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STATEMENT TO EMPLOYEES JUNE 30, 1972

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MINNESOTA STATE RETIREMENT SYSTEM

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MINNESOTA STATE RETIREMENT SYSTEM

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FOREWORD

This report covers operations of the Minnesota State Retirement System for the fiscal year ending June 30, 1972. Included is a report on the Un-classified Employees Retirement Program established within the Minnesota State Retirement System effective July 1, 1971.

This report and the previous report for the fiscal year ending June 30, 1971 are on a July 1 through June 30 fiscal year basis. The June 30, 1970 report covered operations for a 6 month basis from January 1, 1970 through June 30, 1970. Earlier reports covered operations on a calendar year basis. When comparative figures are shown in this report it should be kept in mind that the June 30, 1970 financial data covers a 6 month period and other financial data is on an annual basis. Statistical data in this report covers a 12 month period ending June 30, 1972 and an 18 month period ending June 30, 1971.

EXHIBITS

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

Respectfully submitted,

Burdine Eichson
Chairman of the Board

Paul L. Groschen
Executive Director

MINNESOTA ADJUSTABLE FIXED BENEFIT FUND—Annuity Increases

The Minnesota Adjustable Fixed Benefit Fund is a special investment fund into which participating retirement funds transfer monies sufficient to provide for full payment of the lifetime benefit granted to retired employees, according to actuarial tables. If the fund income and stock values grow sufficiently so as to exceed the reserve requirement for retired lives by at least 2%, benefit payments to annuitants who have been retired at least 18 months as of the valuation date will be increased. If investment values decline, benefit payments may be reduced but never below the amount originally authorized.

The total admitted value of the Minnesota Adjustable Fixed Benefit Fund was \$321,513,079.33 as of June 30, 1972. The MSRS share of this special fund was \$53,552,116.21.

The first increase in annuities was effective January 1, 1972 for those who had retired prior to July 1, 1970. MSRS participation as of June 30, 1971 exceeded reserve requirements by 2.1% and annuities were therefore increased by 2% in January 1972. MSRS participation as of June 30, 1972 exceeded reserve requirements by 4.6% and annuity payments for annuitants who were retired before July 1, 1971 will be increased by 4.5% in January 1973.

INVESTMENTS

MSRS Portfolio

Investments in fixed income debt securities, not including the invested assets in the adjustable fixed benefit fund, totaled \$67,013,548 at June 30, 1972 compared to \$68,264,133 at June 30, 1971. Corporate stocks amounted to \$49,956,219 at June 30, 1972 compared to \$39,493,115 at June 30, 1971; market values were \$59,448,886 at June 30, 1972 and \$44,514,062 at June 30, 1971.

The yield on fixed income debt securities was 5.67% as of June 30, 1972 compared to 5.39% as of June 30, 1971. The yield on \$4,251,000 worth of fixed income debt securities purchased during the year was 8.00%.

Short term investments of over \$32 million during the year provided an average annual yield of 4.41% compared to a yield of 5.73% on \$22 million in short terms the previous year. The overall rate of return was 4.67% in 1972 compared to 4.60% in 1971. The rate of return was calculated by dividing investment income (adjusted for amortization of premiums and discounts and amortization of capitalized bond losses) by the 12 month average of invested assets, cash and the deferred yield adjustment account (capitalized losses on bond sales).

Sales of \$2.8 million in tax exempt municipals resulted in a book loss of \$293,658. The loss was capitalized as provided by statute and will be written off against investment income over a period of slightly more than 7 years, the average remaining life of the bonds sold. The yield on fixed income debt securities purchased in fiscal 1972 was 8.00%. Assuming the sales proceeds were reinvested for 7 years at a yield of 8.00%, the gain in interest income amounts to approximately \$762,000 or a net gain of \$468,500 after deducting the \$293,000 loss on principal amount.

Total Investments

Total invested assets in the portfolio of the Minnesota State Retirement System and its share of participation in the assets of the Minnesota Adjustable Fixed Benefit Fund amounted to \$170,521,884 as of June 30, 1971 compared to \$153,740,140 the previous June 30.

UNCLASSIFIED EMPLOYEE RETIREMENT

The 1971 legislature established an unclassified Employee Retirement Program within the Minnesota State Retirement System for certain employees in the unclassified service. Such employees have the option of investing their contributions in shares of the Minnesota Supplemental Retirement Fund in lieu of coverage by the formula retirement plan of the State Retirement System. Employees contribute at the same rate as other employees who are covered under MSRS. The employee acquires a vested interest in the employer contribution after 42 months of service. Upon retirement, the amount of benefit payable is determined by the value of the shares. A total of \$319,744, representing the contributions of employee and employer prior to July 1, 1971, plus interest thereon, was transferred to the Unclassified Employee Retirement program from the assets of the Minnesota State Retirement System. A statement of receipts, investments and withdrawals from this account is shown later in this report.

REVENUES

Employee and employer contributions were \$7,874,179 and \$10,410,817, respectively in fiscal year 1972, compared to \$7,280,704 and \$9,704,354 in fiscal year 1971. Income on invested assets in the MSRS portfolio was \$5,415,894, an increase of \$651,024 from the previous year. Income of the Minnesota Adjustable Fixed Benefit Fund, attributable to MSRS participation, was \$4,737,298 in fiscal 1972 compared to \$2,634,802 in fiscal 1971. It should be noted that appreciation or depreciation in stock values is reflected in recognized income of the MAFB Fund.

EXPENDITURES

Service and disability retirement payments and interest payments totaled \$5,588,357 in fiscal year 1972 compared to \$5,135,815 the previous fiscal year:

	June 30:	
	1972	1971
Service Retirement Annuities	\$5,276,256	\$4,854,220
Disability Retirement Annuities	187,434	169,681
Survivor Benefits: Spouses	29,163	29,943
Children	—	207
Interest on Covered Employee Deaths	92,420	79,676
Interest on Compulsory Retirees	3,084	2,088
	\$5,588,357	\$5,135,815

Supplemental Benefits, payable from the State General Revenue Fund, totaled \$152,600 in fiscal year 1972 compared to \$166,385 the previous fiscal year. For purposes of economy, supplemental benefits are included in the warrants on which annuities are paid, with monthly reimbursement from the General Fund. The supplementary benefits are in addition to the amounts tabulated above.

Refundments in fiscal year 1972 totaled \$2,209,588 compared to \$2,104,401 the previous fiscal year. Operating expenses were \$446,124 in fiscal year 1972.

FUNDING RATIO — UNFUNDED ACCRUED LIABILITY

The Funding Ratio is determined by dividing the net assets of the Fund by the total Reserve Requirement. A Ratio of 100% indicates full Funding. The Funding Ratio for MSRS as of June 30, 1972 was 90.4% under

the statutory 3½% interest rate assumption, compared to 88.3% as of June 30, 1971. A valuation was also carried out using a 4% interest rate assumption. The Funding ratio assuming a 4% earnings rate was 96.0% as of June 30, 1972 compared to 94.1% as of June 30, 1971. The State of Minnesota as the employer contributes 1% of covered salary to amortize the unfunded accrued liability. As of June 30, 1972, the unfunded liability amounted to \$18,951,242.90, using a 3½% interest rate assumption and \$7,370,082.90, using a 4% interest rate assumption.

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. Under the 3½% statutory interest assumption, the normal cost expressed as a percentage of covered payroll at June 30, 1972 was 5.96%, the same as last year. Under a 4% interest assumption the normal cost is 5.47%. The normal cost contribution rate now being paid to MSRS is 6%, shared equally by the employee and employer.

STATISTICAL DATA

Important Note: The statistics presented here are for the 12 month period ending June 30, 1972 and for the 18 month period ending June 30, 1971.

EMPLOYEE STATISTICS

	<u>June 30, 1972</u>	<u>June 30, 1971</u>
Active employees at year end	36,962	37,129
Inactive accounts at year end	5,465	7,759
New employees and former employees returned	7,356	13,090
Refundments	6,131	9,151
Deaths	157	251
Retirements	503	631
Became disabled	49	52
Net change in active employees	-167	723

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

The following is a comparison of the "average" employee as of the dates shown:

		<u>Age</u>	<u>Credited Service</u>	<u>Accumulated Contributions</u>
Male Employees	12/31/69	41.7 yrs.	8.5 yrs.	\$1,401.26
	6/30/71	40.3 yrs.	8.7 yrs.	\$1,568.99
	6/30/72	41.7 yrs.	8.9 yrs.	\$1,681.57
Female Employees	12/31/69	36.4 yrs.	5.0 yrs.	\$ 665.09
	6/30/71	35.2 yrs.	5.3 yrs.	\$ 734.05
	6/30/72	37.0 yrs.	5.5 yrs.	\$ 807.35

The average and median ages were:

		<u>Male</u>		<u>Female</u>	
		<u>Median</u>	<u>Average</u>	<u>Median</u>	<u>Average</u>
New Employees	12/31/69	26.0 yrs.	31.1 yrs.	22.0 yrs.	26.8 yrs.
	6/30/71	28.0 yrs.	32.7 yrs.	24.0 yrs.	28.1 yrs.
	6/30/72	26.0 yrs.	30.8 yrs.	24.0 yrs.	27.8 yrs.
All Active Employees	12/31/69	42.0 yrs.	41.7 yrs.	32.0 yrs.	36.4 yrs.
	6/30/71	42.0 yrs.	40.3 yrs.	33.0 yrs.	35.2 yrs.
	6/30/72	42.0 yrs.	41.7 yrs.	32.0 yrs.	37.0 yrs.

33.5% of the male active employees and 17.2% of the females for a total of 9,333 of the active employees had at least 10 years of credited service at June 30, 1972, compared to 9,217 in 1971 and 9,008 in 1969. Those age 65 and older show:

	<u>1972</u>	<u>1971</u>	<u>1969</u>
Total active employees age 65 or older	1,072	1,177	932
Age 65 or over and at least 10 years service	750	811	654

The average age and service forfeited by those who took refundments was:

	<u>Male</u>		<u>Female</u>	
	<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>
12/31/69	33.4 yrs.	2.6 yrs.	28.2 yrs.	1.8 yrs.
6/30/71	34.7 yrs.	2.2 yrs.	29.3 yrs.	1.8 yrs.
6/30/72	34.4 yrs.	2.2 yrs.	29.6 yrs.	1.8 yrs.

Analysis shows that in the 12 month period ending June 30, 1972, 1.8% forfeited 10 or more years of service credit by refundment compared to 2.3% in 1971 and 2.9% in 1969.

Inactive accounts totaled 5,465 at June 30, 1972 compared to 7,759 at June 30, 1971 and 7,905 at the end of 1969. 361 of the present inactive accounts have sufficient service credit to be entitled to a deferred annuity at age 65.

Comparison of the inactive accounts with 10 or more years of service credit shows:

		<u>Number</u>	<u>Avg. Age</u>	<u>Avg. Deferred Annuity</u>
Males	12/31/69	180	56	\$56.67
	6/30/71	164	56	\$73.23
	6/30/72	166	57	\$79.12
Females	12/31/69	172	55	\$54.00
	6/30/71	169	57	\$67.37
	6/30/72	195	57	\$72.08

The increase in the average deferred annuity as of June 30, 1971 was due to the augmentation of deferred annuities provided in Laws 1971, Chapter 274.

ANNUITANT STATISTICS

	June 30, 1972	June 30, 1971	June 30, 1970	Dec. 31, 1969
Age and service retirements	4,734	4,442	4,235	4,096
Disability benefits	222	198	178	174
Survivor benefits	32	33	35	36
Benefits authorized during period	552	430	253	418
Deaths	254	214	114	225

Average monthly benefits authorized in 1969, and the 12 month periods ending June 30, 1971 and June 30, 1972 also showing average age, service, and salaries:

		Age at Retirement		Salary Before	Salary After	Service		Avg. Benefit
		Yrs.	Mo.	7/1/57	6/30/57	Yrs.	Mo.	
Service	12/31/69	66	2	\$281.90	\$421.76	23	2	\$104.06
	6/30/71	65	11	\$261.37	\$425.91	22	5	\$102.38
	6/30/72	66	2	\$290.79	\$477.68	23	2	\$120.13
Disability	12/31/69	57	1	\$262.02	\$395.99	20	4	\$ 79.77
	6/30/71	60	4	\$262.30	\$443.25	21	4	\$ 97.43
	6/30/72	58	3	\$259.94	\$440.35	19	0	\$ 88.11

The average and median monthly benefits of all service and disability retirements as of the dates shown:

		Average	Median
Service retirements	12/31/69	\$92.26	\$73.29
	6/30/71	\$93.33	\$73.79
	6/30/72	\$97.49	\$75.99
Disability retirements	12/31/69	\$70.81	\$57.42
	6/30/71	\$74.60	\$79.57
	6/30/72	\$76.16	\$61.94

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

The average age at death and the average length of retirement for service and disability retirements for the 12 month periods ending:

		Male		Female	
		Age	Retirement	Age	Retirement
Service	12/31/69	77.0 yrs.	9.9 yrs.	78.3 yrs.	10.9 yrs.
	6/30/71	76.9 yrs.	10.2 yrs.	77.2 yrs.	10.6 yrs.
	6/30/72	76.3 yrs.	9.8 yrs.	76.4 yrs.	10.6 yrs.
Disability	12/31/69	62.9 yrs.	3.2 yrs.	64.3 yrs.	4.6 yrs.
	6/30/71	60.9 yrs.	6.5 yrs.	65.3 yrs.	8.7 yrs.
	6/30/72	63.3 yrs.	4.2 yrs.	55.7 yrs.	.9 yrs.

Of the 229 service annuitants who died in the fiscal year 1972, 82.5% received annuity payments greater than their accumulated employee contributions. The average service annuitant received in annuity payments 4.0 times the amount he had contributed.

COATES AND CRAWFORD

CONSULTING ACTUARIES
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PASADENA
SAN FRANCISCO

EDWARD L. CHAPIN
HARRY M. CHURCH
BARRETT N. COATES, JR.
ANGUS L. CRAWFORD
ROBERT H. LITTLE

December 12, 1972

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

Gentlemen:

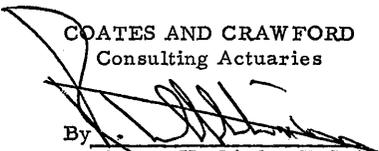
We hereby certify that we made an Actuarial Valuation of your Retirement System as of June 30, 1972. As required by Minnesota Statutes 1971, Chapter 356, the Valuation as of June 30, 1972 was made on the following basis:

1. Interest assumption - $3-1/2\%$,
2. Other actuarial assumptions as determined during the course of our investigation into the experience of the System for the three and one-half year period ending June 30, 1971, and
3. Use of the entry age normal cost method of funding to determine unfunded accrued liability.

We further certify that the results of the valuation referred to in the foregoing paragraph indicate that the contributions required from the employees and from the State under Minnesota Statutes 1971, Chapter 352 as presently constituted are adequate to provide the benefits that will be paid from the System.

Very truly yours,

COATES AND CRAWFORD
Consulting Actuaries

By 

Robert H. Little, F.S.A.

RHL:th

MINNESOTA STATE RETIREMENT SYSTEM
EXHIBIT REQUIRED BY MINNESOTA STATUTES 1971,
CHAPTER 356, SECTION 356.20, SUBDIVISION 4(1)
AS OF JUNE 30, 1972

ASSETS AND UNFUNDED ACCRUED LIABILITY

Assets

Cash in office	\$	25.00
Deposits in banks		264,526.92
Short term investments (at cost)		6,139,468.12
Accounts receivable:		
(a) Accrued employee contributions		346,505.70
(b) Accrued employer contributions		382,893.49
(c) Employee back payments		32,668.72
(d) Investment maturities and sales		316,297.25
(e) Other		21,083.25
Accrued interest in investments		1,011,013.25
Dividends declared and payable, but not yet received		62,082.37
Investment in debt securities at amortized cost		67,013,548.92
Investment in equities at cost (Market Value \$59,448,886)		49,956,219.44
Equipment at depreciated cost		9,082.46
Prepaid postage		2,000.00
Deferred yield adjustment account		394,395.17
Annuity stabilization account		819,553.54
Participation in the MAFB Fund		52,732,562.67
TOTAL ASSETS		<u>\$179,503,926.27</u>

Unfunded Accrued Liability

Unfunded Accrued Liability to be funded by portion of State's 3% "Matching Contribution" in excess of State's share of entry age normal cost contribution and Operating Expenses	\$	909,914.00
Unfunded Accrued Liability to be funded by State's "Additional" contribution		<u>18,041,328.90</u>
Total Unfunded Accrued Liability		\$ 18,951,242.90
TOTAL ASSETS AND UNFUNDED ACCRUED LIABILITY		<u>\$198,455,169.17</u>

CURRENT LIABILITIES AND RESERVES REQUIRED

Current Liabilities

Accounts payable:		
(a) Due to MAFB Fund	\$	232,796.53
(b) Security purchases		968,076.68
(c) Annuities		1,556.10
(d) Survivor benefits		2,543.97
(e) Annuitant deposits		17,454.54
(f) Accrued expenses		51,640.10
(g) Overpaid dividends and prepaid postage		2,296.27
(h) Transfer to unclassified employee retirement		11,883.72
Suspense item		<u>3,781.05</u>
TOTAL CURRENT LIABILITIES		\$ 1,292,028.96

Reserves Required

Total Reserves Required per attached schedule		<u>\$197,163,140.21</u>
TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED		<u>\$198,455,169.17</u>

Note: Accumulated contributions, without interest, of members not yet retired amounted to \$47,240,386.36 as of June 30, 1972.

MINNESOTA STATE RETIREMENT SYSTEM
DETERMINATION OF RESERVES REQUIRED
AS OF JUNE 30, 1972

Benefits For:	(1) Present Value of Benefits	(2) Present Value of Applicable Portion of Normal Cost Contribution	(3) Reserves Required (1) - (2)
Active Members:			
(a) Retirement Benefits	\$212,004,036.00	\$ 86,896,818.00	\$125,107,218.00
(b) Disability Benefits	18,411,450.00	11,373,929.00	7,037,521.00
(c) Refundments due to death or withdrawal	35,290,230.00	30,482,130.00	4,808,100.00
(d) Surviving Spouse Benefits	5,878,667.00	2,502,264.00	3,376,403.00
Deferred Annuitants	2,693,342.00	—	2,693,342.00
Former Members Without Vested Rights	287,879.00	—	287,879.00
Survivors	300,561.00	—	300,561.00
Benefits Payable from MAFB Fund:			
(a) Reserve for Participation	52,732,562.67	—	52,732,562.67
(b) Annuity Stabilization Reserve	819,553.54	—	819,553.54
Total	\$328,418,281.21	\$131,255,141.00	\$197,163,140.21

MINNESOTA STATE RETIREMENT SYSTEM

**EXHIBIT REQUIRED BY MINNESOTA STATUTES 1971,
CHAPTER 356, SECTION 356.20, SUBDIVISION 4(2) and (3)
FISCAL YEAR ENDING JUNE 30, 1972**

ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME

Income

From Employees		
Employee contributions		\$ 7,512,599.06
Employee accrued contributions receivable		346,505.70
Employee contributions, accounts receivable		15,074.81
From Employers		
Employer contributions		7,524,902.81
Employer additional contributions		2,503,021.48
Employer accrued contributions receivable		382,893.49
From Investments		
Interest on debt securities		3,973,444.61
Dividends on corporate stock		1,440,818.46
Premium on bonds called		1,630.78
MAFB Fund income		4,737,297.82
Other Revenues		
Interest on back payments by employees		15,937.58
Employer payments in lieu of interest		151.45
Adjustment in prior year benefit payments		94.37
Unclaimed contributions and benefits cancelled into fund		73.53
Employer contributions from unclassified employee retirement		2,701.19
Increase in MAFB Fund a/c capitalization of bond losses		229,958.57
Gain on sales of securities		21,307.03
TOTAL INCOME		\$28,708,412.74

Deductions from Income

Benefits		
Retirement benefits		\$ 5,463,690.25
Survivor benefits (spouses)		29,162.64
Interest paid—deceased employees		92,419.64
Interest paid—compulsory retirees		3,084.32
Refundments		
Left service		1,779,514.47
Coverage by other systems		61,375.34
Employee deaths		271,416.50
Annuitant deaths		87,325.97
Erroneous deductions		9,956.17
Unclassified Employee Retirement Account		
Transfer of employee contributions		152,324.07
Transfer of employer contributions		152,324.07
Transfer of interest on initial assets		15,096.06
Operating Expenses		446,124.26
Reduction in Annuity Stabilization Reserve		502,390.15
Increase in Total Reserves Required		
Reserves Required 6-30-71	\$179,667,934.41	
Reserves Required 6-30-72	197,163,140.21	17,495,205.80
TOTAL DEDUCTIONS FROM INCOME		\$26,561,409.71
EXCESS OF INCOME OVER DEDUCTIONS FROM INCOME		\$ 2,147,003.03
REDUCTION IN UNFUNDED ACCRUED LIABILITY:		
Unfunded Accrued Liability 6-30-71	\$ 21,098,245.93	
Unfunded Accrued Liability 6-30-72	18,951,242.90	\$ 2,147,003.03

COMPARATIVE STATEMENT

	Period Ended:	June 30, 1972	June 30, 1971	June 30, 1970	December 31, 1969	December 31, 1968
Revenues						
Employee contributions		\$ 7,874,179	\$ 7,280,704	\$ 3,407,159	\$ 6,422,341	\$ 6,025,000
Employer contributions		10,410,817	9,704,354	5,084,658	10,115,866	9,823,351
Net interest, dividends, premiums		5,415,894	4,764,870	2,243,527	4,989,396	4,788,135
Participation in MAFB Fund income		4,737,298	2,684,802	1,268,721	—	—
Gain on sale/transfer of stock		21,307	45,272	107,211	363,259	93,792
Miscellaneous revenues		18,958	17,470	9,965	14,325	189,110
Total		\$ 28,478,453	\$ 24,447,472	\$ 12,121,241	\$ 21,905,187	\$ 20,919,388
Distribution of Revenues						
Benefits paid		\$ 5,588,357	\$ 5,135,815	\$ 2,450,897	\$ 4,526,757	\$ 4,202,740
Refundments paid		2,209,588	2,104,401	1,053,486	2,123,996	3,341,062
Operating expenses		446,124	389,295	195,154	365,713	329,320
Miscellaneous expenses		319,744	—	4,616	1,187	1,220,154
Increase in reserves		19,914,640	16,817,961	8,417,088	14,887,534	11,826,112
Total		\$ 28,478,453	\$ 24,447,472	\$ 12,121,241	\$ 21,905,187	\$ 20,919,388
Assets						
Cash and temporary investments		\$ 6,404,020	\$ 2,117,706	\$ 2,842,270	\$ 3,946,623	\$ 3,662,481
Accounts receivable:						
Accrued contributions		729,399	583,245	540,861	581,321	519,359
Accrued investment transactions		1,389,393	1,612,528	932,341	1,011,815	1,098,713
Other accruals		53,752	33,782	25,679	61,346	202,499
Investments at amortized cost		116,969,768	107,757,248	94,463,109	98,494,748	113,811,736
Deferred yield adjustment account		394,395	116,074	124,567	128,813	—
Annuity Stabilization/Deferred Charges		819,554	502,390	—	—	—
Participation in the MAFB Fund		52,732,563	45,982,892	42,768,856	28,644,469	—
Other assets		11,082	7,992	9,194	10,020	9,581
Total		\$180,006,315	\$158,713,857	\$141,706,877	\$132,879,155	\$119,304,369
Liabilities and Reserves						
Current liabilities		\$ 1,292,029	\$ 144,169	\$ 457,540	\$ 46,906	\$ 1,359,654
Reserve for employee contributions		47,240,336	43,718,603	39,959,919	38,380,059	35,390,037
Reserve for retmt./survivor benefits		300,561	318,304	339,504	11,930,191	38,714,939
Reserve for participation in MAFB Fund		52,732,563	45,982,892	42,768,856	28,644,469	—
Annuity stabilization reserve		819,554	502,390	—	—	—
State contribution reserve		77,118,883	68,047,499	58,181,058	53,877,530	43,839,739
Total		\$180,006,315	\$158,713,857	\$141,706,877	\$132,879,155	\$119,304,369
Rate of return on avg. invested assets, deferred yield adj. account and cash		4.67%	4.60%	4.57%	4.47%	4.32%
Average yield to maturity (or call) of debt securities		5.67%	5.39%	4.93%	4.91%	4.73%

**FIXED INCOME PORTFOLIO AND DISTRIBUTION
OF TOTAL INVESTMENT PORTFOLIO AND RATE
OF RETURN**

FISCAL YEAR ENDED JUNE 30, 1972

	<u>Book Value</u>	<u>Par Value</u>	<u>Yield (to maturity or call)</u>
Fixed income debt security portfolio at June 30, 1971	\$68,264,133.10	\$68,424,275.61	5.39%
Deduct: Securities matured and called	2,580,624.66	2,582,115.44	
Securities sold	2,796,925.11	2,803,000.00	3.42%
Add: Securities purchased	4,113,375.00	4,251,000.00	8.00%
Net amortization	<u>13,590.59</u>		
Fixed income debt security portfolio at June 30, 1972	<u>\$67,013,548.92</u>	<u>\$67,290,160.17</u>	5.67%

Book value of fixed income debt securities and corporate stock at cost and percentage distribution of portfolio:

	<u>Book Value</u>		<u>Distribution</u>	
	<u>June 30, 1972</u>	<u>June 30, 1971</u>	<u>June 30, 1972</u>	<u>June 30, 1971</u>
Federal, State and Municipals	\$ 11,694,157.89	\$ 15,703,186.37	10.00%	14.57%
Merchant Marine, 100% Gov. Guar.	552,000.00	552,000.00	.47%	.51%
Canadian Government	3,745,360.58	3,701,704.49	3.20%	3.44%
Corporate	<u>51,022,030.45</u>	<u>48,307,242.24</u>	<u>43.62%</u>	<u>44.83%</u>
Total debt securities	\$ 67,013,548.92	\$ 68,264,133.10	57.29%	63.35%
Corporate stocks	49,956,219.44	39,493,115.13	42.71%	36.65%
Total portfolio	<u>\$116,969,768.36</u>	<u>\$107,757,248.23</u>	<u>100.00%</u>	<u>100.00%</u>

Calculation of rate of return on the 12 month average of invested assets, the deferred yield adjustment account and cash (including short term investments):

Interest on debt securities	\$ 3,810,907.22
Less: Amortization of deferred yield adjustment account	<u>15,336.93</u>
	\$ 3,795,570.29
Dividends on corporate stock	1,440,818.46
Interest on back payments by employees	15,937.58
Interest on short term investments	177,874.32
Premium on bonds called	<u>1,630.78</u>
Total income from invested funds	\$ 5,431,831.43
12 month average of invested assets, deferred yield adjustment account and cash	\$116,360,235.00
Rate of return (\$5,431,831.43/\$116,360,235)	4.668%

CORPORATE STOCK ACCOUNT

FISCAL YEARS ENDED JUNE 30, 1972 AND JUNE 30, 1971

	<u>June 30:</u>	
	<u>1972</u>	<u>1971</u>
Beginning balances	\$39,493,115.13	\$31,111,795.59
Add: Market purchases	13,256,858.26	12,151,907.32
	<u>\$52,749,973.39</u>	<u>\$43,263,702.91</u>
Deduct: Stock rights sold	3,600.87	7,038.55
Frac. shares stock dividends sold	52.37	160.42
Stock sold	<u>2,790,100.71</u>	<u>3,763,388.81</u>
Ending balances	<u>\$49,956,219.44</u>	<u>\$39,493,115.13</u>

The average yield based on cost was 3.36% in fiscal 1972 compared to 3.47% in fiscal 1971. The market value of stocks in the MSRS portfolio has exceeded the cost basis at the end of the accounting period ever since stock purchases were started in 1961 with the exception of the 6 month accounting period ended June 30, 1970. Comparison since December 31, 1967 shows:

	<u>June 30,</u> <u>1972</u>	<u>June 30,</u> <u>1971</u>	<u>June 30,</u> <u>1970</u>	<u>Dec. 31,</u> <u>1969</u>	<u>Dec. 31,</u> <u>1968</u>	<u>Dec. 31,</u> <u>1967</u>
Market	\$59,448,886	\$44,514,062	\$25,394,856	\$34,494,194	\$41,035,809	\$30,406,503
Cost	49,956,219	39,493,115	31,111,795	33,544,964	35,158,642	27,858,645
Appre- ciation	19.00%	12.71%	(18.38%)	2.83%	16.71%	9.14%

() denotes minus

Stocks sold in fiscal 1972:

	<u>No.</u> <u>Shares</u>	<u>Cost</u>	<u>Proceeds</u>	<u>Gain or</u> <u>(Loss)</u>
American Cyanamid	5,900	\$ 179,209.29	\$ 215,917.53	\$ 36,708.24
Columbia Broadcasting	9,556	430,018.26	470,019.06	40,000.80
Continental Can	7,100	195,269.25	208,562.50	13,293.25
Georgia Pacific Corp.	7,986	288,355.51	304,116.00	15,760.49
Gillette Co.	3,500	144,392.09	156,870.00	12,477.91
Green Giant Co.	10,500	263,487.66	238,917.49	(24,570.17)
Minneapolis Gas Co.	2,500	93,575.00	90,225.34	(3,349.66)
Northern Illinois Gas	151	6,660.88	4,433.48	(2,227.40)
Ohio Edison Co.	13,500	337,221.84	275,105.35	(62,116.49)
Scott Paper Co.	3,000	98,397.57	49,125.00	(49,272.57)
Super Value Stores	8,500	288,745.91	305,542.71	16,796.80
Wells Fargo	5,900	244,845.19	289,100.00	44,254.81
Western Publishing Co.	5,031	135,827.91	138,981.33	3,153.47
Wisconsin Public Service	4,000	84,094.35	64,291.90	(19,802.45)
		<u>\$2,790,100.71</u>	<u>\$2,811,207.74</u>	<u>\$ 21,107.03</u>

LEGISLATIVE REFERENCE LIBRARY STATE OF MINNESOTA

MINNESOTA UNCLASSIFIED EMPLOYEES RETIREMENT PROGRAM ESTABLISHED JULY 1, 1971 WITHIN THE MINNESOTA STATE RETIREMENT SYSTEM

FISCAL YEAR ENDED JUNE 30, 1972

RECEIPTS

Assets transferred as of July 1, 1971:			
Employee contributions	\$ 49,491.02		
Equal employer contributions	49,491.02		
Interest on contributions	<u>9,333.26</u>	\$108,315.30	
Assets transferred as of January 1, 1972:			
Employee contributions	\$ 60,528.14		
Equal employer contributions	60,528.14		
Interest on contributions	<u>5,762.80</u>	<u>126,819.08</u>	
		\$235,134.38	
Current contributions in fiscal 1972:			
Employee contributions	\$ 42,304.91		
Equal employer contributions	42,304.91	84,609.82	
Redemption of temporary investments:			
Treasury bills matured and sold (cost basis)	\$144,436.20		
Interest earned on treasury bills	<u>5,893.94</u>	<u>150,330.14</u>	
Total Receipts			<u><u>\$470,074.34</u></u>

INVESTMENTS AND WITHDRAWALS

U.S. Treasury bills purchased		\$271,583.85	
Purchase of income and growth shares of the Minnesota Supplemental Retirement Fund:			
	<u>No.</u>	<u>Cost</u>	
	<u>Shares</u>		
Income shares purchased	8,195	\$104,028.72	
Less: Shares redeemed	187	2,317.98	
	<u>8,008*</u>	<u>\$101,710.74</u>	\$101,710.74
Growth shares purchased	5,302	\$ 68,808.06	
Less: Shares redeemed	144	1,678.79	
	<u>5,158*</u>	<u>\$ 67,129.27</u>	67,129.27
Withdrawals (7) — at market		\$ 11,694.05	
Less: Appreciation in share values		<u>215.37</u>	<u>11,478.68</u>
Total investments and withdrawals			<u><u>\$451,902.54</u></u>
Cash balance as of June 30, 1972			\$ 18,171.80
Correction of June 1972 transfer			<u>(47.32)</u>
Adjusted balance as of June 30, 1972			<u><u>\$ 18,124.48</u></u>

*Values as of June 30, 1972:

8,008 shares @ \$12.91/sh	\$103,383.28
5,158 shares @ 14.15/sh	72,985.70
	<u>\$176,368.98</u>
Cost basis	168,840.01
Appreciation	10.4%