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STATEMENT TO EMPLOYEES DECEMBER 31, 1969

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MINNESOTA STATE
RETIREMENT SYSTEM

MINNESOTA STATE RETIREMENT SYSTEM

530 North Robert Street
St. Paul, Minnesota 55101
221-2761

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FOREWORD

This report covers the operation of the Minnesota State Retirement System from January 1 through December 31, 1969. The continued strong financial position of the fund is evident from the statements and tabulations in this report. The report includes the 1969 law changes, financial highlights, statistical data, a statement from the actuary and various accounting statements.

ACTUARIAL VALUATION

The actuarial valuation made as of December 31, 1969 reflects the improvements made to the plan by the 1969 amendments to the retirement law. Two important determinations made by the actuary are the normal cost and the unfunded accrued liability. Under the method of funding required by law, the entry age normal cost is that level contribution rate which, if contributed on behalf of all new employees from dates of employment to separation, will be adequate to provide all of their benefits. Under the 3½% interest rate assumption now allowed by law the normal cost of the plan increased from 5.20% at December 31, 1968 to 5.78% at December 31, 1969. Since the contribution rate is 6% (3% by the employee matched by the state) further improvements can be made in the plan and yet remain within the 6% contribution rate. However, major improvements to be adequately financed could only be made by an increase in the contribution rate or a further increase in the rate of interest the fund's actuary can assume will be earned by the invested assets. The report on an actuarial valuation shows a decrease in the unfunded accrued liability from \$22,279,694 the previous year to \$21,934,733 at December 31, 1969. The increase in unfunded liability due to law changes was mainly off-set by an increase in the interest assumption used in valuing the fund from 3% to 3½%. The reserve requirement for retired lives was \$40,908,047 as of December 31, 1969, computed on a 3½% basis.

CHANGE TO FISCAL YEAR

This fund is audited on a regular basis by the Public Examiner of the State of Minnesota whose report is transmitted to the administration and appropriate State officials. The last audit of the Public Examiner, which included operations through calendar year 1968, was concluded after the 1969 law changes were known. He recommended that since participation in the Minnesota Adjustable Fixed Benefit Fund which operates on a fiscal year basis is mandatory for the State Employees Retirement Fund, the Fund change to a fiscal year basis of operation. Accordingly, this will be the final report prepared on a calendar year basis. The next report will cover the six month period ended June 30, 1970 and annual reports thereafter will be on a June 30 fiscal year basis.

EXHIBITS

The exhibits in this report are presented as prescribed in Minnesota Statutes, Chapter 356.

Respectfully submitted,

Burdine Erickson

Chairman of the Board

Paul L. Grochen

Executive Director

LAW CHANGES

The Minnesota Adjustable Fixed Benefit Fund

A significant change in the retirement law was enacted by the 1969 legislature to provide for possible annual increases in annuities after retirement. The law was designed to help offset the erosion of the benefit after retirement caused by inflation and the rising cost of living.

A special fund for payment of retirement benefits was created, called the Minnesota Adjustable Fixed Benefit Fund (MAFB Fund). The provisions of the MAFB Fund apply only after retirement. Participation in the fund is automatic for all currently retired and those retiring in the future.

Initially, five retirement systems will participate in the MAFB Fund: Minnesota State Retirement System, Public Employees Retirement Association, State Teachers Retirement Association, Highway Patrol & Police Officers Retirement Fund, and the Minneapolis Municipal Employees Retirement Fund. Each will own an undivided share of the assets of the Fund.

Between July 1, 1969 and May 1, 1970, each participating fund will transfer assets to the MAFB Fund in an amount sufficient to fully fund the benefits in effect on June 30, 1969. The required reserves for those retiring after June 30, 1969, will be transferred each month as they retire. Retirement benefits will be paid by each participating fund by withdrawing the required amounts from the MAFB Fund.

The assets of the MAFB Fund are invested in high grade securities with up to 50% authorized for investment in common and preferred stock. The value of the assets is determined six times a year by the State Board of Investment. The value is determined by the market value of stocks and the book value of bonds and includes all interest and dividend income, and realized and unrealized gains or losses on equities.

Annually on July 1, the six values are averaged and the participation or value of the assets owned by each fund is determined. Also annually, each participating fund determines the reserve requirement for the benefits payable using an interest rate assumption of 3½%. The two values are then compared.

If the value of the fund is greater than the value of the reserve requirement by 2% or more, the benefits will be increased in the same proportion. If the value of the fund is less by 2% or more, the benefits will be decreased but will never be reduced below the amount originally authorized. However, if the value of the fund falls below the reserve requirement, since the amount of the benefit payable will never be less than the amount originally granted, the excess of the amount paid over the amount which the fund would support must be recovered before any future increases are granted.

Retired employees are divided into classes depending upon the fiscal year in which they retire. Those retiring in the same fiscal year are considered to be in the same class. All retired prior to July 1, 1970 are considered one class. Each class stands by itself in determining the amount of the increase or decrease due or the amount of deficiency to be recovered before future increases are granted.

Any adjustment of the benefits will occur on the following January 1st. It is important to note that annual increases are not guaranteed. However, the retired State employee will now be able to share in the growth of the economy with the assurance that in a declining economy the benefit will not be reduced below the amount originally granted.

Transfers to the Minnesota Adjustable Fixed Benefit Fund

As previously noted, 5 retirement funds participate in the Minnesota Adjustable Fixed Benefit Fund. Each participating fund was required to transfer securities and cash equal to the actuarial reserve requirement for benefits in force on June 30, 1969, such transfer to consist of 40% fixed income debt securities at book value on June 30, 1969 and the remainder in cash and in equities at market value in 6 bi-monthly transfers commencing July 1, 1969. The reserve requirement for new retirees after June 30, 1969 is transferred in cash each month and payments to retired employees are charged to the Minnesota Adjustable Fixed Benefit Fund. MSRS participation in the Minnesota Adjustable Fixed Benefit Fund since July 1, 1969:

For retirements prior to July 1, 1969:

Book value of debt securities transferred	\$15,417,341.60
Equities transferred at market	4,673,525.00
Cash	6,889,481.20
Total "prior" transfers through December 31, 1969	\$26,980,347.80
Actuarial reserve requirement for employees who retired from July-December 1969	\$3,993,543.80
Less: Benefits and refunds paid, July-December 1969	<u>2,329,422.12</u>
Participation at 12/31/69 (excluding Income)	<u>1,664,121.68</u>
Reserve requirement for benefits in force at 6/30/69	<u>\$28,644,469.48</u>
Transfers made through December 1969	<u>\$38,543,354.00</u>
Balance to be transferred for "prior" retirees	<u>26,980,347.80</u>
	<u>\$11,563,006.20</u>

MSRS' share of the income accruing to the Minnesota Adjustable Fixed Benefit Fund will not be known until after June 30, 1970 because accounting for that fund is on a fiscal year basis ending June 30. The income from transferred securities is paid into the MAFB Fund and appreciation in equities is recognized in valuing the total fund. For the fiscal year 1969-70, the MAFB Fund is guaranteed earnings of 4¼%. If it is assumed that interest is credited according to monthly balances, the MSRS participation in the MAFB Fund income would amount to about \$500,000 at December 31, 1969. If MSRS earnings allocation exceed 4¼%, the excess would presumably be paid back to the MSRS Fund (the law is silent on this).

Retired Employees Benefits Increased

The 1969 Legislature also provided for an increase in annuity and disability benefits for annuities in force on June 30, 1969. The increase was made possible by a change in the assumed interest rate from 3% to 3½%. The law provided that the increase was in the same ratio that the actuarially computed reserve for benefits determined by using an interest assumption of 3% bears to the actuarially computed reserve using an interest assumption of 3½%. This increase turned out to be 3.56% for all annuitants who had retired prior to July 1, 1969.

The term "interest assumption" refers to the assumed earnings rate of invested assets in projection of assets and liabilities in an actuarial valuation. Because the rate of return on invested assets has exceeded 3½% for several years and prospects are that interest rates will continue at a high rate for the foreseeable future, a 3½% return on investments appears to be conservative. Current interest rates on high grade bonds are reaching close to 10%.

Formula Changes

The 1969 Legislature provided for an increase in the formula for computing benefits for service rendered before July 1, 1969. In the case of an employee with 30 years of service before July 1, 1969, the increase is from 36.6% to 38%. The increase in the formula for service rendered after June 30, 1969 was more substantial, increasing from the old formula amount of 36.6% to 43% after 30 years of service. The formula increases applied to career average salaries from 1952 were granted by the Legislature in lieu of the Retirement Board recommendation for a final salary plan. A combination of the new formulas is used if the employee has service before and after July 1, 1969. The old and new formula percentages are:

Years of Service	Old Formula (for all service)	New Formulas	
		For service before 7/1/69	For service after 6/30/69
10	10.0%	10.0%	10.0%
20	20.0%	21.0%	23.0%
30	36.6%	38.0%	43.0%

Examples illustrating the application of formula changes and the re-resulting benefits are set forth in the Retirement Handbook which was distributed to all employees last November.

Other Law Changes

Employees who are 65 or older when they terminate State service and who, due to advanced age at time of entering State service, could not have qualified for an annuity had they continued in State service until compulsory retirement age will receive a refundment of accumulated contributions with interest at the rate of 2½% per annum compounded annually.

Repayment of a refundment is permitted after the employee has again been covered by the System for a period of 1 year. Previously, 5 years of coverage was required.

Payment for active military service time is now optional. If the employee desires the service credit for retirement purposes he may pay for it. If payment is not made, the military service time will not be counted in computing a retirement benefit.

The employer additional contribution was reduced from ¾% to ½% of employee contributions in fiscal year 1970 and further reduced to ⅓% of employee contributions thereafter. The employee contribution rate remained at 3% of total salary as did the employer normal contribution which is an amount equal to total employees' payroll deductions.

FINANCIAL HIGHLIGHTS

Revenues

Employee and employer contributions were \$6,422,341 and \$10,115,866, respectively, in 1969. This compares with \$6,025,000 and \$10,006,803 in 1968. Even though the employer additional contribution rate was reduced effective July 1, 1969, total employer contributions for the year increased because of salary increases in July 1969. Investment income was \$4,990,811 in 1969 compared to \$4,788,135 in 1968, an increase of \$202,676 even though substantial amounts of securities were transferred to the Minnesota Adjustable Fixed Benefit Fund in 1969.

Expenditures

Annuity and disability payments are chargeable to the Minnesota Adjustable Fixed Benefit Fund after June 30, 1969. Total benefit payments from the MSRS Fund and the MAFB Fund were \$324,017 more in 1969 than in 1968:

	MSRS Fund	MAFB Fund	1969	1968
Service Retirement Annuities	\$2,057,468	\$2,224,518	\$4,281,986	\$3,973,947
Disability Retirement				
Annuities	68,763	77,349	146,112	125,904
Survivor Benefit Payments	32,867	—	32,867	33,527
Interest on Deaths and				
Compulsory Retirement	65,792	—	65,792	69,362
TOTALS	<u>\$2,224,890</u>	<u>\$2,301,867</u>	<u>\$4,526,757</u>	<u>\$4,202,740</u>

Supplemental benefits, payable from the General Revenue Fund, amounting to \$188,597 in 1969 and \$203,597 in 1968 were paid in addition to the amounts listed above. The supplemental benefits, granted by the 1967 Legislature, are payable to certain employees who retired prior to July 1, 1963. The amount paid is declining due to deaths.

Refundments in 1969 were \$2,123,996 compared to \$2,020,806 in 1968 (the 1968 figure excludes \$1,320,756 refunded to National Guard Technicians who joined the Federal Civil Service Retirement Plan).

Operating expenses in 1969 were \$365,713, amounting to 0.17% of covered payroll. Refer to Exhibit A for detail.

Investments

Total invested assets decreased from \$113,811,736 at the beginning of the year to \$98,494,747 at year end. The decrease in invested assets is due to transfer of securities to the special fund for retirees. A total of \$7,153,456 in fixed income debt securities and equities were purchased for the MSRS Fund prior to July 1, 1969. Starting in July and for the balance of the year, excess cash receipts not needed for transfer to the special fund were mostly invested in short term securities. Until the transfer for annuities in effect at June 30, 1969 is completed (on May 1, 1970), excess cash for investment in long term securities for the MSRS Fund will be relatively small. After May 1, 1970, investments for the MSRS Fund will return to a level comparable to that in effect prior to July 1, 1969, less the actuarially determined reserves for new retirees.

The yield on fixed income securities increased to 4.91% as of December 31, 1969 compared to 4.73% the previous year. The rate of return on average invested assets and cash was 4.47% in 1969 compared to 4.32% in 1968.

Short Term Investments

Short term activity increased in 1969 due to the need of liquid assets for the transfers to the special fund. A total of \$16,812,269 was placed in short term notes and treasury bills in 1969 at an average annual yield of 7.16%. This compares to \$15,262,156 at a yield of 6.24% in 1968. Short term holdings at December 31, 1969 totaled \$3,762,130.82.

STATISTICAL DATA

Employee Statistics

	<u>1969</u>	<u>1968</u>
Active employees at December 31	36,406	34,591
Inactive accounts at December 31	7,905	7,377
New employees and former employees returned	10,249	9,357
Refundments	6,476	6,783
Deaths	127	122
Retirements and disabilities	409	516
Net increase in active employees	1,815	313

"Average" as used in this report is defined as the arithmetic mean. "Median" is the mid-point, that is, one-half of the total is below and one-half is above the median point.

The following is a 3 year comparison of the "average" employee as of December 31:

	<u>Year</u>	<u>Age</u>	<u>Credited Service</u>	<u>Accumulated Contributions</u>
Male Employee	1967	41.9 yrs.	8.8 yrs.	\$1,307.68
	1968	41.8 yrs.	8.6 yrs.	1,340.90
	1969	41.7 yrs.	8.5 yrs.	1,401.26
Female Employee	1967	36.9 yrs.	5.2 yrs.	622.01
	1968	36.7 yrs.	5.1 yrs.	639.50
	1969	36.4 yrs.	5.0 yrs.	665.09

The average and median ages were:

		<u>Male</u>		<u>Female</u>	
	<u>Year</u>	<u>Median</u>	<u>Average</u>	<u>Median</u>	<u>Average</u>
New Employees:	1967	27.0 yrs.	32.0 yrs.	22.0 yrs.	28.1 yrs.
	1968	27.0 yrs.	31.5 yrs.	22.0 yrs.	27.4 yrs.
	1969	26.0 yrs.	31.1 yrs.	22.0 yrs.	26.8 yrs.
All Active Employees:	1967	42.0 yrs.	41.9 yrs.	34.0 yrs.	36.9 yrs.
	1968	42.0 yrs.	41.8 yrs.	33.0 yrs.	36.7 yrs.
	1969	42.0 yrs.	41.7 yrs.	32.0 yrs.	36.4 yrs.

A total of 9,008 of the active employees had at least 10 years of credited service at the end of 1969 compared to 8,873 in 1968 and 9,187 in 1967. Those age 65 and older show:

	<u>1969</u>	<u>1968</u>	<u>1967</u>
Total active employees age 65 or older	932	895	1,031
Age 65 or over and at least 10 years service	654	622	739

The average age and service forfeited by those who took refundments in the past 3 years was:

	<u>Male</u>		<u>Female</u>	
<u>Year</u>	<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>
1967	34.5 yrs.	2.4 yrs.	28.1 yrs.	2.0 yrs.
1968	33.2 yrs.	4.4 yrs.	28.2 yrs.	2.0 yrs.
1969	33.4 yrs.	2.6 yrs.	28.2 yrs.	1.8 yrs.

Analysis shows that in 1969, 2.9% forfeited 10 or more years of service credit by refundment compared to 9.0% in 1968 and 3% in 1967. The 1968 statistics are distorted because the refundments include 852 National Guard Technicians who elected to terminate MSRS coverage for coverage under the Federal Civil Service Retirement System.

Inactive accounts totaled 7,905 at the end of 1969 compared to 7,377 at the end of 1968. Of these inactive accounts, 352 have sufficient service credit to be entitled to a deferred annuity at age 65. Comparison of the inactive accounts with 10 or more years of service credit at the end of the last 3 years shows:

	<u>Year</u>	<u>Number</u>	<u>Avg. Age</u>	<u>Avg. Deferred Annuity</u>
Males	1967	182	55	\$57.59
	1968	188	55	55.53
	1969	180	56	56.67
Females	1967	145	55	\$49.71
	1968	142	57	50.35
	1969	172	55	54.00

Annuitant Statistics

	<u>1969</u>	<u>1968</u>	<u>1967</u>
Age and service retirements at December 31	4,096	3,899	3,587
Disability benefits at December 31	174	167	146
Survivor benefits at December 31	36	37	39
Annuities and benefits authorized during year	418	516	322
Deaths	225	191	191

Average monthly benefits authorized in 1969, 1968 and 1967, also showing average age, service, and salaries:

	<u>Age at Retirement</u>	<u>Salary Before 7/1/57</u>	<u>Salary After 6/30/57</u>	<u>Service: Yrs. Mos.</u>		<u>Average Benefit</u>
<u>1969</u>						
Service retirement	66.2	\$281.90	\$421.76	23	2	\$104.06
Disability retirement	57.1	262.02	395.99	20	4	79.77
<u>1968</u>						
Service retirement	67.4	288.64	405.90	24	4	102.98
Disability retirement	58.5	258.54	379.42	21	2	82.21
<u>1967</u>						
Service retirement	66.0	276.08	380.11	22	10	91.47
Disability retirement	59.4	258.88	361.27	18	2	62.70

The average and median monthly benefits of all service and disability retirements at the end of the last 3 years was:

	<u>Year</u>	<u>Average</u>	<u>Median</u>
Service retirements	1967	\$86.35	\$71.29
	1968	88.31	71.94
	1969	92.26	73.29
Disability retirements	1967	63.22	53.19
	1968	66.55	53.11
	1969	70.81	57.42

In addition to the MSRS benefits listed above, employees who have retired since 1957 are entitled to Social Security benefits as a result of state employment. Also, since 1967, certain retired employees have received a supplemental retirement benefit payable from the State General Revenue Fund.

The average age at death and the average length of retirement for service and disability retirements in the last 3 years:

	<u>Year</u>	<u>Male</u>		<u>Female</u>	
		<u>Age</u>	<u>Retirement</u>	<u>Age</u>	<u>Retirement</u>
Service	1967	76.5 yrs.	9.0 yrs.	77.4 yrs.	10.3 yrs.
	1968	76.1 yrs.	9.2 yrs.	75.2 yrs.	8.9 yrs.
	1969	77.0 yrs.	9.9 yrs.	78.3 yrs.	10.9 yrs.
Disability	1967	61.9 yrs.	3.3 yrs.	61.5 yrs.	2.3 yrs.
	1968	65.5 yrs.	6.9 yrs.	59.0 yrs.	4.1 yrs.
	1969	62.9 yrs.	3.2 yrs.	64.3 yrs.	4.6 yrs.

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June 18, 1970

Board of Directors
Minnesota State Retirement System
530 North Robert Street
St. Paul, Minnesota 55101

Gentlemen:

We hereby certify that we made an Actuarial Valuation of your Retirement System as of December 31, 1969. The valuation was made on the following basis prescribed in Section 356.20 to 356.23 of Minnesota Statutes 1967, Chapter 356.

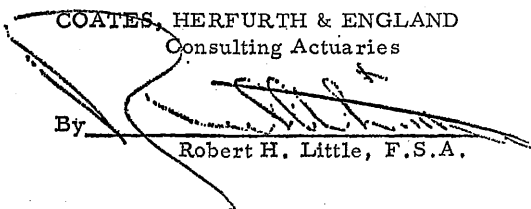
1. Interest assumption - $3-1/2\%$
2. Other actuarial assumptions as determined during the course of our investigation into the experience of the System for the three-year period ending December 31, 1967, and
3. Use of the entry age normal cost method of funding to determine unfunded accrued liability.

We further certify that the results of the valuation referred to in the foregoing paragraph indicate that the contributions required from the employees and from the State under Minnesota Statutes 1967, Chapter 352, as presently constituted are adequate to provide the benefits that will be paid from the System.

Very truly yours,

COATES, HERFURTH & ENGLAND
Consulting Actuaries

By


Robert H. Little, F.S.A.

RHL:th

MINNESOTA STATE RETIREMENT SYSTEM
EXHIBIT REQUIRED BY MINNESOTA STATUTES 1967,
CHAPTER 356, SECTION 356.20, SUBDIVISION 4(1)
AS OF DECEMBER 31, 1969

ASSETS AND UNFUNDED ACCRUED LIABILITY

Assets

Cash in office	\$ 129.34
Deposits in banks	184,362.68
Short term investments (at cost)	3,762,130.82
Accounts receivable:	
(a) Accrued employee contributions	234,840.50
(b) Accrued employer contributions	346,480.45
(c) Employee back payments	17,231.82
(d) Investment maturities and sales	31,850.00
(e) Other	12,264.72
Accrued interest in investments	925,899.26
Dividends declared and payable, but not yet received	85,915.99
Investment in debt securities at amortized cost	64,949,782.81
Investment in equities at cost (Market Value \$34,494,194.00)	33,544,964.90
Equipment at depreciated cost	8,020.08
Prepaid postage	2,000.00
Participation in MAFB Fund	28,644,469.48
TOTAL ASSETS	<u>\$132,750,342.85</u>

Unfunded Accrued Liability

Unfunded Accrued Liability to be funded by portion of State's 3% "Matching Contribution" in excess of State's share of entry age normal cost contribution and Operating Expenses	\$ 4,229,247.00
Unfunded Accrued Liability to be funded by State's "Additional" contribution	<u>17,705,486.18</u>
Total Unfunded Accrued Liability	\$ 21,934,733.18
TOTAL ASSETS AND UNFUNDED ACCRUED LIABILITY	<u>\$154,685,076.03</u>

CURRENT LIABILITIES AND RESERVES REQUIRED

Current Liabilities

Accounts Payable:	
(a) Annuities	\$ 2,542.66
(b) Survivor Benefits	2,868.97
(c) Annuitant deposits	12,885.24
(d) Accrued expenses	25,344.28
(e) Overpaid dividends	295.00
Suspense Item	<u>2,970.20</u>
Total current liabilities	\$ 46,906.35

Reserves Required

Total Reserves Required per attached schedule	<u>\$154,638,169.68</u>
TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED	<u>\$154,685,076.03</u>

Note: Accumulated contributions, without interest, of members not yet retired amounted to \$38,380,059.42 as of December 31, 1969.

MINNESOTA STATE RETIREMENT SYSTEM
DETERMINATION OF RESERVES REQUIRED
AS OF DECEMBER 31, 1969

	(1)	(2)	(3)
<u>Benefits For:</u>	<u>Present Value of Benefits</u>	<u>Present Value of Applicable Portion of Normal Cost Contribution</u>	<u>Reserves Required (1) - (2)</u>
Active Members:			
(a) Retirement Benefits	\$171,129,785.00	\$ 70,359,287.00	\$100,770,498.00
(b) Disability Benefits	15,079,200.00	9,611,925.00	5,467,275.00
(c) Refundments due to death or withdrawal	32,875,516.00	27,490,104.00	5,385,412.00
Deferred Annuitants	1,968,435.00	—	1,968,435.00
Former Members Without Vested Rights	487,788.00	—	487,788.00
Survivors	351,286.00	—	351,286.00
Benefits Payable from MAFB Fund:			
(a) Funds already transferred	28,644,469.48	—	28,644,469.48
(b) Transfers due MAFB Fund	11,563,006.20	—	11,563,006.20
Total	\$262,099,485.68	\$107,461,316.00	\$154,638,169.68

MINNESOTA STATE RETIREMENT SYSTEM

EXHIBIT REQUIRED BY MINNESOTA STATUTES 1967, CHAPTER 356, SECTION 356.20, SUBDIVISION 4(2) and (3) FISCAL YEAR ENDING DECEMBER 31, 1969

ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME

Income

From Employees	
Employee contributions	\$ 6,180,397.77
Employee accrued contributions receivable	234,840.50
Employee contributions applied to past due payments	7,103.71
From Employers	
Employer contributions	6,187,554.16
Employer additional contributions	3,581,831.68
Employer accrued contributions receivable	346,480.45
From Investments	
Interest on debt securities (net)	3,692,714.58
Dividends on corporate stock	1,292,884.31
Premium on bonds called	5,212.31
Other Revenues	
Interest on back payments by employees	10,927.62
Employer payments in lieu of interest	559.91
Adjustment in prior year benefit payments	2,480.31
Unclaimed benefits cancelled into fund	357.02
Gain on sales/transfers of securities	233,030.89
TOTAL INCOME	\$21,776,375.22

Deductions from Income

Benefits	
Retirement benefits (paid from MSRS Fund)	\$ 2,126,230.92
Retirement benefits (paid from MAFB Fund)	2,301,867.35
Survivor benefits	32,867.64
Interest paid — deaths and compulsory retirees	65,792.01
Refundments	
Left service	1,680,270.57
Coverage by other systems	130,096.10
Employee deaths	254,899.06
Annuitant deaths (paid from MSRS Fund)	22,583.33
Annuitant deaths (paid from MAFB Fund)	27,554.77
Erroneous deductions	8,592.76
Operating Expenses	365,713.40
Miscellaneous	
Interest transferred to TRA Fund	1,186.76
Increase in Total Reserves Required	
Reserves Required 12-31-68	\$140,224,410.00
Reserves Required 12-31-69	<u>154,638,169.68</u>
TOTAL DEDUCTIONS FROM INCOME	\$21,431,414.35
EXCESS OF INCOME OVER DEDUCTIONS FROM INCOME	\$ 344,960.87
REDUCTION IN UNFUNDED ACCRUED LIABILITY:	
Unfunded Accrued Liability 12-31-68	\$ 22,279,694.05
Unfunded Accrued Liability 12-31-69	<u>21,934,733.18</u>
	\$ 344,960.87

COMPARATIVE STATEMENT — SIX YEARS ENDED DECEMBER 31, 1969

<u>Revenues</u>	1969	1968	1967	1966	1965	1964
Employee contributions	\$ 6,422,341	\$ 6,025,000	\$ 5,014,460	\$ 4,254,614	\$ 3,979,369	\$ 3,247,430
Employer contributions	10,115,866	9,823,351	8,176,275	6,939,710	6,574,919	5,376,401
Employer contrib. receivable (Fed.)		183,452	147,329	120,859	28,957	18,021
Net interest, dividends, premiums	4,990,811	4,788,135	4,103,673	3,599,530	3,104,511	2,777,754
Gain on sale or transfer of securities	233,030	93,792	107,676			
Miscellaneous revenues	14,325	5,658	2,465	519	1,102	1,296
Total	\$ 21,776,373	\$ 20,919,388	\$ 17,551,878	\$14,915,232	\$13,688,858	\$11,420,902
<u>Distribution of Revenues</u>						
Benefits paid	\$ 4,526,757	\$ 4,202,740	\$ 3,806,131	\$ 3,617,105	\$ 3,357,538	\$ 3,154,050
Refundments paid	2,123,996	3,341,062	1,795,574	1,802,712	1,597,687	1,273,565
Operating expenses	365,713	329,320	314,186	271,286	240,685	229,915
Loss on sale of investments				289,395	129,761	191,421
Miscellaneous expenses	1,187	1,220,154				140
Increase in reserves	14,758,720	11,826,112	11,635,987	8,934,734	8,363,187	6,571,811
Total	\$ 21,776,373	\$ 20,919,388	\$ 17,551,878	\$14,915,232	\$13,688,858	\$11,420,902
<u>Assets</u>						
Cash and temporary investments	\$ 3,946,623	\$ 3,662,481	\$ 1,824,018	\$ 1,315,546	\$ 1,195,721	\$ 1,252,530
Accounts receivable:						
Accrued contributions	581,321	519,359	316,696	356,398	366,860	
Past due employer contributions			1,040,743	893,414	772,554	798,326
Accrued interest and dividends	1,011,815	1,098,713	944,325	844,961	759,897	676,845
Other accruals	61,346	202,499	46,206	36,193	97,476	19,036
Investments at amortized cost	98,494,748	113,811,736	101,984,780	91,055,405	82,375,512	74,471,935
Participation in MAFB Fund	28,644,469					
Other assets	10,020	9,581	10,301	12,574	11,234	13,362
Total	\$132,750,342	\$119,304,369	\$106,167,069	\$94,514,491	\$85,579,254	\$77,232,034
<u>Liabilities and Reserves</u>						
Current liabilities	\$ 46,906	\$ 1,359,654	\$ 48,466	\$ 31,875	\$ 31,372	\$ 47,340
Reserve for employee contributions	38,380,059	35,390,037	34,361,928	32,028,080	30,724,612	29,428,864
Reserve for retirem't & survivor benefits	11,930,191	38,714,939	34,977,860	33,714,602	31,040,647	29,279,436
Reserve for participation in MAFB Fund	28,644,469					
Reserve for State Contributions	53,748,717	43,839,739	36,778,815	28,739,934	23,782,623	18,476,394
Total	\$132,750,342	\$119,304,369	\$106,167,069	\$94,514,491	\$85,579,254	\$77,232,034
Rate of return on 12-month average of invested assets and cash	4.47%	4.32%	4.19%	4.09%	3.90%	3.84%
Average yield to maturity (or call) of debt securities	4.91%	4.73%	4.52%	4.35%	4.10%	3.98%

**FIXED INCOME PORTFOLIO AND YIELD ON
FIXED INCOME DEBT SECURITIES
CALENDAR YEAR ENDED DECEMBER 31, 1969**

	<u>Book Value</u>	<u>Par Value</u>	<u>Yield (to Maturity or call)</u>
Fixed income portfolio, December 31, 1968	\$78,652,968.89	\$78,715,256.13	4.73%
Add: Purchases in 1969	<u>3,936,775.00</u>	<u>4,065,000.00</u>	7.20%
	\$82,589,743.89	\$82,780,256.13	
Deduct: Fixed income securities trans. to MAFB Fund	15,753,526.76	15,739,634.57	4.81%
Fixed income securities matured and called	<u>1,903,212.20</u>	<u>1,903,029.51</u>	
Add: Net amortization	<u>16,777.88</u>		
Fixed income portfolio, December 31, 1969	<u>\$64,949,782.81</u>	<u>\$65,137,591.95</u>	4.91%

Average yield to maturity (or call) of fixed income investments for the last 5 years:

December 31, 1965	4.10%	December 31, 1968	4.73%
1966	4.85%	1969	4.91%
1967	4.52%		

Book value of long term investments at December 31, 1968 and 1969 and percentage distribution:

	<u>Book Value</u>		<u>Distribution</u>	
	1969	1968	1969	1968
Federal & U.S. Municipals	\$17,607,310.11	\$ 18,684,033.77	17.88%	16.42%
Merchant Marine, 100% Govt. Guar.	555,000.00	2,325,000.00	.56%	2.04%
Canadian Government	1,989,334.34	1,285,107.90	2.02%	1.13%
Corporate fixed income securities	<u>44,798,138.36</u>	<u>56,358,952.18</u>	<u>45.48%</u>	<u>49.52%</u>
Total fixed income	\$64,949,782.81	\$ 78,653,093.85	65.94%	69.11%
Corporate stocks	<u>33,544,964.90</u>	<u>35,158,642.59</u>	<u>34.06%</u>	<u>30.89%</u>
Total investments	<u>\$98,494,747.71</u>	<u>\$113,811,736.44</u>	<u>100.00%</u>	<u>100.00%</u>

The market value of corporate stocks was \$34,494,194 at December 31, 1969 (2.83% more than cost) and \$41,035,809 at December 31, 1968 (16.72% more than cost). The average yield on the original cost basis of equities was 3.56% in 1969 and 3.48% in 1968.

Investment income and average rate of return:

Interest income — long term investments	\$ 3,543,244
— short term investments	149,469
Dividend income	1,292,884
Interest from employees	10,927
Premiums on bonds called	<u>5,212</u>
	<u>\$ 5,001,736</u>

12 month average of invested assets and cash \$111,871,410

Rate of return on average invested assets and cash 4.4709%

CORPORATE STOCK ACCOUNT

CALENDAR YEARS ENDED DECEMBER 31, 1969 and 1968

	Cost Basis	
	1969	1968
Beginning balances	\$35,158,642.59	\$27,858,645.65
Add: Market purchases	3,179,496.38	10,415,334.39
Rights exercised	37,185.00	—
	<u>\$38,375,323.97</u>	<u>\$38,273,980.04</u>
Deduct: Stock rights sold	2,305.20	1,039.11
Frac. shares stock dividends sold	97.30	71.14
Stock sold	507,249.57	3,114,227.20
Stock trfd. to MAFB Fund	4,320,707.00	—
Ending balances	<u>\$33,544,964.90</u>	<u>\$35,158,642.59</u>

The average yield (based on cost) was 3.56% in 1969 compared to 3.48% in 1968. The stocks showed an appreciation of 2.83% as of the end of 1969 compared to 16.72% at the end of 1968. This, of course, is a result of the severe dip in stock prices during the latter part of 1969 and continuing into 1970.

Stocks sold during the year:

	No. Shares	Proceeds	Cost Basis	Gain or (Loss)
Hartford Fire Ins. Co.	4,040	\$ 251,793.00	\$ 125,062.50	\$126,730.50
International Minerals & Chem.	4,200	64,765.38	157,075.43	(92,310.05)
G. D. Searle & Co.	2,500	94,576.89	140,495.64	(45,918.75)
Texas Instruments	800	107,414.50	84,616.00	22,798.50
	<u>11,540</u>	<u>\$ 518,549.77</u>	<u>\$ 507,249.57</u>	<u>\$ 11,300.20</u>

Stock transferred at market to the MAFB Fund:

	No. Shares	Market	Cost	Gain or (Loss)
American Home Products	3,000	\$ 174,375.00	\$ 137,310.00	\$ 37,065.00
American Tel. & Tel.	5,000	271,250.00	306,650.00	(35,400.00)
Burroughs	1,000	135,625.00	97,940.00	37,685.00
Carrier Corp.	5,000	189,375.00	192,450.00	(3,075.00)
Commonwealth Edison	5,000	212,500.00	240,600.00	(28,100.00)
First Bank System	3,000	168,000.00	117,600.00	50,400.00
Florida Power & Light	4,000	262,000.00	277,640.00	(15,640.00)
Ford Motor Co.	6,000	283,500.00	301,020.00	(17,520.00)
Gulf Oil Corp.	8,000	293,000.00	238,080.00	54,920.00
Houston Lighting & Power	5,000	190,625.00	212,600.00	(21,975.00)
IBM	600	202,650.00	112,122.00	90,528.00
Northern States Power	6,000	148,500.00	190,920.00	(42,420.00)
Northwest Bancorporation	5,000	164,375.00	129,100.00	35,275.00
Pacific Gas & Electric	4,000	140,000.00	135,560.00	4,440.00
J. C. Penney & Co.	7,000	374,500.00	242,060.00	132,440.00
Sears Roebuck	4,000	274,500.00	218,720.00	55,780.00
Security Pacific National Bank	3,000	123,375.00	103,230.00	20,145.00
Standard Oil—Indiana	4,500	232,875.00	179,145.00	53,730.00
Standard Oil—New Jersey	5,000	333,750.00	344,900.00	(11,150.00)
Texaco, Inc.	10,000	308,750.00	374,300.00	(65,550.00)
Wells Fargo	4,000	190,000.00	168,760.00	21,240.00
	<u>98,100</u>	<u>\$4,673,525.00</u>	<u>\$4,320,707.00</u>	<u>\$352,818.00</u>