

LEGISLATIVE REFERENCE LIBRARY  
  
3 0307 00015 9866

M SRS

45

JK  
6160  
.P4  
M66cs

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
of the  
MINNESOTA STATE RETIREMENT SYSTEM  
for the  
FISCAL YEAR ENDING JUNE 30, 1980

JK  
6160  
.P4  
M66cs  
1979/80

HW  
3/22

NO

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
of the  
MINNESOTA STATE RETIREMENT SYSTEM  
for the  
FISCAL YEAR ENDING JUNE 30, 1980

Paul L. Groschen  
Executive Director  
529 Jackson Street at 10th  
St. Paul, MN 55101

MINNESOTA STATE RETIREMENT SYSTEM  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 1980

TABLE OF CONTENTS

<u>Page</u>	<u>General Information</u>
i, ii	Letter of transmittal
1	Administrative Organization
2	Organization chart
3-6	1980 Law changes
7	Plan administration chart
8	Plan accounting
9-11	Actuarial valuations
12-14	Minnesota Post Retirement Investment Fund
15, 16	Investments
17	Revenues
18	Expenditures
	<u>State Employees Retirement Fund</u>
19-22	Actuaries certification and schedules (Required by M.S. 356)
23	Accounting balance sheet
24	Statement of revenue and expenditures
25	Operating expense
26	Changes in reserve accounts
27	Changes in investments
28, 29	Notes to financial statements
30-36	General Plan statistics
37, 38	Correctional Plan statistics
	<u>Highway Patrolmens Retirement Fund</u>
39-42	Actuaries certification and schedules (Required by M.S. 356)
43	Accounting balance sheet
44	Statement of revenue and expenditures
45	Changes in reserve accounts
46	Changes in investments
47	Notes to financial statements
48	Statistics
	<u>Judges Retirement Fund</u>
49-52	Actuaries certification and schedules (Required by M.S. 356)
53	Accounting balance sheet
54	Statement of revenue and expenditures
55	Changes in reserve accounts
56	Changes in investments
57	Notes to financial statements
58	Statistics

MINNESOTA STATE RETIREMENT SYSTEM  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 1980

TABLE OF CONTENTS

Page

Legislators and Elected Officers Plans

59,60	Actuaries certification and schedule for retired Legislators
61	Legislators accounting balance sheet and statement of receipts and disbursements
62	Legislators changes in reserve accounts
63	Notes to Financial Statements
64	Elected Officers statement of receipts and disbursements
65	Legislators and Elected Officers statistics

Unclassified Employees Retirement Plan

66	Statement of assets and liabilities and statement of operations
67	Statement of changes in net assets and notes to financial statements
68	Statistics

Deferred Compensation Plan

69	Statement of assets and liabilities and statement of operations
70	Statement of changes in net assets and notes to financial statements
71	Statistics

**OFFICERS**

Paul L. Groschen, Executive Director  
Assistant Directors  
Douglas Mewhorter  
Warren D. Dreyer



**MINNESOTA STATE RETIREMENT SYSTEM**

No. 529 Jackson at 10th Street St. Paul, Minnesota 55101  
Tel. (612) 296-2761

•

Board of Directors  
529 Jackson Street at 10th  
St. Paul, Minnesota 55101

•

**BOARD OF DIRECTORS**  
Elected

Francis Hage, Chairman  
Department of Natural Resources  
Carolyn Anderson, Vice Chairwoman  
University of Minnesota  
Bernard O. Weber  
Department of Transportation  
Joseph J. Bright  
Retired  
Karl W. Christey  
Department of Public Safety  
Janet B. Humphrey  
Department of Transportation  
Richard G. Ryan  
Metropolitan Transit Comm.

Appointed

Lieutenant Governor  
-----  
Lyle Farmer, St. Paul  
-----  
Ernest Thomsen, White Bear Lake

The annual report of the Minnesota State Retirement System for the fiscal year ended June 30, 1980, is submitted herewith. Fiscal 1979 figures are included for comparison. The fiscal year ending June 30, 1980 is a historical milestone in that it completes 50 years of operation. A separate section in the "Statement to Employees" details the growth of the System since its inception. There are seven sections included in this report. The first being the introduction and general information and the remaining six the financial, actuarial and statistical information on the funds administered by MSRS as outlined on page 7.

**Accounting System and Reports**

The accrual basis of accounting is used to record assets, liabilities, revenues and expenses. Revenues for the System are taken into account when earned without regard to date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Fixed assets are recorded at cost and depreciated through charges to expense over the estimated useful lives of the assets.

As this report includes all of the funds and/or plans administered by MSRS, it is beneficial to describe like provisions together. Therefore, the first section of this report applies to several of the plans. The remaining sections apply only to one fund per section.

**Professional Services**

The actuarial firm of The Wyatt Company, represented by Allan J. Grosh, F.S.A. and Alan J. Schutz, A.S.A. is retained on contract to provide actuarial services for the System. Actuarial valuations must be made annually while experience studies must be made every four years as provided by Minnesota Statutes 356.215. The last experience study was performed as of June 30, 1979 and the recommended changes are described on page 9. The actuaries certification letter and required schedules for fiscal 1980 are included in each section to which they apply.



The State Commissioner of Health or his designee is the medical advisor to the System as provided by Minnesota Statutes, 352.03, Subd. 8. It is his responsibility to designate physicians to examine disability applicants, investigate medical statements for disability applicants and report his conclusions and recommendations to the Executive Director.

The Attorney General, represented by Merwin Peterson, is the legal advisor to the System as provided for by Minnesota Statutes 352.03, Subd. 11. There were no litigation proceedings during fiscal 1980, nor are there any pending.

The Legislative Auditor is charged with the responsibility of auditing the books and records of MSRS. They have just recently begun the audit for the fiscal year ending June 30, 1980 so their audit opinion will not be available to publish with this report. Even though their audit opinion for fiscal 1979 was not available for publication with the 1979 report, it was available and published with the "Statement to Employees" for fiscal 1979.

#### Reorganization

In October, 1979, Mr. Arne Ulvi, Assistant Director, retired from state service after serving MSRS for 25 of his 30 dedicated years as a state employee. After his retirement, MSRS reorganized replacing three divisions with five and also establishing a second assistant director position. Mr. Douglas Mewhorter, former manager of the Employee Service Division was appointed as one of the assistant directors who is responsible for the Records, Employee Services and Deferred Compensation/Unclassified Retirement Divisions. Mr. Warren Dreyer, former manager of the Accounting Division was appointed as the other assistant director who is responsible for the Accounting and Systems Divisions. The reorganization has proven to be more responsive to the System's needs and has provided for a more efficient operation.

#### Acknowledgements

The compilation of this report reflects the combined effort of the MSRS staff under the leadership of the Board of Directors. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

This report is being sent to all board members, the Legislative Commission on Pensions and Retirement, the House, Senate and U.S. Congressional Libraries and certain other interested parties. Reports will be printed separately for the State Employees Retirement Fund, Highway Patrolmens Retirement Fund and the Judges Retirement Fund and copies sent to each participant.

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to the staff, the advisors, and to the many people who have worked so diligently to assure the successful operation of the System.

Respectfully submitted

  
Paul L. Groschen

Executive Director

  
Warren D. Dreyer  
Finance Officer

MINNESOTA STATE RETIREMENT SYSTEM  
ADMINISTRATIVE ORGANIZATION  
JUNE 30, 1980

BOARD OF DIRECTORS

Frances D. Hage, Chairman  
DNR-Division of Lands & Forestry  
2223 Selmsler Avenue  
Cloquet, Minnesota 55720  
Telephone 218/879-4544 or 879-8636  
Term: March 7, 1978-March 1, 1982  
Elected - State Employee

Janet B. Humphrey  
Higher Education Coord. Board  
1748 Wellesley Avenue  
St. Paul, Minnesota 55105  
Telephone 612/296-9685 or 699-2727  
Term: March 7, 1978-March 1, 1982  
Elected - State Employee

Carolyn Anderson, Vice Chairwoman  
University of Minnesota  
2226 Arthur St. N.E.  
Minneapolis, Minnesota 55418  
Telephone 612/373-3991 or 789-9368  
Term: March 4, 1980-March 5, 1984  
Elected - State Employee

Richard G. Ryan  
Metropolitan Transit Commission  
2985 Vincent Avenue North  
Minneapolis, Minnesota 55411  
Telephone 612/379-2914 or 529-2423  
Term: March 4, 1980-March 5, 1984  
Appointed - MTC/TOD Designate

Joseph J. Bright  
2189 Powers Avenue  
St. Paul, Minnesota 55119  
Telephone 612/735-6906  
Term: March 4, 1980-March 1, 1982  
Elected - Retired State Employee

Ernest Thomsen  
813 Bald Eagle Avenue  
White Bear Lake, Minnesota 55110  
Telephone 612/429-7076  
Term: October 17, 1978-January 5, 1981  
Appointed - Public Member

Karl W. Christey  
Minnesota State Patrol  
565 Wheeler Drive  
Excelsior, Minnesota 55331  
Telephone 612/482-5902 or 474-6167  
Term: March 7, 1978-March 1, 1982  
Elected - Highway Patrol Member

Lou Wangberg  
Lieutenant Governor  
Route 6  
Bemidji, Minnesota 56601  
Telephone 612/296-2374 or 218/751-1428  
Term: Co-Terminus with Governors  
Appointed - Constitutional Officer

Lyle Farmer  
St. Paul Teachers Retirement Fund Assoc.  
7447 - 101st Street North  
White Bear Lake, Minnesota 55110  
Telephone 612/222-8689 or 429-6677  
Term: November 5, 1973-January 5, 1981  
Appointed - Public Member

Bernard O. Weber  
Department of Transportation  
126 Riverside Drive N.E.  
St. Cloud, Minnesota 56301  
Telephone 612/255-4268 or 251-6766  
Term: March 4, 1980-March 5, 1984  
Elected - State Employee

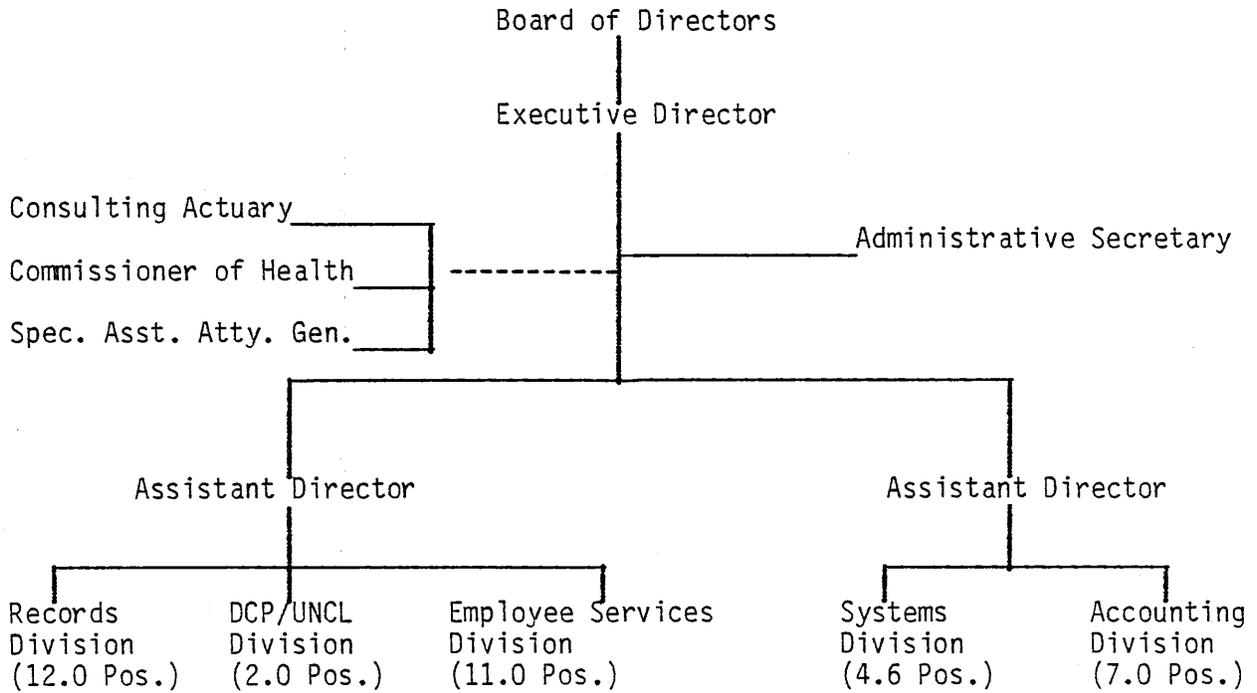
OFFICERS

Paul L. Groschen, Executive Director  
Douglas Mewhorter, Assistant Director  
Employee Services and Records  
Warren D. Dreyer, Assistant Director  
Finance and Systems

MINNESOTA STATE RETIREMENT SYSTEM

ORGANIZATION CHART

June 30, 1980



Number of Positions

	<u>Unclass.</u>	<u>Class.</u>
Full Time	2.0	37.0
Part Time	.0	.6
Student	1.0	.0
	<u>3.0</u>	<u>37.6</u>

## 1980 LAW CHANGES

### PENSION RIGHTS

No person can acquire a nonforfeitable interest or right to any pension plan modification contained in legislation until a two year period has elapsed. (Laws 1980, Chapter 342, Sec. 20)

### PROPORTIONATE ANNUITY

The minimum service required for a proportionate annuity was reduced from three years to one year for any member who terminates active service at age 65 or older for any reason. The annuity is to be calculated under the applicable laws of each fund in which he has credit. (Laws 1980, Chapter 342, Sec. 15)

### APPROPRIATIONS

All open appropriations for State General Fund money was changed to direct appropriations. The request is submitted with the biennial budget and approved by the Governor and Legislature. If the appropriation is not adequate, additional funds may be obtained by certifying to the Commissioner of Finance, the Committee on Finance of the Senate and the Committee on Appropriations of the House, the amount necessary. (Laws, 1980, Chapter 614, Sec. 57)

### STATE INCOME TAX ON PENSIONS

The maximum exclusion of pension income from gross income for state income tax purposes was raised from \$10,000 to \$11,000. The reduction by the amount that the individuals federal adjusted gross income exceeds \$17,000 remains the same. (Laws 1980, Chapter 607, Art. I)

### STATE BOARD OF INVESTMENT

The statutes governing the State Board of Investment were completely recodified from Chapter 11 to Chapter 11A. The new statutes provide for an Investment Advisory Council of which the Executive Director of MSRS is a voting member; expanded the list of allowable investments so that the assets can be invested to maximize the total rate of return without incurring undue risk; and created a combined investment fund for securities other than fixed income securities. This is a pooling arrangement similar to the Supplemental Retirement Fund in that a retirement fund or plan would not own specific securities, but an undivided participation in the investment fund. The other major change was the renaming and restructuring of the Minnesota Adjustable Fixed Benefit Fund (MAFBF) to the Minnesota Post-Retirement Investment Fund (MPRIF) (See page 12-14 for a description of the MPRIF). In addition to the above, there were other minor changes and technical amendments. (Laws 1980, Chapter 607, Art. XIV)

## STATE EMPLOYEES RETIREMENT FUND

The law providing for lump sum payments to pre-1973 retirees (Laws 1979, Chapter 293) was amended retroactively to include those who had not yet attained the age of 65 by July 1, 1979. The law also provides that any excess appropriation and investment income on the appropriations shall be transferred back to the states General Fund. (Laws 1980, Chapter 607, Art. XV)

The maximum earnings allowed for an annuitant who is re-employed by the state, before his benefits are suspended, is set automatically each year at the same level for a given age as the limitations applicable to social security recipients. (Laws 1980, Chapter 342, Sec. 3)

Application for annuity can be made up to 60 days prior to the time an employee is eligible to retire by reason of both age and service requirements (Laws 1980, Chapter 607, Sec. 33)

Repayment of refunds can be made either by lump sum or payroll deduction. If they are made by lump sum payment, no employer contributions will be collected as they would be if made by payroll deduction. (Laws 1980, Chapter 607, Sec. 34)

Employees who become members of the Highway Patrolmens Fund, the Teachers Retirement Association or who are excluded from coverage by action of the Board of Regents of the University of Minnesota as well as certain other employees must now wait 30 days before applying for a refund of contributions. The law also provides that they will be paid interest as provided for regular refunds. Employees who terminate state service had their waiting period reduced from 60 to 30 days. (Laws 1980, Chapter 342, Sec. 4 & 5)

Allowable service for vesting and benefit accrual purposes was amended to provide fractional service credit for permanent part time employees of the Metropolitan Transit Commission/Transit Operating Division (MTC/TOD). The additional unfunded accrued liability resulting from the consolidation of the MTC/TOD employees plan with the SER plan was established at \$7,260,518 as determined by the systems actuary. The 3.8% additional employer contribution is to amortize this deficit in addition to compound interest at the rate of 6% per annum since July 1, 1978. The law also amends the liability for supplementary disability benefit coverage, retroactively corrects an omission in the 1978 law pertaining to retirement increases, and allows service credit for military service. (Laws 1980, Chapter 342, Sec. 1, 2 and 16 to 19)

An employee of the MTC/TOD was allowed to purchase service credit for service with a management firm hired by the MTC/TOD. The employee is required to pay 4% of the salary paid plus interest at 6%. The MTC/TOD is required to pay the difference in the actuarial cost. The additional unfunded accrued liability established by Laws 1980, Chapter 342 is increased to \$7,307,545. (Laws 1980, Chapter 600, Sec. 10 and 19)

A special retirement plan was established for employees of the Department of Military Affairs, excluding the Adjutant General. The plan provides for an unreduced normal retirement benefit at age 60 and an occupationally defined disability benefit. Both the employee and employer pay one percent higher contributions than for the General Employees plan. (Laws 1980, Chapter 607, Art. XV)

The statutes relating to disability benefits for the Correctional Officers Plan were amended in their entirety. The changes include a liberalization of the definition of disability, an increase in the amount of the disability payments, no minimum service requirement for a work related disability and a five year minimum service requirement for a non work related disability. (Laws 1980, Chapter 342, Sec. 6)

The conditional mandatory retirement age for correctional employees was set at age 55. Employees desiring employment beyond that age must annually request continued employment and undergo a medical examination to determine if they have the mental and physical ability to continue the duties of the position. The law also changes the eligibility requirements for employees who are hired later in life (up to age 55), expands correctional plan eligibility, and sets forth a procedure for adding classifications to covered correctional service. (Laws 1980, Chapter 600, Sec. 1-5)

#### HIGHWAY PATROLMENS RETIREMENT FUND

The law providing for lump sum payments for pre-1973 retirees (Laws 1979, Chapter 293) was amended retroactively to include those who had not yet attained the age of 65 by July 1, 1979. The law also provides that any excess appropriation and investment income on the appropriations shall be transferred back to the states General Fund. (Laws 1980, Chapter 607, Art. XV)

The joint and survivor option was expanded to allow for any designated beneficiary including a spouse that does not meet the definition of a "surviving spouse" per statute. The automatic 100% joint and survivor option in case of a members death remains restricted to a surviving spouse as defined by statute. (Laws 1980, Chapter 600, Sec. 6)

#### JUDGES RETIREMENT FUND

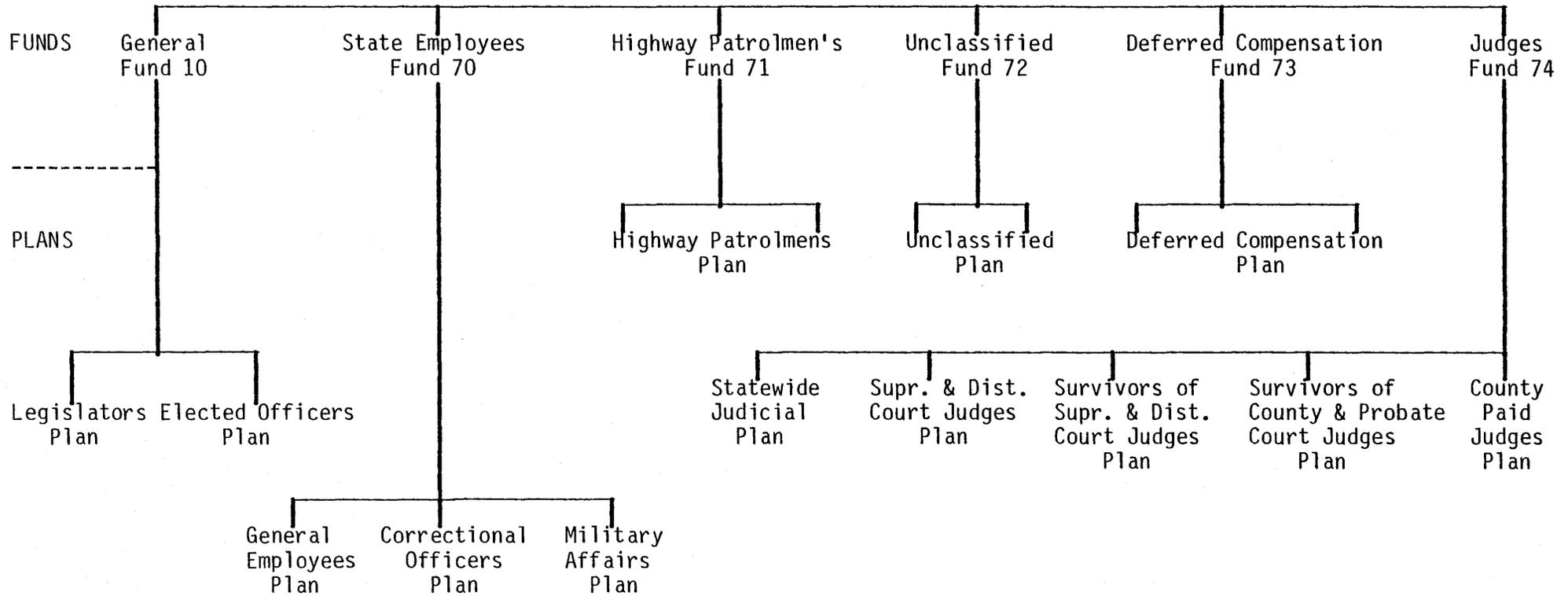
The judges contribution rate was changed from an amount equal to the social security rate to a rate equal to the social security rate plus one-half percent but not less than 7%. The percentage factor for calculating annuity benefits was changed from 2½% to 3% for service after June 30, 1980. Service prior to July 1, 1980 retains the 2½% factor. The law also increased the maximum retirement annuity to 65% of the judges annual salary for the year preceding retirement. (Laws 1980, Chapter 607, Art. XV)

## UNCLASSIFIED EMPLOYEES RETIREMENT

Employee and employer contributions in the General Employees Plan accrued during prior service are no longer transferred to the Unclassified Employees Plan. Only those contributions made since eligibility accrue to the unclassified plan. There is also a 30 day waiting period before a former employee may apply for a refund of contributions. Lump sum repayment of refunds are allowed for general plan or unclassified plan refunds by employees of the general plan or unclassified plan. Interest at the rate of  $6\frac{1}{2}\%$  per annum compounded annually must be paid at the time of the repayment. (Laws 1980, Chapter 607, Art. XIV)

MINNESOTA STATE RETIREMENT SYSTEM

PLAN ADMINISTRATION



## PLAN ACCOUNTING

### FUNDED ACCOUNTS

Separate and distinct accounts are maintained for all plans administered by the Minnesota State Retirement System. The Highway Patrolmen's Retirement Fund and the State Employees Retirement Fund which includes the General Employees Plan, the Correctional Officer's Plan and the Military Affairs Plan are self-sustaining funds. All benefits and payments are financed from fund income which is derived from employee and employer payroll contributions and investment earnings.

### PARTIALLY FUNDED ACCOUNTS

The Judges Retirement Fund is a partially self-sustaining fund whose income is derived from judges payroll contributions, investment earnings and State General Fund appropriations. The primary plan of this fund is the Statewide Judicial Retirement Plan.

### NON-FUNDED ACCOUNTS

Elected officers and legislators contribute nine percent of salary toward retirement. However, the contributions are deposited and credited directly to the State General Fund so no investment of contributions is possible. Benefits and refundments are financed by appropriation from the State General Fund.

Retirement benefits for the Supreme and District Court Judges Plan, which consists of judges retired prior to 1974, the Survivors of Supreme and District Court Judges and the Survivors of County and Probate Court Judges, which consists of survivors of judges who had continued the four percent survivor contributions until retirement, are financed by appropriations from the State General Fund. The County Paid Judges Plan, which consists of county judges retired prior to 1974, is financed by both county payments and a State General Fund appropriation.

### INVESTMENT ACCOUNTS

A statewide Deferred Compensation Plan available to public employees in the State of Minnesota and an Unclassified Employee Retirement Plan are also administered by M.S.R.S. Only certain unclassified employees covered by the General Employee Plan are eligible to participate in the unclassified plan. Payroll contributions of those who elect to participate are transferred monthly from the State Employees Retirement Fund to the Unclassified Retirement Plan and the contributions, less a two percent administrative charge, are invested in shares of the Minnesota Supplemental Retirement Investment Fund. Public employees who elect to participate in the Deferred Compensation Plan specify a fixed dollar amount to be withheld from pay checks (before income tax). The withheld or deferred amount, less a two percent administrative charge, is invested in shares of the Minnesota Supplemental Retirement Investment Fund. Individual share account records are maintained in both Plans.

## ACTUARIAL VALUATIONS

### ASSUMPTIONS

Actuarial valuations of the State Employees Retirement Fund, the Highway Patrolmen's Retirement Fund, the Judges Retirement Fund, and the participation in the Minnesota Post Retirement Investment Fund are conducted annually to determine if the contribution rates will adequately finance the benefits provided by that particular fund. The actuarial valuations are carried out on the basis of a 5% interest rate assumption, a 3½% salary scale and other assumptions deemed appropriate by the System's actuaries based upon the experience of the System. The assumptions necessary to a valuation include the rates of separation from active service because of termination with refund, retirement and mortality before and after retirement. An experience study is conducted every four years to determine if the assumptions used are valid. An experience study was performed as of June 30, 1979. Valuations or experience studies are not required of the other funds which are defined contribution plans as the liabilities of these plans are equal to their assets.

### EXPERIENCE STUDY RESULTS

The actuary recommended several changes in assumed rates of termination and mortality which were adopted by the Board of Directors at its May 23, 1980 meeting. These assumption changes will be incorporated for the fiscal year ending June 30, 1980 for the first time. The change which has by far the greatest impact is the change in the mortality table used. The previous table used, for all but the Highway Patrolmen's Plan, was the 1951 Group Annuity Mortality Table with ages set back one year for males and two years for females. The table used for the Highway Patrolmen's Plan was the 1959-61 United States Life Tables. Effective with the F.Y. 1980 valuation, all plans will now use the 1971 Group Annuity Mortality Table for males with female rates set back 8 years. This change also necessitated a large one-time transfer of funds to the MPRI Fund. This is for valuation purposes only, Uni-sex tables are used for computing early retirement and joint and survivors annuity benefits.

The second change, applicable to the State Employees Fund and the Judges Fund is the incidence of disability. The previous rates are retained to age 40, and gradually increased so that they are 100% higher at ages 50 and thereafter. The previous assumptions for the other plans are retained.

The third and fourth changes apply only to the Judges Fund. They are a single assumed retirement age of 68 and the assumption that no judge will sever employment and withdraw his contributions prior to retirement.

The percentage of normal cost assigned to administrative expense for the State Employees Fund was increased from .14% to .18% of payroll and for the Judges Fund from .14% to .16% of payroll.

Other important assumptions not changed because the experience study supported the ones being used are the terminations prior to retirement and the assumed rates of retirement. (except for judges as indicated above) The investment earnings assumption of 5% and the salary scale increase assumption of 3½% are set by statute.

## NORMAL COST

The entry age normal cost method of funding is required by statute. Under this method, a level contribution rate is determined, which, if contributed on behalf of all employees from date of entry into service to date of separation, will be adequate to provide the full funding of prospective benefits. Factors of great importance in such determination are the projected rate of earnings of the fund, the rates of separation from active service, salary progression scales and mortality rates. Normal cost increased in 1980 due to the change in actuarial assumptions discussed above.

Comparative normal cost figures, including administrative expenses, and support rates were as follows in 1977-1980:

Fiscal Year	State Emp. Retirement Fund		Highway Patrol Retirement Fund	Judges Retirement Fund
	General Plan	Correctional Plan		
1977	7.23%	11.18%	14.72%	13.27%
1978	7.20%	11.16%	14.44%	12.79%
1979	6.67%	10.38%	14.83%	13.67%
1980	7.00%	10.82%	15.68%	15.32%

### Current Support

Employee contrib.	4.00%	6.00%	7.00%	(1)
Employer normal cost contrib.	4.00%	9.00%	12.00%	(1)
	8.00%	15.00%	19.00%	
Employer contrib. for amortizing deficit	2.00%	5.00%	9.00%	(1)

(1) Judges contribute to the judges fund a percentage of salary equal to the social security rate after social security has been fully paid, currently 6.13%. At time of retirement, the State contributes a sum sufficient to fully fund the benefit granted. For those judges that did not elect to be covered by social security, their entire contribution is paid into the judges fund.

## FUNDING RATIO

The funding ratio is determined by dividing the assets on hand by the total reserve requirement. A ratio of 100 percent indicates full funding. The funding ratios for fiscal years 1977-1980 were as follows:

<u>Fiscal Year</u>	<u>State Employees Retirement Fund</u>	<u>Highway Patrol Retirement Fund</u>	<u>Judges Retirement Fund</u>
1977	68.6%	59.6%	20.5%
1978	68.6%	62.5%	24.2%
1979	72.7%	62.0%	23.6%
1980	74.2%	57.8%	24.4%

In the above ratios, assets on hand include Post Retirement Fund assets as adjusted to reflect 100 percent funding of annuities and the total reserve requirement includes the actuarial present value of annuities in force.

The MSRS actuary estimates the present value of benefits earned to June 30, 1980 by presently active and retired persons in the State Employees Fund to be \$653,668,405. Applicable assets on hand, including the \$6,478,207 due from the MPRI Fund, amount to \$569,165,868. Thus as of June 30, 1980, 87.1 percent of the liability for the benefits earned to date have been funded. This is called a Plan Continuation Liability Ratio. The comparable funding ratio for the Highway Patrolmens Fund is 63.1 percent and for the Judges Fund, it is 23.4 percent.

## UNFUNDED ACCRUED LIABILITY

The unfunded accrued liability is the total liability of a fund for benefits earned in the past as well as those earnable in the future, less the assets on hand, less the present value of future employee contributions and less the present value of future employer entry age normal cost contributions. The unfunded liability of the State Employees Retirement Fund is calculated separately for the General Plan and the Correctional Plan. Comparative figures for fiscal years 1977-1980 are as follows for the three funds (in thousands):

<u>Fiscal Year</u>	<u>State Employees Retirement Fund</u>			<u>Highway Patrol Retirement Fund</u>	<u>Judges Retirement Fund</u>
	<u>General Plan</u>	<u>Correctional Plan</u>	<u>Combined</u>		
1977	\$156,063	\$7,540	\$163,603	\$21,849	\$15,285
1978	\$178,518	\$8,253	\$186,771	\$22,378	\$15,451
1979	\$177,954	\$6,681	\$184,635	\$26,085	\$22,334
1980	\$191,008	\$7,073	\$198,081	\$36,210	\$23,726

## MINNESOTA POST RETIREMENT INVESTMENT FUND

The Minnesota Post Retirement Investment Fund (MPRIF) as provided in Laws 1980, Chapter 607, Article XIV, Section 16 is the successor to the Minnesota Adjustable Fixed Benefit Fund (MAFBF)

### OWNERSHIP OF THE MPRI FUND

The Minnesota Post Retirement Investment Fund is the investment medium for the reserves set aside to pay benefits to retired public employees. An amount of money determined necessary to fully fund the retirement annuity based on an actuarially estimated life expectancy and an assumption that the monies will earn at a rate of 5%, is transferred to the MPRI Fund at time of retirement by the participating retirement plan. The public retirement funds or plans participating in the Minnesota Post Retirement Investment Fund are the following:

- State Employees Retirement Fund (including correctional employees)
- Highway Patrolmen's Retirement Fund
- Judges Retirement Fund
- Legislators' Retirement Plan
- State Teachers Retirement Fund
- Public Employees Retirement Fund (including police and fire)
- Minneapolis Municipal Employees Retirement Fund

The funds or plans authorized to participate in the MPRIF own an undivided participation in all the assets of the fund. The extent of each fund or plans annual participation is determined by adding to the prior years participation all transfers of funds, interest income and adjustments. The participation shown on the actuarial and accounting balance sheets is the greater of the net assets or required reserves. Any difference between the two is explained in the footnotes to the accounting statements.

### MORTALITY ADJUSTMENT

The actuarial tables used to determine amounts of money transferred to the Minnesota Post Retirement Investment Fund for a retired employee are based on a five percent interest assumption and average life expectancy. If a retired employee lives longer than expected, there is an actuarial loss; if death occurs sooner than anticipated in the tables, there is an actuarial gain.

Since the assets of the Minnesota Post Retirement Investment Fund are owned by several retirement funds, the actuarially determined reserves are adjusted annually to the actual mortality experienced during the year by each participating fund.

## POST RETIREMENT FUND ASSETS

The assets of the MPRI Fund increased from \$968 million at June 30, 1979 to \$1,122 million at June 30, 1980. The fixed income and convertible securities are valued at amortized cost while the remaining assets are valued at cost. Up to 50% of the fund may be invested in common stock and convertible debentures.

The MPRI F assets were invested in the type of securities indicated at June 30:

	<u>1980</u>	<u>1979</u>
Common Stock	38.56%	43.44%
Fixed Income Securities	46.44%	46.25%
Convertible Securities	.10%	.12%
U.S. Govt. Short Term Securities	6.98%	3.90%
Commerical Paper	<u>7.92%</u>	<u>6.29%</u>
Total	100.00%	100.00%

## MPRI FUND INCOME

The income to the MPRI Fund includes dividends, interest, accruals and realized capital gains or losses on equities offset by a portion of the balance of the Deferred Yield Adjustment Account.

The fiscal 1979 income, restated to reflect 1980 law changes, was \$66,363,368 compared to \$93,203,337 for fiscal 1980. In addition, the State Board of Investment made a one time adjustment in the amount of \$2,405,263 for a change in the Generally Accepted Accounting Principles which was prior years income which had not been distributed due to the previous method of calculating income. The income distributed to the participating funds at June 30 for fiscal 1979, not restated to reflect 1980 law changes, was \$52,991,313 compared to fiscal 1980 income, including the adjustment, of \$64,395,571. The remaining \$31,213,029 of fiscal 1980 income was undistributed but will be distributed January 1, 1981 to provide a benefit increase. Of the income distributed for fiscal 1980, \$51,585,964 was the 5% income on required reserves. The remaining \$12,809,607, which includes the adjustment, plus the \$558,776 offset for the Deferred Yield Adjustment Account reduced the deficiency.

MPRI Fund income distribution to the four participating plans administered by MSRS was as follows:

	<u>State Employees</u>	<u>Highway Patrol</u>	<u>Judges</u>	<u>Legislators</u>
Fiscal 1980 Income				
Distributed To:				
Required Reserves	\$9,062,607	\$663,194	\$171,613	\$104,999
Deficiency	2,442,283	242,492	14,345	30,096
Undistributed	5,546,186	456,019	95,457	65,647
Total	<u>\$17,051,076</u>	<u>\$1,361,705</u>	<u>\$281,415</u>	<u>\$200,742</u>
Fiscal 1979 Income	\$ 9,576,780	\$ 706,273	\$153,356	\$115,892

#### BENEFIT ADJUSTMENTS

An increase in benefit payments is possible on January 1 following the close of the fiscal year for those participants whose benefit began to accrue at least one year prior to the close of the fiscal year. The increase is dependent upon the income of the fund.

If the fund earned more than the 5% on the required reserves, then any excess may be used for increased benefits. However, if there is a deficiency in the fund, then 25% of the excess income is withheld to gradually eliminate the deficiency. The remaining 75% of the excess income increased by 2½% is then available for increased benefits on January 1 following the close of the fiscal year. The resulting dollar amount is then divided by the total present value of benefits of all participating funds or plans for those eligible participants to determine a percentage amount to increase benefits.

There was income in excess of the 5% required for the fiscal year ended June 30, 1980 so those participants whose benefit began to accrue prior to July 1, 1979 will receive a 3.209% increase in benefits beginning January 1, 1981.

#### MPRI FUND DEFICIENCY

If the required reserves, as determined by the actuary, as of June 30 is greater than the book value of the assets of the fund, a deficiency exists. If the income to the fund exceeds the 5% required, then 25% of the excess is used to gradually eliminate this deficiency. Such was the case this past fiscal year.

The actuarially determined reserve requirement for annuities in force on June 30, 1980 for the funds or plans administered by MSRS exceeded their share of the MPRI Fund assets as of June 30:

	<u>State Employees</u>	<u>Highway Patrol</u>	<u>Judges</u>	<u>Legislators</u>
Reserve Requirement	\$205,104,321	\$16,238,628	\$3,760,185	\$2,239,166
MPRI F Participation	<u>\$198,626,114</u>	<u>\$15,599,784</u>	<u>\$3,722,397</u>	<u>\$2,159,876</u>
Deficiency	\$ 6,478,207	\$ 638,844	\$ 37,788	\$ 79,290

## INVESTMENTS OTHER THAN THE MPRI FUND

### DISTRIBUTION OF INVESTMENTS

The law provides that the aggregate of common and preferred stock investments may not exceed 50 percent of the total assets of a fund at any time. Stocks constituted the following percentages of invested assets in the last four fiscal years (invested assets include short terms at cost, fixed income debt securities at amortized cost and stocks at original cost):

	1980	1979	1978	1977
State Employees Retirement Fund	37.88%	45.00%	47.24%	49.02%
Highway Patrolmen's Retirement Fund	37.52%	44.76%	47.45%	48.57%
Judges Retirement Fund	26.34%	20.80%	19.17%	14.39%

### INVESTMENT INCOME

Income on investments is accounted for on an accrual basis and includes interest on debt securities (adjusted for amortization of premiums and accumulation of discounts), interest on short term investments, dividends on corporate stock, premiums on bonds called and the sum of these adjusted for amortization of the deferred yield adjustment account. The deferred yield adjustment account represents the capitalized losses on bond sales to be written off against income over the remaining life of the bonds sold. Profit on sales of stock is excluded from net investment income in order to provide stability in comparative rates of return.

### RETURN ON INVESTMENTS

In Minnesota, insurance companies calculate rate of return using the following formula:

$$\frac{2I}{A+B-I}$$

where, I = Net Investment Income

A = Sum of Invested Assets, Cash, Accrued Interest and Dividends at the beginning of the year

B = Same as A except sum is as of the end of year

Rates of return in the last four years, as shown below, were calculated for the three funds administered by MSRS using the above formula, modified to include the Deferred Yield Adjustment Account and the Recognized Unrealized Appreciation Account in beginning and ending assets (the Recognized Unrealized Appreciation Account and concurrent adjustments to income was discontinued after fiscal 1978)

	1980	1979	1978	1977
State Employees Retirement Fund	7.76%	6.86%	6.01%	5.40%
Highway Patrolmen's Retirement Fund	7.95%	7.01%	6.36%	6.09%
Judges Retirement Fund	8.61%	8.95%	8.04%	8.74%

Corporate stock is purchased for growth potential as well as income, consequently, yield based on cost is much less than the yield on debt securities. The investment portfolio of the Judges Fund is relatively small and the stock portion increased substantially in relation to total portfolio during fiscal 1978, and 1980 thus accounting for the decrease in the over-all rate of return. During fiscal 1979, new money in the Judge's Fund was invested about half and half in bonds and stocks, thus increasing the yield.

## INVESTMENT OF FUNDS

The State Board of Investment invests the monies of the System which are certified to them as available for investment by MSRS. Funds which are not required for immediate use are invested so as to maximize the investment earnings of the respective retirement funds. Investment income accounts for a significant part of the funding of retirement benefits as indicated below. The income percentages do not include MPRI fund income, miscellaneous items and one time transfer of assets as indicated on the accounting statements.

State Employees Retirement Fund:	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>
F.Y. 1978	31.2%	47.7%	21.1%
1979	29.3%	46.5%	24.2%
1980	26.5%	42.1%	31.4%
Highway Patrolmens Retirement Fund:			
F.Y. 1978	20.2%	55.5%	24.3%
1979	17.4%	51.6%	31.0%
1980	15.2%	45.7%	39.1%
Judges Retirement Fund:			
F.Y. 1978	21.5%	69.1%	9.4%
1979	14.5%	75.2%	10.3%
1980	21.7%	61.5%	16.8%

## REVENUES

Employee and employer contributions for the State Employees Retirement Fund were \$68,638,079 in fiscal 1980 compared to \$62,097,076 in 1979. Investment income on the investment portfolio also increased to \$31,317,649 in fiscal 1980 as compared to \$19,759,354 in fiscal 1979. There was also a one-time revenue item for the transfer of assets from the Metropolitan Transit Commission/Transit Operating Division (MTC/TOD) of \$21,242,839 in fiscal 1979. The increased contributions was due to increased salaries and the addition of approximately 1600 new employees.

The Metropolitan Transit Commission - Transit operating Division employee's (Bus Drivers) retirement fund was transferred to MSRS on July 1, 1978. Transferred with the liabilities was an additional unfunded deficit of \$7,260,518. Part of the agreement was that the MTC transfer the pension liabilities of the employees on the same funded basis as the rest of the state employees in the General plan. The statutes require the MTC/TOD to contribute an extra 3.8% of salary to amortize the additional deficit. This unfunded deficit was increased by Laws 1980, Chapter 342 to \$7,307,545. The law also established that the liability plus interest at the rate of 6% per annum on the average unpaid balance was to be amortized by the 3.8% additional contribution. The balance due at June 30, 1980 is \$5,125,295.88. If the MTC/TOD payroll increases at the statutory assumed rate of 3 $\frac{1}{2}$ % per year, the remaining amount will be amortized in about four years.

The employee and employer contributions for the Highway Patrolmen's Retirement Fund were \$4,811,186 in fiscal 1980 compared to \$4,240,193 in 1979. Investment income increased to \$3,089,055 in fiscal 1980 compared to \$1,908,905 in 1979. The increased contributions are due to increased salaries as there was little change in the number of participants.

Employee and employer contributions to both funds are based on total payrolls.

The total of employee and employer contributions to the Judges Retirement Fund decreased to \$1,597,066 in fiscal 1980 compared to \$2,433,942 in 1979. Judges contributions to the fund are based on total salary at the Social Security contribution rate. Those judges who elected to participate in the Social Security program, first pay up to the maximum to Social Security each year and then to the Judges Retirement Fund. The six remaining Supreme Court Judges who did not elect to be covered by the Judges Retirement Plan contribute 4% of total salary to the fund. There were six active County Court judges at June 30, 1980 who had elected to continue the 4% contribution to the special survivor accounts in addition to the regular Social Security rate. Employee contributions to the Judges Fund increased in fiscal 1980 due to the higher Social Security tax rate and higher salaries. The maximum salary subject to Social Security taxes increased to \$25,900 in calendar year 1980 compared to \$22,900 in 1979. The contribution rate remained the same at 6.13% of salary. The maximum salary subject to tax in 1981 is raised to \$29,700 while the tax rate will also increase to 6.65%.

Employer contributions to the Judges Fund is not a percentage of payroll as it is with the other funds. The counties pay the basic retirement benefit for county and probate court judges retired prior to January 1, 1974. All other funds necessary for the administration of the Judges Retirement Fund are appropriated from the State General Fund as needed. Investment income, which is used to offset State General Fund appropriations, also increased to \$322,331 in fiscal 1980 as compared to \$279,786 in 1979.

## EXPENDITURES

Benefit payments from the three retirement funds administered by MSRS totaled \$23,027,052 in fiscal 1979, compared to \$24,583,450 in fiscal 1980. Refundments were \$6,093,209 in fiscal 1979 and \$7,224,444 in fiscal 1980.

<u>Fiscal Year 1979</u>	<u>SER Fund</u>	<u>H. Pat. Fund</u>	<u>Judges Fund</u>
Service Retirement Annuities	\$19,114,814	\$1,326,501	\$1,008,676
Disability Benefits	1,201,406	63,565	25,761
Survivor Benefits	28,434	37,564	220,331
Refundments	6,062,675	26,163	4,371

### Fiscal Year 1980

Service Retirement Annuities	\$20,440,426	\$1,397,074	\$1,059,704
Disability benefits	1,286,141	62,153	16,560
Survivor Benefits	26,884	32,138	262,370
Refundments	7,163,065	54,243	7,136

Supplemental benefits amounting to \$77,354 in fiscal 1979 and \$68,962 in fiscal 1980 were paid to certain SER Fund retirees from the State General Fund. Also, employees who had retired before the "5-high year" law received a lump sum payment in fiscal 1980 totaling \$1,330,155 for SER Fund retirees and \$61,410 for H. Patrol Fund retirees. Such payments were in addition to the amounts shown above.

Operating expenses were \$1,298,201 in fiscal 1979 compared to \$1,317,017 in fiscal 1980, an increase of \$18,816 or 1.5 percent. Data processing charges were \$453,966 in fiscal 1979 compared to \$373,432 in fiscal 1980 for a decrease of \$80,534 or 17.7 percent. This is due to a change in methodology implemented in fiscal 1979, resulting in fewer Information Systems Bureau (ISB) staff working on the project during fiscal 1980. Salary and fringe benefits increased 14 percent or \$85,845, from \$615,458 in fiscal 1979 to \$701,303 in fiscal 1980. The majority of the increase resulted from the addition of one new position and the filling of vacant positions. The remaining categories of operating expenses increased by \$13,505, from \$228,777 in fiscal 1979 to \$242,282 in fiscal 1980.

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MEMPHIS  
MIAMI  
MINNEAPOLIS-  
ST. PAUL  
NEW YORK

THE *Wyatt* COMPANY

ORLANDO  
PHILADELPHIA  
PHOENIX  
PORTLAND  
SAN DIEGO  
SAN FRANCISCO  
STAMFORD  
WASHINGTON

ACTUARIES AND CONSULTANTS

PENSION PLANS    EMPLOYEE BENEFITS    COMPENSATION PROGRAMS    INTERNATIONAL BENEFITS    EMPLOYEE COMMUNICATIONS    RISK MANAGEMENT

NORTHWESTERN FINANCIAL CENTER  
7900 XERXES AVENUE SOUTH, SUITE 1240  
MINNEAPOLIS, MINNESOTA 55431

(612) 835-1500

CALGARY  
HALIFAX  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

January 16, 1981

Board of Directors  
Minnesota State Retirement System  
529 Jackson at 10th Street  
St. Paul, Minnesota 55101

Gentlemen:

We have prepared an actuarial valuation of the Minnesota State Retirement System, State Employees Retirement Fund as of June 30, 1980.

The valuation was performed on the basis of accepted actuarial methods and procedures, in accordance with the applicable provisions set forth in Minnesota Statutes (Chapter 356) and stipulated in the Contract between the State of Minnesota and The Wyatt Company.

We hereby certify that on the basis of our valuation, contributions required from employees and the State under Minnesota Statutes (Chapter 352) are adequate to provide benefits payable from the Fund. Furthermore, the entry age normal cost method was utilized in determining the accrued liability for all benefits payable under the Fund.

Respectfully submitted,

THE WYATT COMPANY

  
Allan J. Grosh  
Fellow, Society of Actuaries

  
Alan J. Schutz  
Associate, Society of Actuaries

AJS/u1

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND

Chapter 356 Balance Sheet as of June 30, 1980

ASSETS AND UNFUNDED ACCRUED LIABILITY

A. ASSETS <sup>1/</sup>

1.	Cash in State Treasury		(3,586.40)
2.	Cash in Bank (Imprest Cash)		200.00
3.	Short Term Investments (at Cost)		61,820,857.78
4.	Accounts Receivable:		
	a. Accrued employee contributions	854,747.34	
	b. Accrued employer contributions	1,357,145.38	
	c. Employee buy-backs	210,612.91	
	d. Due from other plans	56,894.94	
	e. Other	<u>2,526.40</u>	
5.	Accrued Interest on Investments		2,481,926.97
6.	Dividends Declared and Payable, but Not Yet Received		4,296,131.69
7.	Investment in Debt Securities at Amortized Cost		799,008.24
8.	Investment in G.N.M.A.'s at Amortized Cost		144,824,652.50
9.	Investment in Equities at Cost		20,936,277.50
10.	Equipment at Depreciated Cost		139,620,478.79
11.	Deferred Yield Adjustment Account		30,954.62
12.	Participation in MPRI Fund <sup>2/</sup>		3,527,951.07
13.	Total Assets		<u>205,104,321.00</u>
			<u>583,439,173.76</u>

B. UNFUNDED ACCRUED LIABILITY

1.	Unfunded Accrued Liability to be Funded by Portion of Employee Contributions and State "Matching" Contribution in Excess of Entry Age Normal Cost Contribution and Operating Expenses		66,410,706.00
2.	Unfunded Accrued Liability to be Funded by State's "Additional" Contribution		<u>131,670,587.32</u>
3.	Total Unfunded Accrued Liability		<u>198,081,293.32</u>
4.	TOTAL ASSETS AND UNFUNDED ACCRUED LIABILITY		<u>781,520,467.08</u>

CURRENT LIABILITIES AND RESERVES REQUIRED

C. LIABILITIES

1.	Accounts Payable:		
	a. Security purchases	3,224,061.71	
	b. Annuities	1,805.40	
	c. Annuitant deposits	6,387.28	
	d. Accrued expenses	96,087.81	
	e. Overpaid dividends	1,785.00	
	f. Transfer to unclassified retirement	162,192.16	
	g. Due MPRI Fund	<u>10,771,661.53</u>	
2.	Suspense Item: Unredeemed 6 Year Old Warrants		14,263,980.89
3.	Total Liabilities		<u>9,325.19</u>
			<u>14,273,306.08</u>

D. RESERVES REQUIRED

1.	Total Reserves Required per Attached Table 3(b)		767,247,161.00
2.	TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED		<u>781,520,467.08</u>

<sup>1/</sup> Accumulated contributions, without interest, of members not yet retired amounted to \$116,170,227.75 as of June 30, 1980 (includes accrued but unpaid contributions)

<sup>2/</sup> Equal to greater of Net Assets (\$198,626,114) or Required Reserves (\$205,104,321) as of June 30, 1980, excluding January 1, 1981 benefit increase.

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND

Analysis of Income and Deductions From Income  
And Effect on the Unfunded Accrued Liability

A. INCOME

1.	From Employees		
a.	Employee contributions	25,612,675.32	
b.	Employee accrued contributions receivable	854,747.34	
c.	Employee contributions, accounts receivable	<u>53,152.60</u>	26,520,575.26
2.	From Employers		
a.	Employer contributions	26,148,884.62	
b.	Employer additional contributions	14,611,474.03	
c.	Employer accrued contributions receivable	<u>1,357,145.38</u>	42,117,504.03
3.	From Investments		
a.	Interest on securities	17,481,714.08	
b.	Dividends on corporate stock	8,232,253.01	
c.	Gain on sale of securities	5,452,425.17	
d.	Interest on back payments by employees	<u>151,256.78</u>	31,317,649.04
4.	From MPRI Fund Participation		
a.	Participation on MPRI Fund Income		11,504,890.13
5.	Other Revenues		
a.	Miscellaneous	11,155.81	
b.	General fund appropriations	<u>2,630,745.00</u>	<u>2,641,900.81</u>
6.	TOTAL INCOME		<u>114,102,519.27</u>

B. DEDUCTIONS FROM INCOME

1.	Benefits		
a.	Service retirement annuities	20,440,423.36	
b.	Disability retirement benefits	1,286,140.58	
c.	Survivor benefits (spouses)	26,883.78	
d.	Lump sum annuity payments	<u>1,330,155.00</u>	23,083,605.22
2.	Refundments (Employee Contributions)		
a.	Left service	6,409,056.37	
b.	Employee deaths	375,953.92	
c.	Annuitant deposits	75,375.47	
d.	Erroneous deductions	36,895.86	
e.	Interest on Refundments	<u>265,783.12</u>	7,163,064.74
3.	Transfer of Unclassified Employee Retirement		2,550,578.28
4.	Operating Expenses		
a.	Administrative expenses <sup>1/</sup>	1,063,439.61	
b.	Loss on disposition of assets	2,186.67	
c.	Write off uncollectible accounts	65.29	
d.	Interest expense on mortality adjustment	17,354.83	
e.	Miscellaneous	<u>524.50</u>	1,083,570.90
5.	Increase in Total Reserves Required		
a.	Reserves required 6/30/79	675,977,399.00	
b.	Reserves required 6/30/80	<u>767,247,161.00</u>	91,269,762.00
6.	Decrease in MPRI Fund Deficit <sup>2/</sup>		2,398,061.37
7.	TOTAL DEDUCTIONS FROM INCOME		<u>127,548,642.51</u>
8.	EXCESS OF DEDUCTIONS OVER INCOME		<u>13,446,123.24</u>

C. INCREASE IN UNFUNDED ACCRUED LIABILITY

1.	Unfunded Accrued Liability 6/30/79	184,635,170.08
2.	Unfunded Accrued Liability 6/30/80	198,081,293.32
3.	INCREASE IN UNFUNDED ACCRUED LIABILITY	<u>13,446,123.24</u>

<sup>1/</sup> Represents .16% of average covered payroll for the period from July 1, 1979 to June 30, 1980.

<sup>2/</sup> Includes a minus \$175.63 adjustment for accrual due MPRI Fund on June 30, 1979.

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND

Determination of Accrued Liability and  
Unfunded Accrued Liability as of June 30, 1980

	(1)	(2)	(3)
	<u>Present Value of Benefits</u>	<u>Present Value of Applicable Portion of Normal Cost Contribution</u>	<u>Accrued Liability Equals Reserves Required (1)-(2)</u>
<b>A. <u>DETERMINATION OF ACCRUED LIABILITY</u></b>			
1. Active Members			
a. Retirement benefits	744,220,868	278,546,641	465,674,227
b. Disability benefits	67,608,081	31,944,176	35,663,905
c. Refundments due to death or withdrawal	136,917,306	107,478,164	29,439,142
d. Surviving spouse benefits	27,807,405	10,272,538	17,534,867
2. Deferred Annuitants	11,370,216	---	11,370,216
3. Former Members Without Vested Rights	974,883	---	974,883
4. Survivors	228,240	---	228,240
5. Participation in MPRI Fund	205,104,321	---	205,104,321
6. Balance of 1979 Two Year Increase	<u>1,257,360</u>	<u>---</u>	<u>1,257,360</u>
7. Total	1,195,488,680	428,241,519	767,247,161
<b>B. <u>DETERMINATION OF UNFUNDED ACCRUED LIABILITY</u></b>			
1. Accrued Liability	---	---	767,247,161
2. Valuation Assets	---	---	569,165,868
3. Unfunded Accrued Liability [ 1 - 2 ]	---	---	198,081,293

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND (1)  
ACCOUNTING BALANCE SHEET  
FOR FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>ASSETS</u>	<u>1980</u>	<u>1979</u>
Cash in State Treasury	\$ (3,586.40)	\$ 24,229.06
Cash in Bank (Imprest Cash)	200.00	200.00
Short Term Investments (At Cost)(2)	61,820,857.78	24,296,275.28
Accounts Receivable:		
a) Accrued Employee Contributions	854,747.34	620,430.63
b) Accrued Employer Contributions	1,357,145.38	991,202.22
c) Employee Buybacks	210,612.91	201,216.74
d) Due from Other Plans	56,894.94	55,549.87
e) Due from the MPRI Fund	239.20	0.00
f) Other	2,526.40	1,760.07
Accrued Interest on Investments	4,296,131.69	3,011,297.59
Dividends Declared and Payable, Not Yet Received	799,008.24	676,931.82
Investment in Debt Securities at Amortized Cost (2)	144,824,652.50	123,425,160.50
Investment in G.N.M.A.'s at Amortized Cost (2)	20,936,277.50	19,116,110.32
Investment in Equities at Cost (2)	139,620,478.79	136,479,812.59
Equipment at Depreciated Cost	30,954.62	26,591.81
Deferred Yield Adjustment Account	3,527,951.07	3,949,077.96
Participation in the MPRI Fund (3)	<u>205,104,321.00</u>	<u>179,101,216.00</u>
 Total Assets	 <u>\$583,439,412.96</u>	 <u>\$491,977,062.46</u>

LIABILITIES AND RESERVES

<u>Liabilities</u>		
Accounts Payable:		
a) Security Purchases	\$ 3,224,061.71	\$ 0.00
b) Annuities	1,805.40	846.47
c) Annuitant Deposits	6,387.28	5,809.92
d) Accrued Expenses	96,087.81	64,372.36
e) Overpaid Dividends	1,785.00	1,785.00
f) Transfer to Unclassified Retirement	162,192.16	190,075.35
g) Due MPRI Fund (4)	10,771,901.20	364,326.56
Suspense Item: Unredeemed 6 Year Old Warrants	<u>9,325.19</u>	<u>7,617.91</u>
 Total Liabilities	 <u>\$ 14,273,545.75</u>	 <u>\$ 634,833.57</u>
<u>Reserves</u>		
Minnesota Post Retirement Investment Fund Reserve (3)	\$205,104,321.00	\$179,101,216.00
Survivor Benefit Reserve	228,240.00	213,773.00
Employee Contribution Reserve	136,370,227.75	121,815,770.69
State Contribution Reserve	<u>227,463,078.46</u>	<u>190,211,469.20</u>
 Total Reserves	 <u>\$569,165,867.21</u>	 <u>\$491,342,228.89</u>
 Total Liabilities and Reserves	 <u>\$583,439,412.96</u>	 <u>\$491,977,062.46</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND  
STATEMENT OF REVENUE AND EXPENDITURES  
FOR FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>REVENUES</u>	<u>1980</u>	<u>1979</u>
<u>From Employees:</u>		
Employee Contributions	\$ 25,612,675.32	\$ 23,337,772.38
Employee Accrued Contributions Receivable	854,747.34	620,430.63
Employee Contributions, Accounts Receivable	53,152.60	55,739.49
<u>From Employers:</u>		
Employer Contributions	26,148,884.62	23,770,198.92
Employer Additional Contributions	14,611,474.03	13,321,732.19
Employer Accrued Contributions Receivable	1,357,145.38	991,202.22
<u>From Investments:</u>		
Interest on Short Term, Mortgages and Debt Securities	17,481,714.08	12,043,409.04
Dividends on Corporate Stock	8,232,253.01	6,924,568.56
Gain on Sale of Stock	5,452,425.17	635,789.62
Interest on Back Payments by Employees	151,256.78	155,586.72
<u>From MPRI Fund Participation:</u>		
Participation in MPRI Fund Income (5)	11,504,890.13	9,576,780.09
<u>Other Revenues:</u>		
Miscellaneous	11,155.81	2,864.32
General Fund Appropriations (6)	2,630,745.00	0.00
Total Revenues	<u>\$114,102,519.27</u>	<u>\$ 91,436,074.18</u>
 <u>EXPENDITURES</u> 		
<u>Benefits:</u>		
Service Retirement Annuities (7)	\$ 20,440,425.86	\$19,114,813.53
Disability Retirement Annuities	1,286,140.58	1,201,406.06
Survivor Benefits (spouses)	26,883.78	28,433.58
Lump Sum Annuity Payments (8)	1,330,155.00	0.00
<u>Refundments (Employee Contributions):</u>		
Left Service	6,409,056.37	5,392,655.05
Employee Deaths	375,953.92	280,769.88
Annuitant Deposits	75,375.47	35,298.09
Erroneous Deductions	36,895.86	155,348.60
Interest on Refunds	265,783.12	198,602.99
<u>Unclassified Employee Retirement:</u>		
Transfer of Employee Contributions	1,034,758.04	785,286.98
Transfer of Employer Contributions	1,406,350.16	1,116,189.50
Transfer of Interest	109,470.08	35,798.04
<u>Operating Expenses:</u>		
Administrative Expenses (Exhibit A)	1,063,439.61	1,041,312.08
Loss on Disposition of Assets	2,186.67	0.00
Write off uncollectible accounts	65.29	0.00
Interest Expense on Mortality Adjustment	17,354.83	0.00
Miscellaneous	524.50	0.00
Total Expenditures	<u>\$ 33,880,819.14</u>	<u>\$29,385,914.38</u>
Excess of Revenues Over Expenditures	\$ 80,221,700.13	\$62,050,159.80
Income Adjustment (9)	(2,398,061.81)	3,318.15
NET DISTRIBUTION TO RESERVES (11)	<u>\$ 77,823,638.32</u>	<u>\$62,053,477.95</u>

The footnotes are an integral part of the financial statements.

EXHIBIT A - OPERATING EXPENSES  
FISCAL YEAR ENDED JUNE 30, 1980 AND 1979

	<u>1980</u>	<u>1979</u>
Salaries	\$ 597,236.50	\$ 525,203.50
Employer MSRS Contributions	34,938.02	31,101.76
Employer FICA Contributions	34,105.87	28,861.31
Employer Insurance Contributions	35,022.33	30,290.96
Rents and Leases	35,943.82	30,951.00
Repairs	2,009.15	1,344.96
Printing, Binding, and Duplicating	23,843.86	18,334.35
Medical Expense - Disability Exams	16,928.30	22,999.40
Actuarial Service	59,625.00	31,748.00
Other Purchased Services	33,655.43	58,929.26
Data Processing	373,432.48	453,966.26
Postage, Inserting and Freight	31,860.92	28,010.89
Travel, Dept. Head, and Board Member Expense	9,300.11	9,391.87
Telephone	5,215.58	5,230.77
Utility Service	4,531.22	4,373.82
Subscriptions and Memberships	887.65	995.72
Office Supplies	9,325.22	4,438.42
Depreciation on Equipment	3,045.07	2,423.39
Investment Expense	1,363.11	2,646.04
Special Asst. Atty. General	4,369.71	6,607.48
Tuition	378.00	352.00
	<u>\$1,317,017.35</u>	<u>\$1,298,201.16</u>
 Expense attributable to other plans:		
Highway Patrolmen's Fund	\$ 32,290.01	\$ 29,624.29
Judges Retirement Fund	11,386.58	15,437.06
Legislators Retirement	9,052.30	10,000.00
Elected Officials	409.80	488.52
Deferred Compensation	159,755.41	166,734.09
Unclassified Employees	40,683.64	34,605.12
Total distribution to other plans	<u>\$ 253,577.74</u>	<u>\$ 256,889.08</u>
Balance attributable to the SER Fund	<u>\$1,063,439.61</u>	<u>\$1,041,312.08</u>

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND  
CHANGES IN RESERVE ACCOUNTS  
FISCAL YEAR ENDED JUNE 30, 1980

	Total Reserves	Reserve for Employee Contributions	Reserve for Survivor Benefits	Reserve for Participation in MPRI Fund	Reserve for State Contributions
Balances at June 30, 1979	\$482,465,960.92	\$121,815,770.69	\$213,773.00	\$170,224,948.03	\$190,211,469.20
Prior Year adjustment (10)	8,876,267.97			8,876,267.97	
Reserves increased by:					
Employee Contributions	26,520,575.26	26,520,575.26			
Employer Contributions	42,117,504.03				42,117,504.03
Investment income	31,166,392.26				31,166,392.26
Interest on buybacks	151,256.78				151,256.78
Income from MPRI Fund part.	11,504,890.13			11,504,890.13	
General Fund Appropriations	2,630,745.00				2,630,745.00
Miscellaneous	11,155.81			5,078.73	6,077.08
	<u>\$605,444,748.16</u>	<u>\$148,336,345.95</u>	<u>\$213,773.00</u>	<u>\$190,611,184.86</u>	<u>\$266,283,444.35</u>
Reserves decreased by:					
Benefits paid	(23,083,605.22)		(26,883.78)	(21,726,566.44)	(1,330,155.00)
Refunds paid	(6,897,281.62)	(6,821,906.15)		(75,375.47)	
Interest paid on refunds	(265,783.12)				(265,783.12)
Transfer between funds	(210.74)	(210.74)			
Unclassified employee retirement	(2,550,578.28)	(1,034,758.04)			(1,515,820.24)
MPRI Fund income applied to deficiency	(2,398,061.81)			(2,398,061.81)	
Operating expenses (net)	(1,083,360.16)				(1,083,360.16)
	<u>\$569,165,867.21</u>	<u>\$140,479,471.02</u>	<u>\$186,889.22</u>	<u>\$166,411,181.14</u>	<u>\$262,088,325.83</u>
Transfers between reserves:					
Inactive employee contributions trans. to fund after 5 years.		(59,144.06)			59,144.06
Actuarial value of benefits authorized in FY '80		(4,050,099.21)		27,921,424.39	(23,871,325.18)
Adjust survivor benefit reserve to requirement as of June 30, 1980			41,350.78		(41,350.78)
Change in Mortality Tables Adjust for Fiscal '80 mortality gain				10,912,032.47	(10,912,032.47)
				(140,317.00)	140,317.00
Balances at June 30, 1980	<u>\$569,165,867.21</u>	<u>\$136,370,227.75</u>	<u>\$228,240.00</u>	<u>\$205,104,321.00</u>	<u>\$227,463,078.46</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND  
CHANGES IN INVESTMENTS  
FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

CORPORATE STOCK (At Cost)	1980	1979
Balances at June 30, P.Y.	\$136,479,812.59	\$117,990,616.22
Add: Purchases	<u>29,699,866.28</u>	<u>21,389,985.50</u>
	\$166,179,678.87	\$139,380,601.72
Deduct: Frac. & stock dividends sold	49.72	17,210.87
Stock Sold	<u>26,559,150.36</u>	<u>2,883,578.26</u>
Balances at June 30, C.Y.	<u>\$139,620,478.79</u>	<u>\$136,479,812.59</u>

Current Yield	5.2%	5.3%
Market value at June 30, C.Y.	\$153,175,726.14	\$142,911,067.52

DEBT SECURITIES (Par Value)		
Balances at June 30, P.Y.		\$122,475,141.90
Add: MTC/TOD transfers	\$143,913,647.19	4,714,047.67
Purchases	<u>29,501,067.12</u>	<u>21,172,989.97</u>
	\$173,414,714.31	\$148,362,179.54
Deduct: Maturities and calls	3,740,232.34	3,230,532.35
Debt securities sold	<u>2,500,000.00</u>	<u>1,218,000.00</u>
Balances at June 30, C.Y.*	<u>\$167,174,481.97</u>	<u>\$143,913,647.19</u>

Avg. Yield to Maturity	9.14%	8.51%
Book Value	\$165,760,930.00	\$142,541,270.82
Estimated Market Value	\$144,365,592.48	132,634,240.91

SHORT TERM INVESTMENTS (At Cost)		
Balances at June 30, P.Y.	\$ 24,296,275.28	\$ 10,420,140.42
Add: Purchases and transfers	434,280,389.94	216,118,774.56
	<u>\$458,576,665.22</u>	<u>\$226,538,914.98</u>
Deduct: Redemptions	396,755,807.44	202,242,639.70
Balances at June 30, C.Y.	<u>\$ 61,820,857.78</u>	<u>\$ 24,296,275.28</u>

*Distribution of Debt Securities:		
Municipals	\$ 812,000.00	\$ 1,216,000.00
U.S. Govt. Agency & Govt. Guar.	38,014,328.50	21,248,743.07
Canadian Govt. & Govt. Guar.	23,785,000.00	23,855,000.00
Corporate Obligations	<u>104,563,153.47</u>	<u>97,593,904.12</u>
	<u>\$167,174,481.97</u>	<u>\$143,913,647.19</u>

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND  
Notes To Financial Statements

1. Minnesota State Retirement System - State Employee Retirement Fund provides a defined benefit, contributory retirement plan covering most state employees including correctional institution personnel. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Contributions to MSRS are set in statute and are based on yearly actuarial valuations and actuarial experience studies done every four years. The last completed experience study was as of June 30, 1979. The contributions provide funding for both normal and supplemental liability costs. The entry age normal method, a projected benefit cost method, is used to value the plan with contributions being made as a level percentage of covered employee salaries.

For the year ended June 30, 1980, the state contributed \$42 million to the plan and state employees contributed \$27 million. These contributions included funding for the amortization of the supplemental liability by 2009.

2. Market Value

	June 30, 1980	June 30, 1979
Equities	\$ 153,175,726	\$ 142,911,068
Debt Securities (including G.N.M.A.)	144,365,592	132,634,241
Short Term Investments *	62,908,161	24,495,908
Total	\$ 360,449,479	\$ 300,041,217

\* Certain securities are loaned out to generate additional income of 0.5%. At June 30, 1980, there was \$8,000,000 on loan with collateral of \$8,480,000.

3. Participation in the Minnesota Post Retirement Investment Fund (MPRIF) and the Minnesota Post Retirement Investment Fund Reserve are equal to the greater of the retirement funds actual participation in the net assets of the MPRIF or the required reserves for retired lives. The retirement funds actual participation in the net assets of the MPRIF at June 30, 1980 is \$198,626,114 or \$6,478,206 less than the required reserves. The deficiency is part of the MPRIF and is to be funded by earnings in excess of the 5% required. At June 30, 1979, the participation was \$170,224,948 or \$8,876,268 less than the required reserves.
4. Represents amount due MPRIF to fund the change from the 1951 group mortality tables to the 1971 group mortality tables as recommended by the actuary and approved by the Board of Directors, net of the F.Y. 80 mortality gain of \$140,317.
5. The total participation in the MPRIF income was \$17,051,076 for F.Y. 80. However, \$5,546,186 of it is deferred until January 1, 1981 and is to be used to fund a benefit increase of 3.209%. Of the remaining \$11,504,890, \$9,062,607 is the 5% earnings on required reserves and the balance of \$2,442,283 was used to reduce the deficiency of the MPRIF. The deferred portion of the income will be included with the F.Y. 81 income.
6. The general fund appropriation was for two lump sum annuity payments, one disbursed in FY 1980 and the other to be disbursed in FY 1981. Any appropriaton balance after disbursement plus interest earned by the retirement fund cancels to the state general fund.

MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND  
Notes to Financial Statements

7. Annuitants who were receiving benefits at June 30, 1963 with at least 20 years of service have been entitled to supplemental benefits since July 1, 1967. Those who did not have social security coverage are entitled to \$18 a month and those that did have social security coverage are entitled to \$10 a month. These benefits are paid from the States General Fund and are in addition to the amounts shown on the financial statements. For the fiscal years ended June 30, 1979 and 1980, the supplemental benefits amounted to \$77,354 and \$68,962 respectively.
8. Lump sum bonus payment of \$1,330,155 funded by the general fund appropriation (See note 6).
9. This adjustment represents that portion of the recognized MPRIF income applied to the deficiency in the MPRIF after adjusting for a F.Y. 79 accrual of "\$175" and including four unclassified plan annuitants for the first time in the valuation, resulting in an increase to the deficiency of \$44,046.
10. The Legislative Auditor has determined that the retirement funds participation in the MPRIF is the greater of its participation in the net assets of the MPRIF or its required reserves for retired lives. This adjustment represents the deficiency that existed at July 1, 1979 and provides continuity from F.Y. 79 to F.Y. 80 in accounting for the changes to the reserve account. (See also note 3, 5, and 9)
11. The Legislative Auditor, during his F.Y. 80 audit, determined that the "Transfer of Assets from MTC/TOD" in the amount of \$21,242,839.41 as reported under "Other Revenues" on the F.Y. 79 Statement of Revenues and Expenditures was not an appropriate revenue item, but should have been reported as an adjustment to the prior years beginning reserve balances. Consequently, the F.Y. 79 column is adjusted to reflect this change and does not change their unqualified audit opinion for F.Y. 79.

MINNESOTA STATE RETIREMENT SYSTEM  
GENERAL EMPLOYEES RETIREMENT PLAN

Employee and Annuitant Statistics for Fiscal Year 1980

ACTIVE EMPLOYEES

	<u>7/1/79 -</u> <u>6/30/80</u>	<u>7/1/78 -</u> <u>6/30/79</u>
Covered general plan employees at beginning date	44,602	42,713
Increased by:		
MTC/TOD Employees whose plan was merged with the General Plan July 1, 1978	0	1,877
Employees with no service credit at beginning date	197	58
Unclassified plan employees with balances at beginning date	12	15
New Employees	7,275	6,599
Transferred from Correctional plan	7	5
Former employees who returned after taking a refund	1,226	1,221
Former employees who returned after an inactive period:		
Restored from inactive account	92	97
Restored after transfer to the retirement fund (652)	111	105
New employees who were refunded same year	906	322
New employees who received CETA refunds same year	0	2
TOTAL INCREASE	9,826	10,301
Decreased by:		
Refunds: Regular	4,504	5,038
New employees who were refunded same year	906	322
New CETA employees who were refunded same year	0	2
Deductions in error	320	352
Deaths: Regular	97	80
Death while eligible - surviving spouse benefit	0	3
Employees who became service annuitants	525	558
Employees who became disabled annuitants	78	104
Transferred to inactive status	1,333	1,545
Transferred to inactive status with vested rights	99	111
Transferred to Correctional plan	15	5
Transferred to Unclassified plan	34	52
No service credit active	130	197
Prior year no service credit actives transferred to inactive	145	43
TOTAL DECREASE	8,186	8,412
NET CHANGE	+1,640	+ 1,889
	46,242	44,602
Covered employees at ending date		
General Employees Plan	46,242	44,602
Unclassified Employees Plan	807	759
Correctional Employees Plan	990	964
TOTAL	48,039	46,325
Separation Rate	18.7%	19.6%

MINNESOTA STATE RETIREMENT SYSTEM

GENERAL EMPLOYEES RETIREMENT PLAN

ACTIVE EMPLOYEES STATISTICS

Male Active Employees:

<u>Date</u>	<u>Average Age</u>	<u>Average Service Credit</u>	<u>Average Accum. Contributions</u>
6/30/77	40.1 years	8.9 years	\$2,773.65
6/30/78	40.2 years	8.9 years	3,028.51
6/30/79	40.1 years	9.2 years	3,110.98
6/30/80	40.5 years	9.2 years	3,820.57

Female Active Employees:

<u>Date</u>	<u>Average Age</u>	<u>Average Service Credit</u>	<u>Average Accum. Contributions</u>
6/30/77	35.6 years	5.6 years	\$1,350.43
6/30/78	36.2 years	5.5 years	1,488.36
6/30/79	35.5 years	5.7 years	1,674.66
6/30/80	36.1 years	5.7 years	1,813.23

The median (midpoint) age of all male active employees as of June 30, 1980 is 38 years.

The median age of the females is 32. The active employees range in age from 15 to 73.

34.0% of all male active employees and 16.2% of all females, for a total of 11,426 employees, have acquired ten or more years service credit.

368 or 0.8% of the active employees were 65 years of age or older. 1,420 or 3.1%, were 62 or older. Of these 396, or 0.9% of all active employees are eligible to retire with a full annuity benefit; i.e., are age 65 with 10 years service or age 62 with 30 years service. 1,707 more, or 3.7% are eligible to retire with a reduced benefit; i.e., are age 62 with 10 years service or age 58 with 20 years service. Proportional benefits are available to those over age 65 who do not have 10 years of service, 99 people are eligible for such benefits. Thirty three employees of the MTC/TOD are eligible to full benefits under their savings clause; i.e., are age 65 or greater while 162 more are entitled to reduced benefits; i.e., are age 55 or greater.

NEW EMPLOYEES

New employees in fiscal year 1980 range in age from 16 to 69 years of age.

The average and median entry ages of new employees in the last three years follows:

<u>Date</u>	<u>MALE</u>		<u>FEMALE</u>	
	<u>Average</u>	<u>Median</u>	<u>Average</u>	<u>Median</u>
6/30/78	30.8 years	28 years	29.5 years	26 years
6/30/79	30.8 years	28 years	28.9 years	26 years
6/30/80	31.4 years	28 years	29.9 years	27 years

Employee Salary Data

Gross annual salary received by employees considered active at year end	<u>6/30/80</u>	<u>6/30/79</u>
	\$590,230,336.38	\$540,753,292.62

MINNESOTA STATE RETIREMENT SYSTEM

NUMBER OF REFUNDS

GENERAL EMPLOYEES RETIREMENT PLAN

<u>Year Ending</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
6/30/78	2,091	3,849	5,940
6/30/79	2,145	4,036	6,186
6/30/80	2,151	4,240	6,391

Interest is payable at the rate of 3½% per annum compounded annually on contributions deducted after the third year of covered service. In fiscal year 1980 there were 1,709 refunds made to persons with three or more years of service credit.

AVERAGE AGE OF  
THOSE TAKING REFUNDS

AVERAGE SERVICE FORFEITED  
BY THOSE TAKING REFUNDS

<u>Year Ending</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
6/30/78	32.0 years	30.0 years	1.6 years	1.6 years
6/30/79	32.5 years	30.9 years	2.3 years	2.3 years
6/30/80	35.6 years	30.5 years	2.3 years	2.4 years

REFUNDMENTS WHERE TEN OR MORE YEARS OF SERVICE CREDIT WAS FORFEITED:

<u>Year Ending</u>	<u>Total Number</u>	<u>As a percent of total refundments</u>
6/30/78	78	1.3%
6/30/79	110	1.8%
6/30/80	138	2.2%

REFUNDS REPAID

In fiscal year 1980, 118 refunds were repaid regaining an average of 4 years, 5 months service credit. 152 refunds were repaid in 1979 with an average of 4 years, 5 months service credit regained.

INACTIVE EMPLOYEES

	<u>7/1/80</u>	<u>7/1/79</u>
Number at beginning of fiscal year	3,976	3,425
Increased by:		
Accts. transferred from activ to inactive status	1,610	1,656
Restored from fund	111	119
Former members active in other plans who bought back refunds	37	64
Transferred from MTC/TOD plan	0	452
Decreased by:		
Returned to active employment	219	202
Refunds: Regular	622	505
Deductions in Error	5	8
Deaths - Refunds made to beneficiaries	11	15
Became Annuitants	38	41
Transferred to retirement fund*	553	969
	<u>NET CHANGE</u>	<u>+ 551</u>
Number at end of fiscal year	4,286	3,976

\* Includes the accumulated contributions of former employees who did not apply for refunds within 5 years after termination. The deductions, if greater than \$2.00, are restored to the individual's account if he returns to work or applies for a refund.

MINNESOTA STATE RETIREMENT SYSTEM

GENERAL EMPLOYEES RETIREMENT PLAN

INACTIVES WITH VESTED RIGHTS

The data below pertains to inactives with sufficient service credit to entitle them to a deferred annuity. The annuity is computed to the date eligible to retire with a full benefit; i.e., age 65 with 10 years service or 62 with 30 years service. The augmentation factor (5% from the first day of the month following separation or July 1, 1971, whichever comes later, until the first day of January 1981, then 3% until the first day of the month eligible to retire) is included in the deferred annuity amounts shown.

MALE

<u>Date</u>	<u>Number</u>	<u>Average Age</u>	<u>Average Monthly Deferred Annuity</u>
6/30/78	307	53.0 years	204.00
6/30/79	373	51.0 years	241.93
6/30/80	417	53.6 years	255.06

FEMALE

6/30/78	273	55.4 years	186.46
6/30/79	326	54.6 years	169.40
6/30/80	353	54.6 years	180.59

ANNUITANTS

	<u>@7/1/79</u>	<u>@7/1/78</u>	<u>@7/1/77</u>	<u>@7/1/76</u>
Number	8,937	7,900	7,485	7,038
Retired during the year:				
Service	549	616	562	569
Deferred	38	41	62	51
Disability	77	109	70	92
Survivors who began receiving benefits	41	33	28	28
Disability Reinstated	0	0	1	0
Transfer from MTC/TOD Plan	0	634	0	0
Decreased by:				
Deaths	419	396	307	291
Disability who recovered	0	0	1	2
End of period certain	0	0	0	0
Rescission or adjustments	0	0	0	0
NET INCREASE	<u>286</u>	<u>1,037</u>	<u>415</u>	<u>447</u>

	<u>@6/30/80</u>	<u>@6/30/79</u>	<u>@6/30/78</u>	<u>@6/30/77</u>
Number	9,223	8,937	7,900	7,485

MINNESOTA STATE RETIREMENT SYSTEM

GENERAL EMPLOYEES RETIREMENT PLAN

Service Annuitants Receiving an Annuity as of the Date Indicated

<u>Date</u>	<u>Average Age at Entry Into Service</u>	<u>Average Retirement Age</u>	<u>Average Attained Age</u>
6/30/77	39.9 years	65.5 years	72.2 years
6/30/78	40.0 years	65.4 years	72.2 years
6/30/79	39.4 years	65.1 years	72.4 years
6/30/80	38.0 years	64.7 years	72.5 years

<u>Date</u>	<u>Average MSRS Monthly Annuity</u>	<u>Median Annuity</u>
6/30/77	\$166.26	\$118.33
6/30/78	175.72	124.14
6/30/79	185.44	134.70
6/30/80	191.01	139.18

Disabled Employees Receiving an Annuity as of the Date Indicated

<u>Date</u>	<u>Average Age at Entry Into Service</u>	<u>Average Retirement Age</u>	<u>Average Attained Age</u>
6/30/77	36.7 years	57.9 years	62.5 years
6/30/78	37.4 years	58.0 years	62.9 years
6/30/79	36.6 years	57.8 years	63.9 years
6/30/80	36.7 years	57.2 years	63.9 years

<u>Date</u>	<u>Average Benefit</u>	<u>Median Benefit</u>
6/30/77	\$133.20	\$107.58
6/30/78	138.82	113.93
6/30/79	160.38	138.26
6/30/80	169.73	140.42

Supplemental Benefit: Laws 1967, Chapter 514

At June 30, 1980, 119 female and 140 male annuitants were receiving a \$10.00 monthly supplemental benefit amount. 81 female and 73 male annuitants were receiving an \$18.00 monthly supplement.

Total Benefit

The average monthly benefit amounts stated below are based on the combined amount an annuitant receives from his MSRS annuity, supplemental benefit under Laws 1967, Chapter 514, and his estimated Social Security benefit, if any. The estimated Social Security benefit for retired employees and disabilities is based solely on their service as State employees.

	<u>Average Total Benefit</u>	<u>Median Total Benefit</u>
Service - receiving Social Security	\$558.07	\$502.79
Service - not receiving Social Security	184.60	174.73
Disability - receiving Social Security	533.12	487.72
Disability - not receiving Social Security	204.11	180.52

MINNESOTA STATE RETIREMENT SYSTEM

GENERAL EMPLOYEES RETIREMENT PLAN

NEW ANNUITANTS AND DISABILITIES

The average MSRS benefit authorized in fiscal year 1980 and the average service and salaries upon which the annuities are based were:

<u>Type of Annuity</u>	<u>Age at Retirement</u>	<u>Hi-5 Yrs. Avg. Monthly Salary</u>	<u>Length of Service</u>	<u>Average Benefit</u>	<u>Median Benefit</u>
Service	63.7 years	\$1,134.10	20.1 years	\$280.26	\$205.30
Disability	56.6 years	1,077.54	19.2 years	269.38	199.50

The monthly benefits payable to new service annuitants in 1980 ranged from a low of \$4.73 (Combined Service Annuity) to a high of \$1,500.47. The minimum benefit paid to a high 5 straight life annuitant with at least 10 years service was \$53.24.

Disabled employees who retired in 1980 received monthly benefits ranging from \$60.03 to \$997.52.

Average for New Service Annuitants for Fiscal Years 1977 thru 1980

<u>Fiscal Year</u>	<u>Age at Retirement</u>	<u>Hi-5 Salary or Salary After 7/1/57</u>	<u>Length of Service</u>	<u>Average Benefit</u>
1977	64.1 years	\$ 862.44	18.3 years	\$195.05
1978	64.0 years	899.26	18.3 years	203.84
1979	63.9 years	1,024.64	19.4 years	240.67
1980	63.7 years	1,134.10	20.1 years	282.26

The number of retirees selecting joint and last survivor annuities has increased substantially since the passage of the Hi-5 law. The percentage of new service and deferred annuitants selecting joint and last survivor annuities each year since July 1, 1971 is shown in the following:

<u>Fiscal Year</u>	<u>Number Selecting Joint &amp; Last Survivor Annuities</u>	<u>Percent of all New Service and Deferred Annuities</u>
1971	16	4.1%
1972	31	6.2%
1973	28	6.2%
1974	100	11.9%
1975	83	12.3%
1976	92	10.2%
1977	78	12.6%
1978	94	13.0%
1979	103	14.2%
1980	106	18.2%

\* Note the Hi-5 law became effective at the beginning of fiscal year 1974.

MINNESOTA STATE RETIREMENT SYSTEM

GENERAL EMPLOYEES RETIREMENT PLAN

NEW ANNUITANTS

Employees with less than 30 years of service who retire before age 65 or those with 30 or more years of service who retire before age 62 must take a reduced annuity to compensate for the longer time they will receive the benefit.

<u>Fiscal Year</u>	<u>Number of New Annuitants Receiving Reduced Benefits Due to Early Retirement</u>
1977	323
1978	313
1979	257
1980	275

1980 ANNUITY AND DISABILITY DEATHS

Of the 350 service annuitants who died in fiscal year 1980, 91.5% received annuity payments greater than their accumulated employee contributions. The average service annuitant received in annuity payments 5.2 times the amount he had contributed. There were 49 disabled employees who died during the year. 61.2% of these received an amount greater than their accumulated employee contributions. The average age at death and period retired for annuitants who died in fiscal years 1975 - 80 were:

	<u>Age at Death</u>		<u>Years of Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
6/30/75 Service Annuitants	77.2	77.7	10.5	11.4
6/30/75 Disability Annuitants	63.2	64.5	4.2	4.7
6/30/76 Service Annuitants	77.0	78.1	11.2	12.2
6/30/76 Disability Annuitants	59.2	66.7	4.5	4.5
6/30/77 Service Annuitants	76.8	77.5	10.7	11.0
6/30/77 Disability Annuitants	63.4	60.5	4.4	3.7
6/30/78 Service Annuitants	77.3	78.6	11.3	12.2
6/30/78 Disability Annuitants	59.8	66.1	3.2	5.4
6/30/79 Service Annuitants	77.3	77.8	12.0	12.3
6/30/79 Disability Annuitants	66.9	65.1	9.6	6.4
6/30/80 Service Annuitants	77.9	79.2	12.5	13.8
6/30/80 Disability Annuitants	66.3	61.2	9.9	5.1

MINNESOTA STATE RETIREMENT SYSTEM  
CORRECTIONAL RETIREMENT PLAN AT JUNE 30, 1980

ACTIVES

	<u>6/30/80</u>	<u>6/30/79</u>
Active Member Count	990	964
Gross Salary of Active Members	\$15,268,229.04	\$13,681,141.41
Total Accumulated Contributions	4,098,211.56	3,599,841.18

	<u>Male</u>	<u>6/30/80</u>	<u>Female</u>
Active Member Count	884		106
Average Attained Age	36.2 years		36.4 years
Median Age (midpoint)	34 years		34 years
Average Entry Age	28.1 years		29.4 years
Average Service Credit	7.0 years		5.7 years
Average Accumulated Contributions	\$4,222.87		\$3,445.22

The active employees range in age from 20 to 63. Twenty five and three tenths percent of the male active employees and 25.5% of the females, for a total of 251 employees, have ten or more years of service credit.

Forty, or 4.0% of the active employees are 55 years of age or older. Thirty-six of them have ten or more years of service credit and are eligible to retire.

NEW EMPLOYEES

There were 138 employees in the Correctional Plan who were new to State service in fiscal year 1980. 116 of them were male and 22 were female. They ranged in age from 20 to 51. The average and median entry ages of all new entrants were:

	<u>Male</u>	<u>Female</u>
Average Entry Age	30.1 years	32.8 years
Median Entry Age	30 years	32 years

REFUNDMENTS

Number of Refundments Taken	112	23
Average Age of Those Taking Refunds	30.6 years	30.6 years
Average Service Forfeited by Those Taking Refunds	3.6 years	2.8 years

## MINNESOTA STATE RETIREMENT SYSTEM

### CORRECTIONAL RETIREMENT PLAN

#### ANNUITANTS

During fiscal year 1980, 25 Correctional employees retired compared to 20 who retired in 1979. The average age, service, and monthly benefit of the 20 new service retirees was 57.4 years of age; 19.1 years service; and \$604.13 per month.

The following statistics are based on the total number of annuitants receiving benefits at 6/30/79.

	<u>Service</u>	<u>Disability</u>
Number	250	7
Average Attained Age	62.7 years	54.7 years
Average Age at Entry into State Service	37.8 years	33 years
Average Years of Service at Retirement	19.1 years	16.0 years
Average Age at Retirement	58.6 years	52.0 years
Average Monthly Annuity	\$401.44	\$217.21
Average Annuity Including Social Security	\$707.73	\$678.54
Median Annuity	\$388.59	\$215.60

Average Monthly Annuity to be paid at age 65 or 7 years after retirement, whichever occurs first, is \$235.04.

#### ANNUITANT DEATHS

In fiscal year 1980, 9 male service annuitants died. Their average age at death was 64.8 years and average length of retirement was 4.1 years.

#### EMPLOYEE DEATHS

There were two male Correctional employees who died during the year. Their service was 2 years, 0 months and 9 years, 9 months. Their ages were 30 and 50 years old.

#### INACTIVE EMPLOYEES

As of June 30, 1980, there were 22 inactive accounts in the Correctional Employees Retirement Plan. Only 6 of the inactives have sufficient service credit to be entitled to a deferred annuity.

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MEMPHIS  
MIAMI  
MINNEAPOLIS-  
ST. PAUL  
NEW YORK

THE *Wyatt* COMPANY

ORLANDO  
PHILADELPHIA  
PHOENIX  
PORTLAND  
SAN DIEGO  
SAN FRANCISCO  
STAMFORD  
WASHINGTON

ACTUARIES AND CONSULTANTS

PENSION PLANS    EMPLOYEE BENEFITS    COMPENSATION PROGRAMS    INTERNATIONAL BENEFITS    EMPLOYEE COMMUNICATIONS    RISK MANAGEMENT

NORTHWESTERN FINANCIAL CENTER  
7900 XERXES AVENUE SOUTH, SUITE 1240  
MINNEAPOLIS, MINNESOTA 55431

(612) 835-1500

CALGARY  
HALIFAX  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

January 16, 1981

Board of Directors  
Minnesota State Retirement System  
529 Jackson at 10th Street  
St. Paul, Minnesota 55101

Gentlemen:

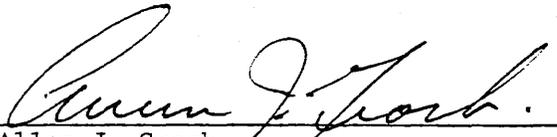
We have performed an actuarial valuation of the Minnesota State Retirement System Highway Patrolmen's Fund as of June 30, 1980.

The valuation was performed on the basis of accepted actuarial methods and procedures, in accordance with the applicable provisions set forth in Minnesota Statutes (Chapter 356) and stipulated in the Contract between the State of Minnesota and The Wyatt Company.

We hereby certify that on the basis of our valuation, contributions required from employees and the State under Minnesota Statutes (Chapter 352B) represent 96.7% of the requirements set forth in Chapter 356. Based on our valuation, contributions required by Chapter 352B will be sufficient to amortize the unfunded accrued liability, on a level dollar basis, by the year 2015. Furthermore, the entry age normal cost method was utilized in determining the accrued liability for all benefits payable under the Fund.

Respectfully submitted,

THE WYATT COMPANY

  
Allan J. Grosh  
Fellow, Society of Actuaries

  
Alan J. Schutz  
Associate, Society of Actuaries

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMEN'S FUND

Chapter 356 Balance Sheet as of June 30, 1980

ASSETS AND UNFUNDED ACCRUED LIABILITY

A. ASSETS 1/

1.	Cash		3,264.90
2.	Short Term Investments (at Cost)		5,812,667.23
3.	Accounts Receivable:		
	a. Accrued employee contributions	39,624.44	
	b. Accrued employer contributions	<u>118,873.35</u>	158,497.79
4.	Accrued Interest on Investments		456,801.65
5.	Dividends Declared and Payable, but Not Yet Received		49,832.94
6.	Investment in Debt Securities at Amortized Cost		14,868,890.11
7.	Investment in G.N.M.A.'s at Amortized Cost		1,146,562.15
8.	Investment in Equities at Cost		13,156,990.31
9.	Deferred Yield Adjustment Account		128,909.40
10.	Participation in MPRI Fund <u>2/</u>		<u>16,238,628.00</u>
11.	Total Assets		<u><u>52,021,044.48</u></u>

B. UNFUNDED ACCRUED LIABILITY

1.	Unfunded Accrued Liability to be Funded by Portion of Employee Contributions and State "Matching" Contribution in Excess of Entry Age Normal Cost Contribution and Operating Expenses		7,613,731.00
2.	Unfunded Accrued Liability to be Funded by States "Additional" Contribution		<u>28,596,651.13</u>
3.	Total Unfunded Accrued Liability		<u>36,210,382.13</u>
4.	TOTAL ASSETS AND UNFUNDED ACCRUED LIABILITY		<u><u>88,231,426.61</u></u>

CURRENT LIABILITIES AND RESERVES REQUIRED

C. LIABILITIES

1.	Accounts Payable:		
	a. Security purchases	345,986.02	
	b. Due MPRI Fund	2,021,873.98	
	c. Due State Employees Retirement Fund	<u>32,290.01</u>	2,400,150.01
2.	Suspense Item: Unredeemed 6 Year Old Warrants		882.60
3.	Total Liabilities		<u>2,401,032.61</u>

D. RESERVES REQUIRED

1.	Total Reserves Required per Attached Table 3(b)		85,830,394.00
2.	TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED		<u>88,231,426.61</u>

1/ Accumulated contributions, without interest, of members not yet retired amounted to \$9,432,723.59 as of June 30, 1980 (includes accrued but unpaid contributions).

2/ Equal to greater of Net Assets (\$15,599,784) or Required Reserves (\$16,238,628) as of June 30, 1980, excluding the January 1, 1981 benefit increases.

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMEN'S FUND

Analysis of Income and Deductions From Income  
and Effect on the Unfunded Accrued Liability

<b>A. INCOME</b>			
1.	From Employees		
	a. Employee contributions	1,163,502.20	
	b. Employee accrued contributions receivable	<u>39,624.44</u>	1,203,126.64
2.	From Employers		
	a. Employer contributions	1,994,322.42	
	b. Employer additional contributions	1,494,863.91	
	c. Employer accrued contributions receivable	<u>118,873.35</u>	3,608,059.68
3.	From Investments		
	a. Interest on securities	1,747,823.76	
	b. Dividends on corporate stock	748,597.29	
	c. Gain on sale of securities	<u>592,634.29</u>	3,089,055.34
4.	From MPRI Fund Participation		
	a. Participation in MPRI Fund Income		905,686.17
5.	Other Revenues		
	a. General Fund appropriation	117,690.00	
	b. Miscellaneous	<u>532.94</u>	118,222.94
6.	TOTAL INCOME		<u>8,924,150.77</u>
<b>B. DEDUCTIONS FROM INCOME</b>			
1.	Benefits		
	a. Service retirement annuities	1,397,074.19	
	b. Disability retirement benefits	62,152.98	
	c. Survivor benefits (children)	32,138.29	
	d. Lump sum annuity payments	<u>61,410.00</u>	1,552,775.46
2.	Refundments (Employee Contributions)		
	a. Left service	54,020.17	
	b. Erroneous deductions	<u>222.44</u>	54,242.61
3.	Operating Expenses		
	a. Administrative expenses <sup>1/</sup>	32,290.01	
	b. Interest expense on mortality adjustment	<u>16,189.63</u>	48,479.64
4.	Increase in Total Reserves Required		
	a. Reserves required 6/30/79	68,679,194.00	<sup>2/</sup>
	b. Reserves required 6/30/80	<u>85,830,394.00</u>	17,151,200.00
5.	Decrease in MPRI Fund Deficit		<u>242,492.00</u>
6.	TOTAL DEDUCTIONS FROM INCOME		<u>19,049,189.71</u>
7.	EXCESS OF DEDUCTIONS FROM INCOME OVER INCOME		<u>10,125,038.94</u>
<b>C. INCREASE IN UNFUNDED ACCRUED LIABILITY</b>			
1.	Unfunded Accrued Liability 6/30/79		26,085,342.59
2.	Unfunded Accrued Liability 6/30/80		<u>36,210,382.13</u>
3.	INCREASE IN UNFUNDED ACCRUED LIABILITY		10,125,039.54

<sup>1/</sup> Represents .18% of covered payroll.  
<sup>2/</sup> Adjusted from prior year's report to include the deficit in the MAFB Fund.

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMEN'S FUND

Determination of Accrued Liability and  
Unfunded Accrued Liability as of June 30, 1980

	<u>Present Value of Benefits</u>	<u>Present Value of Applicable Portion of Normal Cost Contribution</u>	<u>Accrued Liability Equals Reserves Required (1)-(2)</u>
<b>A. <u>DETERMINATION OF ACCRUED LIABILITY</u></b>			
1. Active Members			
a. Retirement benefits	89,883,828	27,259,912	62,623,916
b. Disability benefits	6,607,733	3,845,575	2,762,158
c. Refundments due to death or withdrawal	560,352	573,649	(13,297)
d. Survivor and childrens' benefits	2,863,862	1,912,164	951,698
e. Vested termination benefits	2,614,805	1,954,657	660,148
2. Deferred Annuitants	1,573,116	---	1,573,116
3. Former Members Without Vested Rights	2,386	---	2,386
4. Survivors - Children	151,831	---	151,831
5. Disabled Members	819,360	---	819,360
6. Participation in MPRI Fund	16,238,628	---	16,238,628
7. Balance of 1979 Two Year Increase	<u>60,450</u>	<u>---</u>	<u>60,450</u>
8. Total	121,376,351	35,545,957	85,830,394
<b>B. <u>DETERMINATION OF UNFUNDED ACCRUED LIABILITY</u></b>			
1. Accrued Liability	---	---	85,830,394
2. Valuation Assets	---	---	49,620,012
3. Unfunded Accrued Liability [ 1 - 2 ]	---	---	36,210,382

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMEN'S FUND (1)  
ACCOUNTING BALANCE SHEET  
FOR FISCAL YEARS ENDING JUNE 30, 1980 AND 1979

<u>ASSETS</u>	<u>1980</u>	<u>1979</u>
Cash	\$ 3,264.90	\$ 3,548.57
Short term Investments (2)	5,812,667.23	2,308,216.11
Accounts Receivable:		
a) Accrued Employee Contributions	39,624.44	32,035.14
b) Accrued Employer Contributions	118,873.35	96,106.15
c) Other	0.00	387.60
Accrued Interest in investments	456,801.65	319,233.45
Dividends Declared and Payable, Not yet Received	49,832.94	61,410.49
Investment in Debt Securities at Amortized Cost (2)	14,868,890.11	12,516,080.10
Investment in Government National Mortgages at (2) Amortized Cost	1,146,562.15	1,220,302.54
Investment in Equities at Cost (2)	13,156,990.31	13,001,763.30
Deferred Yield Adjustment Account	128,909.40	144,322.64
Participation in the MPRI Fund (3)	<u>16,238,628.00</u>	<u>13,288,007.00</u>
Total Assets	<u>\$52,021,044.48</u>	<u>\$42,991,413.09</u>
<u>LIABILITIES AND RESERVES</u>		
<u>Liabilities</u>		
Accounts Payable:		
a) Accrued Expenses	\$ 0.00	\$ 873.00
b) Due SER Fund	32,290.01	29,624.29
c) Due MPRI Fund (4)	2,021,874.00	339,702.00
d) Security Purchases	345,986.02	26,480.00
Suspense Item: Unredeemed 6 Year Old Warrants	<u>882.60</u>	<u>882.60</u>
Total Liabilities	<u>\$ 2,401,032.63</u>	<u>\$ 397,561.89</u>
<u>Reserves</u>		
Minnesota Post Retirement Investment Fund Reserve (3)	\$16,238,628.00	\$13,288,007.00
Disability Reserve	819,360.00	771,391.00
Survivor Benefit Reserve - Children	151,831.00	169,261.00
Employee Contribution Reserve	9,432,723.59	8,505,215.16
State Contribution Reserve	<u>22,977,469.26</u>	<u>19,859,977.04</u>
Total Reserves	<u>\$49,620,011.85</u>	<u>\$42,593,851.20</u>
Total Liabilities and Reserves	<u>\$52,021,044.48</u>	<u>\$42,991,413.09</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMEN'S FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
FOR FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>REVENUES</u>	<u>1980</u>	<u>1979</u>
<u>From Employees:</u>		
Employee contributions	\$1,163,502.20	\$1,034,896.78
Employee accrued contributions	39,624.44	32,035.14
<u>From Employers:</u>		
Employer contributions	1,994,322.42	1,754,849.67
Employer additional contributions	1,494,863.91	1,322,304.95
Employer accrued contributions	118,873.35	96,106.15
<u>From Investments:</u>		
Interest on debt securities, mortgages and short term	1,747,823.76	1,201,633.05
Dividends on corporate stock	748,597.29	661,116.85
Gain on sale of stock	592,634.29	45,326.10
Interest on back payments by employees	0.00	829.11
<u>From MPRI Fund Participation:</u>		
Participation in MPRIF income (5)	905,686.17	706,273.07
<u>Other</u>		
General Fund Appropriation (6)	117,690.00	0.00
Miscellaneous	532.94	0.00
	<u>\$8,924,150.77</u>	<u>\$6,855,370.87</u>
 <u>EXPENDITURES</u>		
<u>Benefits:</u>		
Service retirement annuities	\$1,397,074.19	\$1,326,500.77
Disability retirement benefits	62,152.98	63,564.90
Survivor benefits (children)	32,138.29	37,563.52
Lump sum annuity payments (7)	61,410.00	0.00
<u>Refunds:</u>		
Left service	54,020.17	23,299.89
Erroneous deductions	222.44	2,862.89
<u>Operating Expenses:</u>		
Administrative expenses	32,290.01	37,322.29
Interest Expense on Mortality Adjustment	16,189.63	0.00
	<u>\$1,655,497.71</u>	<u>\$1,491,114.26</u>
Excess of Revenues over Expenditures	\$7,268,653.06	\$5,364,256.61
Income Adjustment (8)	(242,492.41)	248.60
Net Distribution to Reserves	<u>\$7,026,160.65</u>	<u>\$5,364,505.21</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMEN'S FUND  
CHANGES IN RESERVE ACCOUNTS  
FISCAL YEAR ENDED JUNE 30, 1980

	<u>Total Reserves</u>	<u>Reserve for Employee Contributions</u>	<u>Reserve for Disabilities &amp; Children</u>	<u>Reserve for Participation in MPRI Fund</u>	<u>Reserve for State Contributions</u>
Balances at June 30, 1979	\$41,712,515.41	\$8,505,215.16	\$940,652.00	\$12,406,671.21	\$19,859,977.04
Prior year adjustment (9)	881,335.79			881,335.79	
Reserves increased by:					
Employee contributions	1,203,126.64	1,203,126.64			
Employer contributions	3,608,059.68				3,608,059.68
Investment income	2,496,421.05				2,496,421.05
Gain on sale of stock	592,634.29				592,634.29
Participation in MPRI inc.	905,686.17			905,686.17	
General Fund Appropriations	117,690.00				117,690.00
Miscellaneous	532.94				532.94
	<u>\$51,518,001.97</u>	<u>\$9,708,341.80</u>	<u>\$940,652.00</u>	<u>\$14,193,693.17</u>	<u>\$26,675,315.00</u>
Reserves decreased by:					
Benefits paid	(1,552,775.46)		(94,291.27)	(1,397,074.19)	(61,410.00)
Refunds paid	(54,242.61)	(54,242.61)			
MPRI income applied to deficiency	(242,492.41)			(242,492.41)	
Administrative expense	(48,479.64)				(48,479.64)
	<u>\$49,620,011.85</u>	<u>\$9,654,099.19</u>	<u>\$846,360.73</u>	<u>\$12,554,126.57</u>	<u>\$26,565,425.36</u>
Transfers between reserves:					
Actuarial value of benefits authorized in fiscal 1980	0.00	(221,375.60)	58,328.93	1,662,802.41	(1,499,755.74)
Adjust disability and children reserves to requirements @ 6/30/80	0.00		66,501.34		(66,501.34)
Change in Mortality Tables				2,102,649.02	(2,102,649.02)
Adjust for FY 1980 mortality gain	0.00			(80,950.00)	80,950.00
Balances at June 30, 1980	<u>\$49,620,011.85</u>	<u>\$9,432,723.59</u>	<u>\$971,191.00</u>	<u>\$16,238,628.00</u>	<u>\$22,977,469.26</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMEN'S FUND  
CHANGES IN INVESTMENTS  
FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>CORPORATE STOCK (At Original Cost)</u>		
Balances as of June 30, P.Y.	1980	1979
Add: Purchases	\$13,001,763.30	\$ 11,859,253.92
	3,107,217.97	1,536,582.91
	<u>\$16,108,981.27</u>	<u>\$ 13,395,836.83</u>
Deduct: Frac. stock dividends sold	38.00	4,826.66
Stock sold	2,951,952.96	389,246.87
Balances as of June 30, C.Y.	<u>\$13,156,990.31</u>	<u>\$ 13,001,763.30</u>
Current Yield	5.2%	5.2%
Market Value, June 30, C.Y.	\$14,231,541.63	\$ 13,527,608.89
<u>DEBT SECURITIES (Par Value)</u>		
Balances as of June 30, P.Y.	\$13,823,334.86	\$11,988,585.33
Add: Purchases	3,000,000.00	2,152,225.83
	<u>\$16,823,334.86</u>	<u>\$14,140,811.16</u>
Deduct: Maturities and calls	324,682.71	267,476.30
Debt securities sold	400,000.00	50,000.00
Balances as of June 30, C.Y. *	<u>\$16,098,652.15</u>	<u>\$13,823,334.86</u>
Avg. Yield to Maturity	9.26%	8.62%
Book value of debt securities	\$16,015,452.26	\$13,736,382.64
Estimated Current Value	\$13,945,448.39	12,863,581.73
<u>SHORT TERM INVESTMENTS (At Cost)</u>		
Balances as of June 30, P.Y.	\$ 2,308,216.11	\$ 1,237,070.21
Add: Purchases	62,098,496.56	32,415,907.52
	<u>\$64,406,712.67</u>	<u>\$33,652,977.73</u>
Deduct: Redemptions	58,594,045.44	31,344,761.62
Balances as of June 30, C.Y.	<u>\$ 5,812,667.23</u>	<u>\$ 2,308,216.11</u>
*Distribution of debt securities:		
Municipals	\$ 54,000.00	\$ 92,000.00
U.S. Government Agency and Government		
Guaranteed (GNMA & Merchant Marine)	1,748,909.37	1,336,137.30
Canadian Govt. & Govt. Guaranteed	1,928,000.00	1,939,000.00
Corporate obligations	12,367,742.78	10,456,197.56
	<u>\$16,098,652.15</u>	<u>\$13,823,334.86</u>

MINNESOTA STATE RETIREMENT SYSTEM  
HIGHWAY PATROLMENS RETIREMENT FUND  
Notes to Financial Statements

1. Highway Patrolmen's Retirement Fund (HPRF) - HPRF is a defined benefit, contributory retirement plan covering Minnesota state troopers, conservation officers and crime bureau personnel. Benefits are determined by a formula using the high-five average monthly salary and years of service of each employee. Contributions to HPRF are set in statute and are based on yearly actuarial valuations and actuarial experience studies done every four years. The contributions provide funding for both normal and supplementary liability costs. The entry age normal cost method is used to value the plan with contributions being made as a level percentage of covered employee salaries.

For the year ended June 30, 1980, the state contributed \$3.6 million to the plan and employees contributed \$1.2 million.

2. Market Value	<u>June 30, 1980</u>	<u>June 30, 1979</u>
Equities	\$ 14,231,542	\$ 13,527,609
Debt Securities (including G.N.M.A.)	13,945,448	12,863,582
Short Term Investments	5,917,497	2,321,442
Total	<u>\$ 34,094,487</u>	<u>\$ 28,712,633</u>

3. Participation in the Minnesota Post Retirement Investment Fund (MPRIF) and the Minnesota Post Retirement Investment Fund Reserve are equal to the greater of the retirement funds actual participation in the net assets of the MPRIF or the required reserves for retired lives. The retirement funds actual participation in the net assets of the MPRIF at June 30, 1980 is \$15,599,785 or \$638,843 less than the required reserves. The deficiency is part of the MPRIF and is to be funded by earnings in excess of the 5% required. At June 30, 1979, the participation was \$12,406,671 or \$881,336 less than the required reserves.
4. Represents amount due MPRIF to fund the change from the 1959-61 United States Life Tables to the 1971 group mortality tables as recommended by the actuary and approved by the Board of Directors, net of the F.Y. 80 mortality gain of \$80,950.
5. The total participation in the MPRIF income was \$1,361,705 for F.Y. 80. However, \$456,019 of it is deferred until January 1, 1981 and is to be used to fund a benefit increase of 3.209%. Of the remaining \$905,686, \$663,194 is the 5% earnings on required reserves and the balance of \$242,492 was used to reduce the deficiency of the MPRIF. The deferred portion of the income will be included with the F.Y. 81 income.
6. The general fund appropriation was for two lump sum annuity payments, one disbursed in FY 1980 and the other to be disbursed in FY 1981. Any appropriation balance after disbursement plus interest earned by the retirement fund cancels to the state general fund.
7. Lump sum bonus payment of \$61,410 funded by the general fund appropriation (See note 6).
8. This adjustment represents that portion of the recognized MPRIF income applied to the deficiency in the MPRIF.
9. The Legislative Auditor has determined that the retirement funds participation in the MPRIF is the greater of its participation in the net assets of the MPRIF or its required reserves for retired lives. This adjustment represents the deficiency that existed at July 1, 1979 and provides continuity from F.Y. 79 to F.Y. 80 in accounting for the changes to the reserve account. (See also note 3, 5, and 8)

MINNESOTA STATE RETIREMENT SYSTEM

HIGHWAY PATROLMEN'S RETIREMENT FUND

ACTIVE EMPLOYEES	<u>6/30/80</u>	<u>6/30/79</u>	<u>6/30/78</u>
Active employees at year end	782	770	751
New during the year	41	39	32
Refundments	9	6	6
Deaths	1	0	2
Average entry age of all current members	26.4 yrs.	26.6 yrs.	27.9 yrs.
Average service credit of all current members	13.5 yrs.	13.4 yrs.	13.3 yrs.
Average accumulated contributions	\$11,693	\$10,844	\$10,067

INACTIVE EMPLOYEES

As of June 30, 1980, there were 35 former employees who had left their contributions in the fund. Twenty-three of them had sufficient service credit (at least 10 years) to be entitled to a deferred annuity. At June 30, 1979 there were 29 inactives and 17 of them were entitled to a deferred annuity.

For those entitled to a deferred annuity, the average monthly amount was \$608.59 at June 30, 1980 compared to \$506.34 at June 30, 1979. The average attained age was 49.3 years at June 30, 1980 and 48.5 years at June 30, 1979.

RETIREMENT BENEFITS	<u>June 30, 1980</u>		<u>June 30, 1979</u>	
	<u>Number Receiving</u>	<u>Average Monthly Amount</u>	<u>Number Receiving</u>	<u>Average Monthly Amount</u>
Straight Life Annuities	59	\$644.66	63	\$624.02
Optional Annuities:				
Member	118	511.85	114	477.50
Beneficiary	55	217.48	53	210.13
Disability Benefits	9	545.53	9	580.57
DEATH BENEFITS				
Spouses of deceased members & Disabilitants	21	295.34	20	258.57
Spouses of deceased annuitants (Old Law)	7	240.65	8	232.24
Children of deceased members & Disabilitants	27	94.52	32	95.35

The average age at retirement for all service annuitants was 58.7 years at June 30, 1980 and 59.1 years at June 30, 1979.

In 1980 benefit payments were stopped for 18 individuals due to death, age, remarriage or termination of education, compared to 12 for 1979.

None of the 11 new service annuitants in 1980, selected straight life benefits, all eleven selected options. Six selected straight life benefits and 10 selected options in 1979.

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MEMPHIS  
MIAMI  
MINNEAPOLIS-  
ST. PAUL  
NEW YORK

THE *Wyatt* COMPANY

ORLANDO  
PHILADELPHIA  
PHOENIX  
PORTLAND  
SAN DIEGO  
SAN FRANCISCO  
STAMFORD  
WASHINGTON

ACTUARIES AND CONSULTANTS

PENSION      EMPLOYEE      COMPENSATION      INTERNATIONAL      EMPLOYEE      RISK  
PLANS      BENEFITS      PROGRAMS      BENEFITS      COMMUNICATIONS      MANAGEMENT

NORTHWESTERN FINANCIAL CENTER  
7900 XERXES AVENUE SOUTH, SUITE 1240  
MINNEAPOLIS, MINNESOTA 55431

(612) 835-1500

CALGARY  
HALIFAX  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

January 16, 1981

Board of Directors  
Minnesota State Retirement System  
529 Jackson at 10th Street  
St. Paul, Minnesota 55101

Gentlemen:

We have performed an actuarial valuation of the Minnesota State Retirement System, Judges Retirement Fund as of June 30, 1980.

The valuation was performed on the basis of accepted actuarial methods and procedures, in accordance with the applicable provisions set forth in Minnesota Statutes (Chapter 356) and stipulated in the Contract between the State of Minnesota and The Wyatt Company.

We hereby certify that the entry age normal cost method was utilized in determining the accrued liability for all benefits payable under the Fund.

Respectfully submitted,

THE WYATT COMPANY

  
Allan J. Grosh  
Fellow, Society of Actuaries

  
Alan J. Schutz  
Associate, Society of Actuaries

MINNESOTA STATE RETIREMENT SYSTEM  
JUDGES RETIREMENT FUND

Chapter 356 Balance Sheet as of June 30, 1980

ASSETS AND UNFUNDED ACCRUED LIABILITY

A. ASSETS <sup>1/</sup>

1. Cash	5,567.54
2. Short Term Investments (at Cost)	554,000.00
3. Accounts Receivable:	
a. Accrued Judges Contributions	1,392.82
4. Accrued Interest on Investments	59,524.58
5. Dividends Declared and Payable, but Not Yet Received	4,187.25
6. Investment in Debt Securities at Amortized Cost	2,189,579.54
7. Investment in G.N.M.A.'s at Amortized Cost	256,537.33
8. Investment in Equities at Cost	1,083,743.17
9. Deferred Yield Adjustment Account	(4,500.00)
10. Participation in the MPRI Fund <sup>2/</sup>	3,760,185.00
11. Total Assets	<u>7,910,217.23</u>

B. UNFUNDED ACCRUED LIABILITY

1. Total Unfunded Accrued Liability	<u>23,725,979.33</u>
2. TOTAL ASSETS AND UNFUNDED LIABILITY	<u><u>31,636,196.56</u></u>

CURRENT LIABILITIES AND RESERVES REQUIRED

C. LIABILITIES

1. Accounts Payable:		
a. Due SER Fund	11,386.58	
b. Due MPRI Fund	135,839.62	
c. Security Purchases	28,723.82	
d. Due General Fund	<u>1,386.66</u>	177,336.68
2. Deferred Credits and County Reimbursement		<u>91,818.88</u>
3. Total Liabilities		<u><u>269,155.56</u></u>

D. RESERVES REQUIRED

1. Total Reserves Required per Attached Table 3(b)	<u>31,367,041.00</u>
2. TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED	<u><u>31,636,196.56</u></u>

<sup>1/</sup> Accumulated contributions, without interest, of members not yet retired amounted to \$1,867,726.05 as of June 30, 1980 (includes accrued but unpaid contributions).

<sup>2/</sup> Equal to greater of Net Assets (\$15,599,784) or Required Reserves (\$16,238,625) as of June 30, 1980, excluding the January 1, 1981 benefit increase.

MINNESOTA STATE RETIREMENT SYSTEM  
JUDGES RETIREMENT FUND

Analysis of Income and Deductions From Income  
and Effect on the Unfunded Accrued Liability

<b>A. <u>INCOME</u></b>		
1.	From Judges Contributions	415,914.08
2.	From the State	
	a. Transfers from the State General Fund	1,082,907.93
3.	From Investments	
	a. Interest on securities	271,724.99
	b. Dividends on corporate stock	53,393.38
	c. Gain on sale of stock	7,831.00
	d. Loss on sale of short term securities	(10,618.75)
	e. Interest earned on monthly adjustment	<u>2,184.09</u>
4.	Participation in MPRI Fund Income	185,958.26
5.	Other Revenues	
	a. County reimbursements	98,243.88
	b. Interest on back payments	204.56
	c. Prior year cancelled annuity warrants	<u>7,143.30</u>
6.	TOTAL INCOME	<u>2,114,886.72</u>
<b>B. <u>DEDUCTIONS FROM INCOME</u></b>		
1.	Benefits	
	a. Judges Plan service retirement annuities	545,987.41
	b. Judges Plan disability retirement benefits	16,559.52
	c. Judges Plan survivor benefits (spouses)	49,596.84
	d. Supreme and District Court Judges Plan retirement annuities	406,990.86
	e. Supreme and District Court Judges Plan survivor benefits	188,301.42
	f. County Paid Judges Plan retirement annuities	106,725.24
	g. County Paid Judges Plan survivor benefits	<u>24,471.33</u>
		1,338,632.62
2.	Refunds Paid	
	a. Left service	4,019.31
	b. Erroneous contributions	2,918.49
	c. Interest paid	<u>198.34</u>
		7,136.14
3.	Administrative Expenses <sup>1/</sup>	11,036.58
4.	Increase in Total Reserves Required	
	a. Reserves required 6/30/79	29,231,190.00
	b. Reserves required 6/30/80	<u>31,567,041.00</u> <sup>2/</sup>
		2,135,851.00
5.	Decrease in MPRI Fund Deficit	<u>14,344.94</u>
6.	TOTAL DEDUCTIONS FROM INCOME	<u>3,507,001.28</u>
7.	EXCESS OF DEDUCTIONS FROM INCOME OVER INCOME	<u>1,392,114.56</u>
<b>C. <u>INCREASE IN UNFUNDED ACCRUED LIABILITY</u></b>		
1.	Unfunded Accrued Liability 6/30/79	22,333,864.77
2.	Unfunded Accrued Liability 6/30/80	<u>23,725,979.33</u>
3.	INCREASE IN UNFUNDED ACCRUED LIABILITY	<u>1,392,114.56</u>

<sup>1/</sup> Represents 0.10% of covered payroll.

<sup>2/</sup> Adjusted from last year's report to include the deficit in the MAFB Fund.

MINNESOTA STATE RETIREMENT SYSTEM  
JUDGES RETIREMENT FUND

Determination of Accrued Liability and  
Unfunded Accrued Liability as of June 30, 1980

	(1)	(2)	(3)
	<u>Present Value of Benefits</u>	<u>Present Value of Applicable Portion of Normal Cost Contribution</u>	<u>Accrued Liability Equals Reserves Required (1)-(2)</u>
<b>A. <u>DETERMINATION OF ACCRUED LIABILITY</u></b>			
1. Active Members			
a. Retirement benefits	31,000,446	13,775,997	17,224,449
b. Disability benefits	2,181,068	1,570,492	610,576
c. Refundments due to death or withdrawal	---	---	---
d. Surviving spouse benefits	4,525,516	3,093,030	1,432,486
2. Deferred Annuitants	150,554	---	150,554
3. Former Members Without Vested Rights	24,073	---	24,073
4. Retirement and Survivors Benefits from Judges Fund	8,164,718	---	8,164,718
5. Participation in MPRI Fund	<u>3,760,185</u>	<u>---</u>	<u>3,760,185</u>
6. Total	49,806,560	18,439,519	31,367,041
<b>B. <u>DETERMINATION OF UNFUNDED ACCRUED LIABILITY</u></b>			
1. Accrued Liability	---	---	31,367,041
2. Valuation Assets	---	---	7,641,062
3. Unfunded Accrued Liability [ 1 - 2 ]	---	---	23,725,979

MINNESOTA STATE RETIREMENT SYSTEM  
 JUDGES RETIREMENT FUND (1)  
 ACCOUNTING BALANCE SHEET  
 FOR FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>ASSETS</u>	<u>1980</u>	<u>1979</u>
Cash	\$ 5,567.54	\$ 5,366.15
Accounts Receivable - Due from MPRI Fund	0.00	45,828.00
- Accrued Judges Contributions	1,392.82	0.00
Short term investments (2)	554,000.00	613,480.00
Accrued interest in investments	59,524.58	69,247.86
Investments in debt securities at amortized cost (2)	2,189,579.54	1,977,132.36
Investments in Government National Mortgages at amortized cost (2)	256,537.33	280,636.38
Investments in equities at cost (2)	1,083,743.17	754,206.56
Dividends declared and payable but not yet received	4,187.25	4,411.75
Deferred Yield Adjustment account	(4,500.00)	(5,357.00)
Participation in the MPRI Fund (3)	<u>3,760,185.00</u>	<u>3,232,950.00</u>
Total Assets	<u>\$7,910,217.23</u>	<u>\$6,977,902.06</u>

LIABILITIES AND RESERVES

<u>Liabilities</u>		
Deferred credits and county reimbursement	\$ 91,818.88	\$ 60,610.99
Accounts Payable:		
a) Due SER Fund	11,386.58	15,437.06
b) Due MPRI Fund (4)	135,840.00	0.00
c) Security purchases	28,723.82	0.00
d) Due General Fund	1,386.66	4,528.78
Total Liabilities	<u>\$ 269,155.94</u>	<u>\$ 80,576.83</u>
<u>Reserves</u>		
Minnesota Post Retirement Investment Fund Reserve (3)	\$3,760,185.00	\$3,232,950.00
Retirement reserve "old law" judges	873,720.00	844,010.00
Retirement reserve - Add'l Judges & Survivor	7,290,998.00	6,623,922.00
Judges contribution reserve	1,867,726.05	1,553,849.61
State contribution reserve (5)	(6,151,567.76)	(5,357,406.38)
Total Reserves	<u>\$7,641,061.29</u>	<u>\$6,897,325.23</u>
Total Liabilities and Reserves	<u>\$7,910,217.23</u>	<u>\$6,977,902.06</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
 JUDGES RETIREMENT FUND  
 STATEMENT OF REVENUES AND EXPENDITURES  
 FOR FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>REVENUES</u>	<u>1980</u>	<u>1979</u>
<u>From Judges:</u>		
Judges contributions	\$ 415,914.08	\$ 393,224.16
<u>From the State:</u>		
General Fund Appropriations	0.00	628,162.55
Transfers from the State General Fund	1,082,907.93	1,310,737.88
<u>From Investments:</u>		
Interest on short term investments	64,099.72	39,823.92
Interest from debt securities	186,042.65	174,411.73
Interest from Government National Mortgages	21,582.62	24,164.85
Dividends on corporate stock	53,393.38	36,413.37
Gain on sale of stock	7,831.00	4,972.06
Loss on sale of short term securities	(10,618.75)	0.00
Interest earned on Mortality adjustment	2,184.09	0.00
<u>From MPRI Fund Participation:</u>		
Participation in MPRI Fund income (6)	185,958.26	153,356.34
<u>Other</u>		
Transfer from Surv. of Cty. & Prob. Judges (7)	0.00	398,572.23
County re-imbursments	98,243.88	101,817.07
Interest on Back Payments	204.56	0.00
Prior Year Cancelled Annuity Warrants	7,143.30	0.00
	<u>\$2,114,886.72</u>	<u>\$3,265,656.16</u>

<u>EXPENDITURES</u>		
<u>Benefits Paid:</u>		
<u>Judges Plan:</u>		
Retirement annuities	\$ 545,987.41	\$ 456,600.54
Survivors benefits	49,596.84	49,596.84
Disabilities	16,559.52	25,761.08
Supreme and District Court Judges Plan	406,990.86	445,383.52
Survivors of Supr. and Dist. Court Judges Plan	188,301.42	170,734.65
Survivors of County Court Judges Plan	24,471.33	0.00
County Paid Judges Plan	106,725.24	106,691.70
<u>Refunds Paid:</u>		
Left service	4,019.31	0.00
Erroneous contributions	2,918.49	1,113.68
To counties	0.00	3,257.32
Interest Paid	198.34	0.00
<u>Other Expenses:</u>		
Administrative expenses	11,036.58	15,437.06
Total Expenditures	<u>\$1,356,805.34</u>	<u>\$1,274,576.39</u>
Excess of Revenue over Expenditures	\$ 758,081.38	\$1,991,079.77
Income Adjustment (8)	(14,345.32)	50.10
Net Distribution to Reserves	<u>\$ 743,736.06</u>	<u>\$1,991,129.87</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
 JUDGES RETIREMENT FUND  
 CHANGES IN RESERVE ACCOUNTS  
 FISCAL YEAR ENDED JUNE 30, 1980

55

	<u>Total Reserves</u>	<u>Reserve for Judges Contributions</u>	<u>Reserve for Add'l Judges and Surv.</u>	<u>Reserve for "Old Law" Judges</u>	<u>Reserve for Participation in the MPRIF</u>	<u>Reserve for State Contributions</u>
Balances at June 30, 1979	\$6,845,192.23	\$1,553,849.61	\$6,623,922.00	\$844,010.00	\$3,180,817.00	\$(5,357,406.38)
Prior year adjustment (9)	52,133.00				52,133.00	
Reserves increased by:						
Judges contributions	415,914.08	388,116.09	27,797.99			
General fund transfers	1,082,907.93					1,082,907.93
Investment income	316,683.71					316,683.71
Gain on sale of stock	7,831.00					7,831.00
Participation in MPRIF income	185,958.26				185,958.26	
County re-imburements	98,243.88		98,243.88			
Prior Year Cancelled Warrants	7,143.30				7,143.30	
Miscellaneous	204.56					204.56
	<u>\$9,012,211.95</u>	<u>\$1,941,965.70</u>	<u>\$6,749,963.87</u>	<u>\$844,010.00</u>	<u>\$3,426,051.56</u>	<u>\$(3,949,779.18)</u>
Reserves decreased by:						
Benefits paid	(1,338,632.62)		(776,085.69)	(137,778.32)	(424,768.61)	
Refunds paid	(7,136.14)	(6,937.80)				(198.34)
MPRIF income applied to deficiency	(14,345.32)				(14,345.32)	
Administrative expenses	(11,036.58)					(11,036.58)
	<u>\$7,641,061.29</u>	<u>\$1,935,027.90</u>	<u>\$5,973,878.18</u>	<u>\$706,231.68</u>	<u>\$2,986,937.63</u>	<u>\$(3,961,014.10)</u>
Transfers between reserves:						
Adjust Add'l Judges and Surv. Reserve			1,317,119.82			(1,317,119.82)
Adjust "Old Law" reserve	0.00			(10,958.40)		10,958.40
Reserve requirement for FY 1980 retirees	0.00	(67,301.85)		178,446.72	644,095.99	(755,240.86)
Change in Mortality Tables	0.00				98,341.38	(98,341.38)
Adjust for Fiscal 1980 mortality loss	0.00				30,810.00	(30,810.00)
Balances at June 30, 1980	<u>\$7,641,061.29</u>	<u>\$1,867,726.05</u>	<u>\$7,290,998.00</u>	<u>\$873,720.00</u>	<u>\$3,760,185.00</u>	<u>\$(6,151,567.76)</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
 JUDGES RETIREMENT FUND  
 CHANGES IN INVESTMENTS  
 FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>CORPORATE STOCK (At Original Cost)</u>		
Balances as of June 30 P.Y.	1980	1979
Add: Purchases	\$ 754,206.56	\$ 517,827.60
	423,349.90	241,021.48
	<u>\$1,177,556.46</u>	<u>\$ 758,849.08</u>
Deduct: Frac. stock dividends sold	38.89	22.13
Stock sold	93,774.40	4,620.39
Balances as of June 30 C.Y.	<u>\$1,083,743.17</u>	<u>\$ 754,206.56</u>
Current Yield	5.2%	5.2%
Market Value, June 30 C.Y.	\$1,172,597.25	\$ 783,562.75
<u>DEBT SECURITIES (Par Value)</u>		
Balances as of June 30 P.Y.	\$2,290,113.71	\$2,035,058.28
Add: Purchases	300,000.00	400,445.16
	<u>\$2,590,113.71</u>	<u>\$2,435,503.44</u>
Deduct: Maturities and calls	112,877.77	145,389.73
Debt securities sold	0.00	0.00
Balances as of June 30 C.Y. *	<u>\$2,477,235.94</u>	<u>\$2,290,113.71</u>
Avg. Yield to Maturity	9.36%	8.95%
Book value of debt securities	\$2,446,116.87	\$2,257,768.74
Estimated Current Value	\$2,149,063.16	2,180,195.15
<u>SHORT TERM INVESTMENTS (At Cost)</u>		
Balances as of June 30 P.Y.	\$ 613,480.00	\$ 179,000.00
Add: Purchases	8,023,000.00	7,846,480.00
	<u>\$8,636,480.00</u>	<u>\$8,025,480.00</u>
Deduct: Redemptions	8,082,480.00	7,412,000.00
Balances as of June 30 C.Y.	<u>\$ 554,000.00</u>	<u>\$ 613,480.00</u>
*Districution of debt securities:		
Municipals	\$ 0.00	\$ 0.00
U.S. Government Agency and Government Guaranteed (GNMA & Merchant Marine)	362,879.18	468,113.57
Canadian Govt. & Govt. Guaranteed	300,000.00	300,000.00
Corporate obligations	1,814,356.76	1,522,000.14
	<u>\$2,477,235.94</u>	<u>\$2,290,113.71</u>

MINNESOTA STATE RETIREMENT SYSTEM  
 JUDGES RETIREMENT FUND  
 Notes to Financial Statements

1. Judges Retirement Fund (JRF) - JRF is a defined benefit retirement plan covering the judges in the State of Minnesota. Benefits are determined by a formula using the high-five year average salary and years of service of each judge. Contributions made to the fund by the judges are set in statute. State employer contributions to the fund are made on a "terminal funding basis.

For the year ended June 30, 1980, the state contributed \$1.1 million to the plan and the judges contributed \$415 thousand.

2. Market Value	<u>June 30, 1980</u>	<u>June 30, 1979</u>
Equities	\$ 1,172,597	\$ 783,563
Debt Securities (including G.N.M.A.)	2,149,063	2,180,195
Short Term Investments	561,694	635,361
Total	<u>\$ 3,883,354</u>	<u>\$ 3,599,119</u>

3. Participation in the Minnesota Post Retirement Investment Fund (MPRIF) and the Minnesota Post Retirement Investment Fund Reserve are equal to the greater of the retirement funds actual participation in the net assets of the MPRIF or the required reserves for retired lives. The retirement funds actual participation in the net assets of the MPRIF at June 30, 1980 is \$3,722,397 or \$37,788 less than the required reserves. The deficiency is part of the MPRIF and is to be funded by earnings in excess of the 5% required. The participation at June 30, 1979 was \$3,180,817 or \$52,133 less than the required reserves.
4. Represents amount due MPRIF to fund the change from the 1951 group mortality tables to the 1971 group mortality tables as recommended by the actuary and approved by the Board of Directors, net of the F.Y. 80 mortality loss of \$30,810.
5. The "State Contribution Reserve" is a balancing item which reflects the assets available for future retirees or the deficit created due to the lack of assets needed to place the currently retired judges and survivors on a funded basis.
6. The total participation in the MPRIF income was \$281,415 for F.Y. 80. However, \$95,457 of it is deferred until January 1, 1981 and is to be used to fund a benefit increase of 3.209%. Of the remaining \$185,958, \$171,613 is the 5% earnings on required reserves and the balance of \$14,345 was used to reduce the deficiency of the MPRIF. The deferred portion of the income will be included with the F.Y. 81 income.
7. Laws 1979, chapter 196 transferred the assets and obligations of the Survivors of County and Probate Court Judges Plan to the Judges Retirement Fund.
8. This adjustment represents that portion of the recognized MPRIF income applied to the deficiency in the MPRIF.
9. The Legislative Auditor has determined that the retirement funds participation in the MPRIF is the greater of its participation in the net assets of the MPRIF or its required reserves for retired lives. This adjustment represents the deficiency that existed at July 1, 1979 and provides continuity from F.Y. 79 to F.Y. 80 in accounting for the changes to the reserve account. (See also note 3, 6, and 8)

MINNESOTA STATE RETIREMENT SYSTEM

JUDGES RETIREMENT FUND - 6/30/80

<u>ACTIVE JUDGES</u>	<u>MALE</u>	<u>FEMALE</u>
Number at year end	207	8
New	8	1
Refunded	1	0
Inactive Vested	4	0
Inactive non-vested	2	1
Retired during year	5	0
Disabled during year	0	0
Average accumulated contribution	\$8,670.45	\$4,739.60
Average service credit	11.7 years	4.0 years
Median service credit	10 years	2 years
Average age	53.8 years	47.5 years
Average entry age	41.3 years	42.5 years

At 6/30/80, 109 judges had credit for ten or more years of service. Sixteen, or 7.0% of the active judges, are at least 65 years of age. Twelve, or 5.6% of the active judges, have ten or more years of service, are at least age 65, and are eligible to retire with a full, normal annuity.

Reduced benefits are available for early retirement to judges between the ages of 62 and 65 having at least ten years service. Twenty-two judges are eligible for such a benefit.

Judges who were in office on December 31, 1973 could elect to be covered by Social Security. 81 of the currently active judges did not elect such coverage. All judges taking office after December 31, 1973 are covered by Social Security.

RETIRED

During fiscal year 80, five judges began receiving retirement benefits. Three elected to receive straight life annuities with their spouses being covered by the survivors fund. One elected the 100% joint and last survivor optional annuity and one elected to receive benefits under the old law. His spouse is also covered by the survivors fund.

The average age at retirement of the 40 judges receiving service annuities having retired since January 1, 1974, was 71.4 years and average service at retirement was 21.2 years. Seven of the judges retired after January 1, 1974 and still receiving, elected to have their benefits computed under the "old law" provisions.

Listed below are the counts and average monthly benefits for all judges and survivors receiving benefits from the Judges plans as of June 30, 1980:

	<u>Service Annuity</u>		<u>Disabilities</u>		<u>Survivors</u>		<u>Totals</u>	
	<u>Count</u>	<u>Benefit</u>	<u>Count</u>	<u>Benefit</u>	<u>Count</u>	<u>Benefit</u>	<u>Count</u>	<u>Benefit</u>
New Law(after 12/31/73)	33	\$1,026.21	2	\$ 689.98	9	\$ 459.23	44	\$ 894.95
Old Law(before 1/1/74)								
County	14	635.27			7	271.45	21	514.00
Dist. & Supr. Court	28	1,489.73	1	1,016.89	27	621.26	56	1,062.56
	75	\$1,126.28	3	\$ 798.95	43	\$ 530.40	121	\$ 906.41

BOSTON  
CHICAGO  
CLEVELAND  
DALLAS  
DETROIT  
FORT WORTH  
HONOLULU  
HOUSTON  
LOS ANGELES  
MEMPHIS  
MIAMI  
MINNEAPOLIS -  
ST. PAUL  
NEW YORK

THE *Wyatt* COMPANY

ORLANDO  
PHILADELPHIA  
PHOENIX  
PORTLAND  
SAN DIEGO  
SAN FRANCISCO  
STAMFORD  
WASHINGTON

ACTUARIES AND CONSULTANTS

PENSION PLANS    EMPLOYEE BENEFITS    COMPENSATION PROGRAMS    INTERNATIONAL BENEFITS    EMPLOYEE COMMUNICATIONS    RISK MANAGEMENT

NORTHWESTERN FINANCIAL CENTER  
7900 XERXES AVENUE SOUTH, SUITE 1240  
MINNEAPOLIS, MINNESOTA 55431

(612) 835-1500

CALGARY  
HALIFAX  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

January 16, 1981

Board of Directors  
Minnesota State Retirement System  
529 Jackson at 10th Street  
Saint Paul, Minnesota 55101

RE: Legislative Members and Survivors Fund

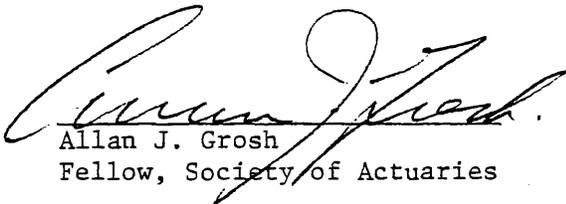
Gentlemen:

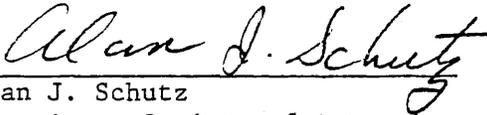
We have performed an actuarial valuation of the Minnesota State Retirement System, Legislative Members and Survivors Fund as of June 30, 1980.

We certify that the valuation was based on the 5% interest assumption mandated by Chapter 356 of the Minnesota Statutes, as well as the 1971 Group Annuity Mortality Table with ages set back eight years for females.

Respectfully submitted,

THE WYATT COMPANY

  
Allan J. Grosh  
Fellow, Society of Actuaries

  
Alan J. Schutz  
Associate, Society of Actuaries

AJG:AJS:kl  
encl.

MINNESOTA STATE RETIREMENT SYSTEM  
LEGISLATIVE MEMBERS AND SURVIVORS FUND

Determination of MPRI Fund Participation and Reserves  
as of June 30, 1980

---

1. Unadjusted MPRI Fund Participation as of June 30, 1980	2,075,460
2. Transfer to MPRI Fund for Mortality Loss	50,245
3. Transfer Due to Revision of Actuarial Assumptions	34,171 <u>1/</u>
4. Total Amount Transferable [ 2 + 3 ]	84,416
5. Participation as of June 30, 1980 [ 1 + 4 ]	2,159,876 <u>2/</u>
6. Required Reserves as of June 30, 1980	2,239,166 <u>2/</u>
7. Required Reserves as of January 1, 1981	2,199,375 <u>2/</u>

1/ \$32,291 as of June 30, 1979; \$34,171 as of June 30, 1980  
(including adjustment for those retiring in year ending  
June 30, 1980).

2/ Does not reflect impact of benefit increases to be effective  
January 1, 1981.

MINNESOTA STATE RETIREMENT SYSTEM  
 LEGISLATOR'S RETIREMENT PLAN (1)  
 ACCOUNTING BALANCE SHEET  
 FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>ASSETS</u>	1980	1979
Cash	\$ 193,935.95	\$ 95,515.70
Accounts Receivable:		
a) Due from MPRI Fund	0.00	725.00
b) Due from General Fund	88,224.55	0.00
c) Due from other plans	1,223.42	0.00
Legislators accumulated contributions(1)	1,385,638.52	1,113,006.87
Accumulated contributions credited to General Fund (1)	(1,385,638.52)	(1,113,006.87)
Participation in the MPRI Fund (2)	2,239,166.00	2,074,851.00
Total Assets	<u>\$2,522,549.92</u>	<u>\$2,171,091.70</u>

LIABILITIES AND RESERVES

<u>Liabilities</u>		
Accounts Payable:		
a) Due SER Fund	\$ 12,808.55	\$ 10,000.00
b) Due General Fund	186,159.37	86,240.70
c) Due MPRI Fund (3)	84,416.00	0.00
Total Liabilities	<u>\$ 283,383.92</u>	<u>\$ 96,240.70</u>
 <u>Reserves</u>		
Minnesota Post Retirement Investment Fund (2)	\$2,239,166.00	\$2,074,851.00
Total Liabilities and Reserves	<u>\$2,522,549.92</u>	<u>\$2,171,091.70</u>

The footnotes are an integral part of the financial statements.

STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FISCAL YEARS ENDED JUNE 30, 1980 AND 1979

<u>RECEIPTS</u>	1980	1979
Legislators contributions (1)	\$ 315,488.72	\$ 219,911.50
Less: Contributions to General Fund (1)	(315,488.72)	(219,911.50)
General Fund appropriations	258,086.55	143,000.00
General Fund transfers	259,251.83	118,230.51
Participation in MPRI Fund income (4)	135,095.23	115,891.52
Total Receipts	<u>\$ 652,433.61</u>	<u>\$ 377,122.03</u>
 <u>DISBURSEMENTS</u>		
Service retirement annuities	\$ 283,854.11	\$ 264,911.65
Survivors benefits: Spouses	40,425.61	34,923.14
Children	7,261.44	2,930.16
Contribution refunds	16,411.25	24,766.00
Administrative expenses	9,052.30	10,000.00
Total Disbursements	<u>\$ 357,004.71</u>	<u>\$ 337,530.95</u>
Receipts in excess of disbursements	\$ 295,428.90	\$ 39,591.08
Income Adjustment (5)	(30,095.53)	49.32
Net Distribution from (to) MPRI Fund	(79,174.00)	45,875.30
Excess General Fund Appropriations	<u>\$ 186,159.37</u>	<u>\$ 85,515.70</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
 LEGISLATORS RETIREMENT PLAN  
 CHANGES IN RESERVE AND IN EMPLOYEE ACCUMULATED CONTRIBUTIONS  
 FISCAL YEAR ENDED JUNE 30, 1980

	<u>RESERVE FOR PARTICIPATION IN MPRI FUND</u>	<u>(1) ACCUMULATED CONTRIBUTIONS</u>	<u>STATE GENERAL FUND</u>
Balance at June 30, 1979	\$1,966,189.56	\$1,113,006.87	\$ 0.00
Prior Year Adjustment (6)	109,386.44		
<u>GENERAL FUND APPROPRIATIONS/TRANSFERS</u>			
General Fund appropriation for survivor benefits, contribution refunds and administrative expenses	0.00	0.00	258,086.55
General Fund transfers covering reserve requirements of new retirees	0.00	0.00	259,251.83
	<u>\$2,075,576.00</u>	<u>\$1,113,006.87</u>	<u>\$ 517,338.38</u>
<u>RECEIPTS</u>			
Legislators contributions	0.00	315,488.72	0.00
MPRI Fund income	135,095.23	0.00	0.00
<u>DISBURSEMENTS</u>			
MPRI Fund Annuities	(283,854.11)	0.00	0.00
Survivor benefits	0.00	0.00	(47,687.05)
Contributions refunds	0.00	(16,411.25)	(16,411.25)
Administrative expenses	0.00	0.00	( 9,052.30)
MPRIIF income applies to deficiency	(30,095.53)		
<u>TRANSFERS</u>			
FY79 Mortality gain adjusted in FY80	(725.00)		725.00
Present value of new annuities	258,753.41	(26,445.82)	(258,753.41)
	<u>\$2,154,750.00</u>	<u>\$1,385,638.52</u>	<u>\$ 186,159.37</u>
Excess appropriation due General Fund			186,159.37
Balances at June 30, 1980	<u>\$2,154,750.00</u>	<u>\$1,385,638.52</u>	<u>\$ 0.00</u>
<u>To be Adjusted in FY 1981</u>			
Mortality Loss - 1980	\$ 50,245.00		
Change in Mortality Tables	34,171.00		
Balance at June 30, 1980	<u>\$2,239,166.00</u>		

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
LEGISLATORS RETIREMENT PLAN  
Notes to Financial Statements

1. The Legislators Retirement Plan is a defined benefit retirement plan covering the legislators in the State of Minnesota. Benefits are determined by a formula using the final salary and years of service. The Legislators contribution requirement is set by statute and are credited directly to the States General Fund, therefore no accumulation of assets is possible. State employer contributions to fund the legislators benefits is on a terminal funding basis while the contributions to fund survivor benefits is on a pay-as-you go basis.
2. Participation in the Minnesota Post Retirement Investment Fund (MPRIF) and the Minnesota Post Retirement Investment Fund Reserve are equal to the greater of the retirement plans actual participation in the net assets of the MPRIF or the required reserves for retired lives. The plans actual participation in the net assets of the MPRIF at June 30, 1980 is \$2,159,876 or \$79,290 less than the required reserves. The deficiency is part of the MPRIF and is to be funded by earnings in excess of the 5% required. The participation at June 30, 1979 was \$1,965,465 or \$109,386 less than the required reserves.
3. Represents the amount due the MPRIF to fund the change from the 1951 group mortality tables to the 1971 group mortality tables as recommended by the actuary and approved by the Board of Directors. Also included is the F.Y. 80 mortality loss. Both payments are to be made from F.Y. 81 appropriations.
4. The total participation in the MPRIF income was \$200,742 for F.Y. 80. However, \$65,647 of it is deferred until January 1, 1981 and is to be used to fund a benefit increase of 3.209%. Of the remaining \$135,095, \$104,999 is the 5% earnings on required reserves and the balance of \$30,096 was used to reduce the deficiency of the MPRIF. The deferred portion of the income will be included with the F.Y. 81 income.
5. This adjustment represent that portion of the recognized MPRIF income applied to the deficiency in the MPRIF.
6. The Legislative Auditor has determined that the plans participation in the MPRIF is the greater of its participation in the net assets of the MPRIF or its required reserves for retired lives. This adjustment represents the deficiency that existed at July 1, 1979 and provides continuity form F.Y. 79 to F.Y. 80 in accounting for the changes to the reserve account. (See also notes 2, 4, and 5).

MINNESOTA STATE RETIREMENT SYSTEM  
 ELECTIVE STATE OFFICERS RETIREMENT PLAN (1)  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FISCAL YEAR'S ENDING JUNE 30, 1980 and 1979

<u>RECEIPTS</u>	<u>1980</u>	<u>1979</u>
Elected officers payroll contributions (1)	\$ 26,165.78	\$ 17,352.65
General Fund appropriations	<u>94,300.00</u>	<u>84,946.91</u>
Total Receipts	<u>\$ 120,465.78</u>	<u>\$ 102,299.56</u>
 <u>DISBURSEMENTS</u>		
Service retirement annuities paid	\$ 60,264.12	\$ 56,988.02
Survivor benefits paid	18,203.52	18,203.52
Administrative expenses	409.80	488.52
Elected officers contributions (1)	26,165.78	17,352.65
Contributions refunded	0.00	8,392.91
Total Disbursements	<u>\$ 105,043.22</u>	<u>\$ 101,425.62</u>
Excess General Fund Appropriations	<u>\$ 15,422.56</u>	<u>\$ 873.94</u>

(1) The Elective State Officers Retirement Plan is a defined benefit retirement plan covering the elected officers of the State of Minnesota. Benefits are determined by a formula using the high-five year average salary and years of service. The elected officers contribution requirement is set by statute and are credited directly to the States General Fund, therefore no accumulations of assets is possible. State employer contribution to fund the benefits is on a pay-as-you go basis.

The net accumulated contributions of the elected state officers at June 30, 1980 and 1979 were \$137,909.35 and \$119,518.62 respectively.

## MINNESOTA STATE RETIREMENT SYSTEM

### LEGISLATOR STATISTICS

As of June 30, 1980, seventy-two former legislators were receiving retirement benefits averaging \$319.50 a month. Their average attained age was 71.7 years. Ten children and 22 surviving spouses were receiving monthly benefits averaging \$60.51 and \$141.58 respectively.

There are 114 former legislators with retirement contributions to their credit; 83 of them are vested for a deferred retirement benefit. The 201 currently contributing legislators include 17 females and 184 males:

	<u>Female</u>	<u>Male</u>
Average Age	40.9 years	45.8 years
Average Service	3.7 years	7.4 years
Median Age	40.8 years	45.2 years
Median Service	3.5 years	6.5 years

### ELECTIVE STATE OFFICERS STATISTICS

Six retired elective officers and three surviving spouses were receiving benefits as of June 30, 1980. Average monthly benefits were \$938.91 and \$505.65, respectively.

There are six elective officers presently contributing to the plan. Five former members are vested for a deferred benefit to begin at age 65 and there is one former member who is not vested but has not withdrawn his contributions.

MINNESOTA STATE RETIREMENT SYSTEM  
UNCLASSIFIED EMPLOYEES RETIREMENT PLAN (1)  
STATEMENT OF ASSETS & LIABILITIES  
FOR FISCAL YEARS ENDED JUNE 30, 1980 and 1979

<u>ASSETS</u>	<u>1980</u>	<u>1979</u>
Participation in Minnesota Supplemental Retirement Investment Fund		
Income Account Shares (627,932 shares at market value of \$10.50/share) (2)	\$6,593,286.00	\$4,962,103.65
Growth Account Shares (384,528 shares at market value of \$7.18/share) (2)	2,760,911.04	2,122,062.69
Fixed Return Account (2)	1,945,296.39	1,487,979.35
Cash	3,634.08	3,017.77
Receivables		
Employee Contributions	79,501.83	97,010.32
Employer Contributions	86,661.88	90,483.47
Interest from SER Fund	0.00	2,581.56
Total Assets	<u>\$11,469,291.22</u>	<u>\$8,765,238.81</u>
 <u>LIABILITIES</u>		
Administrative Expense Payable	3,971.55	0.00
Net Assets	<u>\$11,465,319.67</u>	<u>\$8,765,238.81</u>

The footnotes are an integral part of the financial statements.

STATEMENT OF OPERATIONS  
FOR FISCAL YEARS ENDING JUNE 30, 1980 and 1979

<u>INVESTMENT INCOME</u>	<u>1980</u>	<u>1979</u>
Fixed Return Earnings	\$166,993.41	\$105,027.23
Net Realized and Unrealized Investment		
Gain on Share Accounts (3)	832,978.26	702,676.77
Net Investment Income	<u>\$999,971.67</u>	<u>\$807,704.00</u>
 <u>OTHER INCOME AND EXPENSE</u>		
Income		
Interest on Past Contributions	\$109,470.08	\$ 35,798.04
Expenses		
Uninvested balances withdrawn	533.40	720.36
Interest paid or withdrawals	5,403.32	3,719.38
Administrative charges	40,683.64	34,605.12
Total Expenses	<u>\$ 46,620.36</u>	<u>\$ 39,044.86</u>
Net Other Income and Expense	<u>\$ 62,849.72</u>	<u>\$ ( 3,246.82)</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
UNCLASSIFIED EMPLOYEES RETIREMENT PLAN  
STATEMENT OF CHANGES IN NET ASSETS  
FOR FISCAL YEARS ENDING JUNE 30, 1980 and 1979

	<u>1980</u>	<u>1979</u>
<u>ADDITIONS FROM OPERATIONS</u>		
From Investment Gain	\$ 999,971.67	\$ 807,704.00
From Other Income & Expense	62,849.72	(3,246.82)
Increase from operations	<u>\$1,062,821.39</u>	<u>\$ 804,457.18</u>
<u>ADDITION FROM CAPITAL TRANSACTIONS</u>		
Net Contributions from Employer	\$1,475,082.38	\$1,159,885.91
Net Contributions from Members	1,070,090.12	812,224.72
Less - Member Refunds (at market) (4)	803,848.73	992,356.91
- Transfers to SER Fund (at market)(4)	104,064.30	70,634.15
Increase from Capital Transactions	<u>\$1,637,259.47</u>	<u>\$ 909,119.57</u>
Increase in Net Assets	<u>\$2,700,080.86</u>	<u>\$1,713,576.75</u>
Net Assets - Beginning	8,765,238.81	7,051,662.06
Net Assets - Ending	<u><u>\$11,465,319.67</u></u>	<u><u>\$8,765,238.81</u></u>

The footnotes are an integral part of the financial statements.

Notes to Financial Statements

1. The Unclassified Employees Retirement Plan is a defined contribution plan covering certain unclassified employees of the State of Minnesota. Benefits are determined based upon the participants age and value of assets accrued to the employee. Prior to termination of service, if the participant has at least ten years of service between the Unclassified Plan and the State Employees Retirement Fund (SERF), he may transfer back to SERF and be covered by its benefit formula. Employee and Employee contributions are the same as for SERF, and all contributions less a 2% administrative charge are used to purchase shares in the Minnesota Supplemental Retirement Investment Fund. Such shares are credited to the participants account and may be withdrawn subsequent to termination of employment in lieu of a monthly benefit.

2. Cost of shares at June 30.

	<u>FY 1980</u>	<u>FY 1979</u>
Income Shares	\$5,325,078.68	\$4,251,912.93
Growth Shares	\$2,148,649.68	\$1,835,723.07

Interest earned on the Fixed Return Account is added to each individuals participation, similar to a savings account, and is not readily ascertainable on a plan basis. The share values for the Fixed Return Account remain constant at \$5.00 and earnings increases the number of shares outstanding.

3. Investment gain includes interest, dividends, accruals and capital appreciation on investments as reflected by the share values.

4. Cost of shares withdrawn by participants or transferred back to the State Employees Retirement Fund was as follows:

	<u>FY 1980</u>	<u>FY 1979</u>
Income Shares	\$ 424,030.30	\$ 582,869.86
Growth Shares	\$ 202,010.31	\$ 246,756.62

Interest earned on the Fixed Return Account is added to each individuals participation, similar to a savings account, and is not readily ascertainable on a plan basis. The share values for the Fixed Return Account remain constant at \$5.00 and earnings increases the number of shares outstanding.

MINNESOTA STATE RETIREMENT SYSTEM  
UNCLASSIFIED EMPLOYEES RETIREMENT PLAN  
STATISTICAL DATA  
FISCAL YEAR 1980

Certain employees in the Unclassified State service who are eligible to coverage under the General Employees Retirement Plan participate in the Unclassified Employees Retirement Plan. Both the employee and employer contributions are used to purchase shares in the Supplemental Retirement Fund. They may elect coverage under the General Plan if they so desire. The following provides information on the activity within this plan during the fiscal year ending June 30, 1980.

CURRENT PARTICIPANTS

On June 30, 1980, there was 1,102 participants in the Unclassified Employees Retirement Plan with shares to their credit. Of the 1,102 participants, 807 were active on June 30, 1980, and 295 were inactive.

The distribution of participants selecting the various investment options follows:

100% Income shares	36.4%
75% Income shares, 25% Growth shares	12.8%
50% Income shares, 50% Growth shares	28.5%
100% Fixed return	15.0%
75% Fixed return, 25% Growth shares	7.3%

WITHDRAWALS

During fiscal year 1980, there were 161 participants who withdrew employee and employer shares to their credit in the Unclassified Employees Retirement Plan compared to 219 in fiscal 1979.

ANNUITANTS

Four former participants are receiving monthly benefits from the Unclassified Employees Retirement Plan as of June 30, 1980. One retired in fiscal 1975, one in 1976, one in 1978, and the other in 1979. Their average service credit at retirement was 6 years, 1 month and the average monthly benefit is \$88.37. One of the four elected a 15 year period certain annuity.

MINNESOTA STATE RETIREMENT SYSTEM  
DEFERRED COMPENSATION PLAN (1)  
STATEMENT OF ASSETS AND LIABILITIES  
FOR FISCAL YEARS ENDED JUNE 30, 1980 and 1979

<u>ASSETS</u>	<u>1980</u>	<u>1979</u>
Participation in Minnesota Supplemental Investment Retirement Fund		
Income Account Shares (713,561 shares at market value of \$10.50/share) (2)	\$ 7,492,390.50	\$ 6,110,591.52
Growth Account Shares (820,218 shares at market value of \$7.18/share) (2)	5,889,165.24	4,374,629.16
Fixed Return Account	13,242,514.00	8,919,726.34
Short Term Investments (3)	329,000.00	200,000.00
Cash	(64,387.69)	7,580.54
Receivables		
Interest	176.53	108.89
Due From Other Plans	34.54	0.00
Total Assets	<u>\$26,888,893.12</u>	<u>\$19,612,636.45</u>
 <u>LIABILITIES</u>		
<u>Payables</u>		
Erroneous Deductions	\$ 0.00	\$ 150.00
Net Assets	<u>\$26,888,893.12</u>	<u>\$19,612,486.45</u>

The footnotes are an integral part of the financial statements.

STATEMENT OF OPERATIONS  
FOR FISCAL YEARS ENDED JUNE 30, 1980 and 1979

	<u>1980</u>	<u>1979</u>
<u>INVESTMENT INCOME</u>		
Fixed Return Earnings	\$ 1,064,766.39	\$ 567,164.63
Net Realized and Unrealized Investment Gain on Share Accounts (4)	1,273,225.49	1,036,786.38
Net Investment Income	<u>\$ 2,337,991.88</u>	<u>\$ 1,603,951.01</u>
<u>OTHER INCOME AND EXPENSE</u>		
<u>Income</u>		
Interest on Short Term Investments (3)	<u>\$ 44,119.12</u>	<u>\$ 32,551.44</u>
 <u>Expenses</u>		
Uninvested Balances Withdrawn	\$ 202.41	\$ 153.35
Salary Deductions Refunded	7,174.00	1,480.00
Interest Paid on Withdrawals	3,571.05	1,414.93
Administrative Expenses (5)	159,720.87	166,730.39
Total Expenses	<u>\$ 170,668.33</u>	<u>\$ 169,778.67</u>
Net Other Income and Expense	<u>\$ (126,549.21)</u>	<u>\$ (137,227.23)</u>

The footnotes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM  
DEFERRED COMPENSATION PLAN  
STATEMENT OF CHANGES IN NET ASSETS  
FOR FISCAL YEARS ENDED JUNE 30, 1980 and 1979

	<u>1980</u>	<u>1979</u>
<u>ADDITIONS FROM OPERATIONS</u>		
From Investment Gain	\$ 2,337,991.88	\$ 1,603,951.01
From Other Income	(126,549.21)	(137,227.23)
Increase From Operations	<u>\$ 2,211,442.67</u>	<u>\$ 1,466,723.78</u>
<u>ADDITIONS FROM CAPITAL TRANSACTIONS</u>		
Net Contributions From Members	\$ 5,790,651.00	\$ 5,568,713.00
Less - Member Refunds(at market)(2)	(725,687.00)	(418,168.14)
Increase From Capital Transactions	<u>\$ 5,064,964.00</u>	<u>\$ 5,150,544.86</u>
Increase in Net Assets	\$ 7,276,406.67	\$ 6,617,268.64
Net Assets - Beginning	19,612,486.45	12,995,217.81
Net Assets - Ending	<u>\$26,888,893.12</u>	<u>\$19,612,486.45</u>

The footnotes are an integral part of the financial statements.

Notes to Financial Statements

1. The Deferred Compensation Plan, open to all public employees in the State of Minnesota, is a tax sheltered savings plan authorized by federal law. The plan allows, subject to certain restrictions, an employee to have a portion of salary withheld (before income taxes) and invested in shares of the Minnesota Supplemental Retirement Investment Fund. There is an administrative charge of 2% on the amount withheld. Withdrawal from the plan commences upon the participant attaining an age which he pre-selected over a period of time also pre-selected by the participant. The Executive Director of MSRS, at his discretion, may authorize a partial or full withdrawal from the plan for a financial emergency, disability or death. (At this writing, the plan has been revised to allow greater investment and withdrawal opportunities.)
2. The original cost of shares purchased is not available for presentation.
3. Contributions can only be invested in the Supplemental Retirement Investment Fund once a month. Therefore, the contributions are invested in short term securities until the transfer date to the supplemental fund. The interest earned on these investments is applied to the administrative expense and will defer any increase in the 2% administrative expense applied to contributions.
4. Investment gain includes interest, dividends, accruals, and capital appreciation on investments as reflected by the share values.
5. The administrative charge is equal to 2% of the net contributions adjusted for accruals plus the short term investment earnings.

MINNESOTA STATE RETIREMENT SYSTEM  
 DEFERRED COMPENSATION PLAN  
 STATISTICAL DATA  
 FISCAL YEAR 1980

All public employees and officials in the State of Minnesota are eligible to participate in a Deferred Compensation Plan administered by the Minnesota State Retirement System. State employees have been eligible since 1972 while political subdivision employees first began participating in 1976. Under this plan, the individual may defer receiving a part of his salary until after retirement and thus also postpone the income tax liability on such deferred salary until after retirement. Another advantage is that investment of deferred salary is made before tax dollars are deducted.

The deferred compensation is invested in the Income Share Account, Growth Share Account, or the Fixed Return Account of the Minnesota Supplemental Retirement Fund, or in various combinations of these accounts.

On June 30, 1980, there were 3,183 active contributing participants in the Deferred Compensation Plan.

A total of 290 former participants had reached their specified age and were receiving payments over a five or ten year period as of June 30, 1980. There were 284 receiving as of June 30, 1979 and 171 as of June 30, 1978.

There was a wide range in the amount deferred per month.

Amount	Percentage of participants
\$ 0 - \$ 99	38.0
100 - 199	24.4
200 - 299	10.0
300 - 399	11.4
400 - 499	5.6
500 - 599	2.4
600 and greater	8.2
	100.0