



# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

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

*Journey to  
Retirement*



## About our cover...

Retirement is our business.

We are here to support each and every one of our members every step of the way on their *Journey to Retirement*, our theme for this year's Comprehensive Annual Financial Report.

We often hear questions like:

- ◆ Will I ever get to retirement?
- ◆ Will there be enough money available to carry me through my retirement?
- ◆ Why should I think about retirement now?
- ◆ When is the best time to retire?

Consistent with our mission statement to deliver exemplary customer service, we'll answer questions and provide information. We'll offer assistance to guide our members in the right direction through information online, retirement workshops and one-on-one counseling sessions in person or through our Service Center. We give our members the tools to explore, dream, and discover.

The MSRS Board of Directors is committed to ensuring that sufficient funds will be available to pay future promised benefits to our membership. We'll continue to be proactive in public pension policy aimed at protecting our members' defined pension benefit and improving each retirement plan's funding status.

Our members will know the journey is its own reward.

It's our desire to see our members kick up their heels and celebrate during this journey to retirement.

# 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, 2013

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*

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# Introductory Section

MSRS Comprehensive Annual Financial Report 2013



*Supporting* you  
every step of the way

# Achievement Awards



Government Finance Officers Association

## 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, 2012**

Executive Director/CEO



Public Pension Coordinating Council

## **Recognition Award for Administration 2013**

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  
Program Administrator



# Board Chairperson's Report



December 20, 2013

Dear Members, Benefit Recipients, and Employers:

The MSRS Board of Directors is committed to completing the journey to restore the retirement plans to the funding levels we had prior to the Great Recession in 2008 and 2009. Another strong investment return, along with legislative changes to the State Patrol and Judges Plans, helped move us closer to our destination. The proof is in the numbers. The investment return for the year ending June 30, 2013, was 14.2 percent, far outdistancing the assumed rate in law of 8 percent to June 30, 2017 (8.5 percent on July 1, 2017 and thereafter). This means our net position (total assets minus total liabilities) reserved for payments of pension benefits and system expenses, rose to \$17.49 billion, a growth of \$5.8 billion since 2009.

Critics of public pension plans continue to be vocal, despite the great distance we have traveled since 2009. The General Employees Retirement Plan's funding level, using the market value of assets, improved more than 20 percent in four years. This plan's funding increased from 65.6 percent in 2009 to 87.8 percent as of June 30, 2013, a remarkable improvement. In 2010 reform legislation, we lowered liabilities by about \$600 million. In 2013, we made other important benefit changes and increased contribution rates to put our State Patrol and Judges Retirement Plans back on the path to reach sustainable funding. All of these changes continue to work in our favor.

Earlier this year, Detroit filed for bankruptcy, and some critics suggest our journey will take us down the same road. That is not the case. The Minnesota State Retirement System is not Detroit.

Our journey is on a different path, to a solid and secure destination. Moody's, a major rating agency, gave the state's general obligation bonds an Aa1 rating in July 2013, only one step down from the highest AAA rating. In addition, other rating agencies cite that the changes made in 2010 and 2013 to our retirement funds are positive and show our state's financial strength.

To make certain that we are on track to achieve sustainable plans, we hired an independent actuarial firm to review our funding status and to project if we are on course to reach our full funding destination. We asked the actuarial firm to conduct experience studies to ensure that we are using accurate assumptions on life expectancy, benefit amount predictions, and whether members are retiring earlier or later than we expect. These experience studies help us stay on course to reach full funding.

The Minnesota State Retirement System is well down the road to recovery. As we continue our journey, the Board remains committed to take action to overcome any obstacles to achieve our destination of having a sustainable retirement system that our membership can count on now and in the future. As always, we appreciate your continued support on this journey.

Sincerely,

Mary Benner, Chair  
Board of Directors

# Letter of Transmittal



December 20, 2013

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, 2013, our 84th year of operation. The theme of the report is *Journey to Retirement*, and throughout this report we provide information that demonstrates our commitment to partnering with you on that journey. It has been a busy year for MSRS, and the activities we have undertaken are all part of a concerted effort to fulfill our mission: to administer secure retirement plans, ensure timely benefit payments, be proactive in public pension policies, and provide exemplary customer service.

This CAFR is designed to meet the 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, 2013. MSRS management takes full responsibility for the content of this report and ensuring that sufficient internal controls exist to provide reasonable assurance that the information in the financial statements, supporting schedules, and statistical tables is reliable.

Readers of this transmittal letter are encouraged to refer to *Management's Discussion and Analysis* on pages 28-33 for financial highlights and an overview of MSRS' financial statements for fiscal year 2013.

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/fn/acct>.

## About MSRS Plans

MSRS administers six defined benefit and four defined contribution plans, which are identified below. The net position (total assets minus total liabilities\*) of these plans, reserved for payments of pension benefits, totaled nearly \$17.5 billion as of June 30, 2013.

## 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 56,200 active employees from over 24 employer units, 37,400 benefit recipients, and 25,200 members who are no longer contributing, but are eligible for either future monthly benefits or a lump-sum distribution. The net position for these plans exceeded \$11.83 billion as of June 30, 2013.

MSRS also serves over 82,100 participants in the MNDCP with net position totaling \$4.93 billion as of June 30, 2013. Over 83,600 members participate in the Health Care Savings Plan with a net position at fiscal year-end exceeding \$587.7 million. Over 1,600 members participate in the Supplemental Retirement Plan for Hennepin County with a net position of \$133.4 million as of June 30, 2013.

\*Liabilities include amounts payable to vendors, bondholders, and other funds, but exclude the actuarial accrued liabilities for future benefits.



## Major Initiatives

A number of major initiatives which began in 2013 are listed chronologically in the following bullets. Each of these initiatives contributed significantly to making MSRS a more efficient and secure retirement system.

- Effective July 1, 2012, the MSRS building ownership ratio increased from 24.6 percent to 26.8 percent. This allowed MSRS to consolidate its central office staff to a single floor in a remodeling project that was completed in fiscal year 2013.

- Early in the fiscal year, MSRS migrated to Active Directory, a computer directory service used to authorize and authenticate user access to resources on our network. This is a widely-supported system that integrates well with our Microsoft Windows workstations, making them easier to manage. The migration also provided us the opportunity to redesign this portion of our network to enhance security.

- In August of 2012, Computer Sciences Corporation (CSC) was selected to provide professional/technical services for our Aurora Migration Project (AMP). This multi-year, multi-phase project involves the conversion of our mainframe-based COBOL batch applications to a more current and flexible technology platform, JAVA. It also provides an opportunity to streamline critical business processes (i.e. benefit payment processing) to improve overall efficiency and productivity. Much of the fiscal year was spent gathering information, documenting processes, and defining business requirements through joint application development sessions.

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

- The city of Minneapolis made the decision to move from providing three deferred compensation plans to their employees to one, and the Minneapolis City Council selected the Minnesota Deferred Compensation Plan. The transition took place in September 2012 and increased MNDCCP assets by nearly \$140 million and approximately 2,000 new participants.

- The enterprise risk assessment project that began in fiscal year 2012 with the hiring of Crowe Horwath was completed in October 2012. The assessment looked at key business processes, including financial reporting, information technology, and contribution and benefit payment processing. Risks that would 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.

- The Recordkeeping and Custodial Services contract for MSRS' defined contribution plans expires on June 30, 2014. A Request for Proposal was issued in the fall of 2012, with three companies submitting bids. After a lengthy process of evaluating responses and visiting vendors, the board recommended that ING, our current recordkeeper, be awarded the new contract. This is the largest contract administered by MSRS, and the selection committee believes ING will provide the best value.

- As part of the ongoing efforts in business continuity, we established a redundant data center. This center will serve as a warm site, helping to ensure that business will be minimally impacted in the event of a business interruption. The site will be fully tested in fiscal year 2014.

- Several legislative initiatives were enacted during the 2013 Minnesota legislative session, with the focus on reducing contribution deficiencies for the State Patrol and Judges Retirement Funds. Changes to the State Patrol Retirement Fund include increases to contribution rates, reduced annual benefit increases, lengthened vesting periods, and early retirement penalties. Changes to the Judges Retirement Fund include contribution rate increases, lower annual benefit increases, and a lower benefit formula for future judges. When enacted, plan provision changes will help ensure continued financial security and stability of these funds in the future. Many of these changes became effective on July 1, 2013.

- Additional legislation merged the Elective State Officers Retirement Fund with the Legislators Retirement Fund for administrative cost savings purposes. Under this new arrangement, the financial activities of the two plans will be reported in a single fund, the Legislators Retirement Fund, beginning with fiscal year 2014. Benefit provisions for both retirement plans remain unaffected by the merger.

Future plans include the continuation of the COBOL conversion project. The first of four iterations of the project went live in November 2013. The project, which includes three more iterations, is expected to be completed in late 2014.

In June 2012 the Governmental Accounting and Standards Board (GASB) issued two new standards for pension accounting and financial reporting: GASB **Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25** and GASB **Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27**. The standards are a monumental change, breaking the link between accounting and funding measures.

MSRS must implement the first of the new standards, GASB Statement No. 67, by June 30, 2014, so MSRS will be busy in the coming fiscal year preparing for the change and educating employers and stakeholders. In addition, MSRS will continue refining funding policies and practices for its defined benefit plans to ensure sufficient pension resources exist to pay future promised benefits.

## 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 Statewide Integrated Financial Tools (SWIFT) system under the oversight of the department of Minnesota Management and Budget.

### Independent Audit

The Office of the Legislative Auditor, a professional, non-partisan 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, the *Independent Auditor's Report*, 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, 2013 and 2012. Additions represent employee and employer contributions and net investment earnings. Deductions include annuity payments, health care reimbursements, ongoing deferred compensation and other defined contribution plan withdrawals, refunds, and administrative expenses. With a 14.2 percent investment return for fiscal year 2013 (following a 2.4 percent investment return for fiscal year 2012), MSRS realized an increase of \$1.83 billion in the net position for all MSRS pension trust funds for fiscal year 2013. This amount is composed of an increase of over \$1.07 billion for MSRS' defined benefit funds and an increase of nearly \$760 million for its defined contribution funds.

## SUMMARY STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

### ALL MSRS PENSION TRUST FUNDS

For the Fiscal Years Ended June 30, 2013 and 2012

(Dollars in thousands)

<u>Source</u>	<u>Defined Benefit Funds</u>		<u>Defined Contribution Funds</u>	
	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>
Total Additions	\$1,810,681	\$580,486	\$1,082,758	\$464,436
Total Deductions	737,118	692,043	325,609	302,225
Net Increase (Decrease) in				
Net Position Restricted for Pensions	<u>\$1,073,563</u>	<u>\$(111,557)</u>	<u>\$757,149</u>	<u>\$162,211</u>

## Actuarial Funding Status

MSRS contracted with Gabriel Roeder Smith & Company (GRS) of Minneapolis, Minnesota to perform an annual actuarial valuation for each MSRS defined benefit fund and to provide other actuarial consulting services during fiscal year 2013. 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 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 existing assets and projected investment earnings on those assets are sufficient to cover the liabilities for present and future annuities, survivor and disability benefits, refunds, and administrative expenses.

The schedule below highlights the actuarial value of assets, actuarial accrued 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 because they are closed plans) for each defined benefit fund as of the latest actuarial valuation date, July 1, 2013.

<b>HIGHLIGHTS OF THE 2013 ACTUARIAL VALUATIONS</b>				
(Dollars in thousands)				
<b>Defined Benefit Retirement Fund</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Contribution Deficiency</b>
State Employees	\$9,375,780	\$11,428,641	82.04%	2.45%
State Patrol	552,319	741,850	74.45	8.68%
Correctional Employees	701,091	1,026,098	68.33	5.41%
Judges	144,918	284,513	50.94	11.46%
Legislators*	11,493	235,877	4.87	\$18,488
Elective State Officers *	0	8,595	0.00	\$1,075

*\* Unlike the other defined benefit retirement funds, the Legislators and Elective State Officers Retirement Funds are financed on a pay-as-you-go basis.*

For all of the defined benefit funds, except the State Patrol and Judges Retirement Funds, the contribution deficiencies as of the July 1, 2013, actuarial valuations grew in comparison to the contribution deficiencies one year earlier due, in part, to the recognition of investment losses from prior years in the actuarial value of assets. (In determination of the actuarial value of assets, actual investment gains or losses that exceeded earnings at the expected eight percent return rate are recognized equally over five consecutive years, at the rate of 20 percent per year. This smoothing of unrecognized investment return is intended to lessen the effect of any volatility in the market over time). 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 not reach full funding in the next 30 years.

For the State Patrol Retirement Fund, the current contribution deficiency reflects state contributions of \$1 million made annually on October 1 beginning in 2013 and continuing until both the Public Employees Retirement Association Police and Fire and the MSRS State

Patrol Retirement Funds reach a 90 percent funded ratio determined on a market value of assets basis. For the State Patrol Fund, the contribution deficiency excludes additional member and employer contribution increases totaling 5 percent that are scheduled over the next three years.

For the Judges Retirement Fund, plan changes affecting members first hired after June 30, 2013, are expected to ultimately reduce the cost of the plan, but have not yet impacted the valuation results. Similarly, for the Correctional Employees Retirement Fund, plan changes affecting members first hired after June 30, 2010, are expected to ultimately reduce the cost of the plan, but have not yet impacted 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.



# Letter of Transmittal

Additionally, current law for the General State Employees, Correctional Employees, and State Patrol Retirement Funds allows the MSRS Board of Directors to change employee and employer contribution rates to eliminate contribution deficiencies over time, unless the Legislative Commission on Pensions and Retirement denies or modifies any rate changes. Specifically, for the General State Employees Retirement Fund, which has experienced two consecutive actuarial valuations with contribution deficiencies between 2 and 4 percent of covered payroll, the MSRS Board may recommend an increase in the employee and employer contribution rates. The contribution rate increases for each may be up to .5 percent and, if approved, would become effective the first day of the first full pay period in the fiscal year following receipt of the actuarial valuation that gave rise to the adjustment. Similarly, for the Correctional Employees Retirement Fund, which has experienced two consecutive actuarial valuations with contribution deficiencies greater than 4 percent of covered payroll, the MSRS Board may recommend to increase employee and employer contribution rates a total of 1.5 percent.

The assumptions and actuarial methods used in the valuations are in accordance with *Minnesota Statutes*, Section 356.215. The actuarial method used to determine the actuarial accrued liabilities and required contribution was the individual entry age normal cost method. All other actuarial methods and assumptions remained the same as those used in the July 1, 2012, actuarial valuations, with one exception. The post-retirement investment rate assumption was changed for both the State Patrol and Judges Retirement Funds to reflect recently enacted reductions in the annual post-retirement benefit increase adjustments effective January 1, 2014, and thereafter. 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*.

## Investment Results

In accordance with the Minnesota Constitution, the State Board of Investments (SBI) invests the assets of MSRS' funds. The SBI Board includes Governor Mark Dayton, Attorney General Lori Swanson, Secretary of State Mark Ritchie, and State Auditor Rebecca Otto. For all investments under the SBI's management, the SBI Board, the 17-member Investment Advisory Council (IAC) (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 SBI Board, in conjunction with the IAC and the 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 the SBI. During fiscal year 2013, the domestic stock pool reported a 21.9 percent return, greater than the Russell 3000 Index by 0.4 percentage points. The bond pool posted a 0.8 percent return for fiscal year 2013, higher than the Barclays Capital Aggregate Bond Index of (0.7) percent. The International Stock Pool reported a 16.1 percent return for the fiscal year, outperforming 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 2.4 percent for the fiscal year. Within this investment environment, the Combined Funds, which represent all defined benefit pension assets under the SBI's control, reported a 14.2 percent return (net of fees) for the 2013 fiscal year. Annualized over the latest ten-year period, the Combined Funds generated an 8.2 percent return, outperforming a composite market index (weighted in manner that reflects the long-term asset allocation of the Combined Funds over the latest ten-year period as indicated in the table below) by 0.3 percentage points.

### COMBINED FUNDS ASSET MIX AND MARKET INDICES

Investment Type	Market Indicator	Long-Term Policy Target
Domestic Equity	Russell 3000 Index	45.0%
International Equity	Morgan Stanley Capital International World All County World Index Ex-U.S.	15.0
Alternative Assets	Alternative investments are measured against themselves using actual portfolio returns	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* for additional details on the investment results of MSRS' largest defined benefit retirement funds for fiscal year 2013.

## 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, 2012. This was the fourth 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 2013 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 covering 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

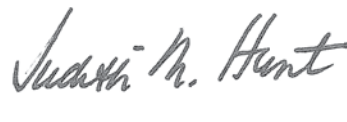
## Membership Report

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, <http://www.msrs.state.mn.us/info/fincl.html>. A summary of the CAFR will be published in the next issue of the *Messenger*, MSRS' newsletter.

## Acknowledgements

Three very special individuals deserve outstanding recognition and our utmost appreciation for their time and effort in preparation of this report: Accounting Director, Joan Weber, and Finance Project Manager, 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 is a reflection of their relentless ambition, tremendous dedication, and superior stamina.

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 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, 2013

**Mary Benner, Chair**

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

**Allen E. Hoppe**

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

**Mathew Hodapp, Vice Chair**

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

**Thomas Ruter**

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

**Michael Keapproth**

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

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

*Appointed by Governor  
Term expires: January 2, 2017*

**Chester Jorgenson**

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

**Wes Skoglund**

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

**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*

**Michael Schweyen**

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

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

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

## 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

**Actuary:**

Gabriel Roeder Smith & Company

**Legal Counsel:**

Assistant Attorney General Rory Foley  
Assistant Attorney General Kevin Finnerty

**Medical Advisor:**

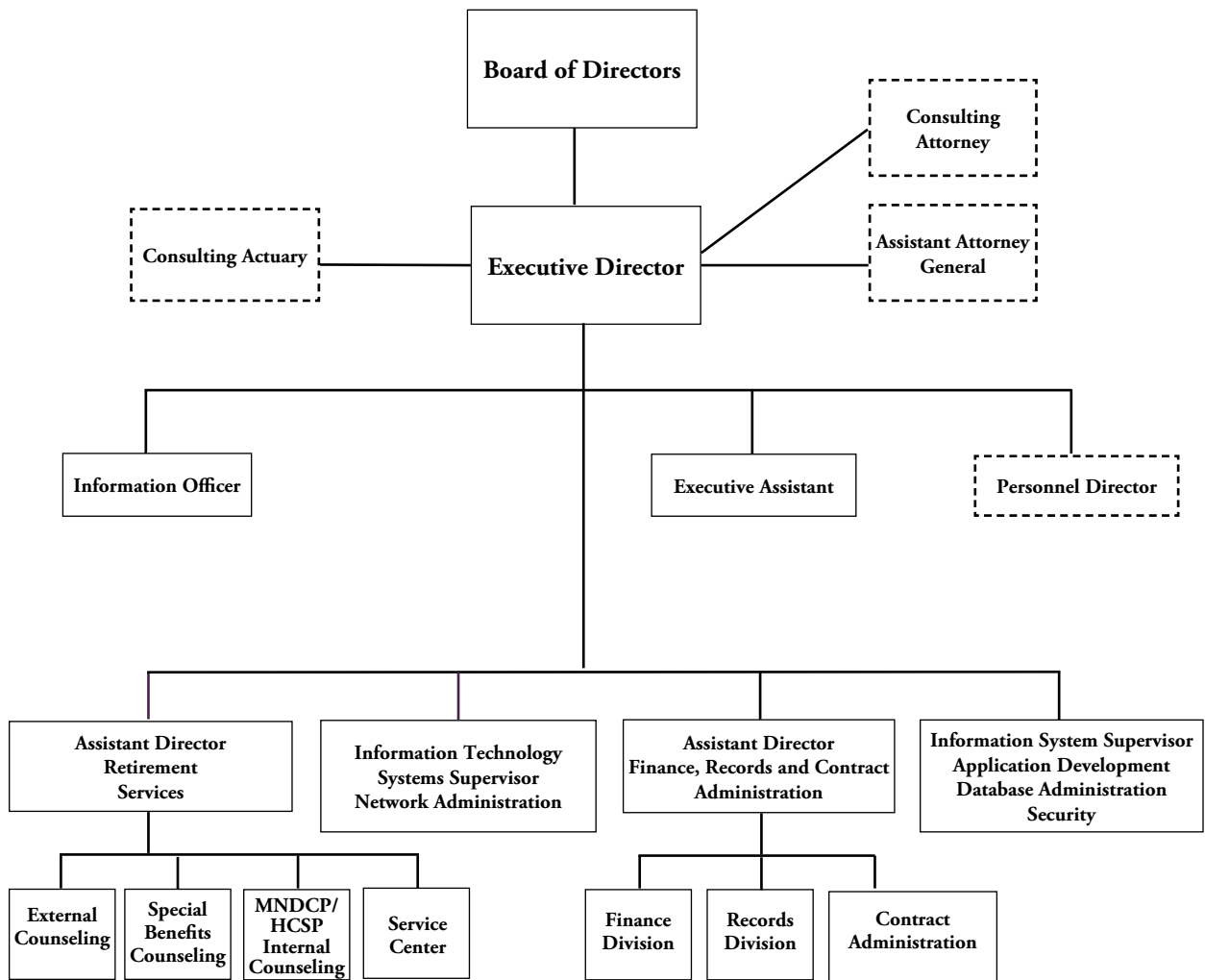
Minnesota Department of Health

NOTE: MSRS invests its funds in various investment pools administered by the Minnesota State Board of Investment (SBI). The SBI retains various investment advisors whose fees are paid by the pool participants, including MSRS. A schedule of these advisors and MSRS' share of their fees is included on page 82 of the *Investment Section* of this CAFR.



# Organization Chart

As of June 30, 2013



## 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-instructional 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 or other periodic compensation. 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, with three years of allowable service
- If hired on or after July 1, 1989, age eligible for full Social Security retirement benefits (but not higher than age 66) and three years of allowable service (five years if hired after June 30, 2010)
- 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 Survivor 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 annual 2 percent benefit increases on January 1.
- Annual benefit increases will revert to 2.5 percent when the Plan's funded ratio reaches 90 percent determined on a market value of assets (instead of an actuarial value of assets) basis.
- Retirees who have been receiving a benefit for at least 12 full months as of June 30 will receive the full increase. Members receiving benefits for at least one month, but less than 12 full months as of June 30 will receive a prorata increase.

## **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 benefit based on a 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 - June 30, 2014;
  - 13.4 percent effective July 1, 2014 - June 30, 2016;
  - 14.4 percent effective July 1, 2016.
- Employers:
  - 18.6 percent effective July 1, 2011 - June 30, 2014;
  - 20.1 percent effective July 1, 2014 - June 30, 2016;
  - 21.6 percent effective July 1, 2016.
- State contribution of \$1 million is paid annually on October 1 beginning in 2013 until both the Public Employees Retirement Association (PERA) Police and Fire Retirement Fund and the MSRS State Patrol Retirement Fund become 90 percent funded on a market value of assets basis.

### **C. Benefit Formula**

- Three percent of high-five year salary for each year of allowable service up to 33 years. Members with at least 28 years of service as of July 1, 2013, are not subject to the service limit. Contributions above the service cap are refunded at retirement.

### **D. Retirement Age and Service Requirements**

- Age 55 with three years of allowable service if hired prior to July 1, 2013 (ten years if hired after June 30, 2013), no reduction
- Early retirement at age 50 with three years of allowable service if hired prior to July 1, 2013 (ten years if hired after June 30, 2013), with a reduction in the normal retirement benefit from age 55



# Summary of Retirement System Plans

## E. Disability

- Eligible for disability if unable to perform duties (with one year of service), and immediate coverage if qualified for line-of-duty disability
- For a job-related disability, benefit is equal to 60 percent of high-five year average salary, plus 3 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.

## F. Survivor Benefits While Active

- If a member dies before attaining age 55 and has three or more years of allowable service if first hired before July 1, 2013, or at least five years of allowable service if first hired after June 30, 2013, the spouse is eligible for 50 percent of final average salary. Spouse's entitlement changes to 100 percent Joint and Survivor annuity when the employee would have reached age 55.
- Children are eligible for 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
- 15-year certain

## H. Post-Retirement Benefit Increase

- Benefit recipients received annual 1.5 percent benefit increases on January 1, 2011 and 2012.
- Benefit recipients receive future annual 1.0 percent benefit increases beginning January 1, 2013.
- If the accrued liability funded ratio of the plan reaches 85 percent (on a market value of assets basis), the annual benefit increase reverts to 1.5 percent.
- If the accrued liability funded ratio reaches 90 percent (on a market value of assets basis), the annual 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, the Minnesota Security Hospital, or the Minnesota Sex Offender Program.

### 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, with 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 with a reduction in the normal retirement benefit 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.

- To qualify for a job-related disability, the disability must result from an incident while performing duties of the job which present inherent dangers to the employee.

## 5. Judges Retirement Plan

(Provisions differing from the General Plan)

### A. Coverage

- District, appellate and supreme court judges
- Retirees include former municipal and county court judges

### B. Tier 1 and Tier 2 Benefit Program

#### Membership

- Tier 1 includes judges first appointed or elected before July 1, 2013.
- Tier 2 includes judges first appointed or elected after June 30, 2013.
- A judge with less than five years of service as of December 31, 2013, may make a one-time irrevocable election into Tier 2.

### C. Tier 1 Plan Provisions

- Employee contribution rates increase from 8 percent to 9 percent of salary effective July 1, 2013
- Member contributions, after the maximum retirement benefit is reached, are redirected to the Unclassified Employees Retirement Plan.
- Employer contribution rates increase from 20.5 percent to 22.5 percent of salary effective July 1, 2013.
- Normal retirement age is 65 with five years of allowable service; mandatory retirement is at age 70.
- Retirement benefit formula is 2.7 percent of average salary for each year of allowable service prior to July 1, 1980, plus 3.2 percent of average salary for each year of allowable service after June 30, 1980, with maximum benefit capped at 76.8 percent of average salary.

### D. Tier 2 Plan Provisions

- Employee contribution rate is 7 percent of salary.
- Employer contribution rate is 22.5 percent of salary.
- Normal retirement age is 66 with five years of allowable service; mandatory retirement is at age 70.
- Retirement benefit formula is 2.5 percent of average salary for each year of allowable service. No maximum benefit limit applies.

### E. Disability

- Member is eligible for disability benefits 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 retirement formula with no reduction, and subject to a minimum of 25 percent of high-five year salary

### F. Survivor Benefits While Active

- Spouse is eligible for the larger of 25 percent of average salary or 60 percent of normal retirement benefit had the member retired at date of death. If a judge is 60 or over, the surviving spouse may elect to receive a 100 percent joint and survivor benefit.

### 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

### H. Post-Retirement Benefit Increase

- Benefit recipients receive future annual 1.75 percent benefit increases beginning January 1, 2014.
- If the accrued liability funded ratio reaches 70 percent (on a market value of assets basis), the annual benefit increase will revert to 2 percent.
- If the accrued liability funded ratio reaches 90 percent (on a market value of assets basis), the annual benefit increase will revert to 2.5 percent.

## 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

# Summary of Retirement System Plans

## B. Contribution Rates

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

## C. Benefit Formula

- For legislators 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 is eligible for 50 percent of benefit if, upon death, the legislator was serving as a member, or was a former member with 6 years of service. The survivor benefit is computed as though member were age 62 on date of death and based on member's allowable service or 8 years, whichever is greater.
- 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 annual 2.0 percent benefit increases on January 1.
- If the accrued liability funded ratio of the State Employees Retirement Fund reaches 90 percent (on a market value of assets basis), the annual benefit increase will revert to 2.5 percent.

## H. Fund Structure Change

- Effective July 1, 2013, the Elective State Officers Retirement Fund is administratively consolidated with the Legislators Retirement Fund. Benefit provisions for both retirement plans remain unaffected by the merger.

## 7. Elective State Officers Retirement Plan

(Provisions differing from the General Plan)

### A. Coverage

- Constitutional officers first elected prior to July 1, 1997, and chose to retain coverage under this plan.
- Newly elected constitutional officers are covered by the Unclassified Employees Retirement Fund as of July 1, 1997
- 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 annual 2.0 percent benefit increases on January 1.
- If the accrued liability funded ratio of the State Employees Retirement Fund reaches 90 percent (on a market value of assets basis), the annual benefit increase will revert to 2.5 percent.

### D. Fund Structure Change

- Effective July 1, 2013, the Elective State Officers Retirement Fund is administratively consolidated with the Legislators Retirement Fund. Benefit provisions for both retirement plans remain unaffected by the merger.

## 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

- Through December 31, 2013, fee structure is:
  - \$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
- Effective January 1, 2014, fee structure is:
  - \$2 per month for an account balance less than \$10,000;
  - \$4 per month for an account balance that is \$10,000 to \$30,000;
  - \$6 per month for an account balance that is \$30,000 to \$90,000;
  - \$8 per month for an account balance exceeding \$90,000
- 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 in the Unclassified Plan.

- 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

## 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 increased from \$25,000 to \$27,000 for non-insurance premium, qualified health care expenses.



# Summary of Retirement System Plans

## F. When Used

- Upon termination of employment, after retirement, or upon receiving a disability retirement.

## 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

## 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)
- The SBI Supplemental Investment Fund Fixed Interest Account and Money Market Account
- Target Retirement Funds managed by State Street Global Advisors
- Self-directed brokerage account through TD Ameritrade

### D. Annual Administrative Fees

- 0.05 percent prorated and deducted from participant accounts on a monthly basis
- Maximum annual fee: \$50 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

## E. Withdrawal Events

- Termination of service or death
- Unforeseeable emergency

## F. Withdrawal Options

- Cash lump-sum or rollover to qualified financial institution
- Ongoing withdrawals
- Various annuities, including a fixed annuity provided through an insurance company
- Combinations of the above options
- Required minimum distributions beginning in the year participant reaches age 70 ½.

## 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 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

## **5. Applicable to All Defined Contribution Plans**

### **A. Third-party Administrator**

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants and processes all distribution and other requests.
- 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.
- Effective May 2013, ING U.S. was renamed Voya Financial after an initial public offering (listed in the New York Stock Exchange under the symbol VOYA) to become an independent, stand-alone U.S.-based company. In 2014 the company will start an operational rebranding effort.

### **B. Internally Administered Plans**

- From December 1, 2005, through June 30, 2009, MSRS internally administered the Supplemental Retirement Plan for Hennepin County.
- Prior to July 1, 2009, MSRS also internally administered the Unclassified Employees Retirement Plan and the Health Care Savings Plan.

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

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# Financial Section

MSRS Comprehensive Annual Financial Report 2013



*Kick up your heels*  
and celebrate



# 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

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the Minnesota State Retirement System (MSRS) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MSRS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of MSRS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Retirement System as of June 30, 2013, and the changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that 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.

### **Other Information Included With the Financial Statements**

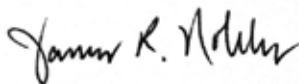
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MSRS's basic financial statements. The supporting schedules in the Financial Section and the Introductory, Investment, Actuarial, and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supporting schedules 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the Minnesota State Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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.



James R. Nobles  
Legislative Auditor

December 13, 2013



Cecile M. Ferkul, CPA, CISA  
Deputy Legislative Auditor

# 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, 2013. We encourage you to read the information contained in this narrative in conjunction with the transmittal letter which begins on page 8, and the financial statements and required supplementary information contained in this section of the CAFR.*

## Financial Highlights

- Overall, MSRS' financial condition improved during the fiscal year. MSRS' net position for all pension trust funds (which is equal to total assets less total liabilities and represents the amount available to pay benefits, refunds, and administrative expenses) increased \$1.83 billion or 11.7 percent during fiscal year 2013, from \$15.66 billion to almost \$17.49 billion. The increase in net position is primarily due to investment income generated during the year.
- Total additions to the pension trust funds more than doubled over additions in the previous fiscal year, with a \$1.849 billion increase during the fiscal year. Member and employer contributions rose slightly from \$662 million in fiscal year 2012 to \$672 million in fiscal year 2013. More significantly, net investment income was greater in 2013, increasing \$1.842 billion or 530.8 percent from \$347 million in 2012 to \$2.189 billion in 2013. This is a direct result of a substantial increase in the investment rate of return from 2.4 percent in fiscal year 2012 to 14.2 percent in fiscal year 2013. Additional information about investment activity can be found in the *Investment Section* of this report.
- Total deductions from the pension trust funds varied slightly from fiscal year 2012, increasing 6.9 percent to a total of \$1.063 billion for fiscal year 2013. This is mostly due to increases in annuity benefits. The increases resulted from growth in the total number of benefit recipients and a 2 percent annual benefit increase adjustment for all defined benefit annuity recipients (except State Patrol Retirement Fund benefit recipients who received a 1.5 percent benefit increase) effective January 1, 2013. Benefit recipients increased from 35,830 members as of June 30, 2012, to 37,351 members as of June 30, 2013. Refunds increased \$22 million or 11.4 percent from \$193 million in fiscal year 2012 to \$215 million in fiscal year 2013, due to employee turnover and non-active members transferring balances to other qualified non-MSRS retirement plans.
- As of July 1, 2013, the most recent actuarial valuation date, the contribution deficiencies for MSRS' four largest pension trust funds (the State Employees, State Patrol, Correctional Employees, and Judges Retirement Funds) remain significant, ranging from 2.45 percent of payroll for the State Employees Retirement Fund to 11.46 per-

cent of payroll for the Judges Retirement Fund. In the long run, for these retirement funds to reach full funding in the next 30 years, further changes in contribution or benefit levels, actuarial assumptions, favorable actuarial experience, or better than expected investment returns will be necessary. Additional information about the July 1, 2013, actuarial valuation results of each defined benefit fund can be found in the *Actuarial Section* of this report.

- The July 1, 2013, actuarial valuation results also indicate the State Employees Retirement Fund was 82.04 percent funded, the State Patrol Retirement Fund was 74.45 percent funded, the Correctional Employees Retirement Fund was 68.33 percent funded, and the Judges Retirement Fund was 50.94 percent funded. These funded ratios are calculated using the actuarial value of assets, smoothing gains and losses over a five-year period. Except for the State Patrol Retirement Fund, all of the funded ratios for the retirement funds declined slightly in comparison to the July 1, 2012, funded ratios due to more growth in the actuarial accrued liabilities than in the actuarial value of assets. 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 annual benefit increase adjustments. In 2013, changes were made to the plan provisions of the State Patrol and Judges Retirement Funds as financial solvency measures. Changes included increases to contribution rates, reduced annual benefit increase adjustments, increased vesting periods, and increased early retirement penalties.

## Overview of the Financial Statements

This Comprehensive Annual Financial Report (CAFR) includes two basic financial statements:

1. The *Statement of Fiduciary Net Position*, found on pages 34-35, and
2. The *Statement of Changes in Fiduciary Net Position*, found on pages 36-37.

Consistent with *Minnesota Statutes*, Chapter 356.20, the purpose of these financial statements, along with the accompanying *Notes to the Financial Statements* (found on pages 38-61), *Required Supplementary Information* (pages 62-71), and additional supporting schedules, is to present the financial position and results of operations of MSRS' retirement funds to our membership, participating employers, and other financial statements users. This CAFR also provides readers with financial information in a format that is reasonably comparable to that of other public employee pension trust funds. These financial statements and explanatory notes are prepared in conformance with generally accepted governmental accounting principles. As indicated in *Note 1.D.* on page 38, MSRS' financial statements are reported using the accrual basis of accounting.

The *Statement of Fiduciary Net Position* provides a snapshot of the financial resources and obligations for all of MSRS' pension trust funds on June 30, the last day of each fiscal year. The assets available and the liabilities owed are reported at fair value as of that date. The difference between the total assets and the total liabilities is net position restricted for pensions; this amount is available for payment of future pension benefits or other obligations. Comparisons of total assets, total liabilities, and net position restricted for pensions as of June 30, 2013 and 2012 are depicted in the table below.

<b>Summary Statement of Fiduciary Net Position – All MSRS Pension Trust Funds</b>				
As of June 30, 2013 and 2012 (Dollars in millions)				
	FY 2013	FY 2012	Change	% Change
<b>Total Assets</b>	\$18,696	\$16,675	\$2,021	12.1%
<b>Total Liabilities</b>	1,210	1,020	190	18.6%
<b>Total Net Position</b>				
<b>Restricted for Pensions</b>	<u>\$17,486</u>	<u>\$15,655</u>	<u>\$1,831</u>	11.7%

Total assets as of June 30, 2013, equal nearly \$18.7 billion, increasing \$2.021 billion (12.1 percent) from the prior year. This positive growth was primarily the result of a substantial increase in the investment rate of return from 2.4 percent in fiscal year 2012 to 14.2 percent in fiscal year 2013. Other factors also contributed to our

asset growth. The asset amounts reported for building and computer software increased due to a change in our building ownership ratio from 24.6 percent to 26.8 percent, and our capitalization of new computer software for calculating and processing annuity benefit payments, respectively.

Total liabilities of \$1.21 billion as of June 30, 2013, increased \$190 million (18.6 percent) from the prior year primarily due to larger amounts of security lending collateral and bonds payable. The increase in bonds payable is largely attributable to the increase in our building ownership ratio.

The *Statement of Changes in Fiduciary Net Position* 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, the increase in the net position restricted for pensions was \$1.831 billion, \$1.78 billion (3,490.2 percent) greater than the \$51 million increase reported for fiscal year 2012. This substantial increase was primarily due to the increase in net investment income resulting from a 14.2 percent rate of return for the fiscal year.

Total additions by major source and total deductions by type for the fiscal years ended June 30, 2013 and 2012 are depicted below.

<b>Summary Statement of Changes in Fiduciary Net Position—All MSRS Pension Trust Funds</b>				
For the fiscal years ended June 30, 2013 and 2012 (Dollars in millions)				
	FY 2013	FY 2012	Change	% Change
<b><u>Additions (by Major Source)</u></b>				
<b>Member Contributions</b>	\$500	\$497	\$3	0.6%
<b>Employer Contributions</b>	172	165	7	4.2%
<b>Investment Income (Net)</b>	2,189	347	1,842	530.8%
<b>Other (includes transfers)</b>	33	36	(3)	(8.3)%
<b>Total Additions</b>	<u>\$2,894</u>	<u>\$1,045</u>	<u>\$1,849</u>	176.9%
<b><u>Deductions (by Type)</u></b>				
<b>Benefits</b>	\$808	\$763	\$45	5.9%
<b>Refunds</b>	215	193	22	11.4%
<b>Recordkeeper and Custodian Expenses</b>	3	3	0	0.0%
<b>Administrative Expenses</b>	14	11	3	27.3%
<b>Other (includes transfers)</b>	23	24	(1)	(4.2)%
<b>Total Deductions</b>	<u>\$1,063</u>	<u>\$994</u>	<u>\$69</u>	6.9%
<b>Net Increase (Decrease) in Net Position Restricted for Pensions</b>	<u>\$1,831</u>	<u>\$51</u>	<u>\$1,780</u>	3,490.2%



# Management's Discussion and Analysis

Total additions increased nearly \$1.849 billion, or 176.9 percent, to \$2.894 billion, due to a significant increase in net investment income during fiscal year 2013.

Total plan member and employer contributions increased by \$10 million, or 1.5 percent, for fiscal year 2013. This increase corresponds to wage growth. No contribution rate increases took effect during fiscal year 2013 for any of the MSRS defined benefit retirement funds. Contribution rate increases for the Judges and the State Patrol Retirement Funds will be effective at the beginning of fiscal years 2014 and 2015, respectively.

Total deductions increased \$69 million (6.9 percent), from \$994 million for fiscal year 2012 to \$1.063 billion for fiscal year 2013. This change was due largely to an increase in annuity benefits, health care reimbursements, and refunds to members. Annual benefit increase adjustments of 2 percent became effective January 1, 2013, for all defined benefit retirement funds, except the State Patrol Retirement Fund, which provided a 1.5 percent annual benefit adjustment. Annuity benefits also increased due to growth in the number of benefit recipients, from 35,830 as of June 30, 2012, to 37,351 as of June 30, 2013. 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 historical funding information that can be used to determine whether the financial condition of MSRS' defined benefit funds is improving or deteriorating over a longer period of time.

Supplementary supporting schedules include the *Schedule of Administrative Expenses*, the *Summary Schedule of Commissions and Payments to Consultants*, and the *Schedule of Investment Expenses*. These schedules summarize all of the operating expenses MSRS incurred during fiscal year 2013 to administer its defined benefit and defined contribution retirement funds.

## Financial Analysis of MSRS' Individual Funds

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

### Defined Benefit Funds

The following two tables compare various performance measures of each of the following defined benefit funds to the previous fiscal year: The State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CORR) and the Judges Retirement Fund (JRF). The Legislators Retirement Fund and the Elective State Officers Retirement Fund are excluded from this analysis because each plan has been closed to new membership since July 1, 1997, and each is funded primarily by annual state of Minnesota General Fund appropriations.

**Summary Statement of Fiduciary Net Position – MSRS Pension Trust Funds  
Defined Benefit Plans**

For the Fiscal Years Ended June 30, 2013 and 2012  
(Dollars in millions)

	<u>SERF</u>	<u>SPRF</u>	<u>CORR</u>	<u>JRF</u>
<b>Total Assets, as of 06/30/2013</b>	\$11,023	\$651	\$821	\$170
<b>Total Assets, as of 06/30/2012</b>	<u>9,937</u>	<u>600</u>	<u>720</u>	<u>157</u>
<b>Change in Total Assets</b>	<u>\$1,086</u>	<u>\$51</u>	<u>\$101</u>	<u>\$13</u>
<b>% Change</b>	<u>10.93%</u>	<u>8.50%</u>	<u>14.03%</u>	<u>8.28%</u>
<b>Total Liabilities, as of 06/30/2013</b>	\$990	\$58	\$74	\$15
<b>Total Liabilities, as of 06/30/2012</b>	<u>839</u>	<u>50</u>	<u>61</u>	<u>13</u>
<b>Change in Total Liabilities</b>	<u>\$151</u>	<u>\$8</u>	<u>\$13</u>	<u>\$2</u>
<b>% Change</b>	<u>18.00%</u>	<u>16.00%</u>	<u>21.31%</u>	<u>15.38%</u>
<b>Total Net Position Restricted for Pensions, as of 06/30/2013</b>	\$10,033	\$593	\$747	\$155
<b>Total Net Position Restricted for Pensions, as of 06/30/2012</b>	<u>9,098</u>	<u>550</u>	<u>659</u>	<u>144</u>
<b>Change in Net Position Restricted for Pensions</b>	<u>\$935</u>	<u>\$43</u>	<u>\$88</u>	<u>\$11</u>
<b>% Change</b>	<u>10.28%</u>	<u>7.82%</u>	<u>13.35%</u>	<u>7.64%</u>

# Management's Discussion and Analysis

## Summary Statement of Changes in Fiduciary Net Position – MSRS Pension Trust Funds Defined Benefit Plans

For the Fiscal Years Ended June 30, 2013 and 2012  
(Dollars in millions)

	SERF	SPRF	CORR	JRF
<b>Total Additions, year ended 06/30/2013</b>	\$1,542	\$95	\$136	\$31
<b>Total Additions, year ended 06/30/2012</b>	472	32	57	14
<b>Change in Total Additions</b>	<u>\$1,070</u>	<u>\$63</u>	<u>\$79</u>	<u>\$17</u>
<b>% Change</b>	<u>226.69%</u>	<u>196.88%</u>	<u>138.60%</u>	<u>121.43%</u>
<b>Total Deductions, year ended 06/30/2013</b>	\$607	\$52	\$48	\$20
<b>Total Deductions, year ended 06/30/2012</b>	570	50	44	19
<b>Change in Total Deductions</b>	<u>\$37</u>	<u>\$2</u>	<u>\$4</u>	<u>\$1</u>
<b>% Change</b>	<u>6.49%</u>	<u>4.00%</u>	<u>9.09%</u>	<u>5.26%</u>
<b>Net Increase (Decrease) for the fiscal year ended 06/30/2013</b>	\$935	\$43	\$88	\$11
<b>Net Increase (Decrease) for the fiscal year ended 06/30/2012</b>	(98)	(18)	13	(5)
<b>Change in Net Increase (Decrease) of Net Position Restricted for Pensions</b>	<u>\$1,033</u>	<u>\$61</u>	<u>\$75</u>	<u>\$16</u>
<b>% Change</b>	<u>1054.08%</u>	<u>338.89%</u>	<u>576.92%</u>	<u>320.00%</u>

All of MSRS' four largest defined benefit funds showed increases in net position restricted for pensions, and remain financially healthy to pay promised benefits. As a result of the 2013 legislative session, additional financial strengthening measures were enacted, primarily impacting the State Patrol and Judges Retirement Funds. In

the long term, however, lower than expected investment returns and unfavorable actuarial experience may trigger the need for higher contribution rates or other legislative initiatives designed to decrease contribution deficiencies, and improve each plan's funded status and net financial position.

## Defined Contribution Funds

The Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Minnesota State Deferred Compensation Fund and the Supplemental Retirement Fund for Hennepin County were affected by the same favorable 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 decreased 13.1 percent, from \$24.303 million in fiscal year 2012 to \$21.116 million in fiscal year 2013, as Unclassified Employees Retirement Plan participants elected defined benefit retirement coverage under the State Employees Retirement Fund (General Plan). For the Health Care Savings Fund, health care reimbursements increased \$3.495 million or 5.9 percent in fiscal year 2013 in comparison to fiscal year 2012 due primarily to growth in the number of retirees who became eligible for health care reimbursements upon termination of state employment. The Minnesota Deferred Compensation Fund has shown a 13.1 percent increase in refunds, due primarily to terminated participants rolling over their full account balance to other qualified financial institutions. Lastly, the Hennepin County Supplemental Retirement Fund has shown a 50.5 percent increase in ongoing withdrawals due to retirement growth.

## Summary

Driven largely by a 14.2 percent annual investment rate of return as of June 30, 2013, all of the retirement funds remain reasonably healthy, and with steady or improving market conditions, MSRS' funds will continue to be financially sound for 2014 and beyond. A future economic downturn could result in the deterioration of the funded status of the retirement funds. Investment losses could 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, which all drive 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, 2013, and the results of financial activities for fiscal year 2013. 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](mailto:info@msrs.us).



# Statement of Fiduciary Net Position

As of June 30, 2013  
(Dollars in thousands)

	Defined Benefit Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>Assets</b>					
<b>Cash and Cash Equivalents</b>	\$254,574	\$15,451	\$20,772	\$4,504	\$1,874
<b>Receivables</b>					
Accounts Receivable	\$8,545	\$585	\$1,334	\$0	\$0
Accrued Interest	6	0	0	0	0
Due from Other Plans	4,479	0	3	1	0
Due from the State's General Fund	0	0	0	0	0
Other Receivables	982	5	9	6	1
<b>Total Receivables</b>	<b>\$14,012</b>	<b>\$590</b>	<b>\$1,346</b>	<b>\$7</b>	<b>\$1</b>
<b>Investments (at fair value)</b>					
Fixed Income Pool	\$2,303,788	\$136,228	\$171,241	\$35,620	\$2,659
Growth Share Pool	3,067,498	181,388	228,007	47,428	3,541
Common Stock Index Pool	1,449,325	85,703	107,729	22,409	1,673
Alternative Investment Pool	1,454,553	86,011	108,117	22,490	1,679
International Equity Pool	1,491,536	88,198	110,866	23,061	1,722
Supplemental Investment Fund	0	0	0	0	0
Mutual Funds	0	0	0	0	0
<b>Total Investments</b>	<b>\$9,766,700</b>	<b>\$577,528</b>	<b>\$725,960</b>	<b>\$151,008</b>	<b>\$11,274</b>
<b>Securities Lending Collateral</b>	<b>\$978,479</b>	<b>\$57,861</b>	<b>\$72,738</b>	<b>\$15,131</b>	<b>\$1,129</b>
<b>Capital Assets</b>					
Land	\$88	\$0	\$0	\$0	\$0
Building, Improvements, Equip. (Net of Depr.)	5,783	0	0	0	0
Office Equipment and Fixtures (Net of Depr.)	55	0	0	0	0
Computer and VoIP System (Net of Amort.)	181	0	0	0	0
Computer Software (Net of Amortization)	3,345	0	0	0	0
Deferred Bond Charges (Net of Amortization)	61	0	0	0	0
<b>Total Capital Assets</b>	<b>\$9,513</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Assets</b>	<b>\$11,023,278</b>	<b>\$651,430</b>	<b>\$820,816</b>	<b>\$170,650</b>	<b>\$14,278</b>
<b>Liabilities</b>					
Accounts Payable	\$4,595	\$187	\$244	\$53	\$5
Compensated Absences	817	0	0	0	0
Securities Lending Collateral	978,479	57,861	72,738	15,131	1,129
Due To Other Plans	4	181	677	68	37
Due to State General Fund	0	0	0	0	1,614
Accrued OPEB Liability	60	0	0	0	0
Bonds Payable	5,824	0	0	0	0
Other Payables	0	0	0	0	0
<b>Total Liabilities</b>	<b>\$989,779</b>	<b>\$58,229</b>	<b>\$73,659</b>	<b>\$15,252</b>	<b>\$2,785</b>
<b>Net Position Restricted for Pensions</b>	<b>\$10,033,499</b>	<b>\$593,201</b>	<b>\$747,157</b>	<b>\$155,398</b>	<b>\$11,493</b>

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	\$337	\$3,246	\$15,258	\$17	\$316,033
\$0	\$282	\$5,488	\$7,306	\$23	\$23,563
0	0	0	1	0	7
0	0	0	0	0	4,483
1	0	0	0	0	1
0	7	244	504	4	1,762
<u>\$1</u>	<u>\$289</u>	<u>\$5,732</u>	<u>\$7,811</u>	<u>\$27</u>	<u>\$29,816</u>
\$0	\$0	\$0	\$0	\$0	\$2,649,536
0	0	0	0	0	3,527,862
0	0	0	0	0	1,666,839
0	0	0	0	0	1,672,850
0	0	0	0	0	1,715,383
0	293,046	581,139	1,426,342	133,429	2,433,956
0	0	0	3,483,516	0	3,483,516
<u>\$0</u>	<u>\$293,046</u>	<u>\$581,139</u>	<u>\$4,909,858</u>	<u>\$133,429</u>	<u>\$17,149,942</u>
<u>\$0</u>	<u>\$3,243</u>	<u>\$6,432</u>	<u>\$54,343</u>	<u>\$1,477</u>	<u>\$1,190,833</u>
\$0	\$0	\$0	\$0	\$0	\$88
0	0	0	0	0	5,783
0	0	0	0	0	55
0	0	0	0	0	181
0	0	0	0	0	3,345
0	0	0	0	0	61
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,513</u>
<u>\$1</u>	<u>\$296,915</u>	<u>\$596,549</u>	<u>\$4,987,270</u>	<u>\$134,950</u>	<u>\$18,696,137</u>
\$0	\$55	\$259	\$1,086	\$33	\$6,517
0	0	0	0	0	817
0	3,243	6,432	54,343	1,477	1,190,833
1	376	2,157	974	8	4,483
0	0	0	0	0	1,614
0	0	0	0	0	60
0	0	0	0	0	5,824
0	0	0	0	0	0
<u>\$1</u>	<u>\$3,674</u>	<u>\$8,848</u>	<u>\$56,403</u>	<u>\$1,518</u>	<u>\$1,210,148</u>
<u>\$0</u>	<u>\$293,241</u>	<u>\$587,701</u>	<u>\$4,930,867</u>	<u>\$133,432</u>	<u>\$17,485,989</u>

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

# Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2013

(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
<b>Additions</b>				
<b>Contributions</b>				
Plan Member Contributions	\$124,150	\$7,703	\$17,561	\$3,037
Employer Contributions	121,673	11,482	24,632	8,177
General Fund Contributions	0	0	0	0
<b>Total Contributions</b>	<u>\$245,823</u>	<u>\$19,185</u>	<u>\$42,193</u>	<u>\$11,214</u>
<b>Investment Income</b>				
Investment Income	\$1,284,565	\$76,863	\$94,079	\$20,086
Less Investment Expenses	13,759	814	1,022	213
Net Investment Income	<u>\$1,270,806</u>	<u>\$76,049</u>	<u>\$93,057</u>	<u>\$19,873</u>
Income from Securities Lending Activities				
Security Lending Income	<u>\$7,372</u>	<u>\$436</u>	<u>\$548</u>	<u>\$114</u>
Security Lending Expenses				
Borrower Rebates	\$422	\$25	\$31	\$6
Management Fees	2,448	145	182	38
Total Security Lending Expenses	<u>\$2,870</u>	<u>\$170</u>	<u>\$213</u>	<u>\$44</u>
Net Income From Securities Lending Activities				
Lending Activities	<u>\$4,502</u>	<u>\$266</u>	<u>\$335</u>	<u>\$70</u>
<b>Total Net Investment Income</b>	<u>\$1,275,308</u>	<u>\$76,315</u>	<u>\$93,392</u>	<u>\$19,943</u>
<b>Other Additions</b>				
Transfers from Other Plans	\$21,116	\$0	\$0	\$0
Other Income	449	0	0	0
<b>Total Other Additions</b>	<u>\$21,565</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$1,542,696</u>	<u>\$95,500</u>	<u>\$135,585</u>	<u>\$31,157</u>
<b>Deductions</b>				
Annuity Benefits	\$586,256	\$52,057	\$46,226	\$19,772
Ongoing Withdrawals	0	0	0	0
Health Care Reimbursements	0	0	0	0
Refunds	12,222	7	1,032	0
Transfers to Other Plans	54	0	0	0
Recordkeeper and Custodian Expenses	0	0	0	0
Administrative Expenses	8,589	190	692	72
Other Expenses	173	1	1	1
<b>Total Deductions</b>	<u>\$607,294</u>	<u>\$52,255</u>	<u>\$47,951</u>	<u>\$19,845</u>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$935,402</b>	<b>\$43,245</b>	<b>\$87,634</b>	<b>\$11,312</b>
<b>Net Position Restricted for Pensions</b>				
Beginning of Year	<u>\$9,098,097</u>	<u>\$549,956</u>	<u>\$659,523</u>	<u>\$144,086</u>
End of Year	<u>\$10,033,499</u>	<u>\$593,201</u>	<u>\$747,157</u>	<u>\$155,398</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	
\$111	\$0	\$5,096	\$112,359	\$229,187	\$227	\$499,431
0	0	5,867	0	0	228	172,059
3,399	470	0	0	0	0	3,869
<u>\$3,510</u>	<u>\$470</u>	<u>\$10,963</u>	<u>\$112,359</u>	<u>\$229,187</u>	<u>\$455</u>	<u>\$675,359</u>
\$1,778	\$0	\$36,465	\$31,174	\$646,503	\$16,080	\$2,207,593
20	0	233	3,087	4,501	119	23,768
<u>\$1,758</u>	<u>0</u>	<u>\$36,232</u>	<u>\$28,087</u>	<u>\$642,002</u>	<u>\$15,961</u>	<u>\$2,183,825</u>
<u>\$8</u>	<u>\$0</u>	<u>\$23</u>	<u>\$47</u>	<u>\$396</u>	<u>\$11</u>	<u>\$8,955</u>
\$0	\$0	\$1	\$3	\$23	\$1	\$512
3	0	8	15	128	3	2,970
<u>\$3</u>	<u>\$0</u>	<u>\$9</u>	<u>\$18</u>	<u>\$151</u>	<u>\$4</u>	<u>\$3,482</u>
<u>\$5</u>	<u>\$0</u>	<u>\$14</u>	<u>\$29</u>	<u>\$245</u>	<u>\$7</u>	<u>\$5,473</u>
<u>\$1,763</u>	<u>\$0</u>	<u>\$36,246</u>	<u>\$28,116</u>	<u>\$642,247</u>	<u>\$15,968</u>	<u>\$2,189,298</u>
\$0	\$0	\$54	\$0	\$0	\$0	\$21,170
0	0	85	2,789	4,237	52	7,612
<u>\$0</u>	<u>\$0</u>	<u>\$139</u>	<u>\$2,789</u>	<u>\$4,237</u>	<u>\$52</u>	<u>\$28,782</u>
<b><u>\$5,273</u></b>	<b><u>\$470</u></b>	<b><u>\$47,348</u></b>	<b><u>\$143,264</u></b>	<b><u>\$875,671</u></b>	<b><u>\$16,475</u></b>	<b><u>\$2,893,439</u></b>
\$7,826	\$469	\$0	\$0	\$0	\$0	\$712,606
0	0	0	0	28,961	4,225	33,186
0	0	0	62,482	0	0	62,482
101	0	6,197	0	192,774	2,491	214,824
0	0	21,116	0	0	0	21,170
0	0	38	933	1,704	21	2,696
38	1	144	1,506	2,959	16	14,207
1,338	0	1	8	17	16	1,556
<u>\$9,303</u>	<u>\$470</u>	<u>\$27,496</u>	<u>\$64,929</u>	<u>\$226,415</u>	<u>\$6,769</u>	<u>\$1,062,727</u>
(\$4,030)	\$0	\$19,852	\$78,335	\$649,256	\$9,706	\$1,830,712
<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>
<u>\$11,493</u>	<u>\$0</u>	<u>\$293,241</u>	<u>\$587,701</u>	<u>\$4,930,867</u>	<u>\$133,432</u>	<u>\$17,485,989</u>

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

# Notes to the Financial Statements

## 1. Summary of Significant Accounting Policies

### A. 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 Sections 352C.001, 352C.091, and 352C.10*. As a result of the 2013 Minnesota Legislative Session, these sections were repealed with an effective date of July 1, 2013. On that date, the Elective State Officers Retirement Plan was merged with the Legislators Retirement Plan. Please refer to Note 5, *Significant Effects of Subsequent Events*, for additional details about the merger.)

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.

### B. Participating Employers

MSRS members are employed by the State of Minnesota, the University of Minnesota (non-instructional), and approximately 67 counties, 247 cities, 249 school districts and 201 additional miscellaneous entities.

### C. 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.

### D. Basis of Accounting

The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. MSRS' financial statements are reported using the accrual basis of accounting. Plan member and employer contributions, and related receivables, are recognized as revenues when due, pursuant to formal commitments and statutory requirements. Annuity benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized when the liability is incurred.

### E. Assets, Liabilities, and Net Position Restricted for Pensions

#### ◆ Cash and cash equivalents

For MSRS' defined benefit retirement funds, cash and cash equivalents include cash on deposit in the state's treasury, commingled with other state funds, and short-term investments. Cash on deposit consists of year-end receipts not yet processed as of the investment cutoff on June 30. Short-term investments, which the Minnesota State Board of Investment (SBI) staff manages, include U.S. Treasury issues, repurchase agreements, bankers' acceptances, commercial paper, and certificates of deposit.

For each MSRS defined contribution fund, cash equivalents represent the money market funds associated with a Plan Sponsor Account, or plan expense account. This is the account in which the recordkeeper deposits monthly participant administrative fees and pays authorized, allowable plan operating expenses.



♦ **Accounts Receivable**

Accounts receivable represents plan member and employer contributions, calculated as a percentage of each employee's salary specified in *Minnesota Statutes*, which are received after fiscal year end for services

rendered during the fiscal year. The statutory employee and employer contribution rates in effect for fiscal year 2013 for MSRS' retirement funds are shown in **Exhibit 1**.

**EXHIBIT 1: FISCAL YEAR 2013 EMPLOYEE AND EMPLOYER STATUTORY CONTRIBUTION RATES FOR MSRS RETIREMENT FUNDS, WHERE APPLICABLE**

<b>Retirement Fund</b>	<b>Employee Contribution Rate</b>	<b>Employer Contribution Rate</b>
State Employees (General Plan)	5.0%	5.0%
State Patrol*	12.4%	18.6%
Correctional Employees	8.6%	12.1%
Judges	8.0%	20.5%
Legislators	9.0%	Funded by appropriation from the State's General Fund
Unclassified Employees	5.0%	6.0%
Hennepin County Supplemental	1.0%	1.0%

\* Excludes \$1 million supplemental state contribution which will be received on an annual basis until the State Patrol and the Public Employees Retirement Association Police and Fire Retirement Funds both reach 90% funded level on a market value of assets basis.

For the defined contribution funds, accounts receivable also includes any plan administrative fees, determined as a percentage of each participant's account balance, received after fiscal year end that were earned during the fiscal year. These fees are collected on the first business day of each month based on the each participant's

account balance at the end of the preceding month. They are used to pay for recordkeeping and custodial services, and to reimburse MSRS for expenses incurred to administer the plan. The plan administrative fee rate structure for each defined contribution fund is shown in **Exhibit 2**.

**EXHIBIT 2: FISCAL YEAR 2013 PLAN ADMINISTRATIVE FEE SCHEDULE FOR MSRS DEFINED CONTRIBUTION RETIREMENT FUNDS**

<b>Defined Contribution Retirement Fund</b>	<b>Administrative Fee Rate Schedule</b>
Unclassified Employees	Tiered rate structure: <ul style="list-style-type: none"> <li>• \$1 per month for an account balance &lt; \$10,000</li> <li>• \$2 per month for an account balance that is \$10,000 to \$50,000</li> <li>• \$3 per month for an account balance &gt; \$50,000</li> </ul>
Health Care Savings	.65% or 65 basis points of a participant's account balance (\$140 annual maximum fee)
Minnesota Deferred Compensation	.05% or 5 basis points on the first \$100,000 of a participant's account balance (\$50 annual maximum fee)
Hennepin County Supplemental	.04% or 4 basis points of a participant's account balance

# Notes to the Financial Statements

## ♦ Interfund Receivables, Payables and Transfers

The purpose of interfund receivables and payables is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30. 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.

## ♦ Due From/To 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. These appropriations, reported as revenue on the *Statement of Changes in Fiduciary Net Position*, are used to

finance annuity benefits paid to retirees or their survivors, refunds, and each retirement fund's share of MSRS' administrative expenses. The amount due from the State's General Fund as of fiscal year end represents funds receivable to cover each fund's share of administrative expenses for the fiscal year. The amount due to the State's General Fund as of fiscal year end represents the unused portion of the full appropriation that MSRS is obligated to return to the state.

## ♦ Investment Policies and Valuation Methodology

Pursuant to *Minnesota Statutes*, Section 11A.04, the state's retirement fund assets are commingled in various pooled investment accounts, which the Minnesota State Board of Investment (SBI) administers. As of June 30, 2013, MSRS Funds' share of the Combined Funds administered by the SBI, at fair value, was approximately 22 percent (\$11.2 billion for MSRS and \$50.8 billion total, exclusive of short-term investments). **Exhibit 3** displays specific totals of MSRS' investment portfolio by category.

### EXHIBIT 3: MSRS INVESTMENT PORTFOLIO – AT FAIR VALUE

(Dollars in thousands)

MSRS Fund Pooled Accounts	Amount As of June 30, 2013
Fixed Income Pool	\$2,649,536
Growth Share Pool	3,527,862
Common Stock Index Pool	1,666,839
Alternative Investment Pool	1,672,850
International Equity Pool	1,715,383
Subtotal – MSRS' share of the SBI's Combined Funds	<u>\$11,232,470</u>
Supplemental Investment Fund	2,433,956
Mutual Funds	3,483,516
<b>Total Investment Pools</b>	<u>\$17,149,942</u>
Short-term Investments	302,617
<b>Total MSRS Investment Portfolio</b>	<u><u>\$17,452,559</u></u>

*Minnesota Statutes*, Section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality; restricted participation as a limited partner in venture capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments. Various alternative investments, including international securities, are limited by statute to 35 percent of the fund pool.

Investments in the pooled accounts, assets of the Supplemental Investment Fund and the Minnesota Deferred Compensation Plan (mutual funds) are reported at fair value. Fair value is the proportionate share of the combined market value of the investment portfolio of the SBI investment pool in which the funds participate. All securities within the pools are valued at fair 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. The 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, the 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. The fair value of investments is based upon valuations provided by a recognized pricing service. Securities traded on a national or international exchange are valued using the last reported trade price. Short-term investments are reported at cost, which approximates fair value. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.

Investment income is recognized as earned. Accrued investment income of the pooled investment accounts is included in participation in the accounts. Gains and losses on sales or exchanges are recognized on the transaction date.

The cost of security transactions is included in the transaction price. Administrative expenses of the SBI and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts. MSRS' share of these expenses in fiscal year 2013 totaled \$15,827,572 for the defined benefit retirement funds: \$13,759,018 for the State Employees Retirement Fund, \$814,004 for the State Patrol Retirement Fund, \$1,022,187 for the Correctional Employees Retirement Fund, \$212,858 for the Judges Retirement Fund, and \$19,505 for the Legislators Retirement Fund. A detailed schedule of fees and commissions the SBI paid to brokerage firms, along with the number of shares traded, total commissions, commissions per share for the pooled investment accounts, and other investment information may 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.

Information about the primary government's (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.

#### ♦ Capital Assets

Capital assets consist of land, building, building improvements, office equipment and fixtures, computer and VoIP (voice over internet protocol) phone system, deferred bond issuance charges, and internally developed or acquired software intended for MSRS use only. With the exception of internally developed or acquired computer software, capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life of two years. The capitalization threshold for internally developed or acquired software is \$30,000 per application. All assets were capitalized at historical cost at the date of acquisition, issuance, or completion. All assets, except land, are depreciated or amortized when placed into operation using the straight-line method over the estimated useful lives shown in **Exhibit 4**.

**EXHIBIT 4:**  
**CAPITAL ASSETS ESTIMATED USEFUL LIVES**

<b>Capital Asset Types</b>	<b>Useful Life (In Years)</b>
Land	N/A
Building	30
Building Improvements and Building Equipment	10
Office Equipment and Fixtures	3-10
Computer and VoIP System	5
Computer Software (for MSRS use only)	4-10
Deferred Bond Issuance Charges	30

### ◆ **Net Position Restricted for Pensions**

Net position represents total assets less total liabilities. For each defined benefit and defined contribution retirement fund, the amount reported as net position is restricted for the future payment of benefits and refunds to members and their surviving spouses or beneficiaries, and administrative expenses.

### ◆ **Accrued Compensated Absences**

In accordance with various collective bargaining unit agreements, MSRS employees accumulate earned but unused vacation, sick and compensatory leave benefits, which are eligible for payment upon separation from state government service. At fiscal year end, MSRS recognizes an obligation for future payment to the extent that the right to receipt is vested or expected to become vested.

### ◆ **Other Income**

Other income for MSRS' defined contribution retirement funds represents participant plan administrative fee income earned during the fiscal year. For the Minnesota Deferred Compensation Fund, other income also includes administrative expense reimbursements from various mutual fund companies.

For all defined contribution funds, except the Supplemental Retirement Fund for Hennepin County, this revenue is primarily used to cover fees for recordkeeping and custodial services, and to reimburse MSRS for administrative costs incurred to counsel members, adjudicate health care reimbursement claims, and perform various business support services. For the Supplemental Retirement Fund for Hennepin County, the excess of participant plan administrative fee income over recordkeeping, custodial, and MSRS' administrative expenses is returned to the county.

### ◆ **Refunds**

For defined benefit funds, refunds represent distributions to members, separated from service, of their retirement deductions with interest compounded daily (at six percent through June 30, 2011, and at four percent thereafter). It excludes employer contribution amounts. When a member takes a refund, the member forfeits the right to retirement, survivor, and disability benefits. Refunds also include rollovers to an individual retirement account or qualified retirement plan.

For defined contribution funds, refunds represent distributions to plan participants equal to all or a portion of their account balances, which are composed of contributions plus any investment gains or losses. Refunds may be in the form of cash withdrawals or rollovers to other qualified plans.

### ◆ **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.

## 2. Accounting Changes

### A. Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) is the independent, not-for-profit, standards-setting organization and the official source of generally accepted accounting principles (GAAP) for state and local governmental entities. For the fiscal year ended June 30, 2013, MSRS implemented GASB **Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position**. This statement provides financial reporting guidance for deferred outflows and inflows of resources where none previously existed, and standardizes the presentation of these items and their effect on a governmental entity's net position. This statement also amends the net asset reporting requirements of GASB Statement No. 34 and other pronouncements by incorporating deferred outflows and inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement were effective for the financial statements for periods beginning after December 15, 2011. MSRS had no deferred outflows or inflows of resources as of June 30, 2013.

### B. New Financial Reporting Standards

Recently GASB issued three pronouncements that apply to MSRS. Each of these pronouncements is described in the bullets below. When implemented, the comparability with reports issued in all prior years will be affected. We have not yet determined the full impact that adopting these Statements will have on MSRS' financial statements.

- GASB issued **Statement No. 65, Items Previously Reported as Assets and Liabilities**, in March 2012. This Statement establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The Statement also improves financial reporting by clarifying the appropriate use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. MSRS is required to implement this Statement for the fiscal year ending June 30, 2014.

- GASB issued **Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25**, and **Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27**, in June 2012. Both Statements result from a comprehensive review of the effectiveness of existing pension accounting and financial reporting standards to provide useful information to decision makers, to support accountability and interperiod equity assessments, and to create additional transparency. Both Statements are intended to improve the way that state and local governments report their pension liabilities and related expenses, resulting in a more consistent calculation and reliable representation of the magnitude and nature of these financial obligations to current and former employees for past services rendered.

- GASB Statement No. 67 revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of **GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans** and **Statement No. 50, Pension Disclosures**, as they related to pension plans administered through trust or similar arrangements that meet certain criteria. Statement No. 67 builds upon the existing framework for financial reports for defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and Required Supplementary Information (RSI) for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. MSRS is required to implement this Statement for the fiscal year ending June 30, 2014.

- GASB Statement No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. This Statement replaces the requirements of **GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers** and Statement No. 50 as they relate to governments that provide pension through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability on their financial statements for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. MSRS is required to implement this Statement for the fiscal year ending June 30, 2015.

### 3. Detailed notes on all activities and funds

#### A. Assets

##### ♦ Cash deposits with financial institutions

###### Custodial Credit Risk - Deposits

In the case of deposits, there is risk that in the event of a bank failure, the organization's deposits may not be returned to it. *Minnesota Statutes*, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. Such insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 2013, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all MSRS deposits, eliminating exposure to custodial credit risk.

###### ♦ Investment Risk

The Minnesota State Board of Investments (SBI) is responsible for investing various MSRS funds under the authority of *Minnesota Statutes*, Section 11A.24. The following disclosures apply to those investments.

###### Credit Risk

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



The 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, 2013, MSRS' proportionate share of the SBI's exposure to credit risk, based on the lower of Standard and Poor's or Moody's Quality Ratings for debt securities and short-term investments, is shown in **Exhibit 5**.

<b>EXHIBIT 5: CREDIT RISK EXPOSURE</b> (Dollars in thousands)	
<b>Quality Rating*</b>	<b>Fair Value As of June 30, 2013</b>
AAA	\$147,074
AA	1,707,616
A	261,507
BBB	460,717
BB	73,909
B	30,264
CCC	17,460
CC	6,010
C	565
D	6,624
Unrated	781,210
<b>Total</b>	<b><u>\$3,492,956</u></b>

\*The exposure to credit risk is based on the lower of Standard and Poor's or Moody's Quality Ratings. For clarity of reporting, Moody's ratings are displayed in this exhibit using the comparable Standard and Poor's rating.

### 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. The SBI determined the concentration of credit risk based on security identification number. MSRS' defined benefit retirement funds do not have a concentration of credit risk.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments could adversely affect the fair value of an investment. The SBI controls interest rate risk through guidelines established for each portfolio. MSRS' share of debt securities are held in external investment pools and as of June 30, 2013, had the weighted-average maturities shown in **Exhibit 6**. Explanations of various security types follow the exhibit.

<b>EXHIBIT 6: INTEREST RATE RISK</b> (Dollars in thousands)				
<b>Security Type</b>	<b>Defined Benefit Funds</b>		<b>Defined Contribution Funds</b>	
	<b>Fair Value</b>	<b>Weighted Average Maturity in Years</b>	<b>Fair Value</b>	<b>Weighted Average Maturity in Years</b>
U.S. Agencies	\$160,859	5.16	\$4,463	5.22
Asset-Backed Securities	94,567	2.83	3,993	2.53
Short-term Investment Securities	676,937	0.23	41,253	0.17
Commercial Mortgage-Backed Securities	4,979	1.08	2,336	0.62
Collateralized Mortgage Obligations	232,802	4.59	9,700	3.32
Corporate Debt	622,358	8.28	52,403	7.66
Foreign Country Bonds	7,362	6.05	209	6.05
Yankee Bonds	152,720	6.97	5,269	6.63
Mortgage-Backed Securities (non-commercial)	671,182	5.18	36,503	5.38
State and Local Government Bonds	34,468	18.80	979	18.80
Preferred Stock	2,001	0.00	57	0.00
Private Placements	0	0.00	566	6.86
U.S. Treasuries	656,342	8.02	18,648	8.02
<b>Total Fair Value</b>	<b><u>\$3,316,577</u></b>		<b><u>\$176,379</u></b>	
<b>Portfolio Weighted Average Maturity</b>		<b>5.42</b>		<b>4.99</b>

## EXHIBIT 6 (CONTINUED)

### SECURITY TYPE EXPLANATIONS

**U.S. Agencies** are low-risk debt obligations that are 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** are securities 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** include 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** include any security, debt instrument, or offering collateralized primarily by commercial mortgage-backed securities, regardless of issuer.

**Collateralized Mortgage Obligations** are 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.

**Foreign Country Bonds** are bonds that are issued in a domestic market by a foreign entity, in the domestic market's currency.

**Yankee Bonds** are dollar-denominated bonds issued in the U.S. by a foreign entity.

**Mortgage-Backed Securities (non-commercial)** are 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** are debt obligations of a state or local government entity. The funds may support general government needs or special projects.

**Preferred Stock** is 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 Placements** represent sales 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. Treasuries** are negotiable debt obligations of the U.S. government secured by its full faith and credit, and issued at various schedules and maturities.

### 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 the SBI's international equity investment holdings. To reduce foreign currency risk, the 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. The SBI has less than a 15 percent exposure to currency risk. Various investments at June 30, 2013, were distributed among the following currencies shown in **Exhibit 7** on the following page.

# Notes to the Financial Statements

## EXHIBIT 7: FOREIGN CURRENCY RISK

(Dollars in thousands)

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Investment Totals
Australian Dollar	\$1,088	\$87,070	\$0	\$88,158
Brazilian Real	46	23,075	0	23,121
Canadian Dollar	1,205	113,728	2,785	117,718
Chilean Peso	5	4,057	0	4,062
Columbian Peso	14	3,114	0	3,128
Danish Krone	18	18,424	0	18,442
Euro Currency	4,249	364,856	6,761	375,866
Hong Kong Dollar	840	108,442	0	109,282
Hungarian Forint	1	1,564	0	1,565
Indian Rupee	63	33,825	0	33,888
Indonesian Rupiah	27	12,627	0	12,654
Israeli Shekel	75	2,659	0	2,734
Japanese Yen	3,642	294,865	0	298,507
Malaysian Ringgit	16	14,503	0	14,519
Mexican Peso	20	13,380	0	13,400
New Taiwan Dollar	36	21,887	0	21,923
New Turkish Lira	2	2,268	0	2,270
New Zealand Dollar	4	1,370	0	1,374
Norwegian Krone	46	12,493	0	12,539
Philippine Peso	7	9,535	0	9,542
Polish Zloty	2	6,695	0	6,697
Pound Sterling	2,355	282,530	4,437	289,322
Singapore Dollar	320	19,580	0	19,900
South African Rand	30	13,009	0	13,039
South Korean Won	54	47,323	0	47,377
Swedish Krona	387	36,429	0	36,816
Swiss Franc	47	114,228	0	114,275
Thailand Baht	37	17,079	0	17,116
Turkish Lira	0	5,407	0	5,407
Other	9	333	0	342
<b>Totals</b>	<b>\$14,645</b>	<b>\$1,686,355</b>	<b>\$13,983</b>	<b>\$1,714,983</b>

Note: Examples of other currency include Czech Koruna, Egyptian Pound, Moroccan Dirham, New Romanian Leu, and Yuan Renminbi.

◆ **Derivative Financial Instruments**

On behalf of MSRS, the 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 the 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 cur-

rency 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.

The fair value balances and notional amounts (or face value) at June 30, 2013, 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 2013 are shown in **Exhibit 8**.

Explanations of each derivative instrument type follow the exhibit.

<b>EXHIBIT 8: DERIVATIVE FINANCIAL INSTRUMENTS</b>			
As of June 30, 2013			
(Dollars in thousands)			
<b>Derivative Investment Type</b>	<b>Changes in Fair Value During FY 2013</b>	<b>Fair Value at June 30, 2013</b>	<b>Notional Amount</b>
<b>Futures</b>			
Equity Futures – Long	\$13,343	\$0	\$412
Equity Futures – Short	(1,154)	0	(11)
Fixed Income Futures – Long	(1,814)	0	184,213
Fixed Income Futures - Short	4,414	0	(105,476)
<b>Options</b>			
Fixed Income Options Written (Calls)	\$17	\$0	\$0
Futures Options Bought (Puts)	(71)	80	1,006
Futures Options Written (Calls)	350	(313)	(1,935)
<b>Currency Forwards</b>			
Foreign Exchange (FX) Forwards	\$980	\$(144)	\$84,099
<b>Stock Warrants and Rights</b>			
Stock Warrants	\$1	\$1	\$55
Stock Rights	(11)	91	166

# Notes to the Financial Statements

**EXHIBIT 8 (CONTINUED)**  
**DERIVATIVE INSTRUMENT TYPE EXPLANATIONS**

**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 five years or more before expiration. 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.

The 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, 2013, the SBI's portfolio of well-diversified, high quality, investment grade fixed income securities had a fair value of \$1,271,060,110 that is \$27,936,917 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 a combined fair value of \$303,133,050.

The 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 the SBI would have recognized as of June 30, 2013, if all counterparties failed to perform as contracted is \$668,101. These

counterparties have Standard and Poor's ratings of A+ or better. There is no collateral held or any liabilities included in netting arrangements with those counterparties that would have reduced the SBI's exposure to credit risk.

♦ **Securities Lending Transactions**

[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 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 the SBI, of these investment pools. The types and amounts of securities loaned are presented in **Exhibit 9**.

**EXHIBIT 9: SECURITIES LOANED**  
(Dollars in thousands)

Investment Type	Amount as of June 30, 2013
Domestic Equities	\$1,060,834
U.S. Government Bonds	598,731
International Equities	239,629
Domestic Corporate Bonds	102,723
International Corporate Bonds	2,537
<b>Total</b>	<u>\$2,004,454</u>

*Minnesota Statutes*, section 356A.06, subdivision 7, allows the SBI to participate in securities lending transactions. The 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 the SBI, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. 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 the SBI in the event of default by the borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.



During the fiscal year, the 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, 2013, the investment pool had an average duration of 13.73 days and an average weighted final maturity of 32.84 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 cash collateral. On June 30, 2013, the 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, 2013, was \$2,091,827,366 and \$2,004,453,739, respectively. Cash collateral equal to \$1,190,833,105 is reported on the *Statement of Fiduciary Net Position* as an asset and correspondingly on the statement as a liability.

♦ **Capital Assets**

Capital asset activity for the year ended June 30, 2013, is reported in **Exhibit 10**.

<b>EXHIBIT 10: CAPITAL ASSETS</b>				
(Dollars in thousands)				
<b>Capital Asset Types</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b>Capital Assets, Not Depreciated:</b>				
Land	\$88	\$0	\$0	\$88
<b>Capital Assets, to be Depreciated or Amortized:</b>				
Building, Improvements, and Building Equipment	\$7,378	\$650	\$0	\$8,028
Office Equipment and Fixtures	1,002	0	(188)	814
Computer and VoIP System	403	0	0	403
Computer Software	289	3,163	0	3,452
Deferred Bond Issuance Charges	74	66	(74)	66
Total Capital Assets, to be Depreciated or Amortized	\$9,146	\$3,879	\$(262)	\$12,763
<b>Total Capital Assets</b>	<b>\$9,234</b>	<b>\$3,879</b>	<b>\$(262)</b>	<b>\$12,851</b>
<b>Less Accumulated Depreciation or Amortization for:</b>				
Building, Improvements and Building Equipment	\$(2,038)	\$(207)	\$0	\$(2,245)
Office Equipment and Fixtures	(941)	(6)	188	(759)
Computer and VoIP System	(141)	(81)	0	(222)
Computer Software	(52)	(55)	0	(107)
Deferred Bond Issuance Charges	(28)	(5)	28	(5)
Total Accumulated Depreciation or Amortization	<b>\$(3,200)</b>	<b>\$(354)</b>	<b>\$216</b>	<b>\$(3,338)</b>
<b>Total Capital Assets, Net of Accumulated Depreciation or Amortization</b>	<b>\$6,034</b>	<b>\$3,525</b>	<b>\$(46)</b>	<b>\$9,513</b>

# Notes to the Financial Statements

## B. Liabilities

### ◆ Lease Obligations

MSRS' main office is housed in the Retirement Systems of Minnesota (RSM) building located in St. Paul. 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, Duluth, counseling space in the Hennepin County Government Center, and additional office space in the Retirement Services Building. As of June 30, 2013, future obligations under the terms of those leases are scheduled in **Exhibit 11**.

Fiscal Year Ending June 30	Locations						Totals
	Mankato	St. Cloud	Duluth	Detroit Lakes	Hennepin County Govt. Center	St. Paul RSM Building	
2014	\$75,609	\$8,565	\$26,110	\$16,767	\$5,200	\$64,160	\$196,411
2015	75,609	0	24,854	16,767	5,200	57,200	179,630
2016	75,609	0	25,230	4,192	5,200	0	110,231
2017	75,609	0	25,613	0	2,600	0	103,822
2018	82,221	0	25,995	0	0	0	108,216
2019-2023	348,093	0	15,294	0	0	0	363,387
<b>Totals</b>	<b><u>\$732,750</u></b>	<b><u>\$8,565</u></b>	<b><u>\$143,096</u></b>	<b><u>\$37,726</u></b>	<b><u>\$18,200</u></b>	<b><u>\$121,360</u></b>	<b><u>\$1,061,697</u></b>

### ◆ Long-term Debt

Legislation was passed in 1999 allowing MSRS, TRA and PERA to purchase land and construct a 140,000 square foot building to house all three retirement systems. Ownership of the facility is prorated based on the proportionate share of the building's useable space in square feet. On June 1, 2000, the state Department of Finance (currently known as Minnesota Management and Budget) issued \$29,000,000 in 30-year revenue bonds to finance the building construction.

In the fall of 2012, the remaining 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 General Fund for the Elective State Officers Retirement Plan (MSRS), the Legislators Retirement Plan (MSRS), the Supplemental Investment Fund for participants in the Unclassified Employees Retirement Plan (MSRS), the Minnesota Deferred Compensation Plan (MSRS), the Hennepin County Supplemental Retirement account (MSRS), the Health Care Savings Plan (MSRS), the Public Employees Defined Contribution Plan (PERA),

the Volunteer Firefighters Lump Sum Retirement Plan (PERA), and any fund related to or dedicated to defined contribution plans administered by the retirement systems.

Through the issuance of the refunding bonds, which received an AAA rating in late July 2012, the bond term has been reduced by five years and the present value of the savings to the three systems is \$9,582,538. The MSRS portion of the savings is \$2,568,120.

**Exhibit 12** 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 premium balances of the bonds, plus the interest accrued for the month of June, a total of \$21,729,914. Bonds Payable on the *Statement of Fiduciary Net Position* is the MSRS share of the outstanding debt at the current building ownership interest, 26.8 percent. Bonds Payable includes the principal and premium balances as of June 30, 2013, and interest accrued for the month of June.

**EXHIBIT 12: DEBT REPAYMENT SCHEDULE BY FISCAL YEAR**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Premium</b>	<b>Total Principal, Premium &amp; Interest</b>
2014	\$420,760	\$89,871	\$44,049	\$554,680
2015	431,480	82,894	42,610	556,984
2016	440,860	75,740	41,134	557,734
2017	448,900	68,431	39,627	556,958
2018	458,280	60,988	38,092	557,360
2019	471,680	53,389	36,525	561,594
2020	478,380	45,569	34,912	558,861
2021	491,780	37,637	33,276	562,693
2022	502,500	29,483	31,594	563,577
2023	513,220	21,151	29,876	564,247
2024	494,460	12,642	17,857	524,959
2025	268,000	4,443	6,276	278,719
<b>Totals</b>	<b><u>\$5,420,300</u></b>	<b><u>\$582,238</u></b>	<b><u>\$395,828</u></b>	<b><u>\$6,398,366</u></b>

Total Unpaid Principal, 06/30/13	\$5,420,300
Total Unpaid Premium 06/30/13	395,828
Accrued Interest	7,489
<b>Total, per Statement of Fiduciary Net Position</b>	<b><u>\$5,823,617</u></b>

# Notes to the Financial Statements

## ♦ Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (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 Minnesota Management and Budget (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, 2013, the SEGIP had an actuarially determined unfunded net obligation for future benefits of \$193,986,000, to be funded on a pay-as-you-go basis. MSRS' allocated portion of this liability is \$60,000. The MSRS share of the required contributions and the net Other Post-Employment Benefit (OPEB) obligation is presented in **Exhibit 13**.

### EXHIBIT 13: REQUIRED OPEB CONTRIBUTIONS AND NET OPEB OBLIGATION

(Dollars in thousands)

#### State Employee Group Insurance Plan OPEB Disclosures:

Fiscal Year Ended June 30	Annual Required Contribution	Employer Contribution	Percent	Net OPEB Obligation
2009	\$56,000	\$30,000	53.57%	\$43,000
2010	57,000	36,000	63.16	65,000
2011	62,000	48,000	77.42	80,000
2012	65,000	78,000	120.00	67,000
2013	52,000	60,000	115.00	60,000

## C. Interfund Receivables and Payables

Interfund receivables and payables as of June 30, 2013 are detailed in **Exhibit 14**.

### EXHIBIT 14: DUE FROM/TO OTHER PLANS AS OF JUNE 30, 2013

(Dollars in thousands)

	Due From Other Plans (Interfund Receivables)	Due To Other Plans (Interfund Payables)
<b>Defined Benefit Retirement Funds</b>		
State Employees	\$4,479	\$4
State Patrol		181
Correctional Employees	3	677
Judges	1	68
Legislators		37
Elective State Officers		1
<b>Defined Contribution Retirement Funds</b>		
Unclassified Employees		376
Health Care Savings		2,157
Minnesota Deferred Compensation		974
Hennepin County Supplemental		8
<b>Totals</b>	<b><u>\$4,483</u></b>	<b><u>\$4,483</u></b>

## D. Revenues and Expenses

### ♦ Administrative Expenses

Administrative expenses by fund for the fiscal year ended June 30, 2013, are detailed in the *Schedule of Administrative Expenses* found on page 72.

### ♦ Reemployed Retirees' Earnings Limitations

MSRS retirees whose age is under the Social Security full retirement age, and who return to work in an MSRS-covered position after their retirement, are subject to an annual earnings limitation unless hired under a Post-Retirement Option (PRO) agreement. The maximum earnings limits for calendar years 2013 and 2014 for individuals under the full retirement age are \$15,120 and \$15,480, respectively. For individuals that reach full retirement age during 2013 or 2014, the maximum earnings limits are \$40,080 and \$41,400, 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. Retirees must wait one year following termination of their post-retirement employment to be eligible to receive a distribution of these funds.

At the time of distribution, the retiree 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, 2013, MSRS had 65 re-employed retirees with funds held in abeyance, which totaled \$1,603,801 (\$1,078,515 for the State Employees Retirement Fund and \$525,286 for the Correctional Employees Retirement Fund). MSRS processed 15 distributions of these funds, totaling \$729,491 (\$703,466 for the State Employees Retirement Fund and \$26,025 for the Correctional Employees Retirement Fund) during fiscal year 2013. These distributions are included as Refunds in the respective fund's *Statement of Changes in Fiduciary Net Position*.

## E. Interfund Transfers

Interfund transfers during the fiscal year ended June 30, 2013, are shown in **Exhibit 15**.

<b>EXHIBIT 15: FISCAL YEAR 2013 INTERFUND TRANSFERS</b>		
(Dollars in thousands)		
	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Defined Benefit Retirement Funds</b>		
State Employees	\$21,116	\$54
State Patrol		
Correctional Employees		
Judges		
Legislators		
Elective State Officers		
<b>Defined Contribution Funds</b>		
Unclassified Employees	54	21,116
Health Care Savings		
Minnesota Deferred Compensation		
Hennepin County Supplemental		
<b>Totals</b>	<u><u>\$21,170</u></u>	<u><u>\$21,170</u></u>



# Notes to the Financial Statements

## 4. Pension and Other Postemployment Benefit-Related Note Disclosures

### A. Defined Benefit Plans

#### ◆ Membership Statistics, Fund Descriptions, and Contribution Information for Defined Benefit Funds

Membership statistics as of June 30, 2013, 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 on the pages that follow.

<b>EXHIBIT 16: MEMBERSHIP STATISTICS - DEFINED BENEFIT FUNDS</b>							
As of June 30, 2013	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers *	Totals
<b>Members Receiving Benefits</b>							
Retirees	27,654	748	1,920	210	287	10	30,829
Disabilitants	1,802	50	258	24	N/A	N/A	2,134
Beneficiaries	3,830	185	196	98	75	4	4,388
<b>Total Members Receiving Benefits</b>	<b><u>33,286</u></b>	<b><u>983</u></b>	<b><u>2,374</u></b>	<b><u>332</u></b>	<b><u>362</u></b>	<b><u>14</u></b>	<b><u>37,351</u></b>
<b>Terminated Members</b>							
Vested, Not Receiving	16,062	41	1,196	16	70	1	17,386
Nonvested	5,574	18	413	0	1	0	6,006
<b>Total Terminated Members</b>	<b><u>21,636</u></b>	<b><u>59</u></b>	<b><u>1,609</u></b>	<b><u>16</u></b>	<b><u>71</u></b>	<b><u>1</u></b>	<b><u>23,392</u></b>
<b>Active Members</b>							
Vested	38,980	744	3,522	194	24	0	44,464
Nonvested	10,141	101	862	115	0	0	11,219
<b>Total Active Members</b>	<b><u>49,121</u></b>	<b><u>845</u></b>	<b><u>4,384</u></b>	<b><u>309</u></b>	<b><u>24</u></b>	<b><u>0</u></b>	<b><u>54,683</u></b>
<b>Grand Total Members</b>	<b><u>104,043</u></b>	<b><u>1,887</u></b>	<b><u>8,367</u></b>	<b><u>657</u></b>	<b><u>457</u></b>	<b><u>15</u></b>	<b><u>115,426</u></b>
<b>Participating Employers</b>	23	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 to new entrants, there is no 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; members hired 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, whichever is greater. 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. It also 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, 2013, all MSRS employees are members of the General Plan. MSRS employee and employer contributions, as reported in **Exhibit 17**, were funded at 100 percent of the required contributions set by statute.

### **EXHIBIT 17: MSRS CONTRIBUTIONS TO THE STATE EMPLOYEES RETIREMENT FUND**

<b>For Fiscal Year Ended</b>	<b>Employee</b>	<b>Employer</b>
June 30, 2010	\$253,656	\$253,656
June 30, 2011	272,715	272,715
June 30, 2012	272,077	272,077
June 30, 2013	307,737	307,737

Total covered payroll for MSRS employees was approximately \$ 5.9 million for fiscal year 2013.

### ***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 12.40 percent of their total compensation, with the employer contributing 18.60 percent. Effective the first day of the first pay period beginning after July 1, 2014, these rates will increase to 13.40 percent and 20.10 percent, respectively. Effective after June 30, 2016, these rates will increase to 14.40 percent and 21.60 percent, respectively.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate six percent through June 30, 2011, and four percent thereafter. For monthly retirement benefits, members hired before June 30, 2013, become vested after three years of allowable service; members hired after June 30, 2013, are vested after ten years of allowable service. Vesting for survivor purposes for members hired after June 30, 2013, is five years of allowable service.

Members become eligible for normal retirement benefits at age 55. The benefit is three percent of the high five-year average salary for each year of allowable service. Allowable service used to determine benefits is limited to 33 years, with a refund of employee contributions for excess years of service. Members with at least 28 years of service as of July 1, 2013, are not subject to this service limit.

A state contribution of \$1 million will be made annually to the State Patrol Retirement Fund until the State Patrol Retirement Fund and the Public Employee Retirement Association Police and Fire Retirement Fund both reach a 90 percent funded ratio, on the market value of assets basis.

# Notes to the Financial Statements

## ***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 Security Hospital, or the Minnesota Sex Offenders Program.

*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 age 55, 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. Retirees also include former municipal and county court judges.

A new benefit tier, Tier 2, for judges first appointed after June 30, 2013, was created in the 2013 Legislative session. Judges with less than five years of service as of December 31, 2013, may also make a one-time irrevocable election for Tier 2 benefits.

*Minnesota Statutes*, Section 490.123 requires that eligible employees in Tier 1 contribute nine percent of their total compensation after June 30, 2013. Tier 2 employees are required to contribute seven percent of their total compensation. The employer contributes 22.5 percent of salary for both tiers.

Tier 1 members become eligible for retirement benefits at age 65 with five years of allowable service. Tier 2 members become eligible for retirement benefits at age 66 with five years of allowable service. Reduced retirement benefits are available to all members at age 60 with five years of allowable service. Mandatory retirement age is 70 for both tiers.

The retirement benefit for Tier 1 judges 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 retirement benefit for Tier 2 judges is 2.5 percent of the average high five-year salary for each year of allowable service. The maximum benefit a Tier 1 member receives is 76.80 percent of the average high-five year salary. There is no maximum benefit for Tier 2 members.

## ***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 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 nine percent of their salary 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 elected prior to January 1, 1979, the retirement benefit is computed at five 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 July 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 between July 1, 1967, and July 1, 1997, and chose 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.

◆ **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.

◆ **Funding Status**

The funding status schedule, as shown in **Exhibit 18**, was prepared using the actuarial methods and assumptions specified in *Note 4.A.4*.

	Defined Benefit Retirement Funds					
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers
A. Most Recent Actuarial Valuation Date	July 1, 2013	July 1, 2013	July 1, 2013	July 1, 2013	July 1, 2013	July 1, 2013
B. Actuarial Value of Assets	\$9,375,780	\$552,319	\$701,091	\$144,918	\$11,493	\$0
C. Actuarial Accrued Liability	<u>11,428,641</u>	<u>741,850</u>	<u>1,026,098</u>	<u>284,513</u>	<u>235,877</u>	<u>8,595</u>
D. Total Unfunded Actuarial Accrued Liability (C-B)	<u>\$2,052,861</u>	<u>\$189,531</u>	<u>\$325,007</u>	<u>\$139,595</u>	<u>\$224,384</u>	<u>\$8,595</u>
E. Funded Ratio (B/C)	82.04%	74.45%	68.33%	50.94%	4.87%	0.00%
F. Actual Covered Payroll	\$2,483,000	\$62,121	\$204,198	\$39,888	\$1,233	N/A
G. Ratio of the Unfunded Actuarial Accrued Liability to Annual Covered Payroll (D/F)	82.68%	305.10%	159.16%	349.97%	18,198.22%	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 the actuarial accrued liability for benefits. Other actuarial information is presented later in this report in the *Actuarial Section*.

# Notes to the Financial Statements

## ◆ 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.

Actuarial liabilities are amortized over a closed period using a level percentage of payroll for the four largest defined benefit funds, and level dollar for the Legislators and Elective State Officers Retirement Funds. The remaining amortization period for State Employees is 27 years, 24 years for State Patrol, 25 years for Correctional Employees, 26 years for Judges, 13 years for Legislators, and 8 years for the Elective State Officers Retirement Fund.

The State Employees and Correctional Employees assume an eight percent pre-retirement and six percent post-retirement rate of return, the Judges Retirement fund assumes an eight percent pre-retirement and 6.25 percent post-retirement rate of return, the State Patrol Retirement Fund assumes an eight percent pre-retirement and seven 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 Employee, State Patrol, and Correctional Employees Retirement Funds, and at three percent for the Judges Retirement Fund. Salary growth is assumed to be three percent in the Judges Retirement Fund and five percent in the Legislators Retirement Fund. Salary growth is based on a service-related rate table for the State Employees, Correctional Employees and State Patrol Retirement Funds. The Elective State Officers Fund has no contributing members, therefore, no payroll or salary growth.

For projecting retiree mortality all funds use RP-2000 mortality tables using mortality improvement scale AA. 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 the State Employee, Correctional, Legislative, and Elective State Officer Retirement funds, annuity benefits are increased annually by 2.0 percent to cover the effects of inflation. The annual benefit increase rates for State Employee and Correctional Retirement Funds will revert to 2.5 percent when each of the 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 funded level, determined on a market value of assets basis. For the State Patrol Retirement Fund, the annual benefit increase rate after retirement is one percent. Increases revert to 1.5 percent when an 85.0 percent funded ratio is achieved, and then to 2.5 percent when a 90.0 percent funded ratio is reached, based on the market value of assets. For the Judges Retirement Fund, the annual benefit increase rate after retirement is 1.75 percent. Increases change to two percent when a 70.0 percent funded ratio is achieved, and then to 2.5 percent when a 90.0 percent funded ratio is reached, based on the market value of assets.

For additional actuarial assumptions used in determination of the July 1, 2013 valuation results, please refer to pages 90-105 of the *Actuarial Section* of this report.

## ◆ Changes in Actuarial Assumptions

There were no changes in actuarial assumptions in the State Employees, Correctional Employees, Legislators, or Elective State Officers Retirement Funds during fiscal year 2013.

For the State Patrol Retirement Fund, the investment return assumption was changed from 6.50 to 7.00 percent post-retirement through June 30, 2017. The rates after June 30, 2017, also changed, from 7.0 to 7.5 percent.

For the Judges Retirement Fund, the investment return assumption was changed from 6.00 to 6.25 percent post-retirement through June 30, 2017. The rates after June 30, 2017, also changed, from 6.50 to 6.75 percent.

## ◆ 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 (eight percent of assets) for the period July 1, 2012, to June 30, 2017. The amounts shown in the *Statement of Fiduciary Net Position* are presented at fair value and do not include any of the preceding adjustments. The June 30, 2013, 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 19** on page 59.



**EXHIBIT 19: 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	\$9,375,780	82.04%	2.45%	\$10,033,499	87.79%	0.80%
State Patrol	552,319	74.45	8.68%	593,201	79.96	4.33
Correctional Employees	701,091	68.33	5.41%	747,157	72.82	3.97
Judges	144,918	50.94	11.46%	155,398	54.62	9.64

**B. Defined Contribution Plans**

♦ **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 20**.

**EXHIBIT 20: MEMBERSHIP STATISTICS – DEFINED CONTRIBUTION FUNDS**

(Dollars in thousands)

As of June 30, 2013	Defined Contribution Retirement Fund			
	Unclassified Employees	Health Care Savings	MN Deferred Compensation	Hennepin County Supplemental
Active Members	1,509	49,016	49,006	427
Inactive Members	1,772	24,915	28,907	1,031
Withdrawing Members	N/A	9,716	4,285	171
Total Members	<u>3,281</u>	<u>83,647</u>	<u>82,198</u>	<u>1,629</u>
Annual Payroll	\$101,924	N/A	N/A	\$22,745
Participating Employers	11	505	665	2

# Notes to the Financial Statements

## ***Unclassified Employees Retirement Fund***

The Unclassified Employees Retirement Fund is a tax-deferred, defined contribution fund entirely composed 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 ten 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 ten 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 conversion 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, 2013, in the amount of \$10,579,000.

## ***Health Care Savings Fund***

The Health Care Savings Fund is a defined contribution fund entirely composed 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 a 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 ten 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.

## 5. Significant Effects of Subsequent Events

### A. Change in Fund Structure

Recently enacted Minnesota legislation repealed statutory language pertaining to the Elective State Officers Retirement Plan, *Minnesota Statutes* Chapter 3A, and enabled this plan to merge with the Legislators Retirement Plan, effective July 1, 2013, for administrative cost savings purposes. Under this new arrangement, the financial activities of the two funds will be reported in a single fund, the Legislators Retirement Fund, beginning with fiscal year 2014. As of July 1, 2013, only the \$1,132 receivable from the state's General Fund and the \$1,132 amount due to the State Employees Retirement Fund were carried from the Elective State Officers Retirement Fund to the Legislators Retirement Fund. For future actuarial valuation purposes, members of the former Elective State Officers Retirement Fund (constitutional officers first elected to office before July 1, 1997 and their survivors) will be considered a special group of the Legislators Retirement Fund. Benefit provisions for both retirement plans remain unaffected by the merger.

## 6. Required Supplementary Information

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

# Schedule of Funding Progress

Required Supplementary Information

Last Ten Years

(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)
<b>State Employees Retirement Fund</b>						
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
2013	9,375,780	11,428,641	2,052,861	82.04	2,483,000	82.68
<b>State Patrol Retirement Fund</b>						
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
2013	552,319	741,850	189,531	74.45	62,121	305.10
<b>Correctional Employees Retirement Fund</b>						
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
2013	701,091	1,026,098	325,007	68.33	204,198	159.16

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

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
2013	144,918	284,513	139,595	50.94	39,888	349.97

### Legislators Retirement Fund

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
2013	11,493	235,877	224,384	4.87	1,233	18,198.22

### Elective State Officers Retirement Fund\*\*

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
2013	0	8,595	8,595	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

(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
<b>State Employees Retirement Fund</b>						
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
2013	12.32	2,483,000	124,150	181,756	121,673	66.94
<b>State Patrol Retirement Fund</b>						
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
2013	42.52	62,121	7,703	18,711	11,482	61.37
<b>Correctional Employees Retirement Fund</b>						
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
2013	25.28	204,198	17,561	34,060	24,632	72.32

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
<b>Judges Retirement Fund</b>						
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
2013	41.52	39,888	3,037	13,524	8,177	60.46

### Legislators Retirement Fund

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
2013	1,340.00	1,233	111	16,411	3,399	20.71

### Elective State Officers Retirement Fund\*

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	466	36.73
2013	991	0	0	991	470	47.44

\*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	7/1/2013
<b>ACTUARIAL METHODS</b>	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	27 Years (By June 30, 2040), closed period
Asset Valuation Method	Market Value Smoothed Over 5 Years (2009)
<b>ACTUARIAL ASSUMPTIONS</b>	
Investment Return	Select and Ultimate Rates: <u>July 1, 2013 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 projected with mortality improvement scale AA 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 projected with mortality improvement scale AA 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, 2013, valuation results, please refer to pages 90-105 of the *Actuarial Section* of this report.

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

## State Patrol Retirement Fund

Valuation Date	7/1/2013
<b>ACTUARIAL METHODS</b>	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	24 Years (By June 30, 2037), closed period
Asset Valuation Method	Market Value Smoothed Over 5 Years (2009)
<b>ACTUARIAL ASSUMPTIONS</b>	
Investment Return	Select and Ultimate Rates: <u>July 1, 2013 to June 30, 2017</u> 8.00% per year pre-retirement 7.00% per year post-retirement <u>July 1, 2017 and later</u> 8.50% per year pre-retirement 7.50% per year post-retirement (2013)
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 projected with mortality improvement scale AA white collar adjustment (2012)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table projected with mortality improvement scale AA white collar adjustment Males: set back 2 years Females: set forward 1 year (2012)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	1.0% per year until 85% funded (on a market value of assets basis), then 1.5% per year. Increases to 2.5% per year when 90% funded on a market value of assets basis. (2013)

For additional actuarial assumptions used in determination of the July 1, 2013, valuation results, please refer to pages 90-105 of the *Actuarial Section* of this report.

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

# Notes to Required Supplementary Information

## Correctional Employees Retirement Fund

<b>Valuation Date</b>	7/1/2013
<b>ACTUARIAL METHODS</b>	
<b>Actuarial Cost Method</b>	Entry Age
<b>Amortization Method</b>	Level Percentage of Payroll
<b>Remaining Amortization Period</b>	25 Years (By June 30, 2038), closed period
<b>Asset Valuation Method</b>	Market Value Smoothed Over 5 Years (2009)
<b>ACTUARIAL ASSUMPTIONS</b>	
<b>Investment Return</b>	Select and Ultimate Rates: <u>July 1, 2013 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)
<b>Salary Increases</b>	Service-related rates (2012)
<b>Assumed Inflation Rate</b>	3%
<b>Payroll Growth</b>	3.75% per year (2012)
<b>Mortality Rates - Healthy Pre-retirement</b>	RP-2000 employee generational mortality table projected with mortality improvement scale AA white collar adjustment (2012)
<b>Mortality Rates - Healthy Post-retirement</b>	RP-2000 annuitant generational mortality table projected with mortality improvement scale AA white collar adjustment Males: set forward 1 year Females: set back 1 year (2012)
<b>Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)</b>	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, 2013, valuation results, please refer to pages 90-105 of the *Actuarial Section* of this report.

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



## Judges Retirement Fund

Valuation Date	7/1/2013
<b>ACTUARIAL METHODS</b>	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	26 Years (By June 30, 2039), closed period
Asset Valuation Method	Market Value Smoothed Over 5 Years (2009)
<b>ACTUARIAL ASSUMPTIONS</b>	
Investment Return	Select and Ultimate Rates: <u>July 1, 2013 to June 30, 2017</u> 8.00% per year pre-retirement 6.25% per year post-retirement <u>July 1, 2017 and later</u> 8.50% per year pre-retirement 6.75% per year post-retirement (2013)
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 projected with mortality improvement scale AA white collar adjustment (2012)
Mortality Rates - Healthy Post-retirement	RP-2000 annuitant generational mortality table projected with mortality improvement scale AA white collar adjustment Males: set back 1 year Females: set back 2 years (2012)
Benefit Increases After Retirement (e.g., Cost-of-Living Adjustment)	1.75% per year until 70% funded (on a market value of assets basis), then 2.0% per year. Increases to 2.5% per year when 90% funded on a market value of assets basis. (2013)

For additional actuarial assumptions used in determination of the July 1, 2013, valuation results, please refer to pages 90-105 of the *Actuarial Section* of this report.

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

# Notes to Required Supplementary Information

## Legislators Retirement Fund

Valuation Date	7/1/2013
<b>ACTUARIAL METHODS</b>	
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar (2012)
Remaining Amortization Period	13 Years (By June 30, 2026), closed period
Asset Valuation Method	Market Value (2000)
<b>ACTUARIAL ASSUMPTIONS</b>	
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 projected with mortality improvement scale AA 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 projected with mortality improvement scale AA 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, 2013, valuation results, please refer to pages 90-105 of the *Actuarial Section* of this report.

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

## Elective State Officers Retirement Fund

Valuation Date	7/1/2013
<b>ACTUARIAL METHODS</b>	
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	8 Years (By June 30, 2021), closed period
Asset Valuation Method	Market Value (2000)
<b>ACTUARIAL ASSUMPTIONS</b>	
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 no contributing members
Mortality Rates - Healthy Pre-retirement	RP-2000 employee generational mortality table projected with mortality improvement scale AA 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 projected with mortality improvement scale AA 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, 2013, valuation results, please refer to pages 90-105 of the *Actuarial Section* of this report.

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

# Schedule of Administrative Expenses

Supplementary Information

For the Fiscal Year Ended June 30, 2013

(Dollars in thousands)

<b>Personnel Services</b>	
Staff Salaries	\$5,563
Social Security and Medicare	438
Retirement	308
Health Insurance	1,174
Other Personnel Services	36
<b>Total</b>	<b>\$7,519</b>
<b>Communication-Related Expenses</b>	
Printing	\$272
Telephone	154
Postage	143
Subscriptions and Memberships	15
<b>Total</b>	<b>\$584</b>
<b>Office Building and Maintenance Expenses</b>	
Office Space Rentals	\$195
Building Services	657
Building and Building Improvement Depreciation	207
Bond Interest and Issuance Expense	157
Other Building and Maintenance Expenses	1
<b>Total</b>	<b>\$1,217</b>
<b>Professional Services</b>	
Actuarial	\$284
Data Processing	512
Disability Examinations	57
Legal Counsel	28
Other Professional Services	2,229
<b>Total</b>	<b>\$3,110</b>
<b>Miscellaneous</b>	
Office Supplies	\$96
Computer Components and Supplies	452
Equipment Repairs and Maintenance Expenses	359
Department Head and Board Member Expenses	4
Training and Licenses	117
Travel	174
Statewide Indirect Costs	374
Equipment Depreciation and Software Amortization	142
Other Rentals	7
State and Local Sales Taxes	49
Other Expenses	3
<b>Total</b>	<b>\$1,777</b>
<b>Total Administrative Expenses</b>	<b>\$14,207</b>
<b>Allocation of Administrative Expenses by Fund</b>	
State Employees	\$8,589
State Patrol	190
Correctional	691
Judges	73
Legislators	38
Elective State Officers	1
Unclassified Employees	144
Health Care Savings	1,506
Deferred Compensation	2,959
Hennepin County Supplemental	16
<b>Total Administrative Expenses</b>	<b>\$14,207</b>

# Summary Schedule of Commissions and Payments to Consultants

Supplementary Information

For the Fiscal Year Ended June 30, 2013

(Dollars in thousands)

Individual or Firm Name	Services Received	Fees Paid
CSC Consulting	Application Development Support	\$2,913
A & L Construction, Inc.	Remodeling Services	323
Gabriel Roeder Smith and Company	Actuarial Services	257
Iris Consulting	Application Development Support	170
Corporate Programming, USA	Application Development Support	161
Crowe Horwath	Risk Assessment	147
Aeritae Consulting Group	Network System Development	82
BDH & Young	Remodeling Services	46
Impact Mailing of MN, Inc.	Programming and Data Conversion	40
SimplexGrinnell	Fire Suppression Testing	30
Insight Public Sector	Computer Support	26
Advanced Technologies	Web Redesign	22
Examworks	Medical Evaluations	22
Stubbe & Associates	Medical Evaluations	10
Comserv, Inc.	Death and SSN Validations	10
Ericksen Ellison & Associates, Inc.	Remodeling Services	9
Independent Management & Consulting, Inc.	Medical Evaluations	2
Lexis/Nexis Risk Data Management, Inc.	Member Records Update	2
<b>State of Minnesota</b>		
Office of Legislative Auditor	Financial Audit	149
MINNCOR Industries	Design Services	61
Department of Health	Medical Evaluations	26
Attorney General	Legal Advice	25

## Schedule of Investment Expenses\*

Supplementary Information

For the Fiscal Year Ended June 30, 2013

(Dollars in thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Totals
Domestic Equity Managers	\$4,275	\$253	\$318	\$66	\$5	\$4,917
International Equity Managers	4,570	270	340	71	5	5,256
Semi-Passive Managers	1,844	109	137	29	2	2,121
Passive Equity Managers	156	9	12	3	0	180
Fixed Income Managers	2,098	124	156	33	3	2,414
Minnesota State Board of Investment	609	36	45	9	2	701
Financial Control Systems	81	5	6	1	1	94
Pension Consultants	7	1	0	0	0	8
Callan Investment	71	4	5	1	1	82
QED Financial System Fees	48	3	3	0	1	55
<b>Total Investment Expenses</b>	<b>\$13,759</b>	<b>\$814</b>	<b>\$1,022</b>	<b>\$213</b>	<b>\$20</b>	<b>\$15,828</b>

\*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.



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# Investment Section

MSRS Comprehensive Annual Financial Report 2013



*Explore. Dream. Discover.*

# 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**  
Mansco Perry

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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 356A. The SBI includes Minnesota's governor, auditor, secretary of state and attorney general. The Legislature has established a 17-member Investment Advisory Council (IAC) 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 states 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 fund.

### 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 Minnesota 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, 2012 through June 30, 2017.

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, 2013, the Combined Funds returned 5.8 percentage points above the CPI over the last 20 years and returned 0.3 percentage point above the composite index over the past 10 years. Investment returns ranked in the 21<sup>st</sup> percentile over the past five years and in the 23<sup>rd</sup> percentile over the past 10 years, compared to similar funds in the Trust Universe Comparison Service.

#### INVESTMENT PRESENTATION

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

Respectfully submitted,

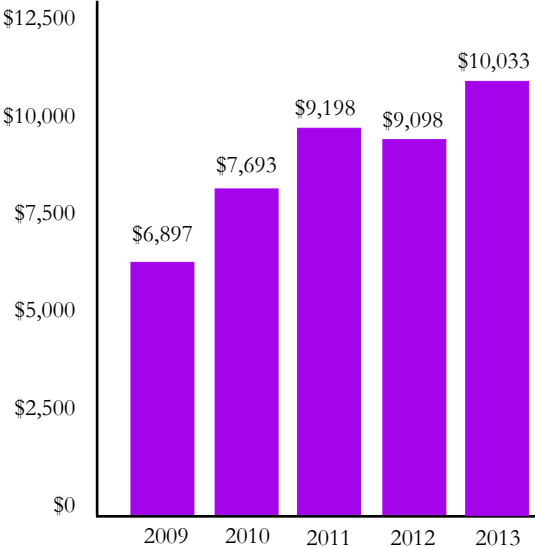


Mansco Perry III  
Executive Director  
Minnesota State Board of Investment

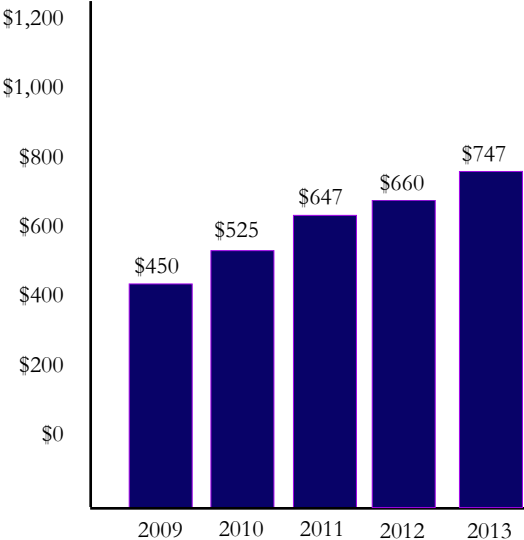
# Fair Value of Net Assets (in Millions of U.S. Dollars)

Fair Value of MSRS' Four Largest Defined Benefit Retirement Funds  
As of June 30, 2013

**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)			
	FY2013	Three-Year	Five-Year	Ten-Year
<b>Domestic Stock Pool</b>	21.9%	18.7%	7.2%	7.7%
<b>Russell 3000 Index</b>	21.5	18.6	7.2	7.8
<b>Bond Pool</b>	0.8%	4.7%	6.1%	4.9%
<b>Barclays Capital Aggregate Bond Index</b>	(0.7)	3.5	5.2	4.5
<b>International Stock Pool</b>	16.1%	8.7%	(0.2)%	8.9%
<b>Standard MSCI ACWI Free ex U.S. (Net)</b>	13.7	8.0	(0.8)	8.7
<b>Alternative Investments</b>	11.3%	13.1%	6.4%	15.3%
<b>Inflation</b> (Note: This is the target rate of return; there is no comparable index available.)	1.8	2.3	1.3	2.4
<b>Real Estate Investments Pool (Equity emphasis)</b>	8.6%	12.2%	(2.9)%	6.8%
<b>Inflation +5%</b> (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	6.8	7.3	6.3	7.4
<b>Private Equity Investments Pool (Equity emphasis)</b>	12.9%	13.5%	8.0%	16.2%
<b>Inflation +10%</b> (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	11.8	12.3	11.3	12.4
<b>Resource Investments Pool (Equity emphasis)</b>	5.0%	13.3%	9.4%	26.5%
<b>Inflation +5%</b> (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	6.8	7.3	6.3	7.4
<b>Yield Oriented Investments Pool (Debt emphasis)</b>	14.4%	13.4%	8.6%	16.9%
<b>Inflation +5.5%</b> (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	7.3	7.8	6.8	7.9

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



# Asset Allocation

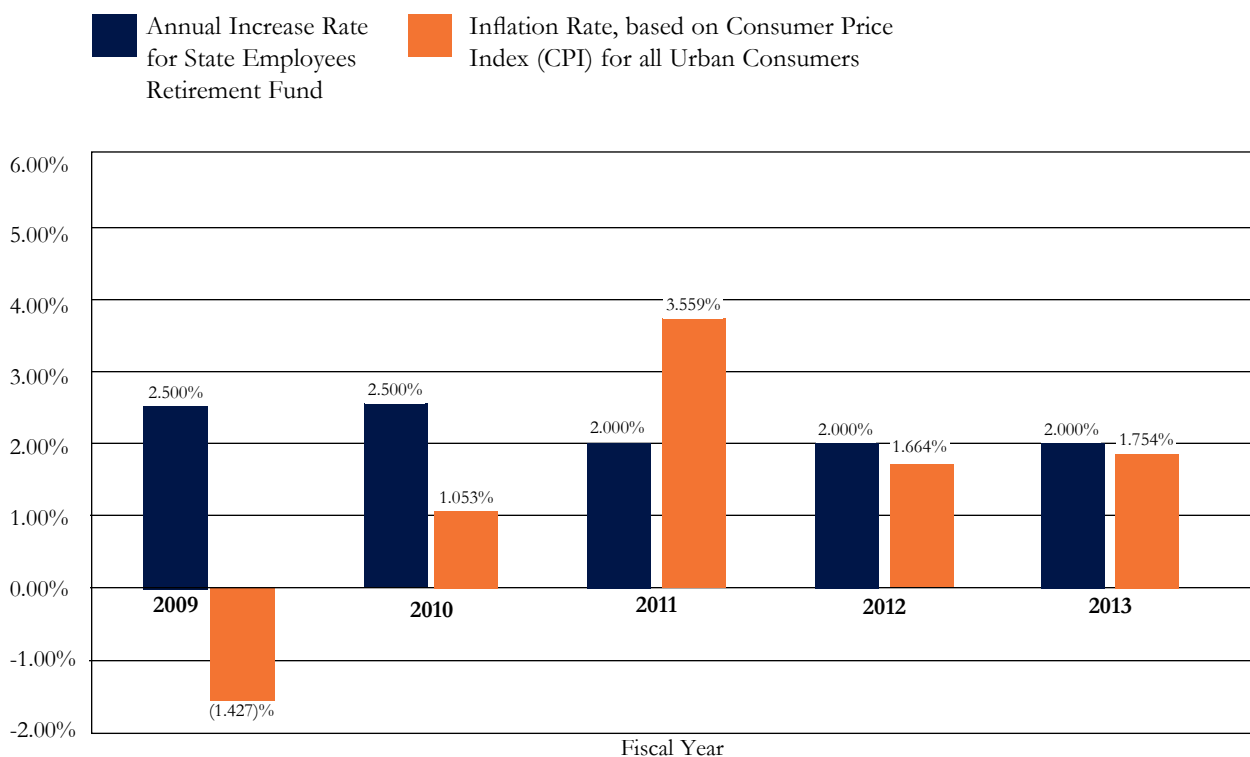
Asset allocation can have a significant effect on investment returns. To achieve the best results, investment allocations are periodically reviewed and adjusted to reflect changing market conditions and revised investment objectives.

Combined Funds		
Investment Type	Actual Asset Mix 06/30/2013	Long-Term Policy Target
Domestic Stocks	45.1%	45.0%
International Stocks	14.9	15.0
Bonds	23.0	18.0
Alternative Investments*	14.5	20.0
Cash	2.5	2.0
<b>Totals</b>	<u>100.0%</u>	<u>100.0%</u>

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

## Investment Results Benefit Increases vs. Inflation (Last Five Years)

Annual post-retirement benefit increases awarded to MSRS retirees have been greater than inflation during four of the past five years: 2009, 2010, 2012, and 2013. Benefit increases and inflation are measured as of June 30. Benefit increases are effective January 1 of the following year.



Please note: As a sustainability measure, legislation was enacted in 2010 and 2013 which capped the post-retirement benefit increases at 2% for all defined benefit plans, except State Patrol Retirement Fund, which was capped at 1%, and Judges Retirement Fund, which was capped at 1.75%.

# Investment Results by Investment Pool

Investment Performance				
Funds	Rates of Return (Annualized)			
	FY2013	Three-Year	Five-Year	Ten-Year
<b>Combined Funds</b>	14.2%	13.0%	6.2%	8.2%
<b>Combined Composite Market Index</b>	12.9	12.5	5.7	7.9

Notes:

- Investment return percentages are the time-weighted rate of return, net of all management fees.
- The composite index is composed of the market indicators listed below, 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, 2013

(Dollars in thousands)

Composite of Top Ten Equity Holdings (by Fair Value)		
Company	Fair Value	Percent of Portfolio
Exxon Mobil Corporation	\$109,781	1.22%
Apple, Inc.	99,963	1.11
Google Inc. CL A	80,608	0.89
Chevron Corporation	70,470	0.78
Microsoft Corporation	66,583	0.74
Johnson & Johnson	64,897	0.72
JP Morgan Chase & Co	63,696	0.71
Wells Fargo & CO	62,467	0.69
AT & T Corporation	58,235	0.65
International Business Machines Corporation	56,992	0.63

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	\$81,320	2.89%
U.S. Treasury Bond	0.250	04/15/2016	42,846	1.52
U.S. Treasury Bond	1.000	05/31/2018	42,261	1.50
FNMA TBA	3.000	12/01/2099	38,856	1.38
U.S. Treasury Bond	0.250	06/30/2015	38,776	1.38
U.S. Treasury Bond	0.500	06/15/2016	33,713	1.20
U.S. Treasury Bond	1.375	05/31/2020	31,903	1.14
U.S. Treasury Bond	1.250	10/31/2019	31,656	1.13
FNMA TBA Jul 15Yr	2.500	12/01/2099	31,134	1.11
U.S. Treasury Bond	1.375	06/30/2018	25,776	0.92

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 the SBI investment activity and a listing of specific investments held by the various investment pools is available from the SBI.

# Schedule of Investment Manager Fees, Commissions and Other Investment Expenses

## Defined Benefit Retirement Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

<b>SBI and Consultants:</b>		<b>Domestic Equity - Passive Managers</b>	
State Board of Investment	\$701	BlackRock Institutional Trust Co., N.A.	<u>\$180</u>
Financial Control Systems	94	<b>International Equity Managers</b>	
Pension Consultants	8	Acadian Asset Management LLC	\$283
Callan Investment	82	State Street Emerging Markets	49
QED Financial Systems	55	Columbia Management	
<b>Total</b>	<u>\$940</u>	Investment Advisors, LLC	210
<b>External Money Managers:</b>		AQR Capital Management, LLC	333
<b>Domestic Equity - Active Managers</b>		Capital International, Inc.	1,160
Barrow, Hanley, Mewhinney		Pyramis Global Advisors	
& Strauss, Inc.	\$240	Trust Company - Select	310
Earnest Partners, LLC	125	Pyramis Global Advisors	
INTECH Investment		Trust Company - Growth	189
Management, LLC	282	Invesco Global Asset Management	128
Goldman Sachs Asset Management	331	J.P. Morgan Investment Management Inc.	252
Hotchkis & Wiley Capital Management	433	Marathon Asset Management	429
Jacobs Equity Management, Inc.	279	McKinley Capital Management, Inc.	242
Knelman Asset Management, LLC	84	Morgan Stanley Investment Management	1,295
LSV Asset Management	263	State Street Global Advisors ALPHA	262
Martingale Asset Management	188	State Street Global Advisors Passive	114
McKinley Capital Management	284	<b>Total</b>	<u>\$5,256</u>
New Amsterdam Partners	(53)	<b>Domestic Bond (Fixed Income) Managers</b>	
Next Century Growth Investors, LCC	499	Columbia Management	
Peregrine Capital Management	426	Investment Advisors, LLC	\$224
Sands Capital Management, Inc.	399	BlackRock, Inc.	217
Systematic Financial Management, L.P.	225	Aberdeen Asset Management	320
Turner Investment Partners	363	Dodge & Cox	
UBS Global Asset Management	86	Investment Management Managers	280
Winslow Capital Management, Inc.	152	Goldman Sachs Asset Management	312
Zevenbergen Capital, Inc.	311	Neuberger Investment Management	136
<b>Total</b>	<u>\$4,917</u>	Western Asset Management	294
<b>Domestic Equity - Semi Passive Managers</b>		Pacific Investment	
BlackRock Institutional Trust Co., N.A.	\$616	Management Co. LLC (PIMCO)	631
Mellon Capital Management	416	<b>Total</b>	<u>\$2,414</u>
J.P. Morgan Investment Management	661	<b>Total Investment Expenses</b>	
INTECH Investment Management, LLC	428	<u>\$15,828</u>	
<b>Total</b>	<u>\$2,121</u>		

# Investment Summary at Fair Value

As of June 30, 2012 and 2013  
(Dollars in thousands)

Description	Fair Value June 30, 2012	Fair Value June 30, 2013	Percent of Portfolio
<b>STATE EMPLOYEES RETIREMENT FUND</b>			
Growth Share Pool	\$2,633,274	\$3,067,498	31%
Common Stock Index Pool	1,480,449	1,449,325	15
International Equity Pool	1,353,041	1,491,536	15
Fixed Income Pool	2,026,807	2,303,788	24
Alternative Investment Pool	1,423,124	1,454,553	15
<b>Totals</b>	<b><u>\$8,916,695</u></b>	<b><u>\$9,766,700</u></b>	<b><u>100%</u></b>
<b>STATE PATROL RETIREMENT FUND</b>			
Growth Share Pool	\$159,131	\$181,388	31%
Common Stock Index Pool	89,465	85,703	15
International Equity Pool	81,765	88,198	15
Fixed Income Pool	122,482	136,228	24
Alternative Investment Pool	86,001	86,011	15
<b>Totals</b>	<b><u>\$538,844</u></b>	<b><u>\$577,528</u></b>	<b><u>100%</u></b>
<b>CORRECTIONAL EMPLOYEES RETIREMENT FUND</b>			
Growth Share Pool	\$190,257	\$228,007	31%
Common Stock Index Pool	106,964	107,729	15
International Equity Pool	97,759	110,866	15
Fixed Income Pool	146,439	171,241	24
Alternative Investment Pool	102,822	108,117	15
<b>Totals</b>	<b><u>\$644,241</u></b>	<b><u>\$725,960</u></b>	<b><u>100%</u></b>
<b>JUDGES RETIREMENT FUND</b>			
Growth Share Pool	\$41,546	\$47,428	31%
Common Stock Index Pool	23,357	22,409	15
International Equity Pool	21,347	23,061	15
Fixed Income Pool	31,977	35,620	24
Alternative Investment Pool	22,453	22,490	15
<b>Totals</b>	<b><u>\$140,680</u></b>	<b><u>\$151,008</u></b>	<b><u>100%</u></b>
<b>LEGISLATORS RETIREMENT FUND</b>			
Growth Share Pool	\$4,167	\$3,541	31%
Common Stock Index Pool	2,343	1,673	15
International Equity Pool	2,141	1,722	15
Fixed Income Pool	3,207	2,659	24
Alternative Investment Pool	2,252	1,679	15
<b>Totals</b>	<b><u>\$14,110</u></b>	<b><u>\$11,274</u></b>	<b><u>100%</u></b>



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# Actuarial Section

MSRS Comprehensive Annual Financial Report 2013

*Pointing you in the right  
direction*





# Actuary's Certification Letter



Gabriel Roeder Smith & Company  
Consultants & Actuaries

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December 6, 2013

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

**Re: 2013 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, 2013.

In this Comprehensive Annual Financial Report (CAFR), all supporting schedules in the Actuarial Section, 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 reports on the annual actuarial valuation prepared by Gabriel Roeder Smith & Company (GRS). The annual actuarial valuation reports are available on the MSRS website. In order to gain a full understanding of the actuarial condition of the system, it is important to read and understand the full actuarial report for each of the aforementioned funds.

**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 less than the market value of assets. The funded ratios on that basis are lower and the deficiencies are higher 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)		
	Actuarial Value of Assets	Market Value of Assets	Actuarial Value of Assets	Market Value of Assets	Statutory Amortization Date
SERF	82.04%	87.79%	2.45%	0.80%	2040
SPRF	74.45%	79.96%	8.68%	4.33%	2037
CERF	68.33%	72.82%	5.41%	3.97%	2038
JRF	50.94%	54.62%	11.46%	9.64%	2039
LRF	4.87%	4.87%	\$ 18,488,000 per year*		2026
ESORF	0.00%	0.00%	\$ 1,075,345 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.

The fundamental financing objective of the fund is to establish contribution rates which will remain approximately level as a percentage of active member payroll from generation to generation and meet the required deadline for full funding.

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 currently have significant contribution deficiencies. (For the SPRF, the current contribution deficiency does not reflect the scheduled additional total increase of 5% of pay in member and employer contributions over the next three years. It does, however, reflect the \$1 million state contribution. For the JRF, plan changes affecting members first hired after June 30, 2013 are expected to ultimately reduce the cost of the plan, but have not yet impacted the valuation results. For the CERF, plan changes affecting members hired after June 30, 2010 are also expected to ultimately reduce the cost of the plan.)

#### **Changes in Actuarial Assumptions and Methods**

- For the SPRF, the post-retirement investment rate assumption was changed from 7.00% (6.50% for the select period ending June 30, 2017) to 7.50% (7.00% for the select period ending June 30, 2017) to reflect the post-retirement increase change from 1.5% to 1.0%.
- For the JRF, the post-retirement investment rate assumption was changed from 6.50% (6.00% for the select period ending June 30, 2017) to 6.75% (6.25% for the select period ending June 30, 2017) to reflect the post-retirement increase change from 2.00% to 1.75%.

#### **Changes in Plan Provisions**

**For the SPRF, the following plan changes were recognized:**

- Member contributions as a percent of pay will increase from 12.4% to 13.4% beginning July 1, 2014 and to 14.4% beginning July 1, 2016. Employer contributions will increase from 18.6% to 20.1% beginning July 1, 2014 and to 21.6% beginning July 1, 2016.
- State contributions of \$1 million will be made annually on October 1st beginning in 2013. Contributions continue until both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Plan reach 90% funding (on a Market Value of Assets basis).
- Vesting for retirement benefits is ten years for members hired after June 30, 2013 (was five years for members hired after June 30, 2010).
- Vesting for survivor benefits is five years for members hired after June 30, 2013 (was five years for members hired after June 30, 2010).
- Allowable service used to determine benefits is limited to 33 years, with a refund of employee contributions for excess years of service. Members with at least 28 years of service as of July 1, 2013 are not subject to this service limit.

**Gabriel Roeder Smith & Company**

# Actuary's Certification Letter

Members of the Board  
December 6, 2013  
Page 3

- For retirements after June 30, 2015, reduction for early retirement is 0.34% for each month that the member is under age 55 at the time of retirement.
- Post-retirement increases were reduced from 1.5% per year to 1.0% per year until an 85% funding ratio is reached. Increases revert to 2.5% when a 90% funding ratio is reached (funding ratio calculated using Market Value of Assets).

**For the JRF, the following plan changes were recognized:**

- A new benefit program (Tier 2) was created for judges first appointed or elected after June 30, 2013. Judges first appointed or elected before July 1, 2013 with less than five years of service as of December 31, 2013 may make a one-time irrevocable election for Tier 2 benefits.
- Tier 1 member contributions were increased from 8.00% of payroll to 9.00% of payroll effective July 1, 2013. Tier 2 member contributions were set at 7.00% of payroll. Employer contributions for both Tier 1 and Tier 2 members were increased from 20.50% of payroll to 22.50% of payroll as of July 1, 2013.
- The Normal Retirement Age for Tier 2 members was set at age 66.
- The retirement benefit formula for Tier 2 members was set at 2.5% of Average Salary multiplied by the number of years of service. There is no maximum benefit percentage for Tier 2 members.
- Post-retirement increases were reduced from 2.0% per year to 1.75% per year until a 70% funding ratio is reached. Increases revert to 2.5% when a 90% funding ratio is reached (funding ratio calculated using Market Value of Assets).

In the aggregate, the basic financial and membership data provided to us as of June 30, 2013 by MSRS appears reasonable in comparison to last year, and we have relied upon the data as submitted in performing the actuarial valuation and in 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, GASB Statement 25, as amended by GASB Statement 50, 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

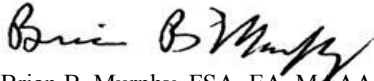
**Gabriel Roeder Smith & Company**

Members of the Board  
December 6, 2013  
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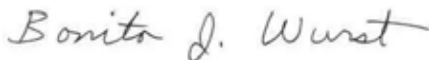
reflect the actuarial position of the plans on an ongoing basis under the prescribed assumptions, methods and procedures.

Brian B. Murphy and Bonita J. Wurst are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions 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:bd

Gabriel Roeder Smith & Company

# 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 4) in the *Financial Section* of this report. Additional disclosures on the actuarial methods and assumptions used in the July 1, 2013, actuarial valuations can be found on the MSRS website at [www.msrs.state.mn.us/info/fincl.html](http://www.msrs.state.mn.us/info/fincl.html).

## State Employees Retirement Fund

### Actuarial Methods

1. **Actuarial Cost Method:** Entry Age Normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2012 Valuation:** None

### Actuarial Assumptions\*

1. **Investment Return:**  
**Select and Ultimate Rates (2012):**  
July 1, 2013, 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
2. **Benefit Increases After Retirement:**  
2% per year until 90% funded on a market value of assets basis, then 2.5% per year (2010)
3. **Salary Increases:** Service-related rates as shown in the table on page 99 of this section (2012)
4. **Payroll Growth:** 3.75% per year (2010)
5. **Mortality Rates:**
  - a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set forward three years; females-set back one year (2010)
  - b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment (2010)
  - c. Disabled: RP-2000 disabled mortality table; white collar adjustment; males-no setback; females-set forward 5 years (2010)
6. **Retirement:** Age-based rates as shown in the table on page 99 of this section (2010)
7. **Withdrawal:** 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 98 of this section (2008)
8. **Disability:** Age-related rates based on actual experience, as shown in the table on page 98 of this section (2008)
9. **Allowance for Combined Service Annuity:** 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
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

## State Patrol Retirement Fund

### Actuarial Methods

1. **Actuarial Cost Method:** Entry Age Normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2012 Valuation:** None

### Actuarial Assumptions\*

#### 1. Investment Return:

##### Select and Ultimate Rates (2013):

July 1, 2013, through June 30, 2017: 8.0% per year pre-retirement and 7.0% per year post-retirement;  
July 1, 2017, and later: 8.5% per year pre-retirement and 7.5% per year post-retirement

#### 2. Benefit Increases After Retirement:

1.0% per year until 85% funded on a market value of assets basis, then 1.5% per year. Increases to 2.5% per year when 90% funded on a market value of assets basis (2013)

#### 3. Salary Increases: Service-related rates as shown in the table on page 101 of this section (2012)

#### 4. Payroll Growth: 3.75% per year (2012)

#### 5. Mortality Rates:

- a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
- b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back two years; females-set forward one year (2012)
- c. Disabled: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back 2 years; females-set forward 1 year (2012)

#### 6. Retirement: Age-based rates as shown in the table on page 101 of this section (2012)

#### 7. Withdrawal: 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 100 of this section (2012)

#### 8. Disability: Age-related rates based on experience as shown in the table on page 100 of this section, assuming all incidences are duty-related (2012)

#### 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

#### 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



# Summary of Actuarial Methods and Assumptions

## Correctional Employees Retirement Fund

### Actuarial Methods

1. **Actuarial Cost Method:** Entry Age Normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2012 Valuation:** None

### Actuarial Assumptions\*

1. **Investment Return:**  
**Select and Ultimate Rates (2012):**  
July 1, 2013, 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
2. **Benefit Increases After Retirement:**  
2% per year until 90% funded on a market value of assets basis, then 2.5% per year (2010)
3. **Salary Increases:** Service-related rates as shown in the table on page 103 of this section (2012)
4. **Payroll Growth:** 3.75% per year (2012)
5. **Mortality Rates**
  - a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
  - b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set forward one year; females-set back one year (2012)
  - c. Disabled: RP-2000 disabled mortality table (2012)
6. **Retirement:** Age-based rates as shown in the table on page 103 of this section (2012)
7. **Withdrawal:** 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 102 of this section (2012)
8. **Disability:** Age-related rates based on experience as shown in the table on page 102 of this section, assuming all incidences are duty-related (2012)
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.

## Judges Retirement Fund

### Actuarial Methods

1. **Actuarial Cost Method:** Entry Age Normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2012 Valuation:** None

### Actuarial Assumptions\*

1. **Investment Return:**  
**Select and Ultimate Rates (2013):**  
July 1, 2013, through June 30, 2017: 8.0% per year pre-retirement and 6.25% per year post-retirement;  
July 1, 2017, and later: 8.5% per year pre-retirement and 6.75% per year post-retirement
2. **Benefit Increases After Retirement (2012):**  
1.75% per year until 70% funded on a market value of assets basis, then 2.0% per year. Increases to 2.5% per year when 90% funded on a market value of assets basis (2013)
3. **Salary Increases:** 3.0% per year (2012)
4. **Payroll Growth:** 3.0% per year (2012)
5. **Mortality Rates:**
  - a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
  - b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back one year; females-set back two years (2012)
  - c. Disabled: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back one year; females-set back two years (2012)
6. **Retirement:** Age-based rates as shown in the table on page 104 of this section (2012)
7. **Withdrawal:** None
8. **Disability:** Age-related rates are based on actual experience; see table of sample rates on page 104 of this section (2012)
9. **Administrative Expenses:** Prior year administrative expenses expressed as a percentage of prior year projected payroll
10. **Refund of Contributions:** 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
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 7/1/2012 Valuation:** None

### Actuarial Assumptions\*

1. **Investment Return:** 0% per year pre-retirement and post-retirement (2011)
2. **Benefit Increases After Retirement:**  
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 projected with mortality improvement scale AA; white collar adjustment; males-set forward three years; females-set back one year (2012)
  - b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
  - c. Disabled: Not applicable
6. **Retirement:** Age-based rates as shown in the table on page 105 of this section (2012)
7. **Withdrawal:** Ultimate rates based on actual experience as shown on page 105 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
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 7/1/2012 Valuation:** None

### Actuarial Assumptions\*

1. **Investment Return:** 0% per year pre-retirement and post-retirement. (2011)
2. **Benefit Increases After Retirement:**  
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 projected with mortality improvement scale AA; white collar adjustment; males-set forward three years; females-set back one year (2012)
  - b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; 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 eight 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:

Members retiring from active status in the four largest funds are assumed to elect annuities as displayed in the table below. 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
<b>State Employees</b>				
Male-Married	15%	10%	50%	25%
Female-Married	15	0	25	60
All Unmarried	0	0	0	100
<b>State Patrol</b>				
Male-Married	15%	25%	35%	25%
Female-Married	25	30	5	40
All Unmarried	0	0	0	100
<b>Correctional Employees</b>				
Male-Married	10%	10%	40%	40%
Female-Married	10	10	30	50
All Unmarried	0	0	0	100
<b>Judges</b>				
All	0	0	0	100

## 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	
<u>Retirement Fund</u>	<u>Fiscal Year Covered</u>
State Employees	2004- 2008
State Patrol	2006 - 2011
Correctional Employees	2006 - 2011
Judges	2007 - 2011

## Changes in Plan Provisions:

### *State Patrol Retirement Fund*

- Member contributions as a percent of pay will increase from 12.4% to 13.4% beginning July 1, 2014, and to 14.4% beginning July 1, 2016.
- Employer contributions will increase from 18.6% to 20.1% beginning July 1, 2014, and to 21.6% beginning July 1, 2016.
- A state contribution of \$1 million will be made annually on October 1 beginning in 2013. Contributions continue until both the Public Employees Retirement Association Police and Fire Fund and the MSRS State Patrol Retirement Fund reach 90% funding on a market value of assets basis.
- Vesting for retirement benefits increased to 3 years before June 30, 2013, and 10 years thereafter (was 3 years until June 30, 2010, and 5 years thereafter).
- The date that survivor vesting requirements increase from 3 to 5 years changed from June 30, 2010, to June 30, 2013.
- Allowable service used to determine benefits is limited to 33 years, with a refund of employee contributions for excess years of service. Members with at least 28 years of service as of July 1, 2013, are not subject to this service limit.
- For retirements after June 30, 2015, reduction for early retirement is 0.34% for each month that the member is under age 55 at the time of retirement.
- Post-retirement increases were reduced from 1.5% per year to 1.0% per year until an 85% funding ratio is reached. Increases revert to 2.5% when a 90% funded ratio is reached (on a market value of assets basis).

### *Judges Retirement Fund*

- A new benefit program (Tier 2) was created for judges first appointed after June 30, 2013. Judges first appointed before July 1, 2013, with less than five years of service as of December 31, 2013, may make a one-time irrevocable election for Tier 2 benefits.
- Tier 1 member contributions increased from 8.00% to 9.00% of salary effective July 1, 2013.
- Tier 2 member contributions are set at 7.00% of salary.
- Employer contributions for all members increased from 20.50% to 22.50% of salary as of July 1, 2013.
- The Normal Retirement Age for Tier 2 members was set at age 66.
- The retirement benefit formula for Tier 2 members was set at 2.5% of Average Salary multiplied by the number of years of allowable service. There is no maximum benefit percentage for Tier 2 members.
- Post-retirement increases were reduced from 2.0% per year to 1.75% per year. Increases revert to 2.0% when a 70% funded ratio is reached on a market value of assets basis. Increases revert to 2.5% when a 90% funded ratio is reached on a market value of assets basis.

Additionally, effective July 1, 2013, the Elective State Officers Retirement Fund is merged with the Legislators Retirement Fund for administrative cost savings purposes. This change first affects financial reporting for the fiscal year ending June 30, 2014. Beginning in 2014, the Legislators Retirement Fund actuarial valuation will include a separate calculation of the Elective State Officers Retirement Fund actuarial accrued liabilities. Benefit provisions for both retirement funds remain unaffected by the merger.

There were no other changes in plan provisions during fiscal year 2013.



# Actuarial Tables

Sample Annual Rates per 10,000 Employees, June 30, 2013

## State Employees Retirement Fund

Age	Rates (%)*					
	Healthy		Healthy		Disability Mortality	
	Pre-Retirement Mortality**		Post-Retirement Mortality**		Male	Female
	Male	Female	Male	Female	Male	Female
20	0.04%	0.02%	0.03%	0.02%	2.26%	0.75%
25	0.04	0.02	0.04	0.02	2.26	0.75
30	0.05	0.02	0.04	0.03	2.26	0.75
35	0.08	0.04	0.06	0.05	2.26	0.75
40	0.11	0.06	0.09	0.06	2.26	0.75
45	0.17	0.09	0.13	0.10	2.26	1.15
50	0.24	0.15	0.60	0.24	2.90	1.65
55	0.35	0.22	0.54	0.35	3.54	2.18
60	0.56	0.34	0.66	0.56	4.20	2.80
65	0.85	0.54	1.16	0.91	5.02	3.76
70	2.67	0.82	1.93	1.52	6.26	5.22

\* Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and projection scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.

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

Age	Withdrawal Rates		Disability Retirement Rates	
	Male	Female	Male	Female
20	6.90%	8.55%	0.01%	0.01%
25	5.90	7.80	0.01	0.01
30	4.90	7.05	0.01	0.01
35	3.90	5.10	0.03	0.03
40	3.20	4.38	0.08	0.08
45	2.70	3.75	0.13	0.13
50	2.20	3.05	0.29	0.29
55	0.00	0.00	0.50	0.43
60	0.00	0.00	0.78	0.62
65	0.00	0.00	0.00	0.00

## State Employees Retirement Fund

Age	Retirement Rates		Salary Scale	
	Rule of 90 Eligible	All Others	Service Years	Salary Increase
55	20.00%	5.00%	1	10.50%
56	15.00	5.00	2	8.10
57	15.00	5.00	3	6.90
58	15.00	5.00	4	6.20
59	20.00	6.00	5	5.70
60	20.00	7.00	6	5.30
61	22.00	12.00	7	5.00
62	40.00	22.00	8	4.70
63	30.00	16.00	9	4.50
64	30.00	18.00	10	4.40
65	40.00	40.00	11	4.20
66	30.00	30.00	12	4.10
67	25.00	25.00	13	4.00
68	25.00	25.00	14	3.80
69	25.00	25.00	15	3.70
70	30.00	30.00	16	3.60
71+	100.00	100.00	17+	3.50

# Actuarial Tables

Sample Annual Rates per 10,000 Employees, June 30, 2013

## State Patrol Retirement Fund

Age	Rates (%)*					
	Healthy		Healthy		Disability Mortality	
	Pre-Retirement Mortality**		Post-Retirement Mortality**		Male	Female
	Male	Female	Male	Female	Male	Female
20	0.03%	0.02%	0.03%	0.02%	0.03%	0.02%
25	0.04	0.02	0.04	0.02	0.04	0.02
30	0.04	0.03	0.04	0.03	0.04	0.03
35	0.06	0.05	0.05	0.05	0.05	0.05
40	0.09	0.06	0.08	0.07	0.08	0.07
45	0.13	0.10	0.11	0.11	0.11	0.11
50	0.20	0.16	0.17	0.25	0.17	0.25
55	0.27	0.24	0.57	0.39	0.57	0.39
60	0.43	0.38	0.57	0.61	0.57	0.61
65	0.67	0.59	0.92	1.01	0.92	1.01
70	0.98	0.88	1.58	1.69	1.58	1.69

\* Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and projection scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.

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

Age	Withdrawal Rates		Disability Retirement Rates	
	Male	Female	Male	Female
20	1.47%	1.47%	0.03%	0.03%
25	1.13	1.13	0.05	0.05
30	0.80	0.80	0.06	0.06
35	0.47	0.47	0.09	0.09
40	0.40	0.40	0.14	0.14
45	0.40	0.40	0.23	0.23
50	0.00	0.00	0.40	0.40
55	0.00	0.00	0.70	0.70
60	0.00	0.00	1.13	1.13
65	0.00	0.00	0.00	0.00

## State Patrol Retirement Fund

Age	Retirement Rates	Salary Scale	
		Year	Increase
50	7.00%	1	8.00%
51	6.00	2	7.50
52	6.00	3	7.00
53	6.00	4	6.75
54	3.00	5	6.50
55	65.00	6	6.25
56	50.00	7	6.00
57	30.00	8	5.85
58	20.00	9	5.70
59	20.00	10	5.55
60+	100.00	11	5.40
		12	5.25
		13	5.10
		14	4.95
		15	4.80
		16	4.65
		17	4.50
		18	4.35
		19	4.20
		20	4.05
		21+	4.00

# Actuarial Tables

Sample Annual Rates per 10,000 Employees, June 30, 2013

## Correctional Employees Retirement Fund

Age	Rates (%)*					
	Healthy		Healthy		Disability Mortality	
	Pre-Retirement Mortality**		Post-Retirement Mortality**		Male	Female
	Male	Female	Male	Female	Male	Female
20	0.03%	0.02%	0.04%	0.02%	2.26%	0.75%
25	0.04	0.02	0.04	0.02	2.26	0.75
30	0.04	0.03	0.04	0.02	2.26	0.75
35	0.06	0.05	0.06	0.04	2.26	0.75
40	0.09	0.06	0.10	0.06	2.26	0.75
45	0.13	0.10	0.15	0.09	2.26	0.75
50	0.20	0.16	0.60	0.15	2.90	1.15
55	0.27	0.24	0.54	0.32	3.54	1.65
60	0.43	0.38	0.73	0.51	4.20	2.18
65	0.67	0.59	1.30	0.82	5.02	2.80
70	0.98	0.88	2.14	1.37	6.26	3.76

\* Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and projection scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.

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

Age	Withdrawal Rates		Disability Retirement Rates	
	Male	Female	Male	Female
20	13.20%	8.80%	0.05%	0.05%
25	8.10	7.80	0.08	0.08
30	5.00	7.45	0.11	0.11
35	3.45	7.10	0.15	0.15
40	2.55	5.70	0.24	0.24
45	1.95	3.50	0.39	0.39
50	0.00	0.00	0.67	0.67
55	0.00	0.00	1.17	1.17
60	0.00	0.00	1.88	1.88
65	0.00	0.00	0.00	0.00

## Correctional Employees Retirement Fund

Age	Retirement Rates	Salary Scale	
		Year	Increase
50	5.00%	1	6.00%
51	3.00	2	5.85
52	3.00	3	5.70
53	3.00	4	5.55
54	5.00	5	5.40
55	55.00	6	5.25
56	12.00	7	5.10
57	12.00	8	4.95
58	10.00	9	4.80
59	10.00	10	4.65
60	10.00	11	4.55
61	10.00	12	4.45
62	30.00	13	4.35
63	30.00	14	4.25
64	30.00	15	4.15
65	50.00	16	4.05
66	50.00	17	3.95
67	50.00	18	3.85
68	50.00	19+	3.75
69	50.00		
70+	100.00		



# Actuarial Tables

Sample Annual Rates per 10,000 Employees, June 30, 2013

## Judges Retirement Fund

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

\* Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and projection scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.

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

Age	Disability Retirement		Age	Retirement Rates
	Male	Female		
20	0.00%	0.00%	60	0.00%
25	0.00	0.00	61	0.00
30	0.00	0.00	62	8.00
35	0.01	0.00	63	5.00
40	0.01	0.01	64	8.00
45	0.02	0.03	65	25.00
50	0.07	0.05	66	20.00
55	0.17	0.12	67	10.00
60	0.38	0.31	68	30.00
65	0.00	0.00	69	10.00
70	0.00	0.00	70	100.00

## Legislators Retirement Fund

Age	Rates (%)*			
	Healthy Pre-Retirement Mortality**		Healthy Post-Retirement Mortality**	
	Male	Female	Male	Female
20	0.04%	0.02%	0.03%	0.02%
25	0.04	0.02	0.04	0.02
30	0.05	0.02	0.04	0.03
35	0.08	0.04	0.06	0.05
40	0.11	0.06	0.09	0.06
45	0.17	0.09	0.13	0.10
50	0.24	0.15	0.60	0.24
55	0.35	0.22	0.54	0.35
60	0.56	0.34	0.66	0.56
65	0.85	0.54	1.16	0.91
70	2.67	0.82	1.93	1.52

\* Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and projection scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.

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

Age	Retirement Rates	Withdrawal		
		Service	House	Senate
60	0.00%	1	0.00%	0.00%
61	0.00	2	30.00	0.00
62	40.00	3	0.00	0.00
63	30.00	4	20.00	25.00
64	30.00	5	0.00	0.00
65	40.00	6	10.00	0.00
66	30.00	7	0.00	0.00
67	25.00	8	5.00	10.00
68	25.00	9+	0.00	0.00
69	25.00			
70	30.00			
71+	100.00			

## 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.

# Actuarial Accrued Liability (AAL)

As of June 30, 2013  
(Dollars in thousands)

	Defined Benefit Retirement Funds					
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers
<b>Active Members</b>						
Retirement Annuities	\$4,197,154	\$218,781	\$395,622	\$97,135	\$16,401	\$0
Disability Benefits	139,256	7,648	22,638	1,320	0	0
Survivor Benefits	67,672	1,373	5,048	1,637	307	0
Deferred Retirements	60,511	614	12,915	0	(117)	0
Refunds	(55,112)	(342)	(5,897)	120	(16)	0
<b>Total Active Members</b>	<b>\$4,409,481</b>	<b>\$228,074</b>	<b>\$430,326</b>	<b>\$100,212</b>	<b>\$16,575</b>	<b>\$0</b>
Deferred Retirements	1,195,875	6,711	96,189	3,660	69,932	844
Former Members Not Vested	5,325	60	865	0	39	0
Benefit Recipients	5,807,381	507,005	498,718	180,641	149,331	7,751
<b>Unclassified Employees Retirement Fund</b>						
Contingent Liability	10,579	0	0	0	0	0
<b>Total AAL</b>	<b>\$11,428,641</b>	<b>\$741,850</b>	<b>\$1,026,098</b>	<b>\$284,513</b>	<b>\$235,877</b>	<b>\$8,595</b>

## Actual Contribution Rates as Compared to Actuarially Recommended Rates

Retirement Fund	As of Date	Actual Contribution Rates				Recommended Rate	Sufficiency/ (Deficiency)
		Employee	Employer	State	Total		
State Employees	July 1, 2013	5.00%	5.00%	N/A	10.00%	12.45%	(2.45)%
State Patrol*	July 1, 2013	12.40	18.60	1.56%	32.56	41.24	(8.68)
Correctional Employees	July 1, 2013	8.60	12.10	N/A	20.70	26.11	(5.41)
Judges**	July 1, 2013	8.46	22.50	N/A	30.96	42.42	(11.46)
Legislators***	July 1, 2013	9.00	0.00	N/A	9.00	\$18,577,000	\$(18,488,000)
Elective State Officers ***	July 1, 2013	N/A	N/A	N/A	N/A	\$1,075,345	\$(1,075,345)

\* State contribution is statutorily required only until the Public Employee Retirement Association Police and Fire Retirement Fund and the MSRS State Patrol Retirement Fund both reach 90% funding on a market value of assets basis.

\*\* 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 9.00 percent and 31.50 percent, respectively, instead of 8.46 and 30.96 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, 2013  
(Dollars in thousands)

	Defined Benefit Retirement Funds					Elective State Officers
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	
<b>A. UAAL at the Beginning of the Year</b>	\$1,920,926	\$206,711	\$304,453	\$136,678	\$232,134	\$8,907
<b>B. Change Due to Interest Requirements and Current Rate of Funding</b>						
<b>1. Normal Cost and Expenses</b>	\$185,237	\$14,594	\$33,898	\$7,447	\$1,758	\$1
<b>2. Contributions</b>	(245,823)	(19,185)	(42,193)	(11,214)	(3,510)	(470)
<b>3. Interest on A, B1, and B2</b>	188,231	18,951	27,486	11,664	0	0
<b>4. Totals (B1+B2+B3)</b>	\$127,645	\$14,360	\$19,191	\$7,897	\$(1,712)	\$(469)
<b>C. Expected UAAL at End of the Year (A+B4)</b>	\$2,048,571	\$221,071	\$323,644	\$144,575	\$230,382	\$8,438
<b>D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from the Expected</b>						
<b>1. Age and Service Requirements</b>	\$(16,734)	\$(232)	\$718	\$1,551	\$(1,551)	\$0
<b>2. Disability Requirements</b>	456	(42)	(726)	(124)	0	0
<b>3. Death-in-Service Benefits</b>	(40)	(177)	(385)	(95)	23	0
<b>4. Withdrawals</b>	2,754	96	17	(607)	(286)	0
<b>5. Salary Increases</b>	(37,388)	(14,364)	(15,955)	(1,916)	193	0
<b>6. Investment Return</b>	152,744	12,070	10,451	2,672	(387)	0
<b>7. Mortality of Annuitants</b>	6,201	2,554	1,224	1,052	(1,030)	177
<b>8. Other items</b>	(103,703)	(1,965)	6,019	(2,236)	(2,960)	(20)
<b>9. Totals</b>	\$4,290	\$(2,060)	\$1,363	\$297	\$(5,998)	\$157
<b>E. UAAL at End of Year Before Plan Amendments and Changes in Actuarial Assumptions (C + D9)</b>	\$2,052,861	\$219,011	\$325,007	\$144,872	\$224,384	\$8,595
<b>F. Change in UAAL Due to Changes in Plan Provisions</b>	0	(29,480)	0	(5,277)	0	0
<b>G. Change in UAAL Due to Changes in Actuarial Assumptions</b>	0	0	0	0	0	0
<b>H. Change in UAAL Due to Changes in Decrement Timing and Miscellaneous Methodology</b>	0	0	0	0	0	0
<b>I. UAAL at the End of the Year</b>	<u>\$2,052,861</u>	<u>\$189,531</u>	<u>\$325,007</u>	<u>\$139,595</u>	<u>\$224,384</u>	<u>\$8,595</u>

# Schedule of Active Member Valuation Data

Last Ten Fiscal Years

Actuarial Valuation Date	Active Member Count	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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## State Employees Retirement Fund

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
07/01/13	49,121	2,483,000,000	49,601	1.61

## State Patrol Retirement Fund

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
07/01/13	845	62,121,000	72,171	(6.13)

## Correctional Employees Retirement Fund

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
07/01/13	4,384	204,198,000	46,411	(2.00)

Actuarial Valuation Date	Active Member Count	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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### Judges Retirement Fund

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
07/01/13	309	39,888,000	127,391	(0.35)

### Legislators Retirement Fund

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)
07/01/13	24	1,233,000	39,033	1.84

### Elective State Officers Retirement Fund\*

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
07/01/13	0	0	0	N/A

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



# Schedule of Retirees and Beneficiaries

Last Ten Fiscal Years

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

06/30/04	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
06/30/13	2,291	24,459,318	980	9,758,992	33,286	586,256,000	6.19	17,613

## State Patrol Retirement Fund

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
06/30/13	45	1,321,942	25	524,505	983	52,057,000	4.10	52,957

## Correctional Employees Retirement Fund

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
06/30/13	214	2,524,880	37	327,671	2,374	46,226,000	8.59	19,472

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

06/30/04	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
06/30/13	32	1,088,182	14	437,495	332	19,772,000	6.65	59,554

### Legislators Retirement Fund

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
06/30/13	18	315,685	23	218,497	362	7,826,000	1.36	21,619

### Elective State Officers Retirement Fund\*

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
06/30/13	0	0	0	0	14	469,000	2.40	33,500

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

# Solvency Test

Last Ten Fiscal Years

(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)	
<b>State Employees Retirement Fund</b>								
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
07/01/13	1,090,373	5,807,381	4,530,887	9,375,780	100	100	54.7	82.0
<b>State Patrol Retirement Fund</b>								
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
07/01/13	63,504	507,005	171,341	552,319	100	96.4	0.0	74.5
<b>Correctional Employees Retirement Fund</b>								
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
07/01/13	113,276	498,718	414,104	701,091	100	100	21.5	68.3

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

07/01/04	\$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
07/01/13	26,359	180,641	77,513	144,918	100	65.6	0.0	50.9

### Legislators Retirement Fund

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
07/01/13	1,930	149,331	84,616	11,493	100	6.4	0.0	4.9

### Elective State Officers Retirement Fund\*\*

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
07/01/13	0	7,751	844	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)

Last Ten Fiscal Years

(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
<b>State Employees Retirement Fund</b>					
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
07/01/13	11,428,641	9,375,780	2,052,861	2,483,000	82.68
<b>State Patrol Retirement Fund</b>					
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
07/01/13	741,850	552,319	189,531	62,121	305.10
<b>Correctional Employees Retirement Fund</b>					
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
07/01/13	1,026,098	701,091	325,007	204,198	159.16

Actuarial Valuation Date	Actuarial Accrued Liabilities	Actuarial Value of Assets	Unfunded Actuarial Accrued Liabilities	Member Payroll	UAAL as a Percent of Payroll
<b>Judges Retirement Fund</b>					
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
07/01/13	284,513	144,918	139,595	39,888	349.97

### Legislators Retirement Fund

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
07/01/13	235,877	11,493	224,384	1,233	18,198.22

### Elective State Officers Fund\*\*

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
07/01/13	8,595	0	8,595	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.



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# Statistical Section

MSRS Comprehensive Annual Financial Report 2013

The journey is its own  
*Reward*



# 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 Fiduciary Net Position* 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 Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2013  
(Dollars in thousands)

### State Employees Retirement Fund

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$82,103	\$83,101	\$85,379	\$89,447
Employer Contributions	78,622	80,312	82,645	86,492
Investment Income (Net of Expenses)	979,639	732,101	915,632	1,503,390
Other Additions	7,876	12,639	11,760	17,609
<b>Total Additions</b>	<u>\$1,148,240</u>	<u>\$908,153</u>	<u>\$1,095,416</u>	<u>\$1,696,938</u>
<b>Deductions</b>				
Annuity Benefits	\$328,546	\$347,959	\$366,797	\$392,058
Refunds	10,777	10,707	12,555	11,102
Administrative Expenses	4,673	4,336	4,588	4,916
Other Expenses	1,696	693	1,495	2,898
<b>Total Deductions</b>	<u>\$345,692</u>	<u>\$363,695</u>	<u>\$385,435</u>	<u>\$410,974</u>
<b>Change in Net Position</b>	<u>\$802,548</u>	<u>\$544,458</u>	<u>\$709,981</u>	<u>\$1,285,964</u>

The remaining schedules provide demographic information about the memberships and information about the employers that participate in the funds. For example, after many years of slight increases, the average attained ages on the *Active Members Average Age Tables* remained nearly constant or showed a slight decrease in fiscal years 2012 and 2013. This corresponds to a higher than average number of new retirees in many plans in the past two fiscal years as reflected on the *Schedule of New Retirees and Average Benefit Payments*. These retirements also resulted in a slight decrease in the actual covered payroll in the *Schedule of Revenues by Source*. The higher than average

retirements with strong payroll numbers, along with annual post-retirement benefit increases, resulted in more members receiving higher benefits as shown in the *Schedule of Retired Members by Type of Benefit*. 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.

2008	2009	2010	2011	2012	2013
\$99,280	\$108,866	\$115,181	\$122,029	\$118,358	\$124,150
96,746	107,211	113,716	118,563	115,159	121,673
(474,845)	(1,674,387)	1,040,873	1,764,307	213,887	1,275,308
13,532	15,246	14,939	24,975	24,677	21,565
<u>\$(265,287)</u>	<u>\$(1,443,064)</u>	<u>\$1,284,709</u>	<u>\$2,029,874</u>	<u>\$472,081</u>	<u>\$1,542,696</u>
\$418,757	\$445,792	\$473,447	\$505,573	\$552,088	\$586,256
11,676	10,907	9,733	14,206	11,573	12,222
5,152	5,320	5,771	6,064	6,341	8,589
2,993	939	345	325	219	227
<u>\$438,578</u>	<u>\$462,958</u>	<u>\$489,296</u>	<u>\$526,168</u>	<u>\$570,221</u>	<u>\$607,294</u>
<u>\$(703,865)</u>	<u>\$(1,906,022)</u>	<u>\$795,413</u>	<u>\$1,503,706</u>	<u>\$(98,140)</u>	<u>\$935,402</u>

# Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2013  
(Dollars in thousands)

## State Patrol Retirement Fund

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$4,493	\$4,517	\$4,719	\$4,987
Employer Contributions	6,504	6,671	7,055	7,461
Investment Income (Net of Expenses)	73,141	55,018	64,911	100,147
Other Additions	59	0	0	3
<b>Total Additions</b>	<u>\$84,197</u>	<u>\$66,206</u>	<u>\$76,685</u>	<u>\$112,598</u>
<b>Deductions</b>				
Annuity Benefits	\$35,501	\$36,954	\$38,767	\$40,581
Refunds	17	4	52	133
Administrative Expenses	95	93	101	112
Other Expenses	129	99	190	98
<b>Total Deductions</b>	<u>\$35,742</u>	<u>\$37,150</u>	<u>\$39,110</u>	<u>\$40,924</u>
<b>Change in Net Position</b>	<u>\$48,455</u>	<u>\$29,056</u>	<u>\$37,575</u>	<u>\$71,674</u>

## Correctional Employees Retirement Fund

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$7,748	\$7,943	\$8,964	\$10,032
Employer Contributions	10,627	11,016	12,152	13,927
Investment Income (Net of Expenses)	57,155	39,104	59,786	84,830
Other Additions	80	1	0	131
<b>Total Additions</b>	<u>\$75,610</u>	<u>\$58,064</u>	<u>\$80,902</u>	<u>\$108,920</u>
<b>Deductions</b>				
Annuity Benefits	\$21,299	\$23,816	\$26,162	\$28,565
Refunds	722	649	730	752
Administrative Expenses	275	298	336	405
Other Expenses	253	277	340	358
<b>Total Deductions</b>	<u>\$22,549</u>	<u>\$25,040</u>	<u>\$27,568</u>	<u>\$30,080</u>
<b>Change in Net Position</b>	<u>\$53,061</u>	<u>\$33,024</u>	<u>\$53,334</u>	<u>\$78,840</u>

2008	2009	2010	2011	2012	2013
\$5,595	\$6,216	\$6,726	\$6,578	\$7,753	\$7,703
8,279	9,178	10,104	9,873	11,620	11,482
(30,579)	(110,073)	68,184	110,908	12,744	76,315
0	13	41	0	0	0
<u>\$(16,705)</u>	<u>\$(94,666)</u>	<u>\$85,055</u>	<u>\$127,359</u>	<u>\$32,117</u>	<u>\$95,500</u>
\$42,804	\$44,480	\$46,119	\$47,844	\$50,007	\$52,057
6	0	3	0	275	7
109	104	123	92	158	190
178	69	0	14	0	1
<u>\$43,097</u>	<u>\$44,653</u>	<u>\$46,245</u>	<u>\$47,950</u>	<u>\$50,440</u>	<u>\$52,255</u>
<u>\$(59,802)</u>	<u>\$(139,319)</u>	<u>\$38,810</u>	<u>\$79,409</u>	<u>\$(18,323)</u>	<u>\$43,245</u>

2008	2009	2010	2011	2012	2013
\$12,775	\$14,031	\$15,267	\$17,002	\$17,203	\$17,561
18,623	20,126	21,988	23,892	24,188	24,632
(30,673)	(107,787)	68,880	121,413	15,926	93,392
1,845	40	30	19	0	0
<u>\$2,570</u>	<u>\$(73,590)</u>	<u>\$106,165</u>	<u>\$162,326</u>	<u>\$57,317</u>	<u>\$135,585</u>
\$30,932	\$33,239	\$36,078	\$39,116	\$42,571	\$46,226
795	1,016	1,170	1,509	1,257	1,032
410	402	455	356	548	692
310	150	0	8	0	1
<u>\$32,447</u>	<u>\$34,807</u>	<u>\$37,703</u>	<u>\$40,989</u>	<u>\$44,376</u>	<u>\$47,951</u>
<u>\$(29,877)</u>	<u>\$(108,397)</u>	<u>\$68,462</u>	<u>\$121,337</u>	<u>\$12,941</u>	<u>\$87,634</u>

# Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2013  
(Dollars in thousands)

## Judges Retirement Fund

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$2,643	\$2,662	\$2,866	\$2,792
Employer Contributions	7,110	7,225	7,336	7,571
Investment Income (Net of Expenses)	16,922	12,354	15,456	25,523
Other Additions	12	10	0	0
<b>Total Additions</b>	<u>\$26,687</u>	<u>\$22,251</u>	<u>\$25,658</u>	<u>\$35,886</u>
<b>Deductions</b>				
Annuity Benefits	\$13,520	\$13,750	\$14,260	\$14,516
Refunds	0	0	111	0
Administrative Expenses	31	37	60	49
Other Expenses	35	41	78	63
<b>Total Deductions</b>	<u>\$13,586</u>	<u>\$13,939</u>	<u>\$14,398</u>	<u>\$14,673</u>
<b>Change in Net Position</b>	<u>\$13,101</u>	<u>\$8,312</u>	<u>\$11,260</u>	<u>\$21,213</u>

## Legislators Retirement Fund

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$343	\$384	\$264	\$239
Employer Contributions	0	0	0	0
Investment Income (Net of Expenses)	5,578	3,523	3,539	6,808
Other Additions	426	1,825	5,704	1,783
<b>Total Additions</b>	<u>\$6,347</u>	<u>\$5,732</u>	<u>\$9,507</u>	<u>\$8,830</u>
<b>Deductions</b>				
Annuity Benefits	\$5,766	\$5,942	\$6,094	\$6,390
Refunds	0	0	78	35
Administrative Expenses	23	27	33	29
Other Expenses	0	3	34	26
<b>Total Deductions</b>	<u>\$5,789</u>	<u>\$5,972</u>	<u>\$6,239</u>	<u>\$6,480</u>
<b>Change in Net Position</b>	<u>\$558</u>	<u>\$(240)</u>	<u>\$3,268</u>	<u>\$2,350</u>



2008	2009	2010	2011	2012	2013
\$2,859	\$2,978	\$2,988	\$3,010	\$2,931	\$3,037
7,935	8,219	8,283	8,297	7,922	8,177
(8,874)	(26,283)	17,339	28,644	3,341	19,943
<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$1,920</u>	<u>\$(15,086)</u>	<u>\$28,611</u>	<u>\$39,951</u>	<u>\$14,194</u>	<u>\$31,157</u>
\$15,116	\$16,261	\$17,058	\$17,585	\$18,539	\$19,772
45	0	0	0	30	0
54	36	42	32	72	72
24	16	0	1	1	1
<u>\$15,194</u>	<u>\$16,313</u>	<u>\$17,100</u>	<u>\$17,648</u>	<u>\$18,612</u>	<u>\$19,845</u>
<u>\$(13,274)</u>	<u>\$(31,399)</u>	<u>\$11,511</u>	<u>\$22,303</u>	<u>\$(4,418)</u>	<u>\$11,312</u>

2008	2009	2010	2011	2012	2013
\$180	\$248	\$171	\$160	\$124	\$111
0	0	0	0	0	0
(1,233)	(5,021)	3,199	4,142	253	1,763
<u>2,217</u>	<u>1,269</u>	<u>1,975</u>	<u>2,807</u>	<u>3,935</u>	<u>3,399</u>
<u>\$1,164</u>	<u>\$(3,504)</u>	<u>\$5,345</u>	<u>\$7,109</u>	<u>\$4,312</u>	<u>\$5,273</u>
\$6,786	\$7,016	\$7,159	\$7,464	\$7,721	\$7,826
1	0	0	11	172	101
34	26	28	22	36	38
3	0	0	0	0	1,338
<u>\$6,824</u>	<u>\$7,042</u>	<u>\$7,187</u>	<u>\$7,497</u>	<u>\$7,929</u>	<u>\$9,303</u>
<u>\$(5,660)</u>	<u>\$(10,546)</u>	<u>\$(1,842)</u>	<u>\$(388)</u>	<u>\$(3,617)</u>	<u>\$(4,030)</u>

# Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2013  
(Dollars in thousands)

## Elective State Officers Retirement Fund

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$0	\$0	\$0	\$0
Employer Contributions	0	0	0	0
Investment Income (Net of Expenses)	0	0	0	0
Other Additions	383	395	417	428
<b>Total Additions</b>	<u>\$383</u>	<u>\$395</u>	<u>\$417</u>	<u>\$428</u>
<b>Deductions</b>				
Annuity Benefits	\$381	\$391	\$409	\$419
Refunds	0	0	0	0
Administrative Expenses	1	3	5	4
Other Expenses	0	0	0	0
<b>Total Deductions</b>	<u>\$382</u>	<u>\$394</u>	<u>\$414</u>	<u>\$423</u>
<b>Change in Net Position</b>	<u>\$1</u>	<u>\$1</u>	<u>\$3</u>	<u>\$5</u>

## Unclassified Employees Retirement Fund

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$4,258	\$4,296	\$4,368	\$5,476
Employer Contributions	5,877	5,821	5,932	6,258
Investment Income (Net of Expenses)	31,352	19,794	20,844	68,142
Other Additions	552	535	828	2,028
<b>Total Additions</b>	<u>\$42,039</u>	<u>\$30,446</u>	<u>\$31,972</u>	<u>\$81,904</u>
<b>Deductions</b>				
Refunds	\$6,206	\$8,947	\$6,173	\$29,994
Administrative Expenses	196	183	256	166
Other Expenses	7,498	12,112	11,531	17,255
<b>Total Deductions</b>	<u>\$13,900</u>	<u>\$21,242</u>	<u>\$17,960</u>	<u>\$47,415</u>
<b>Change in Net Position</b>	<u>\$28,139</u>	<u>\$9,204</u>	<u>\$14,012</u>	<u>\$34,489</u>

2008	2009	2010	2011	2012	2013
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
434	442	453	460	465	470
<u>\$434</u>	<u>\$442</u>	<u>\$453</u>	<u>\$460</u>	<u>\$465</u>	<u>\$470</u>
\$430	\$440	\$451	\$459	\$458	\$469
0	0	0	0	0	0
4	1	1	1	7	1
0	0	0	0	0	0
<u>\$434</u>	<u>\$441</u>	<u>\$452</u>	<u>\$460</u>	<u>\$465</u>	<u>\$470</u>
<u>\$0</u>	<u>\$1</u>	<u>\$1</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

2008	2009	2010	2011	2012	2013
\$5,209	\$4,660	\$4,472	\$5,417	\$5,586	\$5,096
6,362	6,514	6,333	6,360	5,918	5,867
(3,949)	(46,746)	28,860	51,977	6,622	36,246
878	426	259	311	293	139
<u>\$8,500</u>	<u>\$(35,146)</u>	<u>\$39,924</u>	<u>\$64,065</u>	<u>\$18,419</u>	<u>\$47,348</u>
\$23,256	\$5,009	\$5,691	\$7,799	\$5,250	\$6,197
157	229	164	174	144	144
13,282	14,850	14,652	24,777	24,339	21,155
<u>\$36,695</u>	<u>\$20,088</u>	<u>\$20,507</u>	<u>\$32,750</u>	<u>\$29,733</u>	<u>\$27,496</u>
<u>\$(28,195)</u>	<u>\$(55,234)</u>	<u>\$19,417</u>	<u>\$31,315</u>	<u>\$(11,314)</u>	<u>\$19,852</u>

# Schedule of Changes in Fiduciary Net Position

## Health Care Savings Fund

For the Ten Fiscal Years Ended June 30, 2013

(Dollars in thousands)

	2004	2005	2006	2007
<b>Additions</b>				
Plan Member Contributions	\$37,273	\$42,519	\$52,562	\$59,515
Investment Income (Net of Expenses)	1,404	2,810	5,092	12,698
Other Additions	230	376	502	1,031
<b>Total Additions</b>	<u>\$38,907</u>	<u>\$45,705</u>	<u>\$58,156</u>	<u>\$73,244</u>
<b>Deductions</b>				
Health Care Reimbursements	\$9,260	\$13,417	\$18,300	\$23,470
Administrative Expenses	763	716	724	844
Other Expenses	0	8	0	0
<b>Total Deductions</b>	<u>\$10,023</u>	<u>\$14,141</u>	<u>\$19,024</u>	<u>\$24,314</u>
<b>Change in Net Position</b>	<u><u>\$28,884</u></u>	<u><u>\$31,564</u></u>	<u><u>\$39,132</u></u>	<u><u>\$48,930</u></u>

## Minnesota Deferred Compensation Fund\*

For the Nine Fiscal Years Ended June 30, 2013

(Dollars in thousands)

	2005	2006	2007	2008
<b>Additions</b>				
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
<b>Total Additions</b>	<u>\$405,523</u>	<u>\$485,978</u>	<u>\$680,350</u>	<u>\$143,214</u>
<b>Deductions</b>				
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
<b>Total Deductions</b>	<u>\$148,074</u>	<u>\$163,634</u>	<u>\$179,944</u>	<u>\$189,181</u>
<b>Change in Net Position</b>	<u><u>\$257,449</u></u>	<u><u>\$322,344</u></u>	<u><u>\$500,406</u></u>	<u><u>\$(45,967)</u></u>

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

2008	2009	2010	2011	2012	2013
\$73,082	\$82,920	\$90,445	\$132,526	\$128,375	\$112,359
(2,336)	(13,942)	13,032	26,499	4,445	28,116
1,318	1,438	63	1,989	2,422	2,789
<u>\$72,064</u>	<u>\$70,416</u>	<u>\$103,540</u>	<u>\$161,014</u>	<u>\$135,242</u>	<u>\$143,264</u>
\$27,548	\$31,088	\$35,613	\$44,740	\$58,987	\$62,482
1,090	1,523	1,388	794	1,296	1,506
0	0	743	1,396	855	941
<u>\$28,638</u>	<u>\$32,611</u>	<u>\$37,744</u>	<u>\$46,930</u>	<u>\$61,138</u>	<u>\$64,929</u>
<u>\$43,426</u>	<u>\$37,805</u>	<u>\$65,796</u>	<u>\$114,084</u>	<u>\$74,104</u>	<u>\$78,335</u>

2009	2010	2011	2012	2013
\$217,415	\$228,190	\$222,031	\$216,010	\$229,187
(547,303)	308,697	652,762	85,400	642,247
3,788	2,305	5,819	4,480	4,237
<u>\$(326,100)</u>	<u>\$539,192</u>	<u>\$880,612</u>	<u>\$305,890</u>	<u>\$875,671</u>
\$35,222	\$30,353	\$28,549	\$29,615	\$28,961
106,009	114,889	162,756	170,442	192,774
3,004	2,726	3,370	2,762	2,959
3,409	1,715	1,630	1,745	1,721
<u>\$147,644</u>	<u>\$149,683</u>	<u>\$196,305</u>	<u>\$204,564</u>	<u>\$226,415</u>
<u>\$(473,744)</u>	<u>\$389,509</u>	<u>\$684,307</u>	<u>\$101,326</u>	<u>\$649,256</u>

# Schedule of Changes in Fiduciary Net Position

For the Eight Fiscal Years Ended June 30, 2013  
(Dollars in thousands)

## Hennepin County Supplemental Retirement Fund\*

	2006	2007	2008	2009
<b>Additions</b>				
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
<b>Total Additions</b>	<u>\$7,544</u>	<u>\$22,020</u>	<u>\$(8,373)</u>	<u>\$(19,777)</u>
<b>Deductions</b>				
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
<b>Total Deductions</b>	<u>\$4,086</u>	<u>\$7,571</u>	<u>\$6,159</u>	<u>\$4,619</u>
<b>Change in Net Position</b>	<u>\$3,458</u>	<u>\$14,449</u>	<u>\$(14,532)</u>	<u>\$(24,396)</u>

\*MSRS assumed responsibility for the administration of this fund on December 1, 2005 (fiscal year 2006).

2010	2011	2012	2013
\$514	\$467	\$458	\$227
515	466	459	228
12,288	21,710	3,919	15,968
48	49	49	52
<u>\$13,365</u>	<u>\$22,692</u>	<u>\$4,885</u>	<u>\$16,475</u>
\$3,514	\$4,069	\$2,807	\$4,225
2,244	2,490	3,933	2,491
17	11	17	16
35	39	33	37
<u>\$5,810</u>	<u>\$6,609</u>	<u>\$6,790</u>	<u>\$6,769</u>
<u>\$7,555</u>	<u>\$16,083</u>	<u>\$(1,905)</u>	<u>\$9,706</u>



# Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2013  
(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

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
2013	124,150	121,673	1,275,308	21,565	1,542,696	2,483,000	5.00

## State Patrol Retirement Fund

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
2013	7,703	11,482	76,315	0	95,500	62,121	18.60**

## Correctional Employees Retirement Fund

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
2013	17,561	24,632	93,392	0	135,585	204,198	12.10

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

\*\*Excludes statutorily required annual supplemental state contribution of \$1 million.

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

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
2013	3,037	8,177	19,943	0	31,157	39,888	20.50

### Legislators Retirement Fund

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
2013	111	N/A	1,763	3,399	5,273	1,233	N/A

### Elective State Officers Retirement Fund\*\*

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
2013	0	0	0	470	470	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, 2013  
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
<b>State Employees Retirement Fund</b>					
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
2013	586,256	8,589	12,222	227	607,294
<b>State Patrol Retirement Fund</b>					
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
2013	52,057	190	7	1	52,255
<b>Correctional Employees Retirement Fund</b>					
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
2013	46,226	692	1,032	1	47,951

<b>Fiscal Year Ended June 30</b>	<b>Annuity Benefits</b>	<b>Administrative Expenses</b>	<b>Refunds</b>	<b>Other Expenses</b>	<b>Total</b>
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### **Judges Retirement Fund**

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
2013	19,772	72	0	1	19,845

### **Legislators Retirement Fund**

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
2013	7,826	38	101	1,338	9,303

### **Elective State Officers Retirement Fund**

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
2013	469	1	0	0	470

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, 2013  
(Dollars in thousands)

## State Employees Retirement Fund

	2004	2005	2006	2007
<b>Benefits by Type</b>				
Retirement	\$279,916	\$299,463	\$310,380	\$331,464
Survivor	33,417	36,198	38,758	41,816
Disability	15,213	12,298	17,659	18,778
Total	<u>\$328,546</u>	<u>\$347,959</u>	<u>\$366,797</u>	<u>\$392,058</u>
<b>Refunds by Type</b>				
Separation	\$6,874	\$6,381	\$7,270	\$6,462
Death	665	615	864	937
Interest	3,238	3,711	4,421	3,703
Total	<u>\$10,777</u>	<u>\$10,707</u>	<u>\$12,555</u>	<u>\$11,102</u>

## State Patrol Retirement Fund

	2004	2005	2006	2007
<b>Benefits by Type</b>				
Retirement	\$30,201	\$31,242	\$32,539	\$33,911
Survivor	4,123	4,401	4,667	5,079
Disability	1,177	1,311	1,561	1,591
Total	<u>\$35,501</u>	<u>\$36,954</u>	<u>\$38,767</u>	<u>\$40,581</u>
<b>Refunds by Type</b>				
Separation	\$5	\$4	\$37	\$77
Death	0	0	0	0
Interest	12	0	15	56
Total	<u>\$17</u>	<u>\$4</u>	<u>\$52</u>	<u>\$133</u>

## Correctional Employees Retirement Fund

	2004	2005	2006	2007
<b>Benefits by Type</b>				
Retirement	\$17,837	\$20,054	\$21,981	\$24,069
Survivor	915	1,026	1,150	1,307
Disability	2,547	2,736	3,031	3,189
Total	<u>\$21,299</u>	<u>\$23,816</u>	<u>\$26,162</u>	<u>\$28,565</u>
<b>Refunds by Type</b>				
Separation	\$564	\$425	\$569	\$568
Death	30	85	0	36
Interest	128	139	161	148
Total	<u>\$722</u>	<u>\$649</u>	<u>\$730</u>	<u>\$752</u>

2008	2009	2010	2011	2012	2013
\$354,317	\$377,343	\$400,703	\$428,731	\$471,881	\$502,520
44,403	47,345	50,822	54,029	56,585	59,150
20,037	21,104	21,922	22,813	23,622	24,586
<u>\$418,757</u>	<u>\$445,792</u>	<u>\$473,447</u>	<u>\$505,573</u>	<u>\$552,088</u>	<u>\$586,256</u>

\$6,657	\$5,484	\$5,556	\$7,329	\$6,683	\$7,309
1,162	1,478	756	948	781	618
3,857	3,945	3,421	5,929	4,109	4,295
<u>\$11,676</u>	<u>\$10,907</u>	<u>\$9,733</u>	<u>\$14,206</u>	<u>\$11,573</u>	<u>\$12,222</u>

2008	2009	2010	2011	2012	2013
\$35,561	\$37,167	\$38,560	\$40,246	\$42,435	\$44,296
5,510	5,560	5,600	5,562	5,528	5,598
1,733	1,753	1,959	2,036	2,044	2,163
<u>\$42,804</u>	<u>\$44,480</u>	<u>\$46,119</u>	<u>\$47,844</u>	<u>\$50,007</u>	<u>\$52,057</u>

\$6	\$0	\$3	\$0	\$1	\$5
0	0	0	0	138	0
0	0	0	0	136	2
<u>\$6</u>	<u>\$0</u>	<u>\$3</u>	<u>\$0</u>	<u>\$275</u>	<u>\$7</u>

2008	2009	2010	2011	2012	2013
\$26,133	\$28,167	\$30,637	\$33,062	\$35,906	\$39,120
1,404	1,515	1,618	1,793	2,037	2,197
3,395	3,557	3,823	4,261	4,628	4,909
<u>\$30,932</u>	<u>\$33,239</u>	<u>\$36,078</u>	<u>\$39,116</u>	<u>\$42,571</u>	<u>\$46,226</u>

\$631	\$724	\$758	\$1,100	\$1,007	\$818
13	64	62	19	24	27
151	228	350	390	226	187
<u>\$795</u>	<u>\$1,016</u>	<u>\$1,170</u>	<u>\$1,509</u>	<u>\$1,257</u>	<u>\$1,032</u>

# Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2013  
(Dollars in thousands)

## Judges Retirement Fund

	2004	2005	2006	2007
<b>Benefits by Type</b>				
Retirement	\$9,827	\$9,998	\$10,359	\$10,467
Survivor	3,270	3,303	3,314	3,427
Disability	423	449	587	622
Total	<u>\$13,520</u>	<u>\$13,750</u>	<u>\$14,260</u>	<u>\$14,516</u>
<b>Refunds by Type</b>				
Separation	\$0	\$74	\$0	\$38
Death	0	0	0	0
Interest	0	37	0	7
Total	<u>\$0</u>	<u>\$111</u>	<u>\$0</u>	<u>\$45</u>

## Legislators Retirement Fund\*

	2004	2005	2006	2007
<b>Benefits by Type</b>				
Retirement	\$4,977	\$5,108	\$5,275	\$5,496
Survivor	789	834	819	894
Total	<u>\$5,766</u>	<u>\$5,942</u>	<u>\$6,094</u>	<u>\$6,390</u>
<b>Refunds by Type</b>				
Separation	\$0	\$0	\$0	\$19
Death	0	0	27	0
Interest	0	0	51	16
Total	<u>\$0</u>	<u>\$0</u>	<u>\$78</u>	<u>\$35</u>

## Elective State Officers Retirement Fund\*

	2004	2005	2006	2007
<b>Benefits by Type</b>				
Retirement	\$293	\$308	\$324	\$332
Survivor	88	83	85	87
Total	<u>\$381</u>	<u>\$391</u>	<u>\$409</u>	<u>\$419</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.



2008	2009	2010	2011	2012	2013
\$10,959	\$10,528	\$10,996	\$11,525	\$12,279	\$13,415
3,520	3,906	4,202	4,195	4,521	4,624
637	1,827	1,860	1,865	1,739	1,733
<u>\$15,116</u>	<u>\$16,261</u>	<u>\$17,058</u>	<u>\$17,585</u>	<u>\$18,539</u>	<u>\$19,772</u>

\$0	\$0	\$0	\$27	\$0	\$0
0	0	0	0	0	0
0	0	0	3	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30</u>	<u>\$0</u>	<u>\$0</u>

2008	2009	2010	2011	2012	2013
\$5,837	\$5,983	\$6,007	\$6,231	\$6,420	\$6,565
949	1,033	1,152	1,233	1,301	1,261
<u>\$6,786</u>	<u>\$7,016</u>	<u>\$7,159</u>	<u>\$7,464</u>	<u>\$7,721</u>	<u>\$7,826</u>

\$1	\$0	\$0	\$5	\$73	\$34
0	0	0	0	0	0
0	0	0	6	99	67
<u>\$1</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11</u>	<u>\$172</u>	<u>\$101</u>

2008	2009	2010	2011	2012	2013
\$340	\$348	\$347	\$353	\$337	\$345
90	92	94	106	121	124
<u>\$430</u>	<u>\$440</u>	<u>\$451</u>	<u>\$459</u>	<u>\$458</u>	<u>\$469</u>

# Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2013  
(In years)

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

06/30/04	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
06/30/13	37.1	36.5	36.8	34.3	33.4	33.8	47.6	46.6	47.0	12.5	11.9	12.2

## State Patrol Retirement Fund

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
06/30/13	30.7	31.7	30.7	29.3	28.9	29.3	41.9	41.8	41.8	12.5	12.7	12.5

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

06/30/04	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
06/30/13	32.0	34.0	32.9	31.8	33.7	32.4	41.6	41.2	41.5	9.5	7.2	8.7

### Judges Retirement Fund

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
06/30/13	51.6	46.6	48.7	48.1	45.1	47.0	58.3	54.2	56.7	10.1	8.7	9.6

Note: These statistics are not available for the Legislators or Elective State Officers Retirement Funds.

# Schedule of Retired Members by Type of Benefit

As of June 30, 2013

## State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	7,565	6,345	362	858	4,628	2,514	265	160
\$500-\$999	6,301	4,852	499	950	3,514	2,434	245	107
\$1,000-\$1,499	5,396	4,245	417	734	2,929	2,252	155	60
\$1,500-\$1,999	4,392	3,625	280	487	2,240	2,019	90	43
\$2,000-\$2,499	3,481	3,036	146	299	1,634	1,779	41	26
\$2,500-\$2,999	2,403	2,145	51	207	1,103	1,254	29	17
\$3,000-\$3,499	1,567	1,446	15	106	659	880	14	14
\$3,500-\$3,999	896	814	7	75	385	502	5	4
\$4,000-\$4,499	582	532	4	46	238	333	7	4
\$4,500-\$4,999	326	292	1	33	126	191	2	7
\$5,000+	377	334	1	42	131	241	2	3
<b>Totals</b>	<b>33,286</b>	<b>27,666</b>	<b>1,783</b>	<b>3,837</b>	<b>17,587</b>	<b>14,399</b>	<b>855</b>	<b>445</b>

### 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	16	11	0	5	9	4	3	0
\$500-\$999	27	9	2	16	5	11	11	0
\$1,000-\$1,499	31	11	0	20	14	10	7	0
\$1,500-\$1,999	28	9	3	16	11	15	2	0
\$2,000-\$2,499	61	20	5	36	17	35	9	0
\$2,500-\$2,999	52	19	3	30	18	31	3	0
\$3,000-\$3,499	69	42	8	19	25	41	3	0
\$3,500-\$3,999	75	57	9	9	35	40	0	0
\$4,000-\$4,499	95	77	9	9	33	59	3	0
\$4,500-\$4,999	124	114	2	8	42	82	0	0
\$5,000+	405	379	9	17	201	200	4	0
<b>Totals</b>	<b>983</b>	<b>748</b>	<b>50</b>	<b>185</b>	<b>410</b>	<b>528</b>	<b>45</b>	<b>0</b>

### 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

## Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	364	302	8	54	259	74	26	5
\$500-\$999	410	336	22	52	300	92	15	3
\$1,000-\$1,499	397	263	97	37	290	95	10	2
\$1,500-\$1,999	385	283	71	31	283	92	6	4
\$2,000-\$2,499	282	235	36	11	215	63	3	1
\$2,500-\$2,999	190	173	12	5	148	41	1	0
\$3,000-\$3,499	170	160	7	3	131	39	0	0
\$3,500-\$3,999	77	74	1	2	63	14	0	0
\$4,000-\$4,499	49	47	1	1	39	10	0	0
\$4,500-\$4,999	27	26	0	1	22	5	0	0
\$5,000+	23	23	0	0	20	3	0	0
<b>Totals</b>	<u>2,374</u>	<u>1,922</u>	<u>255</u>	<u>197</u>	<u>1,770</u>	<u>528</u>	<u>61</u>	<u>15</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	1	0	2	0	2	1	0
\$1,000-\$1,499	6	4	0	2	2	1	1	2
\$1,500-\$1,999	10	7	0	3	4	5	1	0
\$2,000-\$2,499	15	5	0	10	5	8	2	0
\$2,500-\$2,999	19	9	0	10	6	12	1	0
\$3,000-\$3,499	28	11	1	16	7	19	2	0
\$3,500-\$3,999	21	11	2	8	9	9	3	0
\$4,000-\$4,499	21	9	1	11	3	13	5	0
\$4,500-\$4,999	36	24	2	10	14	19	3	0
\$5,000+	173	130	17	26	66	94	6	7
<b>Totals</b>	<u>332</u>	<u>211</u>	<u>23</u>	<u>98</u>	<u>116</u>	<u>182</u>	<u>25</u>	<u>9</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, 2013

## Legislators Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type		Option Selected		
		Member	Survivor	Life	I	II
\$0-\$499	24	15	9	11	4	9
\$500-\$999	79	52	27	33	20	26
\$1,000-\$1,499	85	70	15	47	24	14
\$1,500-\$1,999	56	47	9	22	25	9
\$2,000-\$2,499	37	31	6	24	8	5
\$2,500-\$2,999	25	24	1	13	11	1
\$3,000-\$3,499	17	14	3	9	5	3
\$3,500-\$3,999	16	15	1	11	4	1
\$4,000-\$4,499	6	5	1	5	0	1
\$4,500-\$4,999	9	7	2	3	4	2
\$5,000+	8	7	1	4	3	1
<b>Totals</b>	<u>362</u>	<u>287</u>	<u>75</u>	<u>182</u>	<u>108</u>	<u>72</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	Retirement Type		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	0	0	0	0	0	0
\$3,000-\$3,499	1	0	1	0	0	1
\$3,500-\$3,999	0	0	0	0	0	0
\$4,000-\$4,499	0	0	0	0	0	0
\$4,500-\$4,999	2	1	1	1	0	1
\$5,000+	3	3	0	3	0	0
<b>Totals</b>	<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+	
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$191	\$236	\$374	\$702	\$923	\$1,274	\$1,931	\$1,194
Number of 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
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$140	\$345	\$636	\$891	\$1,184	\$1,554	\$2,282	\$1,148
Number of 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
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$137	\$341	\$667	\$945	\$1,237	\$1,547	\$2,310	\$1,203
Number of 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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$136	\$371	\$634	\$983	\$1,235	\$1,629	\$2,288	\$1,291
Number of 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
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$147	\$428	\$740	\$1,026	\$1,395	\$1,691	\$2,335	\$1,338
Number of 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
<b>Period 7/1/08 to 6/30/09:</b>								
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
<b>Period 7/1/09 to 6/30/10:</b>								
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
<b>Period 7/1/10 to 6/30/11:</b>								
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
<b>Period 7/1/11 to 6/30/12:</b>								
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
<b>Period 7/1/12 to 6/30/13:</b>								
Average Monthly Benefit	\$200	\$520	\$847	\$1,201	\$1,619	\$2,024	\$3,136	\$1,595
Number of New Retirees*	241	254	250	216	213	237	503	1,914
Average Final Average Salary**	\$4,310	\$3,831	\$3,868	\$4,072	\$4,549	\$4,743	\$5,247	\$4,488
<b>Period 7/1/03 to 6/30/13:</b>								
Average Monthly Benefit	\$160	\$420	\$700	\$1,028	\$1,362	\$1,704	\$2,434	\$1,377
Number of New Retirees*	2,175	1,988	2,000	1,956	2,173	2,096	5,567	17,955
Average Final Average Salary**	\$4,246	\$3,550	\$3,694	\$3,878	\$4,055	\$4,240	\$4,711	\$4,188

**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+	
<b>Period 7/1/03 to 6/30/04:</b>								
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
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$280	\$0	\$0	\$3,081	\$3,424	\$3,814	\$4,240	\$3,467
Number of 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
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$0	\$1,104	\$1,903	\$2,664	\$3,504	\$4,742	\$5,180	\$3,943
Number of 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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$1,829	\$1,633	\$3,158	\$3,403	\$4,634	\$3,887	\$3,534
Number of 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
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$185	\$774	\$1,986	\$2,788	\$3,151	\$4,469	\$4,256	\$3,541
Number of 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
<b>Period 7/1/08 to 6/30/09:</b>								
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
<b>Period 7/1/09 to 6/30/10:</b>								
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
<b>Period 7/1/10 to 6/30/11:</b>								
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
<b>Period 7/1/11 to 6/30/12:</b>								
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
<b>Period 7/1/12 to 6/30/13:</b>								
Average Monthly Benefit	\$395	\$0	\$2,323	\$3,202	\$4,297	\$4,756	\$6,296	\$4,596
Number of New Retirees*	2	0	3	1	5	7	10	28
Average Final Average Salary**	\$5,841	\$0	\$6,252	\$5,908	\$7,001	\$7,187	\$7,362	\$6,974
<b>Period 7/1/03 to 6/30/13:</b>								
Average Monthly Benefit	\$395	\$980	\$2,121	\$2,935	\$3,565	\$4,644	\$4,818	\$3,936
Number of New Retirees*	11	14	21	28	58	99	112	343
Average Final Average Salary**	\$6,063	\$5,046	\$6,062	\$5,853	\$6,033	\$6,415	\$6,254	\$6,163

**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.

## Correctional Employees Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$158	\$500	\$764	\$1,099	\$1,328	\$2,245	\$2,393	\$1,426
Number of 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
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$429	\$778	\$1,294	\$1,707	\$2,113	\$2,943	\$3,277	\$1,842
Number of 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
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$256	\$778	\$1,125	\$1,711	\$2,198	\$2,950	\$4,089	\$1,590
Number of 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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$339	\$751	\$1,365	\$1,474	\$2,266	\$2,674	\$3,690	\$1,580
Number of 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
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$407	\$774	\$1,265	\$1,501	\$2,044	\$2,841	\$3,171	\$1,504
Number of 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
<b>Period 7/1/08 to 6/30/09:</b>								
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
<b>Period 7/1/09 to 6/30/10:</b>								
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
<b>Period 7/1/10 to 6/30/11:</b>								
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
<b>Period 7/1/11 to 6/30/12:</b>								
Average Monthly Benefit	\$296	\$645	\$1,050	\$1,575	\$1,884	\$2,571	\$3,248	\$1,289
Number of New Retirees*	34	40	23	1	22	14	13	177
Average Final Average Salary**	\$4,694	\$4,228	\$4,332	\$4,165	\$4,687	\$5,067	\$4,761	\$4,548
<b>Period 7/1/12 to 6/30/13:</b>								
Average Monthly Benefit	\$267	\$630	\$1,178	\$1,769	\$2,031	\$2,679	\$3,136	\$1,386
Number of New Retirees*	36	35	25	30	29	16	12	183
Average Final Average Salary**	\$4,961	\$4,565	\$4,515	\$4,938	\$4,658	\$5,188	\$5,231	\$4,810
<b>Period 7/1/03 to 6/30/13:</b>								
Average Monthly Benefit	\$327	\$727	\$1,205	\$1,562	\$2,105	\$2,778	\$3,201	\$1,523
Number of New Retirees*	225	255	229	273	187	171	126	1,466
Average Final Average Salary**	\$4,527	\$4,123	\$4,093	\$4,077	\$4,365	\$4,505	\$4,970	\$4,320

**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+	
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$1,496	\$0	\$4,247	\$4,516	\$4,421	\$6,073	\$4,217
Number of 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
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$0	\$0	\$3,296	\$3,346	\$5,317	\$0	\$0	\$4,184
Number of 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
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$0	\$1,879	\$3,386	\$4,096	\$5,635	\$5,313	\$0	\$4,184
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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$2,064	\$2,624	\$3,823	\$5,993	\$0	\$0	\$4,281
Number of 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
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$2,606	\$3,038	\$4,243	\$5,252	\$5,588	\$0	\$4,675
Number of 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
<b>Period 7/1/08 to 6/30/09:</b>								
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
<b>Period 7/1/09 to 6/30/10:</b>								
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
<b>Period 7/1/10 to 6/30/11:</b>								
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
<b>Period 7/1/11 to 6/30/12:</b>								
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
<b>Period 7/1/12 to 6/30/13:</b>								
Average Monthly Benefit	\$807	\$0	\$3,087	\$4,980	\$6,216	\$0	\$0	\$5,354
Number of New Retirees*	1	0	2	8	14	0	0	25
Average Final Average Salary**	\$10,472	\$0	\$11,037	\$11,833	\$10,734	\$0	\$0	\$11,099
<b>Period 7/1/03 to 6/30/13:</b>								
Average Monthly Benefit	\$807	\$1,867	\$3,161	\$4,467	\$5,728	\$5,107	\$6,073	\$4,808
Number of New Retirees*	1	7	24	34	80	3	1	150
Average Final Average Salary**	\$10,472	\$8,430	\$9,807	\$10,052	\$9,779	\$9,353	\$8,989	\$9,669

**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.

## Legislators Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$780	\$467	\$1,086	\$0	\$2,104	\$0	\$911
Number of 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
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$391	\$1,206	\$897	\$0	\$2,777	\$0	\$0	\$1,020
Number of 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
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$690	\$1,161	\$1,627	\$0	\$0	\$0	\$0	\$1,102
Number of 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
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$1,225	\$1,340	\$1,707	\$2,057	\$2,567	\$3,038	\$1,661
Number of 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
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$1,372	\$1,233	\$1,289	\$2,935	\$2,318	\$0	\$1,505
Number of 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
<b>Period 7/1/08 to 6/30/09:</b>								
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
<b>Period 7/1/09 to 6/30/10:</b>								
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
<b>Period 7/1/10 to 6/30/11:</b>								
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
<b>Period 7/1/11 to 6/30/12:</b>								
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
<b>Period 7/1/12 to 6/30/13:</b>								
Average Monthly Benefit	\$664	\$0	\$2,518	\$2,439	\$1,851	\$3,232	\$3,290	\$2,347
Number of New Retirees*	2	0	3	2	2	2	2	13
Average Final Average Salary**	\$6,118	\$0	\$5,098	\$4,682	\$3,381	\$7,461	\$3,549	\$5,052
<b>Period 7/1/03 to 6/30/13:</b>								
Average Monthly Benefit	\$408	\$1,305	\$1,158	\$1,391	\$2,111	\$2,120	\$1,372	\$1,351
Number of New Retirees*	10	42	39	12	13	11	4	131
Average Final Average Salary**	\$7,054	\$4,763	\$3,303	\$3,778	\$3,869	\$4,079	\$3,456	\$4,227

### 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+	
<b>Period 7/1/03 to 6/30/04:</b>								
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
<b>Period 7/1/04 to 6/30/05:</b>								
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
<b>Period 7/1/05 to 6/30/06:</b>								
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
<b>Period 7/1/06 to 6/30/07:</b>								
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
<b>Period 7/1/07 to 6/30/08:</b>								
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
<b>Period 7/1/08 to 6/30/09:</b>								
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
<b>Period 7/1/09 to 6/30/10:</b>								
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
<b>Period 7/1/10 to 6/30/11:</b>								
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
<b>Period 7/1/11 to 6/30/12:</b>								
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
<b>Period 7/1/12 to 6/30/13:</b>								
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
<b>Period 7/1/03 to 6/30/13:</b>								
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

**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 2013			Fiscal Year 2004		
	Active Employees	Rank	% of Total Active Members	Active Employees	Rank	% of Total Active Members
<b>State Employees Retirement Fund</b>						
State of Minnesota	35,391	1	72.05%	32,948	1	70.25%
University of Minnesota	9,477	2	19.29	10,084	2	21.50
Metropolitan Council	3,702	3	7.54	3,382	3	7.21
Minnesota Historical Society	122	4	0.25	161	4	0.34
Minnesota Association of Professional Employees	94	5	0.19			
Minnesota State Fair	85	6	0.17	84	6	0.18
Amalgamated Transit Union	73	7	0.15			
Gillette Children's Hospital	55	8	0.11	91	5	0.19
AFSCME	29	9	0.06			
Minnesota Sports Facilities Authority	23	10	0.05			
Metropolitan Sports Facility Commission				38	7	0.08
Foster-Wheeler, Inc.				36	8	0.08
Minnesota Safety Council				22	9	0.05
Minnesota Crop Improvement Association				12	10	0.03
All Others	70		0.14	41		0.09
Totals	<u>49,121</u>		<u>100.00%</u>	<u>46,899</u>		<u>100.00%</u>
<b>State Patrol Retirement Fund*</b>						
State of Minnesota	<u>845</u>	1	<u>100.00%</u>	<u>834</u>	1	<u>100.00%</u>
<b>Correctional Employees Retirement Fund*</b>						
State of Minnesota	<u>4,384</u>	1	<u>100.00%</u>	<u>3,326</u>	1	<u>100.00%</u>
<b>Judges Retirement Fund*</b>						
State of Minnesota	<u>309</u>	1	<u>100.00%</u>	<u>294</u>	1	<u>100.00%</u>
<b>Legislators Retirement Fund</b>						
Minnesota House of Representatives	13	1	54.17%	54	1	62.07%
Minnesota Senate	11	2	45.83	33	2	37.93
Totals	<u>24</u>		<u>100.00%</u>	<u>87</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 2013			Fiscal Year 2004		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Unclassified Employees Retirement Fund**</b>						
State of Minnesota	749	1	49.64%	998	1	56.57%
Minnesota House of Representatives - Staff	259	2	17.16	272	2	15.42
Minnesota Senate - Staff	218	3	14.45	236	3	13.38
Minnesota House of Representatives - Members	144	4	9.54	129	4	7.31
Minnesota Senate - Members	62	5	4.11	25	6	1.42
Enterprise Minnesota, Inc.	28	6	1.86	57	5	3.23
Agricultural Utilization Research Institute	26	7	1.72	23	7	1.30
Metropolitan Council	20	8	1.32	19	8	1.08
Metropolitan Sports Facilities Authority	2	9	0.13			
Minnesota Crop Improvement Association	1	10	0.07	1	10	0.06
Legislative Coordinating Commission				4	9	0.23
Totals	<u>1,509</u>		<u>100.00%</u>	<u>1,764</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 2013			Fiscal Year 2004		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Health Care Savings Plan*</b>						
State of Minnesota	20,321	1	41.46%	2,531	1	20.23%
Metropolitan Council	2,731	2	5.57	1,726	2	13.79
Hennepin County	2,299	3	4.69	387	6	3.09
Ramsey County	1,660	4	3.39			
Dakota County	1,607	5	3.28	263	8	2.10
MNSCU Central Office	990	6	2.02			
City of Minneapolis	944	7	1.92	1,386	3	11.08
Independent School District (ISD)						
623 Roseville	907	8	1.85			
City of Duluth	866	9	1.77			
ISD 728 Elk River	729	10	1.49			
Special School District 1 Minneapolis				951	4	7.60
Metropolitan Airports Commission				504	5	4.03
ISD 284 Wayzata				368	7	2.94
City of Eagan				145	9	1.16
ISD 742 St. Cloud				140	10	1.12
All Others	15,962		32.56	4,112		32.86
Totals	49,016		100.00%	12,513		100.00%

Participating Employer	Fiscal Year 2013			Fiscal Year 2009**		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Minnesota Deferred Compensation Fund (MNDCP)*</b>						
State of Minnesota	26,448	1	53.97%	37,245	1	45.09%
Special School District 1 Minneapolis	2,490	2	5.08	5,237	2	6.34
Ramsey County	2,182	3	4.45	2,925	3	3.54
City of Minneapolis	2,067	4	4.22			
Metropolitan Council	1,584	5	3.23	2,283	4	2.76
ISD 625 St. Paul	944	6	1.93	1,742	7	2.11
City of St. Paul	876	7	1.79	1,858	6	2.25
Anoka County	864	8	1.76	1,056	10	1.28
Hennepin County	861	9	1.76	2,086	5	2.52
ISD 279 Osseo	784	10	1.60	1,197	8	1.45
Dakota County				1,145	9	1.39
All Others	9,906		20.21	25,832		31.27
Totals	49,006		100.00%	82,606		100.00%

Participating Employer	Fiscal Year 2013			Fiscal Year 2009***		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Hennepin County Supplemental Retirement Fund</b>						
Hennepin County	315	1	73.77%	1,820	1	78.01%
Hennepin County Medical Center	112	2	26.23	513	2	21.99
Totals	427		100.00%	2,333		100.00%

\* Includes all members with account balances

\*\* MSRS did not assume financial reporting responsibility for MNDCP until 2005. Fiscal year 2005-2008 data is unavailable from previous recordkeeper.

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



# Schedule of Participating Employers

As of June 30, 2013

## State of Minnesota

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

University of Minnesota

## 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 Arden Hills  
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 Breckenridge  
City of Breezy Point  
City of Brooklyn Center  
City of Brooklyn Park  
City of Browerville  
City of Buffalo  
City of Buhl  
City of Burnsville  
City of Caledonia  
City of 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 Columbia Heights  
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 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 Foley  
City of Forest Lake  
City of Gaylord  
City of Gilbert  
City of Glencoe  
City of Golden Valley  
City of Goodhue  
City of Goodview  
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 Isle  
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 Lakeville  
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 Morris  
City of Mound  
City of Mounds View  
City of Mountain Iron  
City of Nashwauk  
City of Nevis  
City of New Hope  
City of New Prague  
City of New Ulm  
City of New York Mills  
City of Newport  
City of Nisswa  
City of North 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. Francis  
City of St. James  
City of St. Louis Park  
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

# Schedule of Participating Employers

As of June 30, 2013

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 Waverly  
 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 Woodbury  
 City of Worthington  
 City of Wyoming  
 City of Zumbrota

## Townships

Town of Balkan  
 Breitung Township  
 Town of Fayal  
 Town of Thomson  
 Town of New Independence  
 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  
 Faribault County  
 Fillmore County  
 Goodhue County  
 Grant County  
 Hennepin County  
 Houston County  
 Hubbard County  
 Isanti County  
 Itasca County  
 Kanabec County  
 Kandiyohi County  
 Koochiching County  
 Lake County  
 Lake of the Woods County  
 Lincoln County  
 Lyon County  
 Marshall County

McLeod County  
 Mille Lacs County  
 Morrison County  
 Mower County  
 Murray County  
 Nicollet County  
 Nobles County  
 Norman County  
 Olmsted County  
 Ottertail County  
 Pine County  
 Pipestone County  
 Pope County  
 Ramsey 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  
 Wabasha County  
 Wadena County  
 Waseca County  
 Washington County  
 Watonwan County  
 Wilkin County  
 Winona County  
 Wright County

## Independent School Districts (ISD) and other Educational Entities

ISD 1 Aitkin  
 ISD 100 Wrenshall  
 ISD 108 Central Public Schools  
 ISD 11 Anoka - Hennepin  
 ISD 111 Watertown-Mayer  
 ISD 112 Eastern Carver County  
 ISD 115 Cass Lake-Bena  
 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 150 Hawley  
 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 2125 Triton  
 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 2165 Hinckley-Finlayson  
 ISD 2168 New Richland-Hartland-Ellendale-Genera  
 ISD 2169 Murray County Central  
 ISD 2170 Staples - Motley  
 ISD 2172 Kenyon-Wanamingo  
 ISD 2176 Warren-Alvarado-Oslo  
 ISD 2180 MACCRAY  
 ISD 2184 Luverne  
 ISD 2190 Yellow Medicine East  
 ISD 2198 Fillmore Central  
 ISD 22 Detroit Lakes  
 ISD 227 Chatfield  
 ISD 2364 Belgrade-Brooten-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 256 Red Wing  
 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 2759 Eagle Valley  
 ISD 276 Minnetonka  
 ISD 277 Westonka  
 ISD 278 Orono  
 ISD 279 Osseo  
 ISD 280 Richfield  
 ISD 2805 Zumbrota-Mazzeppa  
 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 2887 McLeod West  
 ISD 2890 Renville County West  
 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-Hokah  
 ISD 306 Laporte  
 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 332 Mora  
 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  
 ISD 403 Ivanhoe  
 ISD 404 Lake Benton  
 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 485 Royalton  
 ISD 486 Swanville  
 ISD 487 Upsala Area Schools  
 ISD 492 Austin  
 ISD 500 Southland  
 ISD 51 Foley  
 ISD 511 Adrian  
 ISD 513 Brewster Public School  
 ISD 516 Round Lake Independent  
 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 581 Pipestone  
 ISD 593 Crookston  
 ISD 595 East Grand Forks  
 ISD 621 Mounds View  
 ISD 622 North St Paul-Maplewood  
 ISD 623 Roseville  
 ISD 624 White Bear Lake  
 ISD 625 St. Paul  
 ISD 627 Oklee  
 ISD 628 Plummer  
 ISD 630 Red Lake Falls  
 ISD 640 Wabasso  
 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 707 Nett Lake  
 ISD 709 Duluth  
 ISD 712 Mountain Iron-Buhl  
 ISD 716 Belle Plaine  
 ISD 717 Jordan  
 ISD 719 Prior Lake-Savage  
 ISD 720 Shakopee

ISD 721 New Prague  
 ISD 726 Becker  
 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 787 Browerville  
 ISD 81 Comfrey  
 ISD 811 Wabasha-Kellogg  
 ISD 813 Lake City  
 ISD 820 Sebeka  
 ISD 829 Waseca  
 ISD 831 Forest Lake  
 ISD 832 Mahtomedi  
 ISD 833 South Washington County  
 ISD 834 Stillwater  
 ISD 84 Sleepy Eye Schools  
 ISD 846 Breckenridge  
 ISD 85 Springfield  
 ISD 857 Lewiston-Altura  
 ISD 858 St. Charles  
 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 891 Canby  
 ISD 91 Barnum  
 ISD 912 Milaca Public Schools  
 ISD 916 NE Metro  
 ISD 93 Carlton  
 ISD 94 Cloquet  
 ISD 95 Cromwell-Wright  
 ISD 97 Moose Lake  
 ISD 99 Esko  
 Bemidji Regional Interdistrict Council #998  
 Benton Stearns Education District #6383  
 East Metro Integration District #6067  
 Fergus Falls Public Special Education #935  
 Freshwater Education District  
 Great Expectations School  
 Hmong College Prep Academy  
 Intermediate School Dist #917  
 Intermediate School District #287 Plymouth  
 International Spanish Language Academy  
 Meeker-Wright Special Education Cooperative #938  
 Mid-State Education District  
 MN Valley Education District #6027  
 New Visions Academy  
 Northland Learning Center #6076  
 Northwest Passage High School  
 Region 1-ESV (Education Secondary Vocational)  
 Spectrum High School  
 Special School District (SSD) 1 Minneapolis  
 SSD 6 South St. Paul

Technology & Information Education Services (TIES)  
 West Central Education District #6026  
 West Metro Education Program #6069

**Other Employers**

Adrian Public Utilities Commission  
 AFSCME  
 Agricultural Utilization Research Institute  
 Aitkin Public Utilities Commission  
 Alexandria Lake Area Sanitary District  
 Alexandria Light & Power  
 Amalgamated Transit Union  
 Armory Building Commission  
 Arrowhead Library System  
 Arrowhead Regional Computing Consortium  
 Arrowhead Regional Development Commission  
 Austin Utilities  
 Avera Marshall Regional Medical Center  
 Becker County Soil and Water Conservation District (SWCD)  
 Beltrami Area Service Collaborative  
 Benton County SWCD  
 Blue Earth Light & Water  
 Brainerd Housing & Redevelopment Authority (HRA)  
 Brainerd Public Utilities  
 Brown County SWCD  
 Carlton County SWCD  
 Carver County Community Development Agency (CDA)  
 Carver County SWCD  
 CCLNS Joint Powers Board #3  
 Centennial Lakes Police Department  
 Chippewa County - Montevideo Hospital  
 Chippewa County SWCD  
 Chisholm Hibbing Airport Commission  
 Clay County Housing & Redevelopment Authority  
 Comfort Lake - Forest Lake Watershed District  
 Cook County North Shore Hospital  
 Crosslake Communications  
 Dakota Communications Center  
 Dakota County Community Development Agency  
 Dawson Municipal Liquor Store  
 Delano Municipal Utilities  
 Douglas County Hospital  
 Duluth Entertainment Convention Center (DECC)  
 Duluth Housing and 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  
 Fair Oaks Lodge  
 Fillmore County SWCD  
 FirstLight Health System  
 Foster-Wheeler (Twin Cities)  
 Freeborn County SWCD  
 Gillette Children's Specialty Healthcare  
 Glencoe Light & Power Commission  
 Grand Marais Public Utilities Commission  
 Grand Rapids Public Utilities Commission  
 Great River Regional Library  
 Green Pine Acres Nursing Home - Menahga  
 Halstad Municipal Utilities  
 Hennepin County Medical Center  
 Heritage Living Center-Hubbard County  
 Hibbing Public Utilities  
 Hinckley Firehouse Liquor  
 International Union of Operating Engineers (Local 35)  
 Itasca Nursing Home-Grand Village

# Schedule of Participating Employers

As of June 30, 2013

Jackson County Law Enforcement Labor Services 233  
Kandiyohi SWCD  
Keewatin Public Utilities  
Lake Agassiz Regional Library  
Lakes Area Police  
League of Minnesota Cities  
Legislative Coordinating Commission  
Lincoln County SWCD  
Littlefork Medical Center  
LOGIS (Local Government Information Systems)  
Madelia Municipal Light & Power  
Mahnomen SWCD  
Marshall County SWCD  
Marshall Municipal Utilities  
Marshall-Lyon County Library  
Meeker County/Meeker Memorial Hospital  
Menahga City Nursing Home  
Metropolitan Airports Commission  
Metropolitan Council  
Metropolitan Mosquito Control District  
Metropolitan Waste Control  
Middle Management Association  
Middle Mississippi River Watershed Management  
Mid-Minnesota Development Commission  
Minneapolis Employees Retirement Fund (MERF)  
Minnesota Association of Professional Employees  
Minnesota Association of Secondary School Principals  
Minnesota Conservation Corps  
Minnesota Counties Intergovernmental Trust  
Minnesota Crop Improvement Association  
Minnesota Educational Computing Consortium (MECC)  
Minnesota Government Engineers Council (MGEC)  
Minnesota Historical Society  
Minnesota Horticultural Society  
Minnesota Inter-County Association  
Minnesota Safety Council  
Minnesota Sports Facilities Authority  
Minnesota Valley Transit Authority  
MNSCU Central Office  
Moorhead Public Housing Agency  
Moose Lake Water & Light Commission  
Morrison SWCD  
Mower SWCD  
Minneapolis Community Development Agency  
Minneapolis Teachers Retirement  
National Joint Powers Alliance  
New Prague Golf Course  
New Prague Municipal Utilities  
New River Medical Center  
New Ulm Public Utilities  
Nicollet SWCD  
Nobles Rock Public Health  
Norman County SWCD  
North Branch Municipal Water & Light  
North St. Louis SWCD  
Northeast Service Coop #927  
Northern Dakota County Cable Communications Commission (NDC4)  
Owatonna Public Utilities  
Paynesville Area Health Care System  
Pennington County SWCD  
Pine County SWCD  
Pioneerland Library System  
Pipestone County Medical Center  
Port Authority of City of St. Paul  
Preston Public Utilities  
Prior Lake-Spring Lake Watershed District  
Privacy Study Commission  
Public Housing Agency-St. Paul  
Quad Cities Cable Communication Commission  
Ramsey-Washington Metro Watershed District  
Red River Valley Conservation Service Area  
Red Rock Rural Water System  
Redwood Area Hospital  
Redwood SWCD  
Regional Transit Board  
Regions Hospital (St. Paul Ramsey)  
Renville County SWCD  
Revisor of Statutes  
Rice County SWCD  
Rice County District One Hospital  
Rice Creek Watershed District  
Rice Memorial Hospital  
River's Edge Hospital & Clinic  
Rock County Rural Water District  
Safety Council  
Sauk Centre Public Utilities  
Scott County SWCD  
Shakopee Public Utilities Commission  
Sherburne SWCD  
Sleepy Eye Public Utilities  
South Central Services Cooperative  
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  
St. Cloud Area Planning Organization  
St. Cloud Housing & Redevelopment Authority  
St. Cloud Metropolitan Transit Commission  
St. Michael's Hospital & Nursing Home  
St. Paul Teachers Retirement Fund  
State Fair  
Stearns County SWCD  
Steele County SWCD  
Stevens SWCD  
Sunnyside Care Center-Becker County  
Three Rivers Park District  
Todd County SWCD  
Traverse Des Sioux Library  
Tri-County Community Corrections  
United Hospital District  
Upper Minnesota Valley Regional Development Commission  
Utilities Plus  
Viking Library System  
Virginia Public Utilities  
Virginia Regional Medical Center  
Wabasha SWCD  
Waseca-LeSueur Regional Library  
Washington County SWCD  
Washington County Housing & Redevelopment Authority  
Watonwan County SWCD  
Wells Public Utilities  
West Hennepin County Public Safety  
West Metro Fire Rescue  
West Ottertail County SWCD  
Western Lake Superior Sanitary District  
Wilkin County SWCD  
Willmar Municipal Utilities  
Windom Area Hospital  
Worthington Regional Hospital  
Yellow Medicine County Sheriff Dept



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