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STATEMENT TO EMPLOYEES JUNE 30, 1973

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MINNESOTA STATE RETIREMENT SYSTEM

MINNESOTA STATE RETIREMENT SYSTEM

529 Jackson Street
St. Paul, Minnesota 55101
296-2761

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FOREWORD

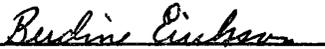
The Board of Directors of the Minnesota State Retirement System herewith submits a financial report in accordance with the provisions of Minnesota Statutes, Section 356.20 for the fiscal year ending June 30, 1973. Fiscal year 1972 figures are included for comparative purposes.

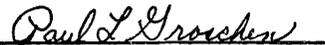
The exhibits in this report, prepared by Coates and Crawford, consulting actuaries of Pasadena, California, are presented as prescribed in Minnesota Statutes, Chapter 356. The actuarial valuation reveals that the unfunded accrued liability under the "old" plan would have been completely amortized as of June 30, 1973, with the change in interest assumption from 3½% to 5%. However, a new deficit was incurred as a result of the significant plan changes.

A portion of the unrealized appreciation in equities (the difference in market value and cost of corporate stock) was recognized for the first time for accounting and actuarial purposes.

Upon the recommendation of the System's actuary, the Board of Directors adopted the use of the 1951 Group Annuity Mortality Table with ages set back one year for male retirees and two years for female retirees in valuing the System in lieu of the 1937 Standard Annuity Table formerly used.

Respectfully submitted,


Chairman of the Board


Executive Director

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STATE OF MINNESOTA

LAW CHANGES

The most significant improvements since 1957 in benefits payable and in the financing of the system were enacted into law during the 1973 legislative session.

Benefits Increased

A major improvement was accomplished by changing the calculation of the retirement annuity from a modified career average salary to the average of the highest five successive years of covered salary. Allowable service is converted to a percentage factor of 1% per year of service for the first ten years of service and 1½% per year of service thereafter. The total percentage times the five high year average salary determines the amount of benefit payable. This milestone legislation increased benefits dramatically.

Retired Employees

Retired employees were provided a 25% increase in benefits with approximately one-half the increase starting in July 1973 and the balance in January 1974.

Interest on Refunds

Refunds with interest on contributions after the third year of coverage are payable to employees terminating after July 1, 1973. Interest is paid from date of coverage on refunds to beneficiaries of employees who die in State service and on refunds to employees reaching mandatory retirement age before acquiring ten years of coverage. The interest rate is 3½%.

Retirement Age

Mandatory retirement age for employees covered by the System has been lowered to age 65, effective July 1, 1975. This is the "normal" retirement age. Early retirement is provided at age 62 without reduction if the employee has 30 years credited service. An employee with at least 20 years of service may retire with a reduced benefit as early as age 58 and an employee with at least 10 years of service may retire with a reduced benefit at age 62. The reduction in benefit amount, to adjust for the longer period of time the employee will receive payment, is one-half of 1% for each month under the age of 65 unless the employee has at least 30 years service in which event the reduction is from age 62.

Deferred Annuities

If an employee with at least 10 years of credited service separates from State service before reaching retirement age, he can leave his money in the fund for a benefit to begin at age 58 or 62 depending on his length of service. The deferred annuity is augmented at the rate of 2½% per annum from date of termination to date of application. If such employee dies before receiving an annuity, his designated beneficiary or estate will receive interest on his contributions at the rate of 3½% per annum.

Financing

The improvements are financed by increasing the employee and matching employer contribution rate from 3% of salary to 4% and increasing the employer additional contribution from 1% to 2%. The assumed rate of interest to be earned on invested assets was increased from 3½% to 5%.

Correctional Employees

A special retirement program for certain correctional employees was established by the 1973 legislature. Because of the nature of the work in which such employees are engaged, retirement is mandatory at an earlier age. Effective July 1, 1976, the mandatory retirement age will be 55. To finance this special plan, the employee will pay 6% of salary. The employer normal cost contribution rate is 9% and the employer additional contribution is 14% of salary. The details of this plan are available upon request in a brochure entitled "Correctional Employees Retirement Plan".

Unclassified Retirement Plan

This special retirement program for certain employees in the unclassified service of the State, established in 1971, was improved and clarified by the 1973 legislature. This plan may be chosen by those eligible as an alternative to the regular MSRS plan and is most suited for the short term employee. The employee-employer contribution rates are the same as those for the regular MSRS plan. However, the contributions are used to purchase shares for the employee in the Minnesota Supplemental Retirement Plan. A brochure entitled "Unclassified Employee Retirement Plan" is available from the retirement office. A summary of transactions in the unclassified program is included in this report.

Other Changes

The Minnesota State Retirement System assumed administration of the Highway Patrolmen's Retirement Fund effective July 1, 1973. The Highway Patrolmen's Retirement Association includes State Troopers, Conservation Officers and certain officers in the Bureau of Criminal Apprehension. A separate financial report was prepared for that fund. MSRS will also administer the newly established state-wide Judges' Retirement Plan which becomes operational January 1, 1974. The Board of Directors was increased by one member to be elected by members of the Highway Patrolmen's Fund. The three ex-officio members (state auditor, treasurer, insurance commissioner) were replaced by three Governor appointees.

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 3½% interest assumption and 96.0% assuming a 4% return. The statutory interest assumption was increased to 5% effective June 30, 1973 and on this basis, MSRS was more than fully funded on that date. The extensive improvements enacted into law created a combined correctional plan and general employee plan deficit of \$159,053,466 as of June 30, 1973, resulting in a funding ratio of 56.2%. The correctional plan deficit is \$7,313,186 and the general employee plan deficit is \$151,740,280.

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.

The normal cost of the previous plan expressed as a percentage of covered payroll as of June 30, 1972, was 5.96% under a 3½% interest assumption and 5.47% under a 4% assumption. The normal cost of the im-

proved plan under a 5% interest assumption as of June 30, 1973, is 7.04% of salary for the general employee plan and 12.11% for the correctional employee plan.

INVESTMENTS

The MSRS fixed income debt security portfolio totaled \$68,275,299 at June 30, 1973 compared to \$67,013,548 at June 30, 1972. Corporate stocks were \$61,565,762 at June 30, 1973 compared to \$49,956,219 at June 30, 1972; the market values of stocks were \$66,993,132 and \$59,448,886, respectively.

The yield on fixed income debt securities was 6.19% as of June 30, 1973 compared to 5.67% a year earlier. The yield on \$12,000,000 of fixed income debt securities purchased in fiscal 1973 was 7.65%. Sale of \$7.1 million fixed income debt securities with an average yield of 4.35% resulted in a principal loss of \$1,253,639. The loss was capitalized as required by statute and will be written off against investment income over the remaining life of the bonds sold, which ranged from 5.3 years to 20.3 years. Assuming the sales proceeds were used to purchase securities yielding 7.65%, the principal loss will be recovered in a relatively short time through increased investment income.

The law provides for partial recognition of unrealized appreciation in corporate stock holdings at the discretion of the retirement board. If the market values on six successive bi-monthly valuation dates exceed cost by 15% or more, (10% as of July 1, 1973) unrealized appreciation amounting to 3% of the portfolio may be recognized for accounting and actuarial purposes. The MSRS Board adopted use of this provision of law.

REVENUES

Employee and employer contributions were \$8,722,024 and \$11,595,293, respectively, in fiscal year 1973 compared to \$7,874,179 and \$10,410,817 in fiscal year 1972. Income on invested assets in the MSRS portfolio was \$6,052,104, an increase of \$636,210 from the previous year. Recognized unrealized appreciation of \$1,110,263 is in addition to the \$6,052,104. Income of the Minnesota Adjustable Fixed Benefit Fund, attributable to MSRS participation, was \$7,031,648 in fiscal year 1973 compared to \$4,737,298 in fiscal year 1972. 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 \$6,190,873 in fiscal year 1973 compared to \$5,588,357 the year before:

	<u>1973</u>	<u>1972</u>
Service Retirement Annuities	\$5,872,322	\$5,276,256
Disability Retirement Annuities	222,041	187,434
Survivor Benefits — Spouses	28,968	29,163
Interest, Covered Employee Deaths	64,630	92,420
Interest, Compulsory Retirees	<u>2,912</u>	<u>3,084</u>
	\$6,190,873	\$5,588,357

Supplemental benefits, payable from the State General Revenue Fund, totaled \$139,206 in fiscal year 1973 compared to \$152,600 the previous fiscal year. For purposes of economy, supplemental benefits are included in the annuity warrants with monthly reimbursement from the General Fund. The supplemental benefits are in addition to the amounts tabulated above. Refundments of employee contributions in fiscal year 1973 totaled \$2,469,715 compared to \$2,209,588 the previous fiscal year. Operating expenses were \$451,727 in fiscal year 1973.

STATISTICAL DATA

Active Employees	<u>June 30, 1973</u>	<u>June 30, 1972</u>
Active employees at year end		
Regular Plan	36,792	36,962
Unclassified Plan	170	151
Correctional Plan	677	—
Inactive accounts at year end	4,592	5,465
New employees and former employees returned	7,717	7,356
Refundments	6,182	6,131
Deaths	128	157
Retirements	457	503
Became disabled	39	49
Net change in active employees	507	-167

“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>Date</u>	<u>Age</u>	<u>Credited Service</u>	<u>Accumulated Contributions</u>
Male Employees	6/30/71	40.3 yrs.	8.7 yrs.	\$1,568.99
	6/30/72	41.7 yrs.	8.9 yrs.	\$1,681.57
	6/30/73	41.5 yrs.	9.0 yrs.	\$1,816.84
Female Employees	6/30/71	35.2 yrs.	5.3 yrs.	\$ 734.05
	6/30/72	37.0 yrs.	5.5 yrs.	\$ 807.35
	6/30/73	36.8 yrs.	5.7 yrs.	\$ 870.47

The average and median ages were:

	<u>Date</u>	<u>Male</u>		<u>Female</u>	
		<u>Median</u>	<u>Average</u>	<u>Median</u>	<u>Average</u>
New Employees	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.
	6/30/73	26.0 yrs.	30.3 yrs.	24.0 yrs.	27.6 yrs.
All Active Employees	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.
	6/30/73	41.0 yrs.	41.5 yrs.	32.0 yrs.	36.8 yrs.

33.5% of the male active employees and 17.4% of the females for a total of 9,308 of the active employees had at least 10 years of credited service at June 30, 1973, compared to 9,333 in 1972 and 9,217 in 1971. Those age 65 and older show:

	<u>1973</u>	<u>1972</u>	<u>1971</u>
Total active employees age 65 or older	1,060	1,072	1,177
Age 65 or over and at least 10 years service	750	750	811

Refunds

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

	Male		Female	
	Age	Service	Age	Service
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.
6/30/73	33.5 yrs.	2.3 yrs.	29.8 yrs.	2.0 yrs.

Analysis shows that in the 12 month period ending June 30, 1973, 1.6% of the 6,182 people taking refunds forfeited 10 or more years of service credit compared to 1.8% in 1972 and 2.3% in 1971.

Inactives

Inactive accounts totaled 4,592 at June 30, 1973 compared to 5,465 at June 30, 1972 and 7,759 at June 30, 1971. 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:

	Date	Number	Avg. Age	Avg. Deferred
				Annuity
Male	6/30/71	164	56	\$73.23
	6/30/72	166	57	\$79.12
	6/30/73	158	56	\$84.65
Female	6/30/71	169	57	\$67.37
	6/30/72	195	57	\$72.08
	6/30/73	203	58	\$73.94

Retired Employees

	6/30/73	6/30/72	6/30/71	6/30/70
Age and service annuitants	4,987	4,734	4,442	4,235
Disability benefits	237	222	198	178
Survivor benefits	32	32	33	35
Benefits authorized during period	519	552	430	253
Deaths during period	250	254	214	114

The average age, salary, service and benefit amounts authorized during the last three fiscal years are given below.

	Date	Age at Retirement		Salary Before	Salary After	Service		Average
		Yrs.	Mos.	7/1/57	6/30/57	Yrs.	Mos.	Benefit
Service	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
	6/30/73	65	11	\$271.18	\$472.58	21	7	\$109.81
Disability	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
	6/30/73	58	9	\$267.34	\$439.72	18	2	\$ 87.98

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

	<u>Date</u>	<u>Average</u>	<u>Median</u>
Service annuitants	6/30/71	\$ 93.33	\$73.79
	6/30/72	\$ 97.49	\$75.99
	6/30/73	\$101.83	\$78.70
Disability annuitants	6/30/71	\$ 74.60	\$79.57
	6/30/72	\$ 76.16	\$61.94
	6/30/73	\$ 81.80	\$65.49

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 annuitants for the last three fiscal years follow.

	<u>Date</u>	<u>Male</u>		<u>Female</u>	
		<u>Age</u>	<u>Retirement</u>	<u>Age</u>	<u>Retirement</u>
Service	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.
	6/30/73	76.0 yrs.	10.0 yrs.	77.4 yrs.	10.8 yrs.
Disability	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.
	6/30/73	63.0 yrs.	3.7 yrs.	68.3 yrs.	6.3 yrs.

Of the 225 service annuitants who died in the fiscal year 1973, 86.2% 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.

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

COATES AND CRAWFORD
CONSULTING ACTUARIES
301 EAST COLORADO BOULEVARD
PASADENA, CALIFORNIA 91101
(213) 681-4455

November 13, 1973

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

Gentlemen:

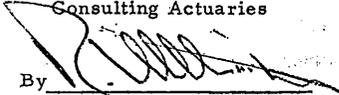
We hereby certify that we made an Actuarial Valuation of your Retirement System as of June 30, 1973. As required by Minnesota Statutes 1971, Chapter 356, the Valuation as of June 30, 1973 was made on the following basis:

1. Interest assumption - 5%.
2. Salary scale assumption - 3-1/2% per annum.
3. 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
4. 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, 1973

ASSETS AND UNFUNDED ACCRUED LIABILITY

Assets	
Cash in office	\$ 25.00
Deposits in banks	236,944.11
Short term investments (at cost)	6,555,099.19
Accounts receivable:	
(a) Accrued employee contributions	370,151.21
(b) Accrued employer contributions	494,088.74
(c) Employee back payments	170,079.35
(d) Investment maturities and sales	339,826.84
(e) Other	7,980.74
Accrued interest in investments	1,203,458.84
Dividends declared and payable, but not yet received	9,732.71
Investment in debt securities at amortized cost	68,725,299.66
Investment in equities at cost	61,565,762.27
Recognized unrealized appreciation in equities	1,674,284.00
Equipment at depreciated cost	7,504.30
Prepaid postage	.00
Deferred yield adjustment account	1,610,262.17
Annuity stabilization account	.00
Participation in the MAFB Fund	61,723,910.42
TOTAL ASSETS	<u><u>\$204,694,409.55</u></u>
Unfunded Accrued Liability	
Unfunded Accrued Liability to be funded by portion of State's "Matching Contribution" in excess of State's share of entry age normal cost contribution and Operating Expenses	\$ 24,955,878.00
Unfunded Accrued Liability to be funded by State's "Additional" contribution	<u>134,097,588.66</u>
Total Unfunded Accrued Liability	<u>\$159,053,466.66</u>
TOTAL ASSETS AND UNFUNDED ACCRUED LIABILITY	<u><u>\$363,747,876.21</u></u>

CURRENT LIABILITIES AND RESERVES REQUIRED

Current Liabilities	
Accounts payable:	
(a) Due to MAFB Fund	\$.00
(b) Security purchases	399,740.40
(c) Annuities	1,445.66
(d) Survivor benefits	2,478.97
(e) Annuitant deposits	5,421.43
(f) Accrued expenses	32,214.69
(g) Overpaid dividends and prepaid postage	1,452.50
(h) Transfer to unclassified employee retirement	16,648.82
Suspense item — Unredeemed 6 year old Warrants	<u>4,013.74</u>
Total Current Liabilities	\$ 463,416.21
Reserves Required	
Total Reserves Required per attached schedule	<u>\$363,284,460.00</u>
TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED	<u><u>\$363,747,876.21</u></u>

Note: Accumulated contributions, without interest, of members not yet retired amounted to \$51,746,982.64 as of June 30, 1973.

MINNESOTA STATE RETIREMENT SYSTEM

DETERMINATION OF RESERVES REQUIRED

AS OF JUNE 30, 1973

<u>Benefits For:</u>	(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	\$389,824,609.00	\$105,533,979.00	\$284,285,630.00
(b) Disability Benefits	19,860,054.00	10,285,633.00	9,574,421.00
(c) Refundments due to death or withdrawal	52,580,903.00	53,961,824.00	(1,380,921.00)
(d) Surviving Spouse Benefits	10,202,873.00	5,237,766.00	4,965,107.00
Deferred Annuitants	2,435,802.00	—	2,435,802.00
Former Members Without Vested Rights	273,614.00	—	273,614.00
Survivors	264,855.00	—	264,855.00
Benefits Payable from MAFB Fund	<u>62,865,952.00</u>	<u>—</u>	<u>62,865,952.00</u>
Total	\$538,308,662.00	\$175,024,202.00	\$363,284,460.00

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, 1973**

ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME

Income

From Employees	
Employee contributions	\$ 8,255,648.20
Employee accrued contributions receivable	370,231.21
Employee contributions, accounts receivable	96,144.70
From Employers	
Employer contributions	8,270,668.39
Employer additional contributions	2,830,535.63
Employer accrued contributions receivable	494,088.74
From Investments	
Interest on debt securities and short term investments	4,261,773.86
Dividends on corporate stock	1,784,914.15
Income from recognition of unrealized appreciation in stock	1,674,284.00
Premium on bonds called	5,416.30
Participation in MAFB Fund income	7,031,648.22
Other Revenues	
Interest on back payments by employees	74,385.24
Employer contributions from unclassified employee retirement	9,331.51
Administrative cost assessment, deferred compensation plan	10,233.68
Miscellaneous revenues	723.32
Gain on sales of stock	108,313.79
TOTAL INCOME	\$ 35,278,340.94

Deductions from Income

Benefits	
Service retirement benefits	\$ 5,872,321.98
Disability retirement benefits	222,040.82
Survivor benefits (spouses)	28,967.64
Interest paid — deceased employees	64,630.53
Interest paid — compulsory retirees	2,912.00
Refundments	
Left service	2,136,792.61
Left coverage	72,386.87
Employee deaths	198,690.20
Annuitant deaths	53,639.68
Erroneous deductions	8,205.36
Unclassified Employee Retirement Account	
Transfer of employee contributions	73,465.22
Transfer of employer contributions	73,465.22
Transfer of interest on initial assets	.00
Operating Expenses	451,726.78
Increase in Total Reserves Required	
Reserves Required 6-30-72	\$197,163,140.21
Reserves Required 6-30-73	<u>363,284,460.00</u>
	<u>166,121,319.79</u>
TOTAL DEDUCTIONS FROM INCOME	\$175,380,564.70
EXCESS OF INCOME OVER DEDUCTIONS FROM INCOME	
	(140,102,223.76)
REDUCTION IN UNFUNDED ACCRUED LIABILITY:	
Unfunded Accrued Liability 6-30-72	\$ 18,951,242.90
Unfunded Accrued Liability 6-30-73	<u>159,053,466.66</u>
	\$(140,102,223.76)

COMPARATIVE STATEMENT — 3 FISCAL YEARS

Revenues	<u>6/30/73</u>	<u>6/30/72</u>	<u>6/30/71</u>
Employee contributions	\$ 8,722,024	\$ 7,874,179	\$ 7,280,704
Employer contributions	11,595,293	10,410,817	9,704,354
Net interest, dividends, premiums	6,052,104	5,415,894	4,764,870
Recognized unrealized appreciation (RUA)	1,110,263	564,021	—
Participation in MAFB Fund income	7,031,648	4,737,298	2,634,802
Gain on sale of stock	108,314	21,307	45,272
Miscellaneous Revenue	94,674	18,958	17,470
Total	\$ 34,714,320	\$ 29,042,474	\$ 24,447,472
Distribution of Revenues			
Benefits paid	6,190,873	5,588,357	5,135,815
Refundments paid	2,469,715	2,209,588	2,104,401
Operating expenses	451,727	446,124	389,295
Miscellaneous expenses	146,930	319,744	—
Increase in reserves	25,455,075	20,478,661	16,817,961
Total	\$ 34,714,320	\$ 29,042,474	\$ 24,447,472
Assets			
Cash and temporary investments	\$ 6,792,069	\$ 6,404,020	\$ 2,117,706
Accounts receivable	—	—	—
Accrued contributions	864,240	729,399	583,245
Accrued investment transactions	1,553,018	1,389,393	1,612,528
Other accruals	178,060	53,752	33,782
Investments at amortized cost	130,291,062	116,969,768	107,757,248
Deferred yield adjustment account	1,610,262	394,395	116,074
Recognized unrealized appreciation	1,674,284	564,021	—
Annuity stabilization/Deferred charges	—	819,554	502,390
Participation in MAFB Fund	61,723,910	52,732,563	45,982,392
Other assets	7,504	11,082	7,992
Total	\$204,694,409	\$180,067,947	\$158,713,857
Liabilities and Reserves			
Current Liabilities	463,416	1,292,028	144,169
Reserve for employee contributions	51,746,933	47,240,336	43,718,603
Reserve for survivor benefits	264,855	300,561	318,304
Reserve for participation in MAFB Fund	61,723,910	52,732,563	45,982,392
Annuity stabilization reserve	—	819,554	502,390
State contribution reserve	90,495,295	77,682,905	68,047,499
Total	\$204,694,409	\$180,067,947	\$158,713,857
Rate of return (excluding RUA)	4.63%	4.67%	4.60%
Rate of return (including RUA)	5.47%	5.15%	4.60%
Average yield to maturity (or call) of fixed income securities	6.19%	5.67%	5.39%

CORPORATE STOCK PORTFOLIO
FISCAL YEAR ENDED JUNE 30, 1973

	<u>Cost Basis</u>	<u>Market Values</u>
Balance as of June 30, 1972	\$49,956,219.44	\$59,448,886.00
Add: Market purchases	<u>15,814,650.67</u>	
	\$65,770,870.11	
Deduct: Stock rights sold	1,562.50	
Frac. shares stock dividend sold	21.14	
Stock sold	<u>4,203,524.20</u>	4,311,838.00
Balance as of June 30, 1973	\$61,565,762.27	66,993,132.00
Recognized unrealized appreciation	<u>1,674,284.00</u>	
	<u>\$63,240,046.27</u>	

FIXED INCOME, DEBT SECURITY PORTFOLIO
FISCAL YEAR ENDED JUNE 30, 1973

	<u>Book Value</u>	<u>Par Value</u>	<u>Yield</u>
Balances as of June 30, 1972	\$67,013,548.92	\$67,290,160.17	5.67%
Deduct: Securities matured and called	3,336,724.31	3,329,190.61	
Securities sold	6,961,022.96	7,098,312.50	4.35%
Add: Securities purchased	12,000,000.00	12,000,000.00	7.65%
Net amortization	<u>9,498.01</u>		
Balances as of June 30, 1973	<u>\$68,725,299.66</u>	<u>\$68,862,657.06</u>	6.19%

Distribution of total investment portfolio (fixed income debt securities at amortized cost and corporate stock at original cost):

	<u>Book Values</u>		<u>Distribution</u>	
	<u>6/30/73</u>	<u>6/30/72</u>	<u>6/30/73</u>	<u>6/30/72</u>
Federal, State, Municipals	\$ 6,934,560.28	\$ 11,694,157.89	5.32%	10.00%
Merchant marine, 100% Gov. Guar.	547,000.00	552,000.00	.42%	.47%
Canadian and Canadian Government	6,745,526.00	3,745,360.58	5.18%	3.20%
U. S. Corporate	<u>54,498,213.38</u>	<u>51,022,030.45</u>	<u>41.83%</u>	<u>43.62%</u>
Total debt securities	\$ 68,725,299.66	\$ 67,013,548.92	52.75%	57.29%
Corporate stocks	<u>61,565,762.27</u>	<u>49,956,219.44</u>	<u>47.25%</u>	<u>42.71%</u>
Total portfolio	\$130,291,061.93	\$116,969,768.36	100.00%	100.00%

The average rate of return on invested assets and cash was 4.63% before recognition of unrealized appreciation in stock. The rate increased to 5.47% after inclusion of a portion of the unrealized appreciation in investment income.

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

TRANSACTIONS IN FISCAL YEAR 1973

RECEIPTS

Current contributions:			
Employee contributions	\$ 73,465.22		
Matching employer contributions	<u>73,465.22</u>	\$146,930.44	
Redemption of temporary investments:			
Treasury bills matured and sold (at cost)	\$269,573.20		
Interest earned on treasury bills	<u>4,117.48</u>	<u>\$273,690.68</u>	
Total cash receipts			\$ 420,621.12

INVESTMENTS AND WITHDRAWALS

U. S. treasury bills purchased (cost)		166,525.66	
Shares purchased in Minn. Supplemental Fund:			
	<u>No. Sh.</u>	<u>Amount</u>	
Income shares (cost)	13,126	\$162,209.68	
Less: shares withdrawn (market)	<u>1,290</u>	<u>17,689.62</u>	
	<u>11,836</u>	<u>144,520.06</u>	144,520.06
Growth shares (cost)	8,002	\$ 99,672.94	
Less: Shares withdrawn (market)	<u>651</u>	<u>9,180.51</u>	
	<u>7,351</u>	<u>\$ 90,492.43</u>	90,492.43
Withdrawals (24) at market		\$ 33,514.31	
Less: appreciation in share values		<u>1,167.26</u>	
Cost basis of withdrawals			<u>32,347.05</u>
Total cash paid out			<u>\$433,885.20</u>
			<u>\$ (13,264.08)</u>
Cash balance at June 30, 1972			18,171.80
Cash balance at June 30, 1973			<u>\$ 4,907.72</u>

	<u>Income Shares</u>	<u>Growth Shares</u>
Number of shares @ 6/30/72	8,008	5,158
Shares purchased in fiscal year 1973	11,836	7,351
Share split	<u>17,159</u>	<u>10,654</u>
Number of shares @ 6/30/73	37,003	23,163
Share values @ 6/30/73	<u>x\$6.84</u>	<u>x\$6.30</u>
Market Value @ 6/30/73	\$253,100.52	\$145,926.90
Cost Basis	246,229.73	157,611.68
Appreciation (Depreciation)	10.3%	(7.47%)