	194,110	617,901	100	100	71.4	91.8
07/01/08	49,380	445,217	199,089	595,082	100	100	50.5	85.8
07/01/09	52,557	466,817	205,960	584,501	100	100	31.6	80.6
07/01/10	56,699	441,901	184,760	567,211	100	100	37.1	83.0
07/01/11	55,513	454,811	190,574	563,046	100	100	27.7	80.3
07/01/12	59,777	513,106	188,072	554,244	100	96.4	0.0	72.8
Correctional Employees Retirement Fund								
07/01/03	\$55,441	\$192,732	\$236,801	\$470,716	100%	100%	94.0%	97.1%
07/01/04	58,960	223,239	242,016	486,617	100	100	84.5	92.8
07/01/05	62,573	223,544	260,001	503,573	100	100	83.6	92.2
07/01/06	67,221	290,370	289,889	535,357	100	100	61.3	82.7
07/01/07	72,259	319,813	316,220	559,852	100	100	53.1	79.0
07/01/08	81,233	338,511	340,619	572,719	100	100	44.9	75.3
07/01/09	90,572	368,390	362,288	590,339	100	100	36.3	71.9
07/01/10	100,323	383,387	367,376	603,863	100	100	32.7	71.0
07/01/11	93,251	417,110	396,651	637,027	100	100	31.9	70.2
07/01/12	105,973	456,495	405,698	663,713	100	100	25.0	68.6

State Employees Retirement Fund

Solvency Test

(Dollars in thousands)

Actuarial Valuation Date	Aggregate Accrued Liabilities			Reported Assets	Portion Covered by Reported Assets			Funded Ratio
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Member (Employer Financed) (3)		(1)	(2)	(3)	

Judges Retirement Fund

07/01/03	\$18,313	\$106,673	\$51,305	\$134,142	100%	100.0%	17.8%	76.1%
07/01/04	20,252	107,846	62,240	138,948	100	95.7	17.4	73.0
07/01/05	22,205	104,600	64,609	144,465	100	100.0	27.3	75.5
07/01/06	23,179	112,627	64,495	151,850	100	100.0	24.9	75.1
07/01/07	24,562	114,005	75,730	153,562	100	100.0	9.8	71.7
07/01/08	25,450	124,780	81,393	147,542	100	98.6	0.0	63.7
07/01/09	27,419	133,356	81,040	147,120	100	89.8	0.0	60.8
07/01/10	28,685	135,184	76,710	144,728	100	85.8	0.0	60.2
07/01/11	25,328	141,762	81,540	145,996	100	85.1	0.0	58.7
07/01/12	26,703	169,262	85,611	144,898	100	69.8	0.0	51.5

Legislators Retirement Fund

07/01/03	Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03.							
07/01/04	\$6,749	\$52,637	\$23,811	\$46,155	100%	74.9%	0.0%	55.5%
07/01/05	6,892	49,115	25,829	45,523	100	78.7	0.0	55.6
07/01/06	7,050	48,955	25,356	48,504	100	84.7	0.0	59.6
07/01/07	6,543	53,180	25,356	44,869	100	72.1	0.0	51.9
07/01/08	6,266	54,926	24,939	39,209	100	60.0	0.0	45.5
07/01/09	6,059	61,327	23,045	28,663	100	36.9	0.0	31.7
07/01/10	5,993	59,229	21,014	26,821	100	35.2	0.0	31.1
07/01/11	2,622	62,967	19,445*	19,140	100	26.2	0.0	22.5
07/01/12	2,498	146,582	98,577	15,523	100	8.9	0.0	6.3

Elective State Officers Retirement Fund**

07/01/03	Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03.							
07/01/04	\$80	\$3,550	\$372	\$204	100%	0.0%	0.0%	5.0%
07/01/05	36	3,850	179	204	100	4.4	0.0	5.0
07/01/06	36	3,716	218	207	100	4.6	0.0	5.2
07/01/07	36	3,691	242	212	100	4.8	0.0	5.3
07/01/08	36	3,605	267	212	100	4.9	0.0	5.4
07/01/09	36	3,570	280	213	100	5.0	0.0	5.5
07/01/10	36	3,476	56	214	100	5.1	0.0	5.7
07/01/11	0	3,381***	312***	0	0	0	0.0	0.0
07/01/12	0	8,036	871	0	0	0	0.0	0.0

* The actuarial accrued liability and related funded ratio derived from the July 1, 2011 Legislators Retirement Fund actuarial valuation using GASB-compliant alternative assumptions are \$216,559 and 8.8 percent respectively. Accordingly, under the alternative assumption results, the "Retiree and Beneficiaries" and "Active Member (Employer Financed)" portions of the aggregate accrued liability are \$139,157 and \$74,780, respectively.

** The Elective State Officers Retirement Fund is a closed plan. There are no active contributing members.

*** The actuarial accrued liability derived from the July 1, 2011 Elective State Officers Retirement Fund valuation using GASB-compliant alternative assumptions is \$7,610. Accordingly, under the alternative assumption results, the "Retiree and Beneficiaries" and "Active Member (Employer Financed)" portions of the aggregate accrued liability are \$6,816 and \$794, respectively.

Summary of Unfunded Actuarial Accrued Liabilities (UAAL)

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Accrued Liabilities	Actuarial Value of Assets	Unfunded Actuarial Accrued Liabilities	Member Payroll	UAAL as a Percent of Payroll
State Employees Retirement Fund					
07/01/03	\$7,830,671	\$7,757,292	\$73,379	\$2,009,975	3.65%
07/01/04	7,878,363	7,884,984	(6,621)	1,965,546	(0.34)
07/01/05	8,455,336	8,081,736	373,600	1,952,320	19.14
07/01/06	8,819,161	8,486,756	332,405	2,016,588	16.48
07/01/07	9,627,305	8,904,517	722,788	2,095,310	34.50
07/01/08	9,994,602	9,013,456	981,146	2,256,528	43.48
07/01/09	10,512,760	9,030,401	1,482,359	2,329,499	63.63
07/01/10	10,264,071	8,960,391	1,303,680	2,327,398	56.01
07/01/11	10,576,481	9,130,011	1,446,470	2,440,580	59.27
07/01/12	11,083,227	9,162,301	1,920,926	2,367,160	81.15
State Patrol Retirement Fund					
07/01/03	\$538,980	\$591,521	\$(52,541)	\$54,175	(96.98)%
07/01/04	545,244	594,785	(49,541)	51,619	(95.97)
07/01/05	566,764	601,220	(34,456)	55,142	(62.49)
07/01/06	641,479	618,990	22,489	57,765	38.93
07/01/07	673,444	617,901	55,543	61,498	90.32
07/01/08	693,686	595,082	98,604	60,029	164.26
07/01/09	725,334	584,501	140,833	61,511	228.96
07/01/10	683,360	567,211	116,149	63,250	183.63
07/01/11	700,898	563,046	137,852	63,250	217.95
07/01/12	760,955	554,244	206,711	62,524	330.61
Correctional Employees Retirement Fund					
07/01/03	\$484,974	\$470,716	\$14,258	\$131,328	10.86%
07/01/04	524,215	486,617	37,598	133,172	28.23
07/01/05	546,118	503,573	42,545	132,335	32.15
07/01/06	647,480	535,357	112,123	145,879	76.86
07/01/07	708,292	559,852	148,440	167,727	88.50
07/01/08	760,363	572,719	187,644	194,391	96.53
07/01/09	821,250	590,399	230,851	193,445	119.34
07/01/10	851,086	603,863	247,223	192,450	128.46
07/01/11	907,012	637,027	269,985	197,702	136.56
07/01/12	968,166	663,713	304,453	200,035	152.20

Summary of Unfunded Actuarial Accrued Liabilities (UAAL)

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Accrued Liabilities	Actuarial Value of Assets	Unfunded Actuarial Accrued Liabilities	Member Payroll	UAAL as a Percent of Payroll
Judges Retirement Fund					
07/01/03	\$176,291	\$134,142	\$42,149	\$33,771	124.81%
07/01/04	190,338	138,948	51,390	34,683	148.17
07/01/05	191,414	144,465	46,949	35,941	130.63
07/01/06	202,301	151,850	50,451	36,529	138.11
07/01/07	214,297	153,562	60,735	36,195	167.80
07/01/08	231,623	147,542	84,081	38,296	219.56
07/01/09	241,815	147,120	94,695	39,444	240.07
07/01/10	240,579	144,728	95,851	39,291	243.95
07/01/11	248,630	145,996	102,634	40,473	253.59
07/01/12	281,576	144,898	136,678	38,644	353.69

Legislators Retirement Fund

07/01/03	An actuarial valuation of this fund was not prepared for the fiscal year ended 06/30/03.				
07/01/04	\$83,197	\$46,155	\$37,042	\$3,815	970.96%
07/01/05	81,836	45,523	36,313	3,014	1,204.81
07/01/06	81,361	48,504	32,857	2,894	1,135.35
07/01/07	86,449	44,869	41,580	2,380	1,747.06
07/01/08	86,131	39,209	46,922	1,993	2,354.34
07/01/09	90,431	28,663	61,768	1,963	3,146.61
07/01/10	86,236	26,821	59,415	1,877	3,165.42
07/01/11*	216,559	19,140	197,419	1,774	11,128.47
07/01/12*	247,657	15,523	232,134	1,378	16,845.72

Elective State Officers Fund**

07/01/03	An actuarial valuation of this fund was not prepared for the fiscal year ended 06/30/03.				
07/01/04	\$4,002	\$204	\$3,798	\$0	N/A
07/01/05	4,065	204	3,861	0	N/A
07/01/06	3,970	207	3,763	0	N/A
07/01/07	3,969	212	3,757	0	N/A
07/01/08	3,908	212	3,696	0	N/A
07/01/09	3,886	213	3,673	0	N/A
07/01/10	3,782	214	3,568	0	N/A
07/01/11*	7,610	0	7,610	0	N/A
07/01/12*	8,907	0	8,907	0	N/A

* Amounts reported are based on actuarial valuation results using GASB-compliant alternative assumptions.

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

Sample Assumed Annual Rates of Termination

As of June 30, 2012

Per 10,000 Members and Assumed Salary Increases

Age	Mortality Rates (%)				Withdrawal After		Disability	
	Healthy Pre-Retirement*		Disability		Third Year		Disability	
	Male	Female	Male	Female	Male	Female	Male	Female
20	0.04%	0.02%	2.26%	0.75%	6.90%	8.55%	0.01%	0.01%
25	0.04	0.02	2.26	0.75	5.90	7.80	0.01	0.01
30	0.05	0.02	2.26	0.75	4.90	7.05	0.01	0.01
35	0.08	0.04	2.26	0.75	3.90	5.10	0.03	0.03
40	0.11	0.06	2.26	0.75	3.20	4.38	0.08	0.08
45	0.17	0.09	2.26	1.15	2.70	3.75	0.13	0.13
50	0.24	0.15	2.90	1.65	2.20	3.05	0.29	0.29
55	0.35	0.22	3.54	2.18	0.00	0.00	0.50	0.43
60	0.56	0.34	4.20	2.80	0.00	0.00	0.78	0.62
65	0.85	0.54	5.02	3.76	0.00	0.00	0.00	0.00
70	2.67	0.82	6.26	5.22				

* These rates were adjusted for mortality improvements using projection scales AA.

Age	Retirement		Salary Scale	
	Rule of 90 Eligible	All Others	Service Years	Salary Increase
55	20%	5%	1	10.50%
56	15	5	2	8.10
57	15	5	3	6.90
58	15	5	4	6.20
59	20	6	5	5.70
60	20	7	6	5.30
61	22	12	7	5.00
62	40	22	8	4.70
63	30	16	9	4.50
64	30	18	10	4.40
65	40	40	11	4.20
66	30	30	12	4.10
67	25	25	13	4.00
68	25	25	14	3.80
69	25	25	15	3.70
70	30	30	16	3.60
71+	100	100	17+	3.50

Sample Assumed Annual Rates of Termination

As of June 30, 2012

Per 10,000 Members and Assumed Salary Increases

State Patrol Retirement Fund

Rates (%)

Age	Healthy Pre-Retirement Mortality*		Disability Mortality		Withdrawal After Third Year		Disability		Salary Scale	
	Male	Female	Male	Female	Male	Female	Male	Female	Year	Increase
20	0.03%	0.02%	0.03%	0.02%	1.47%		0.03%		1	8.00%
25	0.04	0.02	0.04	0.02	1.13		0.05		2	7.50
30	0.04	0.03	0.04	0.03	0.80		0.06		3	7.00
35	0.06	0.05	0.05	0.05	0.47		0.09		4	6.75
40	0.09	0.06	0.08	0.07	0.40		0.14		5	6.50
45	0.13	0.10	0.11	0.11	0.40		0.23		6	6.25
50	0.20	0.16	0.17	0.25	0.00		0.40		7	6.00
55	0.27	0.24	0.57	0.39	0.00		0.70		8	5.85
60	0.43	0.38	0.57	0.61	0.00		1.13		9	5.70
65	0.67	0.59	0.92	1.01	0.00		0.00		10	5.55
70	0.98	0.88	1.58	1.69	0.00		0.00		11	5.40

*These rates were adjusted for mortality improvements using projection scale AA.

Members retiring from active status are assumed to retire to the following age-related rates:

Ages	Rates	Ages	Rates
50	7%	56	50%
51-53	6	57	30
54	3	58-59	20
55	65	60 and over	100

Correctional Employees Retirement Fund

Rates (%)

Age	Healthy Pre-Retirement Mortality*		Disability Mortality		Withdrawal After Third Year		Disability Retirement		Salary Scale	
	Male	Female	Male	Female	Male	Female	Male	Female	Year	Increases
20	0.03%	0.02%	2.26%	0.75%	13.20%	8.80%	0.05%	0.05%	1	6.00%
25	0.04	0.02	2.26	0.75	8.10	7.80	0.08	0.08	2	5.85
30	0.04	0.03	2.26	0.75	5.00	7.45	0.11	0.11	3	5.70
35	0.06	0.05	2.26	0.75	3.45	7.10	0.15	0.15	4	5.55
40	0.09	0.06	2.26	0.75	2.55	5.70	0.24	0.24	5	5.40
45	0.13	0.10	2.26	0.75	1.95	3.50	0.39	0.39	6	5.25
50	0.20	0.16	2.90	1.15	0.00	0.00	0.67	0.67	7	5.10
55	0.27	0.24	3.54	1.65	0.00	0.00	1.17	1.17	8	4.95
60	0.43	0.38	4.20	2.18	0.00	0.00	1.88	1.88	9	4.80
65	0.67	0.59	5.02	2.80	0.00	0.00	0.00	0.00	10	4.65
70	0.98	0.88	6.26	3.76	0.00	0.00	0.00	0.00	11	4.55

*These rates were adjusted for mortality improvements using projection scale AA.

Members retiring from active status are assumed to retire to the following age-related rates:

Ages	Rates	Ages	Rates
50	5%	58-61	10%
51-53	3	62-64	30
54	5	65-69	50
55	55	70 and over	100
56-57	12		

Sample Assumed Annual Rates of Termination

As of June 30, 2012

Per 10,000 Members and Assumed Salary Increases

Judges Retirement Fund*

Rates (%)						
Age	Healthy		Disability Mortality		Disability Retirement	
	Pre-Retirement Mortality**					
	Male	Female	Male	Female	Male	Female
20	0.03%	0.02%	0.03%	0.02%	0.00%	0.00%
25	0.04	0.02	0.04	0.02	0.00	0.00
30	0.04	0.03	0.04	0.02	0.00	0.00
35	0.06	0.05	0.05	0.04	0.01	0.00
40	0.09	0.06	0.08	0.06	0.01	0.01
45	0.13	0.10	0.12	0.08	0.02	0.03
50	0.20	0.16	0.18	0.13	0.07	0.05
55	0.27	0.24	0.56	0.29	0.17	0.12
60	0.43	0.38	0.61	0.47	0.38	0.31
65	0.67	0.59	1.04	0.74	0.00	0.00
70	0.98	0.88	1.74	1.24	0.00	0.00

*By *Minnesota Statute* all judges must retire by age 70.

**These rates were adjusted for mortality improvements using projection scale AA.

Members retiring from active status are assumed to retire to the following age-related rates:

Ages	Rates	Ages	Rates	Ages	Rates
62	8%	65	25%	68	30%
63	5	66	20	69	10
64	8	67	10	70	100

Legislators Retirement Fund

Age	Healthy		Withdrawal Rates			Retirement	
	Pre-Retirement Mortality						
	Male	Female	Year	House	Senate	Age	Rate
20	0.04%	0.02%	1	0%	0%	62	40%
25	0.04	0.02	2	30	0	63	30
30	0.05	0.02	3	0	0	64	30
35	0.08	0.04	4	20	25	65	40
40	0.11	0.06	5	0	0	66	30
45	0.17	0.09	6	10	0	67	25
50	0.24	0.15	7	0	0	68	25
55	0.35	0.22	8	5	10	69	25
60	0.56	0.34	9+	0	0	70	30
65	0.85	0.54				70+	100
70	2.67	0.82					

Elective State Officers Retirement Fund

This plan is closed and there are no active members; therefore, there are no assumed termination or salary increase rates.



2001

September 11 Memorial
New York City

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Strong investment
year improved MS

Statistical Section

The 23.3 percent investment return for fiscal year 2011 which ended June 30, had a dramatic positive impact on the Retirement System (MSRS). This follows a 15.2 percent investment return in 2010. Net assets of the plans grew by \$2.6 billion or 19.7 percent in 2011 for a total of \$15.6 billion net assets. Returns have helped recover from steep losses in 2008-2009.

Funding changes in the last five years

Year	Funding Level
2008	Level
2009	Level
2010	Level
2011	Level
2012	Level

Heading in the right direction

“Minnesota is receiving national recognition for taking bold and corrective action in 2010 to reform our public pension plans. More importantly, those changes are working.”

Dave Bergstrom
MSRS Executive Director



138



2011

MSRS' investments earned over 23 percent in 2011. This year's strong return, along with the previous year's 15.8 percent return, has moved the funding levels of Minnesota's three largest retirement plans in the right direction.

2010

Member and employer contributions increased from \$625 million in fiscal year 2010 to \$676 million in fiscal year 2011; net investment income was significantly greater in 2011, increasing from \$1.6 billion in 2010 to \$2.8 billion in 2011.

2012

Photo of Light Rail Transit (LRT) expansion in downtown St. Paul
Photograph Collection 2012



Introduction

GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004, established the requirements for the information presented in this section of the comprehensive annual financial report. The information that follows is intended to provide financial statement users with additional historical perspectives, context and details. The information contained in this section supplements the financial information provided in the preceding sections, and displays trends where they exist, to help readers gain a better understanding of MSRS' overall financial condition.

The *Schedule of Changes in Plan Net Assets* shows a 10-year history of the asset growth of the various funds. This data allows readers of the report to review trends in revenue sources and expense categories for all MSRS defined benefit and defined contribution funds.

The *Schedule of Benefits and Refunds by Type* displays in detail the growth of benefits disbursed; whereas the *Schedule of Revenues by Source* provides a 10-year history of the resources received along with the corresponding member payroll and rate information. The *Schedule of Expenses by Type* summarizes the application of those resources over the past ten years.

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

State Employees Retirement Fund

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$83,850	\$82,103	\$83,101	\$85,379
Employer Contributions	80,399	78,622	80,312	82,645
Investment Income (Net of Expenses)	116,353	979,639	732,101	915,632
Other Additions	9,766	7,876	12,639	11,760
Total Additions to Plan Net Assets	<u>\$290,368</u>	<u>\$1,148,240</u>	<u>\$908,153</u>	<u>\$1,095,416</u>
Deductions				
Annuity Benefits	\$311,472	\$328,546	\$347,959	\$366,797
Refunds	8,195	10,777	10,707	12,555
Administrative Expenses	4,191	4,673	4,336	4,588
Other Expenses	2,172	1,696	693	1,495
Total Deductions From Plan Net Assets	<u>\$326,030</u>	<u>\$345,692</u>	<u>\$363,695</u>	<u>\$385,435</u>
Change in Plan Net Assets	<u>\$(35,662)</u>	<u>\$802,548</u>	<u>\$544,458</u>	<u>\$709,981</u>

The remaining schedules provide demographic information about the memberships and information about the employers that participate in the funds. For example, over the past ten years, the *Active Members Average Age Tables* show slight increases in the ages of all members. As the actual payroll on the *Schedule of Revenues by Source* has increased, the average benefit shown on the *Schedule of New Retirees and Average Benefit Payments* has similarly increased for members with comparable years of service. Please note, since all MSRS annuity benefits are computed based on the five-year highest average annual salary, that is shown on this schedule instead of the final annual

salary. That, along with post-retirement benefit increases, resulted in more members receiving higher benefits as shown in the *Schedule of Retired Members by Type of Benefit*. For these schedules the term benefits is used instead of allowances. MSRS benefits are nondiscretionary; they are defined in statute and can only be revised by law changes.

All of the information contained in the schedules of this section was extracted from the database records of MSRS and summarized in the forms shown. There were no estimates or assumptions used in compiling this data.

2007	2008	2009	2010	2011	2012
\$89,447	\$99,280	\$108,866	\$115,181	\$122,029	\$118,358
86,492	96,746	107,211	113,716	118,563	115,159
1,503,390	(474,845)	(1,674,387)	1,040,873	1,764,307	213,887
17,609	13,532	15,246	14,939	24,975	24,677
<u>\$1,696,938</u>	<u>\$(265,287)</u>	<u>\$(1,443,064)</u>	<u>\$1,284,709</u>	<u>\$2,029,874</u>	<u>\$472,081</u>
\$392,058	\$418,757	\$445,792	\$473,447	\$505,573	\$552,088
11,102	11,676	10,907	9,733	14,206	11,573
4,916	5,152	5,320	5,771	6,064	6,341
2,898	2,993	939	345	325	219
<u>\$410,974</u>	<u>\$438,578</u>	<u>\$462,958</u>	<u>\$489,296</u>	<u>\$526,168</u>	<u>\$570,221</u>
<u>\$1,285,964</u>	<u>\$(703,865)</u>	<u>\$(1,906,022)</u>	<u>\$795,413</u>	<u>\$1,503,706</u>	<u>\$(98,140)</u>

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

State Patrol Retirement Fund

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$4,555	\$4,493	\$4,517	\$4,719
Employer Contributions	6,826	6,504	6,671	7,055
Investment Income (Net of Expenses)	9,142	73,141	55,018	64,911
Other Additions	0	59	0	0
Total Additions to Plan Net Assets	<u>\$20,523</u>	<u>\$84,197</u>	<u>\$66,206</u>	<u>\$76,685</u>
Deductions				
Annuity Benefits	\$34,316	\$35,501	\$36,954	\$38,767
Refunds	12	17	4	52
Administrative Expenses	94	95	93	101
Other Expenses	134	129	99	190
Total Deductions From Plan Net Assets	<u>\$34,556</u>	<u>\$35,742</u>	<u>\$37,150</u>	<u>\$39,110</u>
Change in Plan Net Assets	<u>\$(14,033)</u>	<u>\$48,455</u>	<u>\$29,056</u>	<u>\$37,575</u>

Correctional Employees Retirement Fund

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$7,611	\$7,748	\$7,943	\$8,964
Employer Contributions	10,480	10,627	11,016	12,152
Investment Income (Net of Expenses)	5,390	57,155	39,104	59,786
Other Additions	529	80	1	0
Total Additions to Plan Net Assets	<u>\$24,010</u>	<u>\$75,610</u>	<u>\$58,064</u>	<u>\$80,902</u>
Deductions				
Annuity Benefits	\$19,256	\$21,299	\$23,816	\$26,162
Refunds	607	722	649	730
Administrative Expenses	286	275	298	336
Other Expenses	327	253	277	340
Total Deductions From Plan Net Assets	<u>\$20,476</u>	<u>\$22,549</u>	<u>\$25,040</u>	<u>\$27,568</u>
Change in Plan Net Assets	<u>\$(3,534)</u>	<u>\$53,061</u>	<u>\$33,024</u>	<u>\$53,334</u>

2007	2008	2009	2010	2011	2012
\$4,987	\$5,595	\$6,216	\$6,726	\$6,578	\$7,753
7,461	8,279	9,178	10,104	9,873	11,620
100,147	(30,579)	(110,073)	68,184	110,908	12,744
3	0	13	41	0	0
<u>\$112,598</u>	<u>\$(16,705)</u>	<u>\$(94,666)</u>	<u>\$85,055</u>	<u>\$127,359</u>	<u>\$32,117</u>
\$40,581	\$42,804	\$44,480	\$46,119	\$47,844	\$50,007
133	6	0	3	0	275
112	109	104	123	92	158
98	178	69	0	14	0
<u>\$40,924</u>	<u>\$43,097</u>	<u>\$44,653</u>	<u>\$46,245</u>	<u>\$47,950</u>	<u>\$50,440</u>
<u>\$71,674</u>	<u>\$(59,802)</u>	<u>\$(139,319)</u>	<u>\$38,810</u>	<u>\$79,409</u>	<u>\$(18,323)</u>

2007	2008	2009	2010	2011	2012
\$10,032	\$12,775	\$14,031	\$15,267	\$17,002	\$17,203
13,927	18,623	20,126	21,988	23,892	24,188
84,830	(30,673)	(107,787)	68,880	121,413	15,926
131	1,845	40	30	19	0
<u>\$108,920</u>	<u>\$2,570</u>	<u>\$(73,590)</u>	<u>\$106,165</u>	<u>\$162,326</u>	<u>\$57,317</u>
\$28,565	\$30,932	\$33,239	\$36,078	\$39,116	\$42,571
752	795	1,016	1,170	1,509	1,257
405	410	402	455	356	548
358	310	150	0	8	0
<u>\$30,080</u>	<u>\$32,447</u>	<u>\$34,807</u>	<u>\$37,703</u>	<u>\$40,989</u>	<u>\$44,376</u>
<u>\$78,840</u>	<u>\$(29,877)</u>	<u>\$(108,397)</u>	<u>\$68,462</u>	<u>\$121,337</u>	<u>\$12,941</u>

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Judges Retirement Fund

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$2,574	\$2,643	\$2,662	\$2,866
Employer Contributions	6,923	7,110	7,225	7,336
Investment Income (Net of Expenses)	2,588	16,922	12,354	15,456
Other Additions	10	12	10	0
Total Additions to Plan Net Assets	<u>\$12,095</u>	<u>\$26,687</u>	<u>\$22,251</u>	<u>\$25,658</u>
Deductions				
Annuity Benefits	\$13,558	\$13,520	\$13,750	\$14,260
Refunds	0	0	111	0
Administrative Expenses	37	31	37	60
Other Expenses	38	35	41	78
Total Deductions From Plan Net Assets	<u>\$13,633</u>	<u>\$13,586</u>	<u>\$13,939</u>	<u>\$14,398</u>
Change in Plan Net Assets	<u><u>\$(1,538)</u></u>	<u><u>\$13,101</u></u>	<u><u>\$8,312</u></u>	<u><u>\$11,260</u></u>

Legislators Retirement Fund

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$433	\$343	\$384	\$264
Employer Contributions	0	0	0	0
Investment Income (Net of Expenses)	528	5,578	3,523	3,539
Other Additions	5,396	426	1,825	5,704
Total Additions to Plan Net Assets	<u>\$6,357</u>	<u>\$6,347</u>	<u>\$5,732</u>	<u>\$9,507</u>
Deductions				
Annuity Benefits	\$5,539	\$5,766	\$5,942	\$6,094
Refunds	94	0	0	78
Administrative Expenses	27	23	27	33
Other Expenses	40	0	3	34
Total Deductions From Plan Net Assets	<u>\$5,700</u>	<u>\$5,789</u>	<u>\$5,972</u>	<u>\$6,239</u>
Change in Plan Net Assets	<u><u>\$657</u></u>	<u><u>\$558</u></u>	<u><u>\$(240)</u></u>	<u><u>\$3,268</u></u>

2007	2008	2009	2010	2011	2012
\$2,792	\$2,859	\$2,978	\$2,988	\$3,010	\$2,931
7,571	7,935	8,219	8,283	8,297	7,922
25,523	(8,874)	(26,283)	17,339	28,644	3,341
0	0	0	1	0	0
<u>\$35,886</u>	<u>\$1,920</u>	<u>\$(15,086)</u>	<u>\$28,611</u>	<u>\$39,951</u>	<u>\$14,194</u>
\$14,516	\$15,116	\$16,261	\$17,058	\$17,585	\$18,539
45	0	0	0	30	0
49	54	36	42	32	72
63	24	16	0	1	1
<u>\$14,673</u>	<u>\$15,194</u>	<u>\$16,313</u>	<u>\$17,100</u>	<u>\$17,648</u>	<u>\$18,612</u>
<u>\$21,213</u>	<u>\$(13,274)</u>	<u>\$(31,399)</u>	<u>\$11,511</u>	<u>\$22,303</u>	<u>\$(4,418)</u>

2007	2008	2009	2010	2011	2012
\$239	\$180	\$248	\$171	\$160	\$124
0	0	0	0	0	0
6,808	(1,233)	(5,021)	3,199	4,142	253
1,783	2,217	1,269	1,975	2,807	3,935
<u>\$8,830</u>	<u>\$1,164</u>	<u>\$(3,504)</u>	<u>\$5,345</u>	<u>\$7,109</u>	<u>\$4,312</u>
\$6,390	\$6,786	\$7,016	\$7,159	\$7,464	\$7,721
35	1	0	0	11	172
29	34	26	28	22	36
26	3	0	0	0	0
<u>\$6,480</u>	<u>\$6,824</u>	<u>\$7,042</u>	<u>\$7,187</u>	<u>\$7,497</u>	<u>\$7,929</u>
<u>\$2,350</u>	<u>\$(5,660)</u>	<u>\$(10,546)</u>	<u>\$(1,842)</u>	<u>\$(388)</u>	<u>\$(3,617)</u>

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Elective State Officers Retirement Fund

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$0	\$0	\$0	\$0
Employer Contributions	0	0	0	0
Investment Income (Net of Expenses)	0	0	0	0
Other Additions	371	383	395	417
Total Additions to Plan Net Assets	<u>\$371</u>	<u>\$383</u>	<u>\$395</u>	<u>\$417</u>
Deductions				
Annuity Benefits	\$370	\$381	\$391	\$409
Refunds	0	0	0	0
Administrative Expenses	1	1	3	5
Other Expenses	0	0	0	0
Total Deductions From Plan Net Assets	<u>\$371</u>	<u>\$382</u>	<u>\$394</u>	<u>\$414</u>
Change in Plan Net Assets	<u>\$0</u>	<u>\$1</u>	<u>\$1</u>	<u>\$3</u>

Unclassified Employees Retirement Fund

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$4,642	\$4,258	\$4,296	\$4,368
Employer Contributions	6,165	5,877	5,821	5,932
Investment Income (Net of Expenses)	6,182	31,352	19,794	20,844
Other Additions	824	552	535	828
Total Additions to Plan Net Assets	<u>\$17,813</u>	<u>\$42,039</u>	<u>\$30,446</u>	<u>\$31,972</u>
Deductions				
Refunds	\$5,203	\$6,206	\$8,947	\$6,173
Administrative Expenses	200	196	183	256
Other Expenses	9,626	7,498	12,112	11,531
Total Deductions From Plan Net Assets	<u>\$15,029</u>	<u>\$13,900</u>	<u>\$21,242</u>	<u>\$17,960</u>
Change in Plan Net Assets	<u>\$2,784</u>	<u>\$28,139</u>	<u>\$9,204</u>	<u>\$14,012</u>

2007	2008	2009	2010	2011	2012
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
428	434	442	453	460	465
<u>\$428</u>	<u>\$434</u>	<u>\$442</u>	<u>\$453</u>	<u>\$460</u>	<u>\$465</u>
\$419	\$430	\$440	\$451	\$459	\$458
0	0	0	0	0	0
4	4	1	1	1	7
0	0	0	0	0	0
<u>\$423</u>	<u>\$434</u>	<u>\$441</u>	<u>\$452</u>	<u>\$460</u>	<u>\$465</u>
<u>\$5</u>	<u>\$0</u>	<u>\$1</u>	<u>\$1</u>	<u>\$0</u>	<u>\$0</u>

2007	2008	2009	2010	2011	2012
\$5,476	\$5,209	\$4,660	\$4,472	\$5,417	\$5,586
6,258	6,362	6,514	6,333	6,360	5,918
68,142	(3,949)	(46,746)	28,860	51,977	6,622
<u>2,028</u>	<u>878</u>	<u>426</u>	<u>259</u>	<u>311</u>	<u>293</u>
<u>\$81,904</u>	<u>\$8,500</u>	<u>\$(35,146)</u>	<u>\$39,924</u>	<u>\$64,065</u>	<u>\$18,419</u>
\$29,994	\$23,256	\$5,009	\$5,691	\$7,799	\$5,250
166	157	229	164	174	144
17,255	13,282	14,850	14,652	24,777	24,339
<u>\$47,415</u>	<u>\$36,695</u>	<u>\$20,088</u>	<u>\$20,507</u>	<u>\$32,750</u>	<u>\$29,733</u>
<u>\$34,489</u>	<u>\$(28,195)</u>	<u>\$(55,234)</u>	<u>\$19,417</u>	<u>\$31,315</u>	<u>\$(11,314)</u>

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Health Care Savings Plan

	2003	2004	2005	2006
Additions				
Plan Member Contributions	\$26,892	\$37,273	\$42,519	\$52,562
Investment Income (Net of Expenses)	506	1,404	2,810	5,092
Other Additions	58	230	376	502
Total Additions to Plan Net Assets	<u>\$27,456</u>	<u>\$38,907</u>	<u>\$45,705</u>	<u>\$58,156</u>
Deductions				
Health Care Reimbursements	\$4,056	\$9,260	\$13,417	\$18,300
Administrative Expenses	480	763	716	724
Other Expenses	0	0	8	0
Total Deductions From Plan Net Assets	<u>\$4,536</u>	<u>\$10,023</u>	<u>\$14,141</u>	<u>\$19,024</u>
Change in Plan Net Assets	<u>\$22,920</u>	<u>\$28,884</u>	<u>\$31,564</u>	<u>\$39,132</u>

Minnesota Deferred Compensation Fund*

For the Eight Fiscal Years Ended June 30, 2012

(Dollars in thousands)

	2005	2006	2007	2008
Additions				
Plan Member Contributions	\$200,397	\$211,705	\$217,446	\$231,671
Investment Income (Net of Expenses)	197,602	269,458	456,868	(93,065)
Other Income	7,524	4,815	6,036	4,608
Total Additions to Plan Net Assets	<u>\$405,523</u>	<u>\$485,978</u>	<u>\$680,350</u>	<u>\$143,214</u>
Deductions				
Ongoing Withdrawals	\$33,698	\$34,264	\$35,285	\$37,039
Refunds	101,912	121,636	135,419	144,837
Administrative Expenses	2,328	2,283	2,514	2,728
Other Expenses	10,136	5,451	6,726	4,577
Total Deductions From Plan Net Assets	<u>\$148,074</u>	<u>\$163,634</u>	<u>\$179,944</u>	<u>\$189,181</u>
Change in Plan Net Assets	<u>\$257,449</u>	<u>\$322,344</u>	<u>\$500,406</u>	<u>\$(45,967)</u>

*Prior to fiscal year 2005, the Minnesota Deferred Compensation Fund did not meet the criteria necessary for inclusion in the reporting entity.

2007	2008	2009	2010	2011	2012
\$59,515	\$73,082	\$82,920	\$90,445	\$132,526	\$128,375
12,698	(2,336)	(13,942)	13,032	26,499	4,445
1,031	1,318	1,438	63	1,989	2,422
<u>\$73,244</u>	<u>\$72,064</u>	<u>\$70,416</u>	<u>\$103,540</u>	<u>\$161,014</u>	<u>\$135,242</u>
\$23,470	\$27,548	\$31,088	\$35,613	\$44,740	\$58,987
844	1,090	1,523	1,388	794	1,296
0	0	0	743	1,396	855
<u>\$24,314</u>	<u>\$28,638</u>	<u>\$32,611</u>	<u>\$37,744</u>	<u>\$46,930</u>	<u>\$61,138</u>
<u>\$48,930</u>	<u>\$43,426</u>	<u>\$37,805</u>	<u>\$65,796</u>	<u>\$114,084</u>	<u>\$74,104</u>

2009	2010	2011	2012
\$217,415	\$228,190	\$222,031	\$216,010
(547,303)	308,697	652,762	85,400
3,788	2,305	5,819	4,480
<u>\$(326,100)</u>	<u>\$539,192</u>	<u>\$880,612</u>	<u>\$305,890</u>
\$35,222	\$30,353	\$28,549	\$29,615
106,009	114,889	162,756	170,442
3,004	2,726	3,370	2,762
3,409	1,715	1,630	1,745
<u>\$147,644</u>	<u>\$149,683</u>	<u>\$196,305</u>	<u>\$204,564</u>
<u>\$(473,744)</u>	<u>\$389,509</u>	<u>\$684,307</u>	<u>\$101,326</u>

Schedule of Changes in Plan Net Assets

For the Seven Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Hennepin County Supplemental Retirement Fund*

	2006	2007	2008	2009
Additions				
Plan Member Contributions	\$426	\$639	\$601	\$570
Employer Contributions	426	640	601	570
Investment Income (Net of Expenses)	6,668	20,688	(9,625)	(20,951)
Other Income	24	53	50	34
Total Additions to Plan Net Assets	<u>\$7,544</u>	<u>\$22,020</u>	<u>\$(8,373)</u>	<u>\$(19,777)</u>
Deductions				
Ongoing Withdrawals	\$3,703	\$5,830	\$5,885	\$4,260
Refunds	378	1,677	227	322
Administrative Expenses	5	5	6	5
Other Expenses	0	59	41	32
Total Deductions From Plan Net Assets	<u>\$4,086</u>	<u>\$7,571</u>	<u>\$6,159</u>	<u>\$4,619</u>
Change in Plan Net Assets	<u><u>\$3,458</u></u>	<u><u>\$14,449</u></u>	<u><u>\$(14,532)</u></u>	<u><u>\$(24,396)</u></u>

*MSRS assumed responsibility for the administration of this fund on December 1, 2005.

2010	2011	2012
\$514	\$467	\$458
515	466	459
12,288	21,710	3,919
48	49	49
<u>\$13,365</u>	<u>\$22,692</u>	<u>\$4,885</u>
\$3,514	\$4,069	\$2,807
2,244	2,490	3,933
17	11	17
35	39	33
<u>\$5,810</u>	<u>\$6,609</u>	<u>\$6,790</u>
<u>\$7,555</u>	<u>\$16,083</u>	<u>\$(1,905)</u>

Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total	Actual Covered Payroll	Percentage Employer Contributions*
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State Employees Retirement Fund

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	2,095,310	4.00
2008	99,280	96,746	(474,845)	13,532	(265,287)	2,256,528	4.25
2009	108,866	107,211	(1,674,387)	15,246	(1,443,064)	2,329,499	4.50
2010	115,181	113,716	1,040,873	14,939	1,284,709	2,327,398	4.75
2011	122,029	118,563	1,764,307	24,975	2,029,874	2,440,580	5.00
2012	118,358	115,159	213,887	24,677	472,081	2,367,160	5.00

State Patrol Retirement Fund

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	61,498	12.60
2008	5,595	8,279	(30,579)	0	(16,705)	60,029	13.60
2009	6,216	9,178	(110,073)	13	(94,666)	61,511	14.60
2010	6,726	10,104	68,184	41	85,055	63,250	14.60
2011	6,578	9,873	110,908	0	127,359	63,250	18.60
2012	7,753	11,620	12,744	0	32,117	62,524	18.60

Correctional Employees Retirement Fund

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	108,920	167,727	7.98
2008	12,775	18,623	(30,673)	1,845	2,570	194,391	9.10
2009	14,031	20,126	(107,787)	40	(73,590)	193,445	10.10
2010	15,267	21,988	68,880	30	106,165	192,450	11.10
2011	17,002	23,892	121,413	19	162,326	197,702	12.10
2012	17,203	24,188	15,926	0	57,317	200,035	12.10

*Because of employer-paid interest, penalties and leaves of absence, actual employer contributions may exceed the statutorially required percentage.

Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total	Actual Covered Payroll	Percentage Employer Contributions*
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Judges Retirement Fund

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	36,195	20.50
2008	2,859	7,935	(8,874)	0	1,920	38,296	20.50
2009	2,978	8,219	(26,283)	0	(15,086)	39,444	20.50
2010	2,988	8,283	17,339	1	28,611	36,723	20.50
2011	3,010	8,297	28,644	0	39,951	40,473	20.50
2012	2,931	7,922	3,341	0	14,194	38,644	20.50

Legislators Retirement Fund

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	1,825	5,732	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
2009	248	N/A	(5,021)	1,269	(3,504)	1,963	N/A
2010	171	N/A	3,199	1,975	5,345	1,877	N/A
2011	160	N/A	4,142	2,807	7,109	1,774	N/A
2012	124	N/A	253	3,935	4,312	1,378	N/A

Elective State Officers Retirement Fund**

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	417	417	N/A	N/A
2007	0	0	0	428	428	N/A	N/A
2008	0	0	0	434	434	N/A	N/A
2009	0	0	0	442	442	N/A	N/A
2010	0	0	0	453	453	N/A	N/A
2011	0	0	0	460	460	N/A	N/A
2012	0	0	0	465	465	N/A	N/A

*Because of employer-paid interest, penalties and leaves of absence, actual employer contributions may exceed the statutorially required percentage.

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

Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
State Employees Retirement Fund					
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
2009	445,792	5,320	10,907	939	462,958
2010	473,447	5,771	9,733	345	489,296
2011	505,573	6,064	14,206	325	526,168
2012	552,088	6,341	11,573	219	570,221
State Patrol Retirement Fund					
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
2009	44,480	104	0	69	44,653
2010	46,119	123	3	0	46,245
2011	47,844	92	0	14	47,950
2012	50,007	158	275	0	50,440
Correctional Employees Retirement Fund					
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
2009	33,239	402	1,016	150	34,807
2010	36,078	455	1,170	0	37,703
2011	39,116	356	1,509	8	40,989
2012	42,571	548	1,257	0	44,376

Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
Judges Retirement Fund					
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
2009	16,261	36	0	16	16,313
2010	17,058	42	0	0	17,100
2011	17,585	32	30	1	17,648
2012	18,539	72	0	1	18,612
Legislators Retirement Fund					
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
2009	7,016	26	0	0	7,042
2010	7,159	28	0	0	7,187
2011	7,464	22	11	0	7,497
2012	7,721	36	172	0	7,929
Elective State Officers Retirement Fund					
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
2009	440	1	0	0	441
2010	451	1	0	0	452
2011	459	1	0	0	460
2012	458	7	0	0	465

Note: Comparable benefits are not provided by the defined contribution funds and therefore are not presented here.

Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2012
(Dollars in thousands)

State Employees Retirement Fund

	2003	2004	2005	2006
Benefits by Type				
Retirement	\$266,208	\$279,916	\$299,463	\$310,380
Survivor	31,290	33,417	36,198	38,758
Disability	13,974	15,213	12,298	17,659
Total	<u>\$311,472</u>	<u>\$328,546</u>	<u>\$347,959</u>	<u>\$366,797</u>
Refunds by Type				
Separation	\$4,918	\$6,874	\$6,381	\$7,270
Death	795	665	615	864
Interest	2,482	3,238	3,711	4,421
Total	<u>\$8,195</u>	<u>\$10,777</u>	<u>\$10,707</u>	<u>\$12,555</u>

State Patrol Retirement Fund

	2003	2004	2005	2006
Benefits by Type				
Retirement	\$29,138	\$30,201	\$31,242	\$32,539
Survivor	4,093	4,123	4,401	4,667
Disability	1,085	1,177	1,311	1,561
Total	<u>\$34,316</u>	<u>\$35,501</u>	<u>\$36,954</u>	<u>\$38,767</u>
Refunds by Type				
Separation	\$3	\$5	\$4	\$37
Death	0	0	0	0
Interest	9	12	0	15
Total	<u>\$12</u>	<u>\$17</u>	<u>\$4</u>	<u>\$52</u>

Correctional Employees Retirement Fund

	2003	2004	2005	2006
Benefits by Type				
Retirement	\$16,098	\$17,837	\$20,054	\$21,981
Survivor	824	915	1,026	1,150
Disability	2,334	2,547	2,736	3,031
Total	<u>\$19,256</u>	<u>\$21,299</u>	<u>\$23,816</u>	<u>\$26,162</u>
Refunds by Type				
Separation	\$451	\$564	\$425	\$569
Death	33	30	85	0
Interest	123	128	139	161
Total	<u>\$607</u>	<u>\$722</u>	<u>\$649</u>	<u>\$730</u>

2007	2008	2009	2010	2011	2012
\$331,464	\$354,317	\$377,343	\$400,703	\$428,731	\$471,881
41,816	44,403	47,345	50,822	54,029	56,585
18,778	20,037	21,104	21,922	22,813	23,622
<u>\$392,058</u>	<u>\$418,757</u>	<u>\$445,792</u>	<u>\$473,447</u>	<u>\$505,573</u>	<u>\$552,088</u>

\$6,462	\$6,657	\$5,484	\$5,556	\$7,329	\$6,683
937	1,162	1,478	756	948	781
3,703	3,857	3,945	3,421	5,929	4,109
<u>\$11,102</u>	<u>\$11,676</u>	<u>\$10,907</u>	<u>\$9,733</u>	<u>\$14,206</u>	<u>\$11,573</u>

2007	2008	2009	2010	2011	2012
\$33,911	\$35,561	\$37,167	\$38,560	\$40,246	\$42,435
5,079	5,510	5,560	5,600	5,562	5,528
1,591	1,733	1,753	1,959	2,036	2,044
<u>\$40,581</u>	<u>\$42,804</u>	<u>\$44,480</u>	<u>\$46,119</u>	<u>\$47,844</u>	<u>\$50,007</u>

\$77	\$6	\$0	\$3	\$0	\$1
0	0	0	0	0	138
56	0	0	0	0	136
<u>\$133</u>	<u>\$6</u>	<u>\$0</u>	<u>\$3</u>	<u>\$0</u>	<u>\$275</u>

2007	2008	2009	2010	2011	2012
\$24,069	\$26,133	\$28,167	\$30,637	\$33,062	\$35,906
1,307	1,404	1,515	1,618	1,793	2,037
3,189	3,395	3,557	3,823	4,261	4,628
<u>\$28,565</u>	<u>\$30,932</u>	<u>\$33,239</u>	<u>\$36,078</u>	<u>\$39,116</u>	<u>\$42,571</u>

\$568	\$631	\$724	\$758	\$1,100	\$1,007
36	13	64	62	19	24
148	151	228	350	390	226
<u>\$752</u>	<u>\$795</u>	<u>\$1,016</u>	<u>\$1,170</u>	<u>\$1,509</u>	<u>\$1,257</u>

Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2012

(Dollars in thousands)

Judges Retirement Fund

	2003	2004	2005	2006
Benefits by Type				
Retirement	\$9,917	\$9,827	\$9,998	\$10,359
Survivor	3,224	3,270	3,303	3,314
Disability	417	423	449	587
Total	<u>\$13,558</u>	<u>\$13,520</u>	<u>\$13,750</u>	<u>\$14,260</u>
Refunds by Type				
Separation	\$0	\$0	\$74	\$0
Death	0	0	0	0
Interest	0	0	37	0
Total	<u>\$0</u>	<u>\$0</u>	<u>\$111</u>	<u>\$0</u>

Legislators Retirement Fund*

	2003	2004	2005	2006
Benefits by Type				
Retirement	\$4,737	\$4,977	\$5,108	\$5,275
Survivor	802	789	834	819
Total	<u>\$5,539</u>	<u>\$5,766</u>	<u>\$5,942</u>	<u>\$6,094</u>
Refunds by Type				
Separation	\$33	\$0	\$0	\$0
Death	0	0	0	27
Interest	61	0	0	51
Total	<u>\$94</u>	<u>\$0</u>	<u>\$0</u>	<u>\$78</u>

Elective State Officers Retirement Fund*

	2003	2004	2005	2006
Benefits by Type				
Retirement	\$252	\$293	\$308	\$324
Survivor	118	88	83	85
Total	<u>\$370</u>	<u>\$381</u>	<u>\$391</u>	<u>\$409</u>

Refunds by Type

There were no refunds for the past ten years.

*The Legislators and Elective State Officers Retirement Funds do not provide disability benefits.

Note: Comparable benefits are not provided by the defined contribution retirement funds and therefore, are not presented here.

2007	2008	2009	2010	2011	2012
\$10,467	\$10,959	\$10,528	\$10,996	\$11,525	\$12,279
3,427	3,520	3,906	4,202	4,195	4,521
622	637	1,827	1,860	1,865	1,739
<u>\$14,516</u>	<u>\$15,116</u>	<u>\$16,261</u>	<u>\$17,058</u>	<u>\$17,585</u>	<u>\$18,539</u>

\$38	\$0	\$0	\$0	\$27	\$0
0	0	0	0	0	0
7	0	0	0	3	0
<u>\$45</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30</u>	<u>\$0</u>

2007	2008	2009	2010	2011	2012
\$5,496	\$5,837	\$5,983	\$6,007	\$6,231	\$6,420
894	949	1,033	1,152	1,233	1,301
<u>\$6,390</u>	<u>\$6,786</u>	<u>\$7,016</u>	<u>\$7,159</u>	<u>\$7,464</u>	<u>\$7,721</u>

\$19	\$1	\$0	\$0	\$5	\$73
0	0	0	0	0	0
16	0	0	0	6	99
<u>\$35</u>	<u>\$1</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11</u>	<u>\$172</u>

2007	2008	2009	2010	2011	2012
\$332	\$340	\$348	\$347	\$353	\$337
87	90	92	94	106	121
<u>\$419</u>	<u>\$430</u>	<u>\$440</u>	<u>\$451</u>	<u>\$459</u>	<u>\$458</u>

Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2012

(In years)

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

Fiscal 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
06/30/09	36.8	35.8	36.3	33.5	32.8	33.1	47.5	46.0	46.7	13.2	11.8	12.5
06/30/10	37.1	35.9	36.4	33.6	32.7	33.1	47.7	46.3	47.0	13.3	12.1	12.7
06/30/11	36.4	36.9	36.7	33.8	32.9	33.3	47.7	46.6	47.1	13.1	12.2	12.6
06/30/12	36.6	34.7	35.5	34.0	33.2	33.6	47.6	46.6	47.1	12.8	12.0	12.4

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
06/30/09	29.9	29.8	29.9	29.0	29.1	29.0	41.2	40.1	41.1	12.1	10.9	11.9
06/30/10	39.4	N/A	39.4	29.0	28.7	29.0	41.9	40.9	41.8	12.8	12.0	12.7
06/30/11	29.6	33.4	30.0	29.1	29.0	29.1	41.8	41.0	41.7	12.6	11.8	12.6
06/30/12	36.5	27.9	33.4	29.2	28.8	29.2	42.1	41.3	42.0	12.8	12.2	12.7

Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2012

(In years)

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

Fiscal 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

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
06/30/09	33.3	35.2	34.2	32.1	34.6	33.0	41.0	40.9	40.9	8.7	6.1	7.7
06/30/10	36.1	38.0	37.1	32.0	34.5	32.9	41.6	41.6	41.6	9.3	6.7	8.4
06/30/11	32.1	33.3	32.7	31.9	34.0	32.7	41.6	41.3	41.5	9.4	7.0	8.5
06/30/12	32.3	33.6	32.8	31.8	33.8	32.6	41.5	41.2	41.4	9.4	7.1	8.6

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
06/30/09	52.0	47.7	49.8	46.9	44.4	46.1	57.6	53.2	56.2	10.5	8.7	10.0
06/30/10	49.4	43.8	47.1	47.0	44.5	46.2	58.6	53.4	56.5	10.8	8.8	10.1
06/30/11	49.8	45.3	48.3	47.3	44.7	46.4	58.2	53.8	56.7	10.8	9.0	10.2
06/30/12	52.1	49.4	51.0	47.7	45.0	46.7	58.3	54.4	56.9	10.6	9.2	10.1

Schedule of Retired Members by Type of Benefit

As of June 30, 2012

State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	7,402	6,142	364	896	4,600	2,391	269	142
\$500-\$999	6,172	4,755	498	919	3,467	2,362	242	100
\$1,000-\$1,499	5,256	4,148	408	700	2,857	2,185	155	59
\$1,500-\$1,999	4,188	3,466	280	442	2,126	1,937	86	39
\$2,000-\$2,499	3,327	2,918	131	278	1,565	1,701	42	20
\$2,500-\$2,999	2,233	1,991	46	196	1,006	1,189	22	16
\$3,000-\$3,499	1,438	1,334	14	90	597	814	13	14
\$3,500-\$3,999	828	746	5	77	337	485	4	2
\$4,000-\$4,499	512	470	3	39	216	285	7	4
\$4,500-\$4,999	296	270	1	25	110	176	2	8
\$5,000+	323	284	0	39	109	211	1	2
Totals	<u>31,975</u>	<u>26,524</u>	<u>1,750</u>	<u>3,701</u>	<u>16,990</u>	<u>13,736</u>	<u>843</u>	<u>406</u>

Type:

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

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	III
\$0-\$499	17	10	0	7	8	4	5	0
\$500-\$999	28	9	2	17	6	12	10	0
\$1,000-\$1,499	31	12	0	19	15	9	7	0
\$1,500-\$1,999	26	8	3	15	9	15	2	0
\$2,000-\$2,499	62	18	6	38	17	36	9	0
\$2,500-\$2,999	52	21	2	29	19	29	4	0
\$3,000-\$3,499	68	40	10	18	26	40	2	0
\$3,500-\$3,999	73	58	7	8	30	42	1	0
\$4,000-\$4,499	97	82	6	9	30	65	2	0
\$4,500-\$4,999	122	112	4	6	43	78	1	0
\$5,000+	387	363	8	16	194	190	3	0
Totals	<u>963</u>	<u>733</u>	<u>48</u>	<u>182</u>	<u>397</u>	<u>520</u>	<u>46</u>	<u>0</u>

Type:

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

Option:

- Life Single life annuity
- I Joint and survivor annuity
- II Death while eligible
- III Period certain

Schedule of Retired Members by Type of Benefit

As of June 30, 2012

Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	340	277	9	54	242	69	25	4
\$500-\$999	376	310	18	48	273	86	15	2
\$1,000-\$1,499	382	251	93	38	277	93	10	2
\$1,500-\$1,999	353	256	70	27	255	88	6	4
\$2,000-\$2,499	258	217	32	9	203	52	2	1
\$2,500-\$2,999	182	164	12	6	142	39	1	0
\$3,000-\$3,499	149	139	8	2	113	36	0	0
\$3,500-\$3,999	65	64	0	1	56	9	0	0
\$4,000-\$4,499	51	50	1	0	38	13	0	0
\$4,500-\$4,999	23	22	0	1	21	2	0	0
\$5,000+	18	18	0	0	16	2	0	0
Totals	<u>2,197</u>	<u>1,768</u>	<u>243</u>	<u>186</u>	<u>1,636</u>	<u>489</u>	<u>59</u>	<u>13</u>

Type:

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

Option:

- Life Single life annuity
- I Joint and survivor annuity
- II Death while eligible
- III Period certain

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	3	0	0	3	0	1	2	0
\$1,000-\$1,499	7	5	0	2	2	2	1	2
\$1,500-\$1,999	13	7	0	6	7	5	1	0
\$2,000-\$2,499	14	5	0	9	5	7	2	0
\$2,500-\$2,999	19	8	0	11	5	13	1	0
\$3,000-\$3,499	23	12	1	10	7	14	2	0
\$3,500-\$3,999	21	8	2	11	7	10	4	0
\$4,000-\$4,499	24	12	1	11	5	15	4	0
\$4,500-\$4,999	31	18	3	10	11	17	3	0
\$5,000+	159	115	18	26	54	91	6	8
Totals	<u>314</u>	<u>190</u>	<u>25</u>	<u>99</u>	<u>103</u>	<u>175</u>	<u>26</u>	<u>10</u>

Type:

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

Option:

- Life Single life annuity
- I Joint and survivor annuity
- II Death while eligible
- III Period certain

Schedule of Retired Members by Type of Benefit

As of June 30, 2012

Legislators Retirement Fund

Monthly Benefit Amount	Number of Retirees	Legislators		Option Selected		
		Member	Survivor	Life	I	II
\$0-\$499	25	14	11	10	4	11
\$500-\$999	83	56	27	36	21	26
\$1,000-\$1,499	86	69	17	47	23	16
\$1,500-\$1,999	59	51	8	25	26	8
\$2,000-\$2,499	36	29	7	22	8	6
\$2,500-\$2,999	26	24	2	13	11	2
\$3,000-\$3,499	16	13	3	10	3	3
\$3,500-\$3,999	13	12	1	9	3	1
\$4,000-\$4,499	9	7	2	7	0	2
\$4,500-\$4,999	6	5	1	1	4	1
\$5,000+	8	7	1	4	3	1
Totals	<u>367</u>	<u>287</u>	<u>80</u>	<u>184</u>	<u>106</u>	<u>77</u>

Option:

Life Single life annuity
 I Joint and survivor annuity
 II Life plus 50 percent survivors

Elective State Officers Retirement Fund

Monthly Benefit Amount	Number of Retirees	Elective State Officers		Option Selected		
		Member	Survivor	Life	I	II
\$0-\$499	1	1	0	1	0	0
\$500-\$999	5	4	1	4	0	1
\$1,000-\$1,499	0	0	0	0	0	0
\$1,500-\$1,999	1	1	0	1	0	0
\$2,000-\$2,499	1	0	1	0	0	1
\$2,500-\$2,999	1	0	1	0	0	1
\$3,000-\$3,499	0	0	0	0	0	0
\$3,500-\$3,999	0	0	0	0	0	0
\$4,000-\$4,499	1	0	1	0	0	1
\$4,500-\$4,999	1	1	0	1	0	0
\$5,000+	3	3	0	3	0	0
Totals	<u>14</u>	<u>10</u>	<u>4</u>	<u>10</u>	<u>0</u>	<u>4</u>

Option:

Life Single life annuity
 I Joint and Survivor annuity
 II Life plus 50 percent survivors

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

State Employees Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$179	\$360	\$579	\$851	\$1,139	\$1,508	\$2,178	\$1,124
Number of New Retirees*	217	112	150	130	115	147	332	1,203
Average Final Average Salary**	\$3,812	\$2,932	\$3,364	\$3,227	\$3,413	\$3,769	\$4,336	\$3,712
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$191	\$236	\$374	\$702	\$923	\$1,274	\$1,931	\$1,194
Number of New Retirees*	111	119	187	209	203	203	706	1,738
Average Final Average Salary**	\$3,830	\$3,161	\$3,556	\$3,586	\$3,609	\$3,882	\$4,288	\$3,892
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$140	\$345	\$636	\$891	\$1,184	\$1,554	\$2,282	\$1,148
Number of New Retirees*	209	146	157	142	166	166	327	1,313
Average Final Average Salary**	\$4,159	\$3,304	\$3,393	\$3,403	\$3,744	\$3,807	\$4,514	\$3,882
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$137	\$341	\$667	\$945	\$1,237	\$1,547	\$2,310	\$1,203
Number of New Retirees*	202	187	165	149	175	188	391	1,457
Average Final Average Salary**	\$4,102	\$3,261	\$3,549	\$3,884	\$3,800	\$4,027	\$4,563	\$3,987
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$136	\$371	\$634	\$983	\$1,235	\$1,629	\$2,288	\$1,291
Number of New Retirees*	231	174	188	203	218	203	526	1,743
Average Final Average Salary**	\$4,317	\$3,267	\$3,266	\$3,686	\$3,782	\$4,075	\$4,525	\$4,004
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$147	\$428	\$740	\$1,026	\$1,395	\$1,691	\$2,335	\$1,338
Number of New Retirees*	224	184	163	209	198	208	541	1,727
Average Final Average Salary**	\$4,435	\$3,737	\$3,728	\$3,928	\$4,089	\$4,227	\$4,568	\$4,203
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$150	\$421	\$712	\$1,068	\$1,362	\$1,744	\$2,399	\$1,367
Number of New Retirees*	201	183	173	168	176	197	447	1,545
Average Final Average Salary**	\$4,278	\$3,718	\$3,767	\$3,957	\$3,853	\$4,267	\$4,816	\$4,225
Period 7/1/09 to 6/30/10:								
Average Monthly Benefit	\$151	\$433	\$683	\$1,022	\$1,414	\$1,712	\$2,416	\$1,389
Number of New Retirees*	252	204	178	166	241	199	606	1,846
Average Final Average Salary**	\$4,548	\$3,849	\$3,607	\$3,992	\$4,111	\$4,237	\$4,778	\$4,315
Period 7/1/10 to 6/30/11:								
Average Monthly Benefit	\$169	\$452	\$752	\$1,159	\$1,498	\$1,772	\$2,534	\$1,527
Number of New Retirees*	219	246	240	258	294	260	782	2,299
Average Final Average Salary**	\$4,164	\$3,550	\$3,899	\$4,113	\$4,214	\$4,259	\$4,734	\$4,276
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	\$179	\$482	\$813	\$1,169	\$1,551	\$1,947	\$2,673	\$1,512
Number of New Retirees*	285	291	299	236	289	235	738	2,373
Average Final Average Salary**	\$4,089	\$3,512	\$3,969	\$3,966	\$4,434	\$4,627	\$5,008	\$4,372
Period 7/1/02 to 6/30/12:								
Average Monthly Benefit	\$157	\$402	\$671	\$996	\$1,323	\$1,652	\$2,352	\$1,335
Number of New Retirees*	2,151	1,846	1,900	1,870	2,075	2,006	5,396	17,244
Average Final Average Salary**	\$4,195	\$3,474	\$3,645	\$3,810	\$3,969	\$4,146	\$4,638	\$4,122

Note:

* Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and qualified domestic relations order starts.

** Average Final Average Salary is equivalent to the average of the five highest years of salary, based on service during which member contributions were made.

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

State Patrol Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$776	\$864	\$0	\$2,635	\$3,463	\$3,618	\$4,797	\$3,419
Number of New Retirees*	1	3	0	4	5	11	8	32
Average Final Average Salary**	\$7,295	\$4,497	\$0	\$4,851	\$3,707	\$5,261	\$5,572	\$5,037
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$295	\$2,110	\$2,267	\$2,293	\$3,653	\$4,649	\$3,876
Number of New Retirees*	0	1	1	2	4	7	19	33
Average Final Average Salary**	\$0	\$0	\$5,794	\$5,136	\$5,272	\$5,459	\$6,372	\$5,953
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$280	\$0	\$0	\$3,081	\$3,424	\$3,814	\$4,240	\$3,467
Number of New Retirees*	2	0	0	2	6	8	6	24
Average Final Average Salary**	\$5,723	\$0	\$0	\$5,943	\$5,542	\$5,543	\$5,483	\$5,576
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$1,104	\$1,903	\$2,664	\$3,504	\$4,742	\$5,180	\$3,943
Number of New Retirees*	0	3	2	4	6	10	10	35
Average Final Average Salary**	\$0	\$6,345	\$5,656	\$5,931	\$6,358	\$6,471	\$6,592	\$6,367
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$1,829	\$1,633	\$3,158	\$3,403	\$4,634	\$3,887	\$3,534
Number of New Retirees*	0	2	1	10	8	6	10	37
Average Final Average Salary**	\$0	\$5,694	\$4,463	\$6,379	\$5,701	\$6,406	\$4,496	\$5,639
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$185	\$774	\$1,986	\$2,788	\$3,151	\$4,469	\$4,256	\$3,541
Number of New Retirees*	1	2	3	6	6	12	13	43
Average Final Average Salary**	\$4,992	\$5,020	\$6,769	\$5,475	\$5,304	\$6,093	\$5,918	\$5,815
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$0	\$788	\$2,053	\$3,471	\$4,204	\$4,435	\$3,842	\$3,793
Number of New Retirees*	0	2	3	2	3	14	11	35
Average Final Average Salary**	\$0	\$6,121	\$5,846	\$5,642	\$6,274	\$6,098	\$6,467	\$6,183
Period 7/1/09 to 6/30/10:								
Average Monthly Benefit	\$444	\$827	\$1,889	\$0	\$3,652	\$4,840	\$4,343	\$3,441
Number of New Retirees*	4	3	3	0	7	10	10	37
Average Final Average Salary**	\$5,677	\$3,993	\$5,557	\$0	\$6,061	\$6,858	\$7,092	\$6,305
Period 7/1/10 to 6/30/11:								
Average Monthly Benefit	\$0	\$0	\$2,406	\$0	\$3,484	\$5,083	\$4,670	\$4,422
Number of New Retirees*	0	0	2	0	6	12	7	27
Average Final Average Salary**	\$0	\$0	\$6,275	\$0	\$6,037	\$6,452	\$3,609	\$5,610
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	\$517	\$847	\$2,476	\$2,383	\$4,187	\$5,391	\$6,158	\$4,875
Number of New Retirees*	2	1	3	1	7	13	16	43
Average Final Average Salary**	\$7,934	\$5,957	\$6,634	\$4,165	\$6,785	\$7,278	\$7,361	\$7,111
Period 7/1/02 to 6/30/12:								
Average Monthly Benefit	\$433	\$3,701	\$2,087	\$2,888	\$3,493	\$4,527	\$4,682	\$3,835
Number of New Retirees*	10	17	18	31	58	103	110	347
Average Final Average Salary**	\$6,231	\$4,949	\$6,030	\$5,722	\$5,749	\$6,240	\$6,104	\$5,994

Note:

* Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and qualified domestic relations order starts.

** Average Final Average Salary is equivalent to the average of the five highest years of salary, based on service during which member contributions were made.

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

Correctional Employees Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$335	\$687	\$1,203	\$1,419	\$1,894	\$2,943	\$3,609	\$1,471
Number of New Retirees*	20	20	18	24	24	19	3	128
Average Final Average Salary**	\$3,795	\$3,842	\$3,858	\$3,559	\$3,535	\$4,256	\$4,432	\$3,804
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$158	\$500	\$764	\$1,099	\$1,328	\$2,245	\$2,393	\$1,426
Number of New Retirees*	9	10	24	24	16	23	28	134
Average Final Average Salary**	\$4,315	\$3,103	\$3,691	\$3,640	\$3,794	\$4,275	\$5,323	\$4,133
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$429	\$778	\$1,294	\$1,707	\$2,113	\$2,943	\$3,277	\$1,842
Number of New Retirees*	12	13	22	12	16	26	8	109
Average Final Average Salary**	\$4,166	\$3,751	\$3,950	\$4,081	\$3,847	\$4,389	\$4,507	\$4,095
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$256	\$778	\$1,125	\$1,711	\$2,198	\$2,950	\$4,089	\$1,590
Number of New Retirees*	12	23	23	21	23	12	5	119
Average Final Average Salary**	\$4,080	\$3,877	\$3,754	\$4,096	\$4,357	\$4,340	\$5,186	\$4,107
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$339	\$751	\$1,365	\$1,474	\$2,266	\$2,674	\$3,690	\$1,580
Number of New Retirees*	18	33	28	23	18	11	16	147
Average Final Average Salary**	\$4,556	\$3,866	\$4,157	\$3,773	\$4,136	\$4,036	\$4,903	\$4,150
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$407	\$774	\$1,265	\$1,501	\$2,044	\$2,841	\$3,171	\$1,504
Number of New Retirees*	17	32	18	22	13	17	10	129
Average Final Average Salary**	\$5,018	\$4,059	\$3,815	\$3,592	\$3,967	\$4,367	\$4,667	\$4,150
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$343	\$822	\$1,318	\$1,567	\$2,315	\$3,003	\$3,458	\$1,671
Number of New Retirees*	19	22	23	23	16	17	12	132
Average Final Average Salary**	\$4,308	\$4,444	\$4,014	\$3,801	\$4,738	\$4,603	\$5,099	\$4,353
Period 7/1/09 to 6/30/10:								
Average Monthly Benefit	\$440	\$812	\$1,386	1,583	\$2,416	\$2,611	\$3,101	\$1,494
Number of New Retirees*	35	28	23	36	21	12	14	169
Average Final Average Salary**	\$4,217	\$4,315	\$4,452	\$3,999	\$4,479	\$4,680	\$4,356	\$4,296
Period 7/1/10 to 6/30/11:								
Average Monthly Benefit	\$282	\$745	\$1,329	1,601	\$2,505	\$3,157	\$4,264	\$1,623
Number of New Retirees*	33	19	20	51	13	23	8	167
Average Final Average Salary**	\$4,421	\$4,081	\$4,161	\$4,011	\$4,594	\$4,294	\$5,408	\$4,269
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	\$296	\$645	\$1,050	1,565	\$1,884	\$2,571	\$3,248	\$1,289
Number of New Retirees*	34	40	23	31	22	14	13	177
Average Final Average Salary**	\$4,694	\$4,228	\$4,332	\$4,541	\$4,687	\$5,067	\$4,761	\$4,548
Period 7/1/02 to 6/30/12:								
Average Monthly Benefit	\$338	\$738	\$1,208	1,524	\$2,089	\$2,806	\$3,218	\$1,536
Number of New Retirees*	209	240	222	267	182	174	117	1,411
Average Final Average Salary**	\$4,383	\$4,035	\$4,027	\$3,934	\$4,209	\$4,415	\$4,932	\$4,210

Note:

* Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and qualified domestic relations order starts.

** Average Final Average Salary is equivalent to the average of the five highest years of salary, based on service during which member contributions were made.

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

Judges Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$1,647	\$3,207	\$0	\$4,960	\$0	\$0	\$3,986
Number of New Retirees*	0	1	2	0	4	0	0	7
Average Final Average Salary**	\$0	\$9,174	\$8,172	\$0	\$8,169	\$0	\$0	\$8,313
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$1,496	\$0	\$4,247	\$4,516	\$4,421	\$6,073	\$4,217
Number of New Retirees*	0	1	0	2	2	1	1	7
Average Final Average Salary**	\$0	\$7,125	\$0	\$8,571	\$8,666	\$8,989	\$8,989	\$7,227
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$0	\$0	\$3,296	\$3,346	\$5,317	\$0	\$0	\$4,184
Number of New Retirees*	0	0	1	3	3	0	0	7
Average Final Average Salary**	\$0	\$0	\$9,089	\$8,858	\$9,207	\$0	\$0	\$9,040
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$1,879	\$3,386	\$4,096	\$5,635	\$5,313	\$0	\$4,678
Number of New Retirees*	0	1	2	5	8	1	0	17
Average Final Average Salary**	\$0	\$6,685	\$9,256	\$9,397	\$9,453	\$9,200	\$0	\$8,842
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$2,064	\$2,624	\$3,823	\$5,993	\$0	\$0	\$4,281
Number of New Retirees*	0	1	3	3	5	0	0	12
Average Final Average Salary**	\$0	\$8,821	\$9,725	\$9,730	\$9,696	\$0	\$0	\$9,639
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$0	\$2,606	\$3,038	\$4,243	\$5,252	\$5,588	\$0	\$4,675
Number of New Retirees*	0	1	3	2	12	1	0	19
Average Final Average Salary**	\$0	\$11,235	\$9,934	\$9,991	\$8,516	\$9,868	\$0	\$9,109
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$0	\$0	\$4,538	\$4,698	\$4,539	\$0	\$0	\$4,594
Number of New Retirees*	0	0	1	2	3	0	0	6
Average Final Average Salary**	\$0	\$0	\$10,727	\$10,119	\$10,048	\$0	\$0	\$10,185
Period 7/1/09 to 6/30/10:								
Average Monthly Benefit	\$0	\$1,347	\$3,383	\$4,880	\$5,975	\$0	\$0	\$5,387
Number of New Retirees*	0	1	1	2	12	0	0	16
Average Final Average Salary**	\$0	\$7,079	\$10,299	\$10,084	\$10,348	\$0	\$0	\$10,108
Period 7/1/10 to 6/30/11:								
Average Monthly Benefit	\$0	\$2,005	\$2,369	\$4,743	\$5,416	\$0	\$0	\$4,626
Number of New Retirees*	0	1	3	6	11	0	0	21
Average Final Average Salary**	\$0	\$8,020	\$8,092	\$9,163	\$9,014	\$0	\$0	\$8,878
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	\$0	\$1,673	\$3,451	\$5,443	\$6,324	\$0	\$0	\$4,898
Number of New Retirees*	0	1	8	1	10	0	0	20
Average Final Average Salary**	\$0	\$10,045	\$10,175	\$11,833	\$10,734	\$0	\$0	\$10,531
Period 7/1/02 to 6/30/12:								
Average Monthly Benefit	\$0	\$1,840	\$3,171	\$4,309	\$5,586	\$5,107	\$6,073	\$4,661
Number of New Retirees*	0	8	24	26	70	3	1	132
Average Final Average Salary**	\$0	\$8,523	\$9,568	\$9,503	\$9,496	\$9,353	\$8,989	\$9,326

Note:

* Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and qualified domestic relations order starts.

** Average Final Average Salary is equivalent to the average of the five highest years of salary, based on service during which member contributions were made.

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

Legislators Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$623	\$1,168	\$0	\$1,416	\$2,418	\$2,887	\$1,571
Number of New Retirees*	0	4	8	0	2	4	3	21
Average Final Average Salary**	\$0	\$2,073	\$3,725	\$0	\$3,109	\$3,150	\$3,144	\$3,159
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$780	\$467	\$1,086	\$0	\$2,104	\$0	\$911
Number of New Retirees*	0	5	2	2	0	1	0	10
Average Final Average Salary**	\$0	\$2,238	\$0	\$2,158	\$0	\$3,017	\$0	\$1,852
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$391	\$1,206	\$897	\$0	\$2,777	\$0	\$0	\$1,020
Number of New Retirees*	3	2	2	0	1	0	0	8
Average Final Average Salary**	\$6,496	\$8,126	\$3,191	\$0	\$2,079	\$0	\$0	\$5,525
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$690	\$1,161	\$1,627	\$0	\$0	\$0	\$0	\$1,102
Number of New Retirees*	2	5	1	0	0	0	0	8
Average Final Average Salary**	\$9,298	\$3,090	\$1,650	\$0	\$0	\$0	\$0	\$4,462
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$1,225	\$1,340	\$1,707	\$2,057	\$2,567	\$3,038	\$1,661
Number of New Retirees*	0	7	6	2	2	3	1	21
Average Final Average Salary**	\$0	\$4,552	\$3,749	\$3,923	\$5,465	\$3,452	\$3,257	\$4,131
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$0	\$1,372	\$1,233	\$1,289	\$2,935	\$2,318	\$0	\$1,505
Number of New Retirees*	0	5	5	1	1	1	0	13
Average Final Average Salary**	\$0	\$4,573	\$3,334	\$3,351	\$2,705	\$3,331	\$0	\$3,763
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$739	\$1,209	\$1,240	\$1,546	\$2,200	\$3,373	\$0	\$1,531
Number of New Retirees*	1	5	5	1	3	1	0	16
Average Final Average Salary**	\$6,741	\$4,410	\$3,433	\$3,275	\$4,378	\$3,284	\$0	\$4,103
Period 7/1/09 to 6/30/10:								
Average Monthly Benefit	\$396	\$2,187	\$1,001	\$1,471	\$5,026	\$3,373	\$0	\$1,670
Number of New Retirees*	2	2	5	1	1	1	0	12
Average Final Average Salary**	\$6,741	\$4,410	\$3,433	\$3,275	\$4,378	\$3,284	\$0	\$4,200
Period 7/1/10 to 6/30/11:								
Average Monthly Benefit	\$0	\$1,700	\$1,552	\$1,837	\$1,999	\$2,226	\$2,451	\$1,765
Number of New Retirees*	0	7	9	1	3	2	1	23
Average Final Average Salary**	\$0	\$7,785	\$3,255	\$3,345	\$3,436	\$3,338	\$3,468	\$4,678
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	\$0	\$1,235	\$1,444	\$2,481	\$0	\$0	\$0	\$1,621
Number of New Retirees*	0	4	1	2	0	0	0	7
Average Final Average Salary**	\$0	\$4,271	\$2,691	\$5,279	\$0	\$0	\$0	\$4,333
Period 7/1/02 to 6/30/12:								
Average Monthly Benefit	\$511	\$1,246	\$1,239	\$1,669	\$2,329	\$2,538	\$2,830	\$1,511
Number of New Retirees*	8	46	44	10	13	13	5	139
Average Final Average Salary**	\$7,288	\$4,529	\$3,257	\$3,597	\$3,827	\$3,273	\$3,231	\$3,988

Note:

* Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and qualified domestic relations order starts.

** Average Final Average Salary is equivalent to the average of the five highest years of salary, based on service during which member contributions were made.

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

Elective State Officers Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$0	\$0	\$3,757	\$0	\$0	\$0	\$3,757
Number of New Retirees*	0	0	0	1	0	0	0	1
Average Final Average Salary**	\$0	\$0	\$0	\$7,478	\$0	\$0	\$0	\$7,478
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$0	\$694	\$0	\$0	\$0	\$0	\$0	\$694
Number of New Retirees*	0	2	0	0	0	0	0	2
Average Final Average Salary**	\$0	\$5,130	\$0	\$0	\$0	\$0	\$0	\$5,130
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/09 to 6/30/10:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/10 to 6/30/11:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Period 7/1/02 to 6/30/12:								
Average Monthly Benefit	\$0	\$694	\$0	\$3,757	\$0	\$0	\$0	\$1,715
Number of New Retirees*	0	2	0	1	0	0	0	3
Average Final Average Salary**	\$0	\$5,130	\$0	\$7,478	\$0	\$0	\$0	\$5,913

Note:

* Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and qualified domestic relations order starts.

** Average Final Average Salary is equivalent to the average of the five highest years of salary, based on service during which member contributions were made.

Schedule of Principal Participating Employers

Current Year and Nine Years Ago

Participating Employer	Fiscal Year 2012			Fiscal Year 2003		
	Active Employees	Rank	% of Total Active Members	Active Employees	Rank	% of Total Active Members
State Employees Retirement Fund						
State of Minnesota	34,700	1	71.98%	33,619	1	69.84%
University of Minnesota	9,491	2	19.64	10,547	2	21.91
Metropolitan Council	3,524	3	7.31	3,426	3	7.12
Minnesota Historical Society	134	4	0.28	174	4	0.36
Minnesota State Fair	85	5	0.18	93	6	0.19
Minnesota Association of Professional Employees	84	6	0.17	14	10	0.03
Gillette Children's Hospital	61	7	0.13	94	5	0.20
AFSCME	30	8	0.06			
Metropolitan Sports Facility Commission	20	9	0.04	41	8	0.08
Foster-Wheeler, Inc.	19	10	0.04	41	7	0.09
Minnesota Safety Council				28	9	0.06
All Others	59		0.12	59		0.12
Totals	<u>48,207</u>		<u>100.00%</u>	<u>48,136</u>		<u>100.00%</u>
State Patrol Retirement Fund*						
State of Minnesota	<u>823</u>	1	<u>100.00%</u>	<u>805</u>	1	<u>100.00%</u>
Correctional Employees Retirement Fund*						
State of Minnesota	<u>4,276</u>	1	<u>100.00%</u>	<u>3,262</u>	1	<u>100.00%</u>
Judges Retirement Fund*						
State of Minnesota	<u>308</u>	1	<u>100.00%</u>	<u>288</u>	1	<u>100.00%</u>
Legislators Retirement Fund						
Minnesota House of Representatives	19	1	55.88%	57	1	62.64%
Minnesota Senate	15	2	44.12	34	2	37.36
Totals	<u>34</u>		<u>100.00%</u>	<u>91</u>		<u>100.00%</u>

Elective State Officers Retirement Fund

This is a closed plan. There are no remaining active members.

Participating Employer	Fiscal Year 2012			Fiscal Year 2003		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
Unclassified Employees Retirement Fund**						
State of Minnesota	743	1	52.40%	904	1	52.22%
Minnesota House of Representatives - Staff	218	2	15.37	274	2	15.83
Minnesota Senate - Staff	200	3	14.10	213	3	12.31
Minnesota House of Representatives - Members	113	4	7.97	120	4	6.93
Minnesota Senate - Members	49	5	3.46	26	8	1.50
Enterprise Minnesota, Inc.	31	6	2.19	65	5	3.76
Agricultural Utilization Research Institute	27	7	1.90	26	9	1.50
Metropolitan Council	17	8	1.20	17	10	0.98
Metropolitan Sports Facilities Commission	2	9	0.14			
Minnesota Crop Improvement Association	1	10	0.07			
Revisor of Statutes				46	6	2.66
Legislative Coordinating Commission				36	7	2.08
All Others	17		1.20	4		0.23
Totals	<u>1,418</u>		<u>100.00%</u>	<u>1,731</u>		<u>100.00%</u>

*This is a single-employer plan.

**Includes all members with account balances.

Schedule of Principal Participating Employers

Current Year and Nine Years Ago

Participating Employer	Fiscal Year 2012			Fiscal Year 2003		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
Health Care Savings Plan*						
State of Minnesota	17,125	1	36.13%	1,306	1	26.66%
Metropolitan Council	2,536	2	5.35			
Hennepin County	2,077	3	4.38			
Ramsey County	1,731	4	3.65			
Dakota County	1,613	5	3.40			
City of Minneapolis	1,219	6	2.57	835	2	17.04
MNSCU Central Office	1,120	7	2.36			
Independent School District (ISD)						
623 Roseville	888	8	1.87			
City of Duluth	875	9	1.85			
ISD 728 Elk River	726	10	1.53			
ISD 1 Minneapolis				818	3	16.70
ISD 284 Wayzata				269	4	5.49
ISD 742 St. Cloud				92	5	1.88
ISD 94 Cloquet				73	6	1.49
City of Chanhausen				64	7	1.31
Douglas County				62	8	1.27
ISD 191 Burnsville				59	9	1.20
Rock County				58	10	1.18
All Others	17,499		36.91	1,263		25.78
Totals	<u>47,409</u>		<u>100.00%</u>	<u>4,899</u>		<u>100.00%</u>

Participating Employer	Fiscal Year 2012			Fiscal Year 2009**		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
Minnesota Deferred Compensation Fund (MNDCP)*						
State of Minnesota	28,998	1	55.38%	37,245	1	45.09%
Ramsey County	4,362	2	8.33	2,925	3	3.54
ISD 1 Minneapolis	2,896	3	5.53	5,237	2	6.34
Metropolitan Council	1,749	4	3.34	2,283	4	2.76
ISD 625 St. Paul	1,054	5	2.01	1,742	7	2.11
City of St. Paul	993	6	1.90	1,858	6	2.25
Hennepin County	988	7	1.89	2,086	5	2.52
Anoka County	892	8	1.71	1,056	10	1.28
ISD 279 Osseo	866	9	1.65	1,197	8	1.45
City of Minneapolis	729	10	1.39			
Dakota County				1,145	9	1.39
All Others	8,834		16.87	25,832		31.27
Totals	<u>52,361</u>		<u>100.00%</u>	<u>82,606</u>		<u>100.00%</u>

**MSRS did not assume financial reporting responsibility for MNDCP until 2005.

Fiscal year 2005-2008 data is unavailable from previous recordkeeper.

Participating Employer	Fiscal Year 2012			Fiscal Year 2009***		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
Hennepin County Supplemental Retirement Fund						
Hennepin County	377	1	74.21%	1,820	1	78.01%
Hennepin County Medical Center	131	2	25.79	513	2	21.99
Totals	<u>508</u>		<u>100.00%</u>	<u>2,333</u>		<u>100.00%</u>

***MSRS did not assume financial reporting responsibility for this plan until 2006. Fiscal year 2006-2008 data is unavailable.

* Includes all members with account balances.

Schedule of Participating Employers

As of June 30, 2012

State of Minnesota Employers

State of Minnesota
Minnesota House of Representatives - Employees
Minnesota House of Representatives - Members
Minnesota State Senate Staff
Minnesota State Senate Members

University of Minnesota

Metropolitan Agency Employers

Metro Airports Commission
Metropolitan Council
Metropolitan Sports Facilities Commission

Unions

AFSCME
Amalgamated Transit Union
International Union of Operating Engineers
(Local 35)
Middle Management Association
Minnesota Association of Professional Employees
Metro Transit Commission Union Office
Metro Transit Commission Drivers

Cities

City of Adrian
City of Aitkin
City of Akeley
City of Albert Lea
City of Albertville
City of Alexandria
City of Anoka
City of Aurora
City of Austin
City of Babbitt
City of Balaton
City of Battle Lake
City of Baudette
City of Baxter
City of Bertha
City of Biwabik
City of Blaine
City of Bloomington
City of Blue Earth
City of Bovey
City of Brainerd
City of Breezy Point
City of Brooklyn Park
City of Browerville
City of Browns Valley
City of Buffalo
City of Buhl
City of Burnsville
City of Caledonia
City of Cambridge
City of Cannon Falls
City of Chanhassen
City of Chatfield
City of Chisago
City of Chisholm
City of Circle Pines
City of Clarissa
City of Cloquet
City of Cohasset
City of Cold Spring
City of Coleraine
City of Cologne
City of Columbus
City of Coon Rapids
City of Corcoran
City of Cottage Grove
City of Cottonwood
City of Crookston
City of Crosby

City of Crosslake
City of Crystal
City of Dassel
City of Dawson
City of Deephaven
City of Deer River
City of Detroit Lakes
City of Dilworth
City of Dodge Center
City of Duluth
City of Eagan
City of East Bethel
City of East Grand Forks
City of Eden Prairie
City of Eden Valley
City of Edina
City of Elk River
City of Ely
City of Eveleth
City of Faribault
City of Farmington
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 Hastings
City of Henning
City of Hermantown
City of Hibbing
City of Hinckley
City of Holdingford
City of Hopkins
City of Howard Lake
City of Hoyt Lakes
City of Hutchinson
City of International Falls
City of Inver Grove Heights
City of Isanti
City of Jackson
City of Janesville
City of Jordan
City of Kasson
City of Keewatin
City of La Crescent
City of La Prairie
City of Lake City
City of Lake Shore
City of Le Center
City of Le Sueur
City of Lester Prairie
City of Lino Lakes
City of Litchfield
City of Little Falls
City of Littlefork
City of Long Lake
City of Long Prairie
City of Luverne
City of Madelia
City of Mahtomedi
City of Mankato
City of Maple Grove
City of Maplewood
City of Marble
City of Marietta
City of Marshall
City of McGregor

City of Medina
City of Melrose
City of Menahga
City of Mendota Heights
City of Milaca
City of Minneapolis
City of Minnetonka
City of Montevideo
City of Montgomery
City of Monticello
City of Moorhead
City of Moose Lake
City of Mora & Public Utilities
City of Mound
City of Mounds View
City of Mountain Iron
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 Oaks
City of North St. Paul
City of Northfield
City of Oak Grove
City of Oak Park Heights
City of Oakdale
City of Olivia
City of Orono
City of Osakis
City of Osseo
City of Owatonna
City of Park Rapids
City of Paynesville
City of Pelican Rapids
City of Pierz
City of Pine City
City of Plainview
City of Preston
City of Prior Lake
City of Proctor
City of Ramsey
City of Red Lake Falls
City of Redwood Falls
City of Richfield
City of Robbinsdale
City of Rochester
City of Rockford
City of Rogers
City of Rosemount
City of Roseville
City of Rush City
City of Rushford
City of Sandstone
City of Sartell
City of Sauk Centre
City of Sauk Rapids
City of Savage
City of Scandia
City of Shakopee
City of Silver Bay
City of Slayton
City of Sleepy Eye
City of South St. Paul
City of Spring Lake Park
City of Spring Valley
City of Springfield
City of St. Anthony
City of St. Cloud
City of St. James
City of St. Louis Park

Schedule of Participating Employers

As of June 30, 2012

City of St. Michael
 City of St. Paul
 City of St. Paul Park
 City of St. Peter
 City of Staples
 City of Stephen
 City of Stillwater
 City of Thief River Falls
 City of Tonka Bay
 City of Tower
 City of Tracy
 City of Truman
 City of Two Harbors
 City of Vadnais Heights
 City of Vernon Center
 City of Victoria
 City of Virginia
 City of Wabasha
 City of Wadena
 City of Waite Park
 City of Warroad
 City of Waseca
 City of Wayzata
 City of Wells
 City of West Concord
 City of West St. Paul
 City of White Bear Lake
 City of Willmar
 City of Windom
 City of Winona
 City of Winthrop
 City of Woodbury
 City of Worthington
 City of Zumbrota

Townships

Town of Balkan
 Breitung Township
 Town of Fayal
 Franconia Township
 Town of Thomson
 White Bear Township
 Town of White

Counties

Anoka County
 Becker County
 Beltrami County
 Benton County
 Blue Earth County
 Brown County
 Carlton County
 Carver County
 Cass County
 Chisago County
 Clay County
 Clearwater County
 Cook County
 Crow Wing County
 Dakota County
 Douglas County
 Fillmore County
 Goodhue County
 Grant County
 Hennepin County
 Houston County
 Hubbard County
 Isanti County
 Itasca County
 Kanabec County
 Kandiyohi County

Koochiching County
 Lake of the Woods County
 Lake County
 Le Sueur County
 Lincoln County
 Lyon County
 Marshall County
 McLeod County
 Mille Lacs County
 Mower County
 Murray County
 Nicollet County
 Nobles County
 Norman County
 Olmstead County
 Ottertail County
 Pine County
 Pipestone County
 Pope County
 Ramsey County
 Red Lake County
 Redwood County
 Renville County
 Rice County
 Rock County
 Scott County
 Sherburne County
 Sibley County
 St. Louis County
 Stearns County
 Steele County
 Stevens County
 Todd County
 Wadena County
 Waseca County
 Washington County
 Watonwan County
 Wilkin County
 Winona County
 Wright County
 Yellow Medicine County

Independent School Districts (ISD)

ISD 1 Aitkin
 ISD 1 Minneapolis
 ISD 100 Wrenshall
 ISD 108 Central Public Schools
 ISD 11 Anoka - Hennepin
 ISD 111 Watertown/Mayer
 ISD 116 Pillager
 ISD 118 Northland Community Schools
 ISD 12 Centennial
 ISD 13 Columbia Heights
 ISD 138 North Branch
 ISD 139 Rush City
 ISD 14 Fridley
 ISD 15 St. Francis
 ISD 152 Moorhead
 ISD 16 Spring Lake Park
 ISD 162 Bagley
 ISD 166 Cook County
 ISD 173 Mountain Lake
 ISD 181 Brainerd
 ISD 182 Crosby-Ironton
 ISD 191 Burnsville-Eagan-Savage
 ISD 194 Lakeville
 ISD 195 Randolph
 ISD 196 Rosemount-Apple Valley-Eagan
 ISD 197 West St. Paul
 ISD 199 Inver Grove Heights
 ISD 200 Hastings
 ISD 203 Hayfield
 ISD 204 Kasson-Mantorville

ISD 206 Alexandria
 ISD 213 Osakis
 ISD 2135 Maple River Schools
 ISD 2142 St. Louis County
 ISD 2144 Chisago Lakes
 ISD 2154 Eveleth/Gilbert
 ISD 2155 Wadena Deer Creek
 ISD 2164 Dilworth-Glyndon-Felton
 ISD 2168 New Richland-Hartland-Ellendale-Genera
 ISD 2169 Murray County Central
 ISD 2170 Staples-Motley
 ISD 2172 Kenyon/Wanamingo
 ISD 2180 MacCray
 ISD 2184 Luverne
 ISD 2190 Yellow Medicine East
 ISD 2198 Fillmore Central
 ISD 22 Detroit Lakes
 ISD 2364 Belgrade-Brookton-Elrosa
 ISD 239 Rushford-Peterson
 ISD 2396 Atwater-Grove City-Cosmos
 ISD 242 Alden-Conger
 ISD 253 Goodhue
 ISD 2534 Bold
 ISD 255 Pine Island
 ISD 2580 East Central Schools
 ISD 2609 Win-E-Mac
 ISD 270 Hopkins
 ISD 271 Bloomington
 ISD 272 Eden Prairie
 ISD 273 Edina
 ISD 2752 Fairmont Area Schools
 ISD 2753 Long Prairie Grey Eagle
 ISD 276 Minnetonka
 ISD 277 Westonka
 ISD 278 Orono
 ISD 279 Osseo
 ISD 280 Richfield
 ISD 2805 Zumbrota-Mazeppa
 ISD 281 Robbinsdale
 ISD 282 St. Anthony-New Brighton
 ISD 283 St. Louis Park
 ISD 2835 Janesville-Waldorf-Pemberton
 ISD 284 Wayzata
 ISD 2859 Glencoe-Silver Lake
 ISD 286 Brooklyn Center
 ISD 2860 Blue Earth/Winnebago
 ISD 2884 Red Rock Central
 ISD 2895 Jackson County Central
 ISD 2897 Redwood Area
 ISD 2898 Westbrook Walnut Grove
 ISD 2899 Plainview-Elgin-Millville
 ISD 2903 Ortonville
 ISD 2904 Tracy
 ISD 294 Houston
 ISD 297 Spring Grove
 ISD 299 Caledonia
 ISD 300 La Crescent-Hoka
 ISD 308 Nevis
 ISD 309 Park Rapids
 ISD 31 Bemidji
 ISD 314 Braham
 ISD 316 Greenway
 ISD 317 Deer River
 ISD 318 Grand Rapids
 ISD 330 Heron Lake-Okabena
 ISD 333 Ogilvie
 ISD 361 International Falls
 ISD 362 Littlefork
 ISD 363 South Koochiching
 ISD 381 Lake Superior School
 ISD 390 Lake of the Woods
 ISD 391 Cleveland
 ISD 402 Hendricks

Schedule of Participating Employers

As of June 30, 2012

ISD 403 Ivanhoe
 ISD 423 Hutchinson
 ISD 458 Truman
 ISD 463 Eden Valley-Watkins
 ISD 465 Litchfield
 ISD 466 Dassel-Cokato
 ISD 47 Sauk Rapids
 ISD 473 Isle
 ISD 477 Princeton
 ISD 480 Onamia
 ISD 484 Pierz
 ISD 486 Swanville
 ISD 487 Upsala Area Schools
 ISD 492 Austin
 ISD 51 Foley
 ISD 518 Worthington
 ISD 533 Dover-Eyota
 ISD 534 Stewartville
 ISD 535 Rochester
 ISD 542 Battle Lake
 ISD 544 Fergus Falls
 ISD 548 Pelican Rapids
 ISD 550 Underwood
 ISD 553 New York Mills
 ISD 564 Thief River Falls
 ISD 593 Crookston
 ISD 595 East Grand Forks
 ISD 6 South St. Paul
 ISD 6076 Northland Learning Center
 ISD 621 Mounds View
 ISD 622 North St. Paul-Maplewood
 ISD 623 Roseville
 ISD 624 White Bear Lake
 ISD 625 St. Paul
 ISD 628 Plummer
 ISD 656 Faribault
 ISD 659 Northfield
 ISD 682 Roseau
 ISD 695 Chisholm
 ISD 696 Ely
 ISD 698 Floodwood
 ISD 700 Hermantown
 ISD 701 Hibbing
 ISD 704 Proctor
 ISD 706 Virginia
 ISD 709 Duluth
 ISD 712 Buhl-Mountain Iron
 ISD 716 Belle Plaine
 ISD 717 Jordan
 ISD 719 Prior Lake-Savage
 ISD 720 Shakopee
 ISD 726 Becker
 ISD 721 New Prague
 ISD 727 Big Lake Schools
 ISD 728 Elk River
 ISD 739 Kimball
 ISD 740 Melrose
 ISD 741 Paynesville
 ISD 742 St. Cloud
 ISD 743 Sauk Centre
 ISD 745 Albany
 ISD 748 Sartell-St. Stephen
 ISD 75 St. Clair
 ISD 756 Blooming Prairie
 ISD 761 Owatonna
 ISD 768 Hancock
 ISD 77 Mankato
 ISD 771 Chokio-Alberta
 ISD 775 Kerkhoven-Murdock-Sunburg
 ISD 786 Bertha-Hewitt
 ISD 81 Comfrey
 ISD 811 Wabasha-Kellogg

ISD 813 Lake City
 ISD 820 Sebeka
 ISD 829 Waseca
 ISD 831 Forest Lake
 ISD 833 South Washington County
 ISD 834 Stillwater
 ISD 840 St. James
 ISD 846 Breckenridge
 ISD 85 Springfield
 ISD 857 Lewiston-Altura
 ISD 861 Winona Area
 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
 ISD 91 Barnum
 ISD 912 Milaca Public Schools
 ISD 916 NE Metro
 ISD 917 Rosemount
 ISD 93 Carlton
 ISD 94 Cloquet
 ISD 95 Cromwell-Wright
 ISD 99 Esko
 Benton Sterns Education District #6383
 Carver-Scott Educational Cooperative #930
 Eagle Valley Public Schools
 Eastern Carver County Schools #112
 East Metro Integration District #6067
 Fergus Falls Public Special Education #935
 Freshwater Education District
 Great Expectations School
 Independent School District #97
 Intermediate School District #287 Plymouth
 Meeker-Wright Special Education Cooperation #938
 Mid-State Education District
 New Visions Academy
 Northwest Passage High School
 Region 1-ESV (Educational Secondary Vocational)
 Saint Paul Conservatory for Performing Arts
 Spectrum High School
 Technology & Information Education Services
 (TIES)
 West Central Education District #6026
 West Metro Education Program #6069

Other Employers

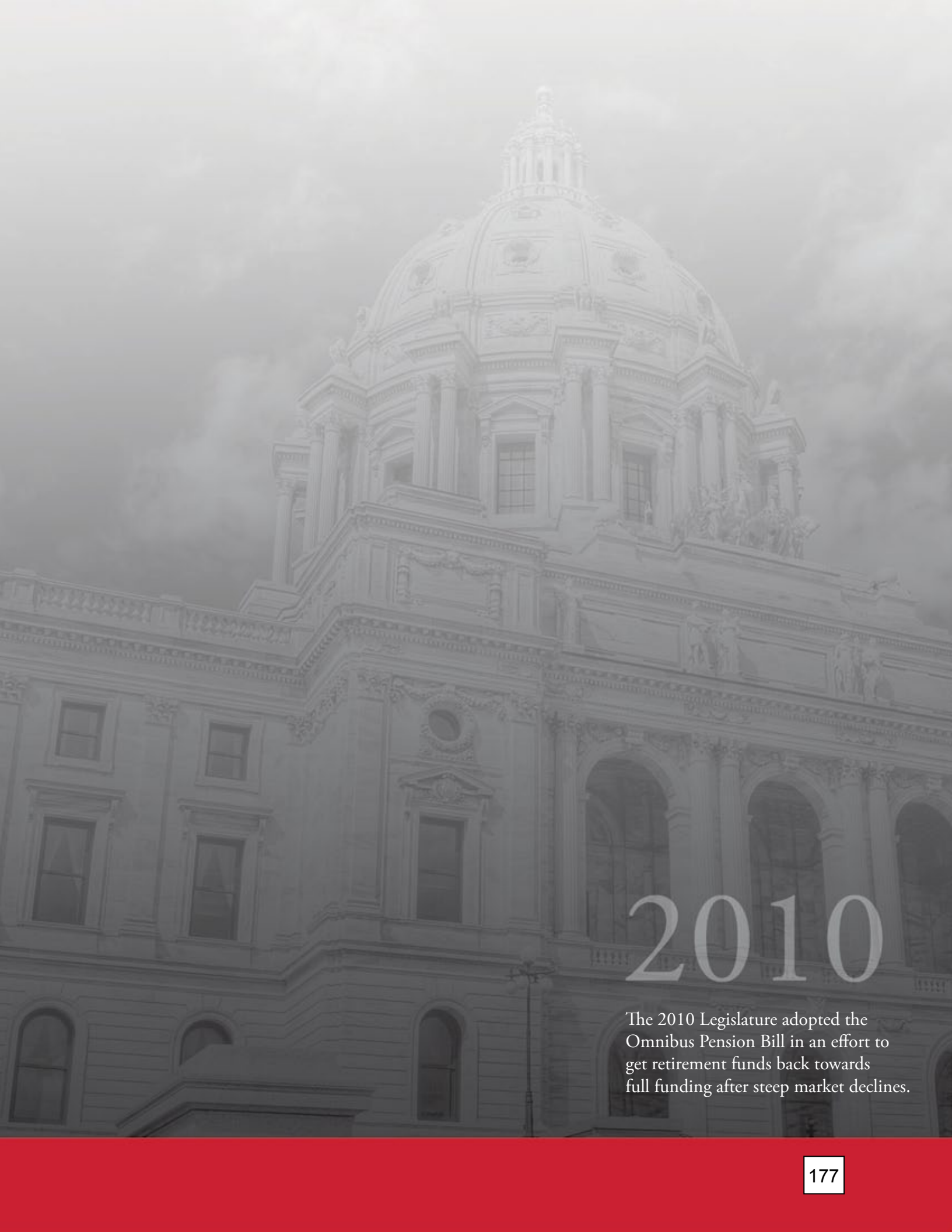
Adrian Public Utilities Commission
 Agricultural Utilization Research Institute
 Aitkin Public Utilities Commission
 Alexandria Light & Power
 Arrowhead Library System
 Arrowhead Regional Computing Consortium
 Arrowhead Regional Development Commission
 Austin Utilities
 Becker County SWCD (Soil and Water
 Conservation District)
 Beltrami Area Service Collaborative
 Benton County SWCD
 Blue Earth Light & Water
 Brainerd Housing & Redevelopment Authority
 (HRA)
 Brainerd Public Utilities
 Brown County SWCD
 Capitol Region Watershed District
 Carlton County SWCD
 Carver County CDA (Community Development
 Agency)
 Carver County SWCD

CCLNS Joint Powers Board #3
 Centennial Lakes Police Department
 Chippewa County-Montevidéo Hospital
 Chippewa County SWCD
 Chisholm Hibbing Airport Commission
 Clearwater Health Services - Memorial Hospital
 Comfort Lake Forest Lake Watershed District
 Cook County North Shore Hospital
 Cook Hospital
 Crosslake Communications
 Dakota Communications Center
 Dakota County Community Development Agency
 Dawson Municipal Liquor Store
 Delano Municipal Utilities
 Douglas County Hospital
 Douglas SWCD
 Duluth Entertainment Convention Center - DECC
 Duluth Housing & Redevelopment Authority
 Duluth Seaway Port Authority
 Duluth Teachers Retirement Fund Association
 Duluth Transit Authority
 East Central Regional Development Commission
 East Central Regional Library
 East Grand Forks Water & Light
 EdVisions Cooperative, Inc.
 Elk River Municipal Utilities
 Enterprise Minnesota
 Fillmore County SWCD
 FirstLight Health System
 Foster-Wheeler (Twin Cities)
 Freeborn SWCD
 Gillette Children's Specialty Healthcare
 Glencoe Light and Power Commission
 Grand Marais Public Utilities Commission
 Grand Rapids-Public Utilities Commission
 Great River Regional Library
 Green Pine Acres NH - Menahga
 Hennepin County Medical Center
 Heritage Living Center - Hubbard County
 Hibbing Public Utilities
 Hinckley Firehouse Liquor
 Itasca Nursing Home - Grand Village
 Kandiyohi Area Transit
 Kandiyohi SWCD
 Keewatin Public Utilities
 Lake Agassiz Regional Library
 Lakes Area Police
 League of Minnesota Cities
 Lincoln County SWCD
 Littlefork Medical Center
 LOGIS (Local Government Information Systems)
 Madelia Municipal Light and Power
 Mahnomon SWCD
 Marshall Municipal Utilities
 Marshall SWCD
 Meeker County/Meeker Memorial Hospital
 Middle Mississippi River Watershed Management
 Mid-Minnesota Development Commission
 Mille Lacs SWCD
 Minnesota Elementary School Principals' Association
 Minnesota Crop Improvement Association
 Minnesota Historical Society
 Minnesota Inter-County Association
 Minnesota Safety Council
 Minnesota Valley Transit Authority
 Minnesota Conservation Corps
 Minnesota Horticultural Society
 MNSCU Central Office
 Moose Lake Water & Light Commission
 Mower SWCD
 Murray County Memorial Hospital-Medical Center
 National Joint Powers Alliance

Schedule of Participating Employers

As of June 30, 2012

New Prague Golf Course	St. Cloud Area Planning Organization
New Prague Municipal Utilities	St. Cloud Housing and Redevelopment Authority
New River Medical Center	St. Cloud Metropolitan Transit Commission
New Ulm Public Utilities	St. Michael's Hospital & Nursing Home
Nicollet SWCD	State Fair
Norman County SWCD	St. Paul Teachers Retirement Fund
North St. Louis SWCD	Stearns County SWCD
Northeast Service Cooperative #927	Steele County SWCD
Northern Dakota County Cable Communications (NDC4)	Sunnyside Care Center-Becker County
Owatonna Public Utilities	Three Rivers Park District
Paynesville Area Health Care System	Todd County SWCD
Pennington County SWCD	Traverse Des Sioux Library
Pine County SWCD	Tri County Community Corrections
Pioneerland Library System	United Hospital District
Pipestone County Medical Center	Upper Minnesota Valley Regional Development Commission
Port Authority of City of St. Paul	Utilities Plus
Preston Public Utilities	Viking Library System
Prior Lake Spring Lake Watershed District	Virginia Public Utilities
Public Housing Agency-St. Paul	Virginia Regional Medical Center
Quad Cities Cable Communication Commission	Waseca-LeSueur Regional Library
Ramsey-Washington Metro Watershed District	Washington County Housing and Redevelopment Authority
Red River Valley Conservation Service Area	Washington County SWCD
Red Rock Rural Water System	Wells Public Utilities
Redwood Area Hospital	West Hennepin County Public Safety
Redwood SWCD	West Metro Fire Rescue
Regions Hospital (St. Paul Ramsey)	West Ottertail County SWCD
Renville County SWCD	Western Lake Superior Sanitation District
Rice County District One Hospital	Wilkin SWCD
Rice County SWCD	Willmar Municipal Utilities
Rice Creek Watershed District	Windom Area Hospital
Rice Memorial Hospital	
River's Edge Hospital & Clinic	
Sauk Centre Public Utilities	
Scott County SWCD	
Shakopee Public Utilities Commission	
Sherburne SWCD	
Sleepy Eye Medical Center	
Sleepy Eye Public Utilities	
South Country Health Alliance	
South Metro Fire Department	
South St. Louis County SWCD	
South Washington Watershed District	
Southern Minnesota Municipal Power Agency	
Southwest Health & Human Services	
Southwest Regional Development Commission	
Spirit Mountain Recreation Area	
Spring Lake Park Fire Department	



2010

The 2010 Legislature adopted the Omnibus Pension Bill in an effort to get retirement funds back towards full funding after steep market declines.



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