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# COMPREHENSIVE ANNUAL REPORT

## July 1, 1983—June 30, 1984

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1983/84

Pursuant to MS 356.20

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
of the  
MINNESOTA STATE RETIREMENT SYSTEM**

**July 1, 1983—June 30, 1984**

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



**MINNESOTA STATE RETIREMENT SYSTEM  
COMPREHENSIVE ANNUAL REPORT  
FISCAL YEAR ENDED JUNE 30, 1984**

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## MINNESOTA STATE RETIREMENT SYSTEM

529 JACKSON STREET AT 10th  
ST. PAUL, MINNESOTA 55101  
(612) 296-2761

### OFFICERS

Executive Director  
Paul L. Groschen  
Assistant Directors  
Douglas Mewhorter  
Arvin Herman

No.

### LETTER OF TRANSMITTAL

To the Board of Directors  
Minnesota State Retirement System

As prescribed by Minnesota Statutes, Chapter 356, the comprehensive annual report of the Minnesota State Retirement System for the fiscal year ended June 30, 1984 is submitted herewith. This report covers the operation of the funds and plans as indicated below:

State Employees Retirement Fund  
General Employees Retirement Plan  
Military Affairs Retirement Plan  
Transportation Department Pilots Plan  
Correctional Officers Retirement Plan  
State Patrol Retirement Fund  
Judges Retirement Fund  
Unclassified Employees Retirement Plan  
Deferred Compensation Plan

The System also administers the Legislative Retirement Plan and the Elective Officers Retirement Plan, which are a part of the State General Fund. Highlights of these plans and the Minnesota Post Retirement Investment Fund (MPRIF), as well as a short description of the 1984 law changes can be found in this section of the report.

### Accounting System and Reports

This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and pronouncements of the National Council on Governmental Accounting.

The accrual basis of accounting is used to record assets, liabilities, revenues and expenses. Revenues are recorded when earned without regard to date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of payment date. Fixed assets are recorded at cost and depreciated over the estimated life of the asset.

Summary annual reports are sent to all active and retired members of the funds or plans indicated above with a notice that they may receive a copy of this report on request.



### Revenues

Employee, employer contributions and investment income provide the funding for the System. Contributions and investment income for fiscal year 1984 was \$201,165,444; 23% from employees, 30% from employers, and 47% from investment income. This represents a 1.9% decrease from fiscal year 1983, which was caused by decreased realized gains on investment sales.

### Expenses

The expenses of the System consist of annuity and other monthly benefit payments, refunds of contributions, interest on refunds and administrative expenses. Expenses for fiscal year 1984 totaled \$77,818,448, an increase of 5.3% over fiscal year 1983 expenses due to the 2% refunds and the write off of deferred bond losses. Revenues exceeded expenses by \$123,346,996 during fiscal year 1984.

### Reserves

The Required Reserves in the Balance Sheet in the financial section of this report represents the total accrued liability for retired, inactive and active employees. The liabilities of the funds exceed the total net assets available. The amount by which the liabilities exceed the net assets is called the "unfunded accrued liability" and is shown on the Balance Sheet as such. The amortization of the unfunded accrued liability is illustrated in the actuarial section of the report under the heading "Solvency Test - Funding Ratio".

### Investments

Investments contribute a substantial portion of the income to the System. Income from investments was \$92,986,076 or 47% of total revenue. Of the total investment income, 55% is from the basic retirement funds and the remaining 45% is from the participation in the Minnesota Post Retirement Investment Fund. The combined yield for the three basic retirement funds for fiscal year 84 was 6.3%, and when gains on investment sales are included, it was 7.9%

### Funding

The health of a retirement system is indicated by its level of funding. The higher the level of funding, the larger the ratio of assets to accrued liabilities and the greater the potential for investment income. This gives the participants a greater degree of security in their pension benefits. The 1984 legislative session made significant changes in the actuarial assumptions, actuarial calculation methods and the employer contribution rates. The net effect was to decrease the level of funding for the State Employees Retirement Fund and to increase substantially the level of funding for the State Patrol Fund. In addition, because of the decrease in the employer contribution rate from 5.6% of payroll to 3.9% of payroll for the General Plan, the actuarial valuation reveals that the current support rate is insufficient to pay for current benefits promised, and to fund the deficit by the target date. It is hoped that the Legislature will take immediate remedial action. The actuarial section of this report contains the detailed actuarial results.



The Judges Fund is partially on a terminal funding basis and partially on a pay-as-you-go basis. Neither basis provides for sound funding of a retirement plan. The Unclassified and Deferred Compensation Plans are Defined Contribution Plans and consequently, are not funded plans.

#### Professional Services

The actuarial firm of Touche Ross & Co., represented by John H. Flittie, F.S.A. and James M. Magalska, F.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, 1983. The actuary's certification letter is included as the first item in the actuarial section.

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 by Minnesota Statutes §352.03, subd. 11. There were no litigation proceedings during fiscal year 1984, nor are there any pending.

The Legislative Auditor is charged with the responsibility of auditing the books and records of MSRS. His audit opinion for the fiscal year ended June 30, 1984 is included as the first item in the financial section.

#### Administration

Continued effort was made this year to bring the highest quality of service to the covered employees through group retirement presentations, individual counseling in person or by telephone, or written correspondence with informational data supplied.

#### Acknowledgements

This report 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 assets contributed by the members and their employers.

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

Respectfully submitted,



Paul L. Groschen  
Executive Director



**MINNESOTA STATE RETIREMENT SYSTEM  
ADMINISTRATIVE ORGANIZATION  
JUNE 30, 1984**

**BOARD OF DIRECTORS**

Karl W. Christey, Chairman  
Minnesota State Highway Patrol  
565 Wheeler Drive  
Excelsior, Minnesota 55331  
Telephone 612/541-9411  
Term: March 2, 1982-March 3, 1986  
Elected—State Patrol Member

Abigail Robles, Vice-Chairwoman  
Department of Revenue  
1171 Kruse  
West St. Paul, Minnesota 55118  
Telephone 612/296-3491  
Term: March 2, 1982-March 3, 1986  
Elected—State Employee

Joseph J. Bright  
2189 Powers Avenue  
St. Paul, Minnesota 55119  
Telephone 612/735-6906  
Term: March 5, 1984-March 3, 1986  
Elected—Retired State Employee

Daniel Ernst  
Department of Natural Resources  
1666 Stillwater Avenue  
St. Paul, Minnesota 55106  
Telephone 612/296-0600  
Term: March 5, 1984-March 7, 1988  
Elected—State Employee

Mel Hansen  
4505—28th Avenue South  
Minneapolis, Minnesota 55406  
Telephone 612/722-2182  
Term: February 25, 1981-January 7, 1985  
Appointed—Public Member

John Johnson  
Metropolitan Transit Commission  
12857 Polk Street NorthEast  
Blaine, Minnesota 55434  
Telephone 612/379-2914  
Term: March 5, 1984-March 7, 1988  
Appointed—MTC/TOD Designate

Marlene Johnson  
Office of the Lieutenant Governor  
24 South St. Albans Place  
St. Paul, Minnesota 55105  
Telephone 612/296-2374  
Term: Co-Terminous with Governor's  
Appointed—Constitutional Officer

Luther Thompson  
Department of Public Service  
2212 Kings Drive  
Woodbury, Minnesota 55125  
Telephone 612/296-1065  
Term: March 2, 1982-March 3, 1986  
Elected—State Employee

Bernard Weber  
Department of Transportation  
126 Riverside Drive NorthEast  
St. Cloud, Minnesota 56301  
Telephone 612/255-4268  
Term: March 4, 1984-March 7, 1988  
Elected—State Employee

Leo D. Wells  
1755 Highland Parkway  
St. Paul, Minnesota 55116  
Telephone 612/690-4949  
Term: January 2, 1984-January 5, 1987  
Appointed—Public Member

Kenneth Yozamp  
Department of Corrections  
105 Shadowood Drive  
Sauk Rapids, Minnesota 56379  
Telephone 612/251-3510  
Term: March 5, 1984-March 7, 1988  
Elected—Correctional Plan Member

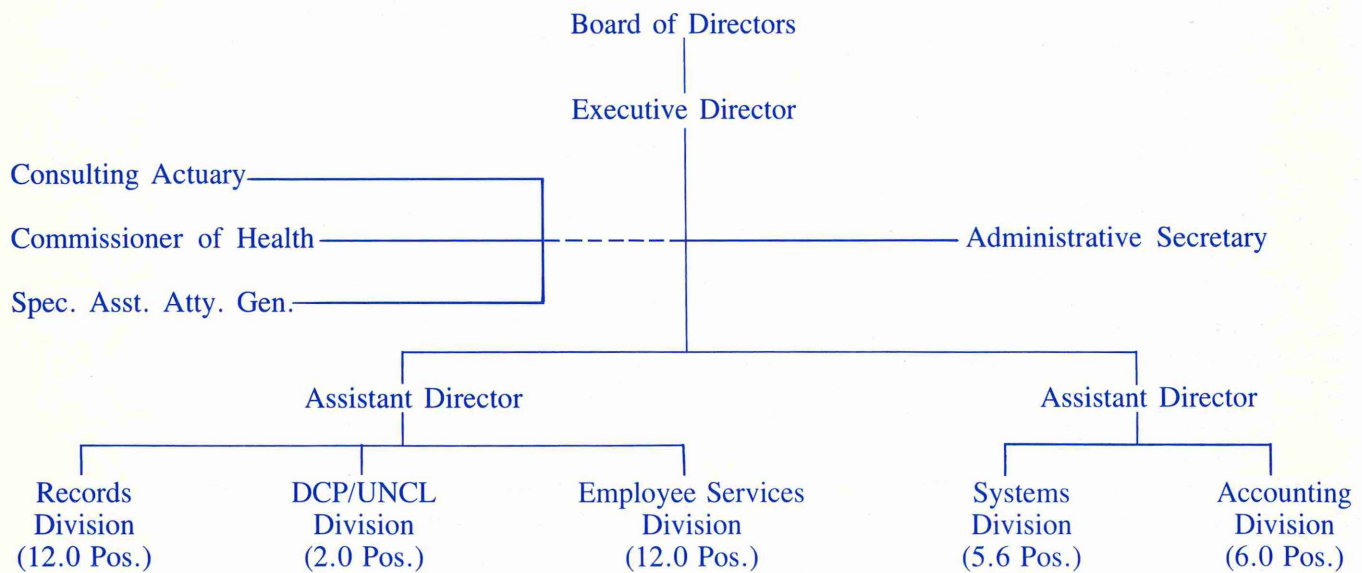
**OFFICERS**

Paul L. Groschen, Executive Director

Assistant Directors

Douglas Mewhorter, Employee Services and Records  
Arvin L. Herman, Finance and Systems

# MINNESOTA STATE RETIREMENT SYSTEM ORGANIZATION CHART JUNE 30, 1984



Number of Positions		
	Unclass.	Class.
Full Time	2.0	38.0
Part Time	.0	.6
Student	1.0	.0
	3.0	38.6





## MINNESOTA STATE RETIREMENT SYSTEM

529 JACKSON STREET AT 10<sup>th</sup>  
ST. PAUL, MINNESOTA 55101  
(612) 296-2761

### OFFICERS

Executive Director  
Paul L. Groschen  
Assistant Directors  
Douglas Mewhorter  
Arvin Herman

To all Participants  
of the  
Minnesota State Retirement System

Significant changes were made to the MSRS retirement plans in the 1984 Legislative session. This annual report reflects some of those changes, but the impact of the employer rate changes will occur next year. The impact of changes in the actuarial assumptions and methods will have to be judged on a long term basis.

Through its retirement plans, the State of Minnesota makes promises of future payments to its employees. To assure that these benefits will be paid, actuarial valuations are performed every year, and experience studies every four years, to determine costs and to test the adequacy of the financing.

The Board is especially pleased with the post retirement increase provision which, in recent years, has been able to keep retirement benefits ahead of inflation. Retirees received a 7.5% increase in January, 1984, and will receive a 6.9% increase in January, 1985. A commendation goes to the State Board of Investment for obtaining outstanding investment returns which are the basis for these increases.

The Board receives and considers requests for improvement or change in the retirement plans. The Board weighs several factors in determining whether to recommend to the Legislature that a benefit should be added; principally need, cost and equity of the proposed provision. As the Board has a responsibility to maintain a sound system, adequate financing for each plan improvement must be a major consideration. The staff and the Board encourage employees to read the periodic MSRS Newsletters for current information on Legislation proposed, in progress, and accomplished.

During fiscal 1984, three new members joined the Board. Kenneth Yozamp was elected as the new Correctional Plan Board member. Daniel Ernst was elected to replace Carolyn Anderson. John Johnson was designated for MTC/TOD to replace Richard Ryan. The entire Board and staff wish to thank those who served on the Board for their many years of dedicated service.

On behalf of the Board and the MSRS staff, I would like to express our thanks to all the System's participants and advisors. We ask for your continued support so that, through a group effort, we may continue to provide a sound and secure retirement future.

Sincerely,

Karl W. Christey, Chairman  
Board of Directors

AN EQUAL OPPORTUNITY EMPLOYER



**1984 LAW CHANGES****INVESTMENTS**

The deferral of bond sale losses over the expected bond life was repealed. The existing unamortized balances are to be offset against income in Fiscal Year 1984. (Laws 1984, Chapter 383, Sections 4 and 5)

**RETIREMENT SYSTEMS, GENERALLY**

The retirement funds must refund, without interest, the 2% additional employee contributions made in 1983. (Laws 1984, Chapter 564, Section 45)

Receipt of pension money is now included as income in determining child support and is subject to court order for child support. (Laws 1984, Chapter 547, Sections 1 and 4-15)

A variety of changes were made in the actuarial valuations and reports by Chapter 564.

**Section 1** requires the Legislative Commission on Pensions and Retirement to adopt rules specifying detailed methods for the public pension plans.

**Section 2** requires the Commission to contract with an actuarial firm to perform annual valuations, finance adequacy studies and cost analyses for the pension funds.

**Section 43** changes the pre-retirement interest assumption from 5% to 8% and the salary assumption from 3.5% to 6.5%. The unfunded liability is to be funded on a level percent of payroll rather than a level dollar basis. The required actuarial balance sheet is reformed and the actuarial valuation must recognize one third of unrealized market gains or losses.

**STATE EMPLOYEES RETIREMENT PLAN**

Laws 1984, Chapter 564

**Section 5** changes the total employer contribution rate from the percent 5.6 percent to 3.90 percent of salary beginning with the first full pay period after June 30, 1984.

**Sections 6, 7 and 9** eliminates the following waiting periods before annuities become effective, the 90 day waiting period for disabilitant applicants, the 30 day period for optional disability annuities, and the 30-day period for optional retirement annuities.

**Section 8** allows members to retire with a reduced annuity at 55 years of age with 10 years service or at any age with 30 years service. Current law allows reduced benefit at age 58 with 20 years or at age 62 with 10 years.

**Sections 10, 12** provide 5 percent annual interest on refunds.

**Section 11** provides a 100 percent joint and survivor benefit to the spouse of an active member who dies after meeting the age and service requirements for a retirement annuity. The age and service requirements are changed from age 58 with 20 years or age 62 with 10 years to age 55 with 10 years or at any age with 30 years.

**Section 44** provides an unreduced benefit to members at least age 55 whose age and service years total at least 85. The section also requires reporting units to furnish the fund with information concerning the net savings, if any, made possible by members retiring under the Rule of 85. The retirement fund is required to prepare a report to the legislature for year ending 1984, 1985, 1986 concerning the characteristics of those who retire under the Rule.



## CORRECTIONAL PLAN

Laws 1984, Chapter 564

**Section 13** changes the employee contribution rate from 4.89 to 4.90 percent of salary and the employer contribution rate from 11.415 to 8.70 percent of salary effective with the first full pay period after June 30, 1984.

**Section 14** provides an increase from 2.0 to 2.5 percent the formula percentage for service years 21 to 25. (Current law provides 2.5 percent for each of the first 20 years and 2.0 thereafter).

**Section 16** eliminates the 30 day waiting period before an optional disability benefit begins to accrue.

## STATE PATROL PLAN

Laws 1984, Chapter 564

**Section 17** changes the employer contribution rate from 21 percent to 18.9 percent of payroll effective with the first full pay period after June 30, 1984.

**Sections 18 and 19** provide 5 percent annual interest on refunds of employee contributions due to termination or due to the death of an active member.

## JUDGES PLAN

Laws 1984, Chapter 574

**Section 16** reduces the early retirement reduction factor from  $6\frac{2}{3}$  percent per year to 6 percent per year. The reduction factor is calculated on a monthly basis, so that the 6 percent per year is one-half percent per month.

**Section 17** corrects the calculation of judges' survivors benefits. Current language requires the benefit to equal 60 percent of the judges' normal annuity less 75 percent of any social security received. The revised formula sets the benefit equal to 60 percent of the difference between the judges' normal annuity and 75 percent of any social security received. The change is equivalent to an increase equal to 30 percent of any social security received.

## LEGISLATORS PLAN

Laws 1984, Chapter 564

**Section 3** provides 5 percent annual interest on refunds of employee contributions upon termination.

## CONSTITUTIONAL OFFICERS PLAN

Laws 1984, Chapter 564

**Section 20** provides 5 percent annual interest on refunds of employee contributions upon termination.

## UNCLASSIFIED EMPLOYEES PLAN

Laws 1984, Chapter 574

**Section 8** allows legislative employees with prior state service to transfer employee and matching employer contributions into the Unclassified Plan.

## MINNESOTA POST RETIREMENT INVESTMENT FUND

### OWNERSHIP OF THE MPRI FUND

The Minnesota Post Retirement Investment Fund (MPRIF) as provided in M.S. 11A.18 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
- State Patrol Retirement Fund
- Judges Retirement Fund
- Legislators Retirement Fund
- State Teachers Retirement Fund
- Public Employees Retirement Fund
- Public Employees Police and Fire Fund

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

### MORTALITY ADJUSTMENT

The actuarial tables used to determine the amount of money transferred to the Minnesota Post Retirement Investment Fund for a retired employee are based on a five percent interest assumption and a determined 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 for the actual mortality experienced during the year by each participating fund.

The cash transfer for mortality adjustments as of June 30, 1984 were as follows:

Transferred from the MPRIF to MSRS for mortality gains	Transferred from MSRS to the MPRIF for mortality losses		
Judges	State Employees	State Patrol	Legislators
\$277,859	\$264,161	\$338,662	\$94,685

### MPRI FUND ASSETS

The book value of the assets of the MPRI Fund increased from \$1.62 billion at June 30, 1983 to \$1.95 billion at June 30, 1984.

The fixed income and convertible securities are valued at amortized cost while the remaining assets are valued at cost. Effective June 30, 1981, up to 75% of the fund at market may be invested in common stock, convertible debentures, commingled funds and limited partnerships. Effective June 14, 1983, the restriction is 75% at market or book value, whichever is less.



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

	At Market Value			
	1984	1983	1982	1981
Equities	35.5%	39.5%	32.7%	37.3%
Fixed Income Securities	51.4%	51.5%	59.3%	38.4%
Short Term Securities	13.1%	9.0%	8.0%	24.3%
Total Portfolio (%)	100.00%	100.00%	100.00%	100.00%
Total Portfolio (Millions \$)	\$1,851	\$1,753	\$1,167	\$1,237

#### 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 which is the unamortized loss on the sale or disposition of debt securities. The account is increased by the loss on the sale of debt securities and decreased by the gain on the sale of such securities with a portion of the balance offset against investment income each year.

Total income to the fund for FY 1984 was \$205,291,542. Of the total income, \$2,481,167 was added to the FY 1983 deferred income of \$99,246,674 to provide the January 1, 1984 increase in benefits. The required earnings of 5% on the required reserves amounted to \$83,181,357 leaving a balance of excess investment income of \$117,384,007. Of the excess, \$5,869,200 was used to reduce the deficiency of the fund and the remaining \$111,514,806 increased by 2½% from FY 1985 income will be used to provide a permanent increase in benefits for those eligible, effective January 1, 1985.

The deficiency of the fund decreased from \$34,001,271 to \$26,447,644. This resulted from the allocation of 5% of excess income of \$5,869,200 and the decrease in the Deferred Yield Adjustment Account of \$1,684,427.

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

	State Employees	State Patrol	Judges	Legislators
Fiscal 1984 Income				
Distributed To:				
Required Reserves	\$13,709,964	\$1,276,490	\$279,294	\$195,705
Deficiency	1,761,431	173,734	10,273	21,603
January 1984 Increase	517,373	47,142	9,304	7,443
Undistributed	21,594,842	2,190,151	420,410	332,314
Total	\$37,583,610	\$3,687,517	\$719,281	\$557,065

#### 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 5% of the excess income is withheld to gradually eliminate the deficiency. The remaining 95% 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, 1983 so those participants whose benefit began to accrue prior to July 1, 1983 will receive a 6.905% increase in benefits beginning January 1, 1985. The MPRI Fund provided a 7.499% increase on January 1, 1984 for those participants whose benefit began to accrue prior to July 1, 1982.



**MPRI FUND DEFICIENCY**

If the required reserves, as determined by the actuary, as of June 30 are 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 5% 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, 1984 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>State Patrol</u>	<u>Judges</u>	<u>Legislators</u>
Reserve Requirement	\$356,378,679	\$40,454,943	\$6,838,301	\$5,501,426
MPRIF Participation	350,211,392	39,846,754	6,802,329	5,425,902
Deficiency	\$ 6,167,287	\$ 608,189	\$ 35,972	\$ 75,524

**LEGISLATORS RETIREMENT PLAN**

The Legislators Retirement Plan is a defined benefit plan covering the legislators, their spouses and children. The plan is administered in accordance with Chapter 3A of Minnesota Statutes. The plan is a part of the State General Fund and accordingly is reported as a part of that fund. MSRS is the administrator of the plan.

The retired legislators participate in the MPRI Fund and their benefits are funded on a terminal funding basis. The spouses and children do not participate in the MPRIF and their benefits as well as other expenses of the plan are on a pay-as-you-go basis.

There are 201 legislators who are required by statute to contribute 9% of salary towards their retirement. During FY 1984, their contributions amounted to \$331,121 leaving a net balance of accumulated contributions of \$2,249,750. Their contributions are deposited and credited to the State General Fund.

During FY 1984, the state contributed \$794,231 to the plan. Legislators took refunds of their accumulated contributions amounting to \$52,374. Surviving spouse and children benefits totaled \$77,499 while administrative costs amounted to \$28,960. The present value of benefits which was transferred to the MPRIF for the legislators that retired during the year was \$540,494 of which \$21,721 represented legislators contributions. The remaining \$51,630 was transferred to the MPRI Fund for the FY 1983 mortality loss.

There was \$618,270 paid in benefits to retired legislators from the MPRI Fund during FY 1984. Three retired legislators died and there were 9 new retirees during the year, leaving 107 retired legislators at June 30, 1984 receiving an average monthly benefit of \$503. There were 27 spouses and 10 children receiving an average monthly benefit of \$209 and \$105 respectively, at June 30, 1984. There are 71 former legislators eligible for a deferred benefit averaging \$419 per month.



**ELECTIVE STATE OFFICERS RETIREMENT PLAN**

The Elective State Officers Retirement Plan is a defined benefit plan covering the elected constitutional state officers, their spouses and children in accordance with Chapter 352C of Minnesota Statutes. The plan is a part of the State General Fund and accordingly, is reported as a part of that fund. MSRS is the administrator of the plan.

There are six elected officers who are required by statute to contribute 9% of salary towards their retirement. Their contributions are deposited and credited to the State General Fund. All funds necessary for the administration of the plan are appropriated as needed.

During FY 1984, the elected officers contributed \$30,072 and took refunds for \$2,668, leaving a total net accumulated contributions of \$196,283 at June 30, 1984. Benefits paid to the retired elected officers totaled \$74,943 during FY 1984 while survivor benefits totaled \$20,180 and administrative expenses were \$2,938.

There were six retired elected officers at June 30, 1984 receiving an average monthly benefit of \$1,078. There were three spouses receiving benefits at June 30, 1984 for an average monthly benefit of \$581. There are five former elected officers eligible for a deferred benefit averaging \$533 per month.

# **MINNESOTA STATE RETIREMENT SYSTEM**

## **SECTION II**

### **FINANCIAL SECTION**







STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

**Executive Director and Members of the Board  
Minnesota State Retirement System**

We have examined the combining and individual fund financial statements of the Minnesota State Retirement System as of and for the year ended June 30, 1984 as presented in the financial section of this report. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Reserves required, totaling \$1,311,550,301 for the State Employees Retirement Fund, \$119,682,219 for the Highway Patrol Retirement Fund, and \$42,377,889 for the Judges Retirement Fund at June 30, 1984, are presented in accordance with reports certified by the consulting actuary of the system.

As explained in Note 7, investments in marketable equity securities are valued at the lower of cost or market and other investments are valued at cost as required by generally accepted accounting principles. Minnesota statutes require valuation of all securities at cost plus one-third of the unrealized capital gains or losses. Since the statutory provision deviates from generally accepted accounting principles, the basic statements are not in compliance with the statute. Note 7 contains the disclosures which must be considered together with the basic financial statements to achieve statutory reporting requirements.

In our opinion, relying on the certification from the consulting actuary as to the reserves required, the combining and individual fund financial statements referred to above present fairly the financial position of the individual funds of the Minnesota State Retirement System at June 30, 1984, and the results of operations and changes in financial position of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. In addition, except for the valuation of securities, as discussed in the preceding paragraph, the aforementioned financial statements are in compliance with the reporting requirements of Minnesota Statute Section 356.20.




Executive Director and Members of the Board  
Minnesota State Retirement System

The Schedule of Operating Expenses for the year ended June 30, 1984 is presented for supplementary analysis purposes and is not necessary for the fair presentation of the combining and individual fund financial statements in conformance with generally accepted accounting principles. This schedule has been subjected to the tests and other audit procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the combining financial statements taken as a whole.

Sincerely,



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

November 26, 1984

# **COMBINING BALANCE SHEET** **JUNE 30, 1984**

ASSETS	Defined Benefit Plans				Defined Contribution Plans	
	Total	State Employees	State Patrol	Judges	Unclassified	Deferred Compensation
Cash	\$ 49,689	\$ 13,180	\$ 6,083	\$ 6,289	\$ 5,382	\$ 18,755
Short term investments (at cost) <sup>3</sup>	22,963,000	18,925,000	2,631,000	1,156,000		251,000
Accounts receivable						
Member contributions	1,707,436	1,550,192	90,775	5,262	61,207	
Employer contributions	2,697,786	2,381,656	224,266		91,864	
Member buybacks	84,240	84,240				
Other	26,803	11,169				15,634
Due from other plans	312,465	106,823			205,642	
Due from other funds	1,383,058	28,727		914,859	439,472	
Interest receivable	480,107	430,421	37,915	11,587		184
Cash equivalents (at cost) <sup>3</sup>	42,910,311	40,251,532	2,429,279	229,500		
Debt securities (at cost) <sup>3</sup>	183,572,678	171,349,304	11,487,183	736,191		
Equity investments (at market) <sup>3</sup>	420,604,129	390,196,421	28,411,913	1,995,795		
Equipment at depreciated cost <sup>4</sup>	63,045	63,045				
Equity in investment funds	496,491,276	356,378,679	40,454,943	6,838,301	21,585,005	71,234,348
Total Assets	<u>\$1,173,346,023</u>	<u>\$ 981,770,389</u>	<u>\$ 85,773,357</u>	<u>\$11,893,784</u>	<u>\$22,388,572</u>	<u>\$71,519,921</u>
<b>LIABILITIES AND RESERVES</b>						
<i>Liabilities</i>						
Accounts Payable:						
Annuitants	\$ 85,571	\$ 1,752	\$	\$ 83,819	\$	\$
Accrued expenses	8,058,845	7,532,593	193,812	103,213	219,908	9,319
Due to Unclassified Retirement Plan	205,642	205,642				
Due to MPRI Fund	613,284	274,622	338,662			
Due to SER Fund	74,925		46,912	28,013		
Due to General Fund	29,148	29,148				
Total Liabilities	<u>\$ 9,067,415</u>	<u>\$ 8,043,757</u>	<u>\$ 579,386</u>	<u>\$ 215,045</u>	<u>\$ 219,908</u>	<u>\$ 9,319</u>
<i>Reserves</i>						
Post Retirement Fund reserve <sup>5</sup>	\$ 403,671,923	\$ 356,378,679	\$ 40,454,943	\$ 6,838,301	\$	\$
Member reserve <sup>6</sup>	315,215,181	205,710,981	12,762,346	3,062,588	22,168,664	71,510,602
Disability reserve	585,402		585,402			
Survivor reserve	329,981	220,479	109,502			
"Old law" Judges reserve	1,811,700			1,811,700		
Add'l Judges & Survivors reserves	9,531,303			9,531,303		
State reserve	836,144,185	749,240,162	65,770,026	21,133,997		
Total Required Reserves <sup>7</sup>	<u>\$1,567,289,675</u>	<u>\$1,311,550,301</u>	<u>\$119,682,219</u>	<u>\$42,377,889</u>	<u>\$22,168,664</u>	<u>\$71,510,602</u>
Unfunded accrued liability (at cost) <sup>7</sup>	(367,662,486)	(305,013,844)	(32,116,125)	(30,532,517)		
Unrealized loss on equities	(35,348,581)	(32,809,825)	(2,372,123)	(166,633)		
Net Reserves	<u>\$1,164,278,608</u>	<u>\$ 973,726,632</u>	<u>\$ 85,193,971</u>	<u>\$11,678,739</u>	<u>\$22,168,664</u>	<u>\$71,510,602</u>
Total Liabilities and Reserves	<u>\$1,173,346,023</u>	<u>\$ 981,770,389</u>	<u>\$ 85,773,357</u>	<u>\$11,893,784</u>	<u>\$22,388,572</u>	<u>\$71,519,921</u>

The footnotes are an integral part of the financial statements.



# **COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RESERVES** **YEAR ENDED JUNE 30, 1984**

	Defined Benefit Plans				Defined Contribution Plans	
	Total	State Employees	State Patrol	Judges	Unclassified	Deferred Compensation
Operating Revenues						
Member contributions	\$ 35,685,877	\$ 33,342,707	\$ 1,877,412	\$ 465,758	\$	\$
Employer contributions	37,195,343	34,449,418	2,745,925			
Employer add'l contributions	18,082,415	16,190,670	1,891,745			
General Fund appropriation	3,551,791	1,353,689	59,008	1,670,894	468,200	
Investment income <sup>8</sup>	44,537,465	36,680,417	2,795,738	241,565	407,066	4,412,679
MPRI Fund income	41,990,408	37,583,610	3,687,517	719,281		
Realized and unrealized gains	6,458,203	9,057,892	292,606	(10,156)	(1,136,065)	(1,746,074)
Other income	397,967	822	275	85,543	58,024	253,303
Total Operating Revenues	\$ 187,899,469	\$168,659,225	\$13,350,226	\$ 3,172,885	\$ (202,775)	\$ 2,919,908
Operating Expenses						
Annuity benefits	\$ 40,269,070	\$ 35,186,370	\$ 3,239,440	\$ 1,843,260	\$	\$
Disability benefits	2,026,032	1,956,514	58,061	11,457		
Survivor benefits	281,470	23,665	133,560	124,245		
Member refunds	14,561,688	13,983,055	251,044	107,679	219,910	
Refunds upon death	460,563	432,972	27,591			
Other refunds	82,959	47,322	272		134	35,231
Interest on refunds	336,668	336,372	213	83		
Administrative expenses <sup>9</sup>	1,776,134	1,405,816	46,912	27,713	58,024	237,669
Deferred yield write off <sup>10</sup>	12,626,636	11,562,673	801,809	262,154		
Total Operating Expenses	\$ 72,421,220	\$ 64,934,759	\$ 4,558,902	\$ 2,376,591	\$ 278,068	\$ 272,900
Other Charges in Reserves						
Shares purchased:						
Member contributions	\$ 11,451,990	\$	\$	\$	\$ 1,198,563	\$10,253,427
Employer contributions	1,813,985				1,813,985	
Member withdrawals	(5,397,228)				(1,936,637)	(3,460,591)
Plan transfers	0	305,595			(305,595)	
Total Other Changes	\$ 7,868,747	\$ 305,595	\$ 0	\$ 0	\$ 770,316	\$ 6,792,836
Net Reserve Additions	\$ 123,346,996	\$104,030,061	\$ 8,791,324	\$ 796,294	\$ 289,473	\$ 9,439,844
Unrealized market loss	(35,348,581)	(32,809,825)	(2,372,123)	(166,633)		
Reserve Balance at June 30, 1983	1,076,280,192	902,506,396	78,774,770	11,049,077	21,879,191	62,070,758
Reserve Balance at June 30, 1984	\$1,164,278,608	\$973,726,632	\$85,193,971	\$11,678,739	\$22,168,664	\$71,510,602

The footnotes are an integral part of the financial statements.

**STATE EMPLOYEES RETIREMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RESERVES**  
**YEAR ENDED JUNE 30, 1984**

	Total	Reserve for Employee Contributions	Reserve for Survivor Benefits	Reserve for Participation in the MPRIF	Reserve for State Contributions	Reserve for Unfunded Liability
Operating Revenues						
Member contributions	\$ 33,158,879	\$ 33,158,879	\$	\$	\$	\$
Employer contributions	34,449,418				34,449,418	
Employer add'l contributions	16,190,670				16,190,670	
General Fund appropriation	1,353,689				1,353,689	
Investment income*	36,680,417				36,680,417	
MPRI Fund income	37,583,610			37,583,610		
Gain on sale of stock	9,057,892				9,057,892	
Interest on buybacks	183,829				183,829	
Other	821				821	
Total Operating Revenues	<u>\$168,659,225</u>	<u>\$ 33,158,879</u>	<u>\$ 0</u>	<u>\$ 37,583,610</u>	<u>\$ 97,916,736</u>	<u>\$ 0</u>
Operating Expenses						
Benefits						
Service	\$ 35,186,370	\$	\$	\$ 33,832,681	\$ 1,353,689	\$
Disability	1,956,514			1,956,514		
Spouse	23,665		23,665			
Refunds						
Left service	13,983,055	13,983,055				
Employee death	381,071	381,071				
Annuitant death	51,901			51,901		
Erroneous deductions	47,322	47,322				
Interest on refunds	336,372				336,372	
Administrative expenses <sup>o</sup>	1,405,816				1,405,816	
Deferred yield write off	11,562,673				11,562,673	
Total Operating Expenses	<u>\$ 64,934,759</u>	<u>\$ 14,411,448</u>	<u>\$ 23,665</u>	<u>\$ 35,841,096</u>	<u>\$ 14,658,550</u>	<u>\$ 0</u>
Other Changes in Reserves						
Inactive employee transfer	\$ 0	\$ 81,588	\$	\$	\$ (81,588)	
Adjust reserves to actuarial requirement	0		32,912		(32,912)	
Actuarial value of benefits authorized	0	(5,905,546)		40,786,273	(34,880,727)	
Adjust mortality (gain) loss	0			266,285	(266,285)	
Unclassified Plan transfers	305,595	80,060			225,535	
Total Other Changes	<u>\$ 305,595</u>	<u>\$ (5,743,898)</u>	<u>\$ 32,912</u>	<u>\$ 41,052,558</u>	<u>\$ (35,035,977)</u>	<u>\$ 0</u>
Net Reserve Balance Additions	<u>\$104,030,061</u>	<u>\$ 13,003,533</u>	<u>\$ 9,247</u>	<u>\$ 42,795,072</u>	<u>\$ 48,222,209</u>	<u>\$</u>
Unrealized loss on equities	(32,809,825)					(32,809,825)
Increase in Actuarial Liability	0				40,395,803	(40,395,803)
Reserve Balance at June 30, 1983	<u>902,506,396</u>	<u>192,707,448</u>	<u>211,232</u>	<u>313,583,607</u>	<u>660,622,150</u>	<u>(264,618,041)</u>
Reserve Balance at June 30, 1984	<u>\$973,726,632</u>	<u>\$205,710,981</u>	<u>\$ 220,479</u>	<u>\$356,378,679</u>	<u>\$749,240,162</u>	<u>\$ (337,823,669)</u>

The footnotes are an integral part of the financial statements.



**STATE PATROL RETIREMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RESERVES**  
**YEAR ENDED JUNE 30, 1984**

	<u>Total</u>	<u>Reserve for Employee Contributions</u>	<u>Reserve for Disibilitants and Children</u>	<u>Reserve for Participation in the MPRIF</u>	<u>Reserve for State Contributions</u>	<u>Reserve for Unfunded Liability</u>
Operating Revenues						
Member contributions	\$ 1,877,412	\$ 1,877,412	\$	\$	\$	\$
Employer contributions	2,745,925				2,745,925	
Employer add'l contributions	1,891,745				1,891,745	
General Fund appropriation	59,008				59,008	
Investment income <sup>*</sup>	2,795,738				2,795,738	
MPRI Fund income	3,687,517			3,687,517		
Gain on sale of stock	292,606				292,606	
Other	275				275	
Total Operating Revenues	<u>\$ 13,350,226</u>	<u>\$ 1,877,412</u>	<u>\$ 0</u>	<u>\$ 3,687,517</u>	<u>\$ 7,785,297</u>	<u>\$ 0</u>
Operating Expenses						
Benefits						
Service	\$ 3,211,461	\$	\$	\$ 3,080,382	\$ 131,079	\$
Disability	58,061		58,061			
Spouse	133,560			133,560		
Surviving children	27,979		27,979			
Refunds						
Left service	251,257	251,044			213	
Employee death	27,591	27,591				
Erroneous deduction	272	272				
Administrative expenses	46,912				46,912	
Deferred yield write off	801,809				801,809	
Total Operating Expenses	<u>\$ 4,558,902</u>	<u>\$ 278,907</u>	<u>\$ 86,040</u>	<u>\$ 3,213,942</u>	<u>\$ 980,013</u>	<u>\$ 0</u>
Other Changes in Reserves						
Adjust reserves to actuarial requirement	\$ 0	\$	\$ (109,882)	\$	\$ 109,882	\$
Actuarial value of benefits authorized	0	(1,008,494)	220,983	8,320,307	(7,532,796)	
Adjust for mortality (gain) loss	0			338,662	(338,662)	
Total Other Changes	<u>\$ 0</u>	<u>\$ (1,008,494)</u>	<u>\$ 111,101</u>	<u>\$ 8,658,969</u>	<u>\$ (7,761,576)</u>	<u>\$ 0</u>
Net Reserve Balance Additions	\$ 8,791,324	\$ 590,011	\$ 25,061	\$ 9,132,544	\$ (956,292)	\$
Unrealized loss on equities	(2,372,123)					(2,372,123)
Decrease in Actuarial Liability	0				(21,284,060)	21,284,060
Reserve Balance at June 30, 1983	78,774,770	12,172,335	669,843	31,322,399	88,010,378	(53,400,185)
Reserve Balance at June 30, 1984	<u>\$ 85,193,971</u>	<u>\$ 12,762,346</u>	<u>\$ 694,904</u>	<u>\$ 40,454,943</u>	<u>\$ 65,770,026</u>	<u>\$ (34,488,248)</u>

The footnotes are an integral part of the financial statements.

**JUDGES RETIREMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RESERVES**  
**YEAR ENDED JUNE 30, 1984**

	Total	Reserve for Judges Contr.	Reserve for Add'l Judges and Surv.	Reserve for "Old Law" Judges	Reserve for Participation in the MPRIIF	Reserve for State Contr.	Reserve for Unfunded Liability
Operating Revenues							
Member contributions	\$ 465,758	\$ 453,558	\$ 12,200	\$	\$	\$	\$
Employer contributions	1,670,894					1,670,894	
Investment income <sup>8</sup>	241,565					241,565	
MPRI Fund income	719,281				719,281		
Loss on sale of stock	(10,156)					(10,156)	
Other	85,543					85,543	
Total Operating Revenues	<u>\$ 3,172,885</u>	<u>\$ 453,558</u>	<u>\$ 12,200</u>	<u>\$ 0</u>	<u>\$ 719,281</u>	<u>\$ 1,987,846</u>	<u>\$ 0</u>
Operating Expenses							
Benefits							
Service	\$ 1,843,260	\$	\$ 874,298	\$ 189,673	\$ 779,289	\$	\$
Disability	11,457				11,457		
Spouse	124,245		124,245				
Refunds							
Left service	107,679	107,679					
Interest on refunds	83					83	
Administrative expenses	27,713					27,713	
Deferred Yield write off	262,154					262,154	
Total Operating Expenses	<u>\$ 2,376,591</u>	<u>\$ 107,679</u>	<u>\$ 998,543</u>	<u>\$ 189,673</u>	<u>\$ 790,746</u>	<u>\$ 289,950</u>	<u>\$ 0</u>
Other Changes in Reserves							
Adjust reserves to actuarial requirement	\$ 0	\$	\$1,260,185	\$ 151,912	\$	\$(1,412,097)	\$
Actuarial value of benefits authorized	0	(140,785)	140,622	461,233	719,349	(1,180,419)	
Adjust mortality (gain) loss	0				(277,859)	277,859	
Total Other Changes	<u>\$ 0</u>	<u>\$ (140,785)</u>	<u>\$1,400,807</u>	<u>\$ 613,145</u>	<u>\$ 441,490</u>	<u>\$(2,314,657)</u>	<u>\$ 0</u>
Net Reserve Balance Additions	\$ 796,294	\$ 205,094	\$ 414,464	\$ 423,472	\$ 370,025	\$ (616,761)	\$
Unrealized Loss on Equities	(166,633)						(166,633)
Increase in Actuarial Liability						1,025,285	(1,025,285)
Reserve Balance at June 30, 1983	11,049,078	2,857,494	9,116,839	1,388,228	6,468,276	20,725,473	(29,507,232)
Reserve Balance at June 30, 1984	<u>\$11,678,739</u>	<u>\$3,062,588</u>	<u>\$9,531,303</u>	<u>\$1,811,700</u>	<u>\$6,838,301</u>	<u>\$21,133,997</u>	<u>\$ (30,699,150)</u>

The footnotes are an integral part of the financial statements.



**COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION  
YEAR ENDED JUNE 30, 1984**

	Total	Defined Benefit Plan			Defined Contribution Plans	
		State Employees	State Patrol	Judges	Unclassified	Deferred Compensation
Resources Provided by:						
Net reserve balance additions	\$123,346,996	\$104,030,061	\$8,791,324	\$796,294	\$289,473	\$9,439,844
Items not requiring resources currently:						
Deferred yield writeoff	\$ 12,985,661	\$ 11,896,960	\$ 824,745	\$263,956	\$	\$
Unrealized market change	(35,348,581)	(32,809,825)	(2,372,123)	(166,633)		
Depreciation	14,095	14,095				
Total resources provided	\$100,998,171	\$ 83,131,291	\$7,243,946	\$893,617	\$289,473	\$9,439,844
Resources Used by:						
Equipment purchases	\$ (1,456)	\$ (1,456)	\$	\$	\$	\$
Total resources used	(1,456)	(1,456)				
Increase in Working Capital	<u>\$100,996,715</u>	<u>\$ 83,129,835</u>	<u>\$7,243,946</u>	<u>\$893,617</u>	<u>\$289,473</u>	<u>\$9,439,844</u>
Elements of Net Increase (Decrease) in Working Capital						
Current Assets						
Cash	\$ (1,246)	\$ (15,419)	\$ (6,250)	\$ 5,999	\$ (359)	\$ 14,783
Accounts receivable	39,106	34,979	(50,934)	(7,790)	59,648	3,208
Accrued interest and dividends	(6,381,047)	(5,990,930)	(374,932)	(15,335)		149
Due from other funds	199,413	28,727	(95,746)	(173,041)	439,474	
Due from other plans	9,881	(15,212)			25,093	
Cash equiv. investments	42,910,311	40,251,532	2,429,279	229,500		
Short term investments	(15,236,988)	(12,609,988)	(3,159,000)	606,000		(74,000)
Fixed income investment	(148,872,609)	(137,350,522)	(10,798,340)	(723,747)		
Equity investments	172,595,254	161,298,611	10,516,833	779,810		
Other investment funds	61,759,494	42,795,074	9,132,544	370,025	(20,747)	9,482,602
Current Liabilities						
Due annuitants	(81,365)	2,454		(83,819)		
Accrued expenses	(5,589,600)	(5,291,392)	(5,401)	(92,278)	(213,632)	13,102
Due Unclassified Plan	(25,096)	(25,096)				
Due MPRIF	(292,497)	46,165	(338,662)			
Due State	(29,148)	(29,148)				
Due General Plan	(7,152)		(5,445)	(1,707)		
Working Capital Change	<u>\$100,996,715</u>	<u>\$ 83,129,835</u>	<u>\$7,243,946</u>	<u>\$893,617</u>	<u>\$289,473</u>	<u>\$9,439,844</u>

The footnotes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS****1. Description of the System**

The Minnesota State Retirement System administers several retirement funds and plans in accordance with a variety of statutes. The funds and plans in this report include the following:

**Defined Benefit Plans****Statutory Reference**

State Employees Retirement Fund

M.S. 352

**General Employees Plan****(a) Coverage**

—Virtually all state employees, including administrative personnel of the University of Minnesota, State Universities and Community Colleges.

**(b) Benefits**

—Annuity or disability benefit, death benefits or refund of contributions.

**(c) Formula**

—1% of high five year average salary for first 10 years of service plus 1½% for each year over 10.

**(d) Retirement age and years of service**

—Age 65 with one year service—no reduction.

—Age 62 with 30 years service—no reduction.

—Age 55 if age and length of service when added together totals 85 or more, and provided retirement occurs by 12/31/86—no reduction.

—Age 55 with 10 years service—reduced from age 65,

—At any age with 30 years service—reduced from age 62.

**(e) Disability**

—Total and permanent.

—Under age 65 with 10 years service—no reduction.

—Age 50 with 5 years service—no reduction.

—Formula as in (c) with no reduction.

**(f) Death While Eligible**

—If employee was eligible to retire at date of death, generally, the spouse is eligible for a 100% joint and survivor annuity or a refund of all contributions plus 3½% (5% effective July 1, 1984) interest compounded annually.

**(g) Refunds**

—All employee contributions plus interest at 3½% (5% effective July 1, 1984) compounded annually on contributions after the third year of service.

**(h) Annuity and Disability Options**

—100% joint and survivor

—50% joint and survivor

—15 year period certain and life thereafter

**(i) Contributions**

—3.73% employee, 3.73% employer, 1.87% employer additional for unfunded liability, plus Social Security.

**Correctional Officers Plan****(a) Coverage**

—State employees who have direct contact with inmates at Minnesota Correctional Facilities.



**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

## (b) Formula

—2½% of high five year average salary for first 25 years of service and 2% for each year over 25 payable for 84 months or until age 65, then reverts to General Plan formula.

## (c) Retirement Age and Years of Service

—Age 55 with 10 years service.

## (d) Disability

—Unable to perform the duties.

—Under age 55.

—Formula, or equal to 50% of high five average salary plus 2% for each year in excess of 20 if job related.

## (e) Refunds

—Same as General Plan.

## (f) —Death while eligible—same as General Plan.

## (g) Annuity and Disability Options

—Same as General Plan.

## (h) Contributions

—4.89% employee, 7.335% employer, 4.08% employer additional for unfunded liability, plus Social Security.

**Military Affairs Plan**

## (a) Coverage

—Department of Military Affairs employees required to retire from federal military status at age 60.

## (b) Benefits

—Same as General Plan.

## (c) Formula

—Same as General Plan.

## (d) Retirement Age and Years of Service

—Age 60 with at least 10 years of service—no reduction.

## (e) Disability

—Unable to perform the duties.

—Under age 60 with 10 years service—no reduction.

—Age 50 with 5 years service—no reduction.

—Formula as in (c) with no reduction.

## (f) Death While Eligible

—Same as General Plan.

## (g) Refunds

—Same as General Plan.

## (h) Annuity and Disability Options

—Same as General Plan.

## (i) Contributions

—5.33% employee, 5.33% employer, 1.87% employer additional for unfunded liability plus Social Security.

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**State Patrol Retirement Plan**

M.S. 352B

- (a) Coverage
  - State of Minnesota Highway Patrolmen, conservation officers and crime bureau officers.
- (b) Benefits
  - Annuity or disability benefit, survivor benefit or refund of contributions.
- (c) Formula
  - $2\frac{1}{2}\%$  of high five successive years salary for first 25 years of service plus 2% for each year over 25.
- (d) Retirement Age and Years of Service
  - Age 55 with 10 years of service—no reduction.
- (e) Disability
  - Same as Correctional Officers Plan.
- (f) Survivor Benefits
  - Spouse
    - Death of member in service—20% of final average salary. With 10 or more years of service, changes to a 100% joint and survivor annuity amount as of the date the employee would have attained age 55.
  - Children
    - Death of member in service—10% of final average salary per child plus \$20 per month prorated equally to such children until age 18 or age 22 if a student, or until married. Total benefit limited to 40% of final average salary.
- (g) Refunds
  - Refund of contributions without interest. (5% effective July 1, 1984)
- (h) Annuity and Disability Option
  - 100% joint and survivor
  - 50% joint and survivor
  - 100% joint and survivor with reversion
  - 50% joint and survivor with reversion
- (i) Contributions
  - 8.5% employee, 12% employer, 9% employer additional for unfunded liability. No Social Security coverage.

**Judges Retirement Plan**

- (a) Coverage
  - All Minnesota State, County and Supreme Court Judges.
- (b) Benefits
  - Annuity or disability benefit, death benefits or refund of contributions.
- (c) Formula
  - $2\frac{1}{2}\%$  of high five years average salary within the last 10 years of service for each year of service prior to July 1, 1980 plus 3% of same average salary for service rendered after June 30, 1980.
  - If covered by Social Security, benefit is reduced by 75% of primary benefit amount payable from Social Security
- (d) Retirement Age and Years of Service
  - Age 70 with 1 year service—no reduction.
  - Age 65 with 10 years service—no reduction.
  - Age 62 with 10 years service—reduced from age 65.



## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- (e) Disability
  - Unable to perform the duties.
  - Continuation of full salary for two years, then as computed under the formula with no reduction, subject to minimum of 25% of high five year average salary. If covered by Social Security, benefit is reduced by 75% of primary amount payable from social security.
- (f) Death Benefits
  - Spouse eligible for 60% of normal annuity subject to a minimum of 25% of final average salary. If judge covered by Social Security, judges survivor payment reduced by 75% of judges primary benefit amount from Social Security.
- (g) Refunds
  - Refund of all contributions plus interest at the rate of 5% compounded annually.
- (h) Annuity and Disability Options
  - 100% joint and survivor.
  - 50% joint and survivor.
  - 10 year certain and life thereafter.
  - 15 year certain and life thereafter.
- (i) Contributions
  - Social Security rate plus 1/2% (December 28, 1982—June 28, 1983 2 1/2%) employee.
  - Balance necessary from employer.
  - Social Security maximum paid first, then balance of contributions to the fund. 1/2% contribution paid entirely to the fund.

### Defined Contribution Plans

### Statutory Reference

#### Unclassified Employees Plan

M.S. 352D

- (a) Coverage
  - Certain specified employees of the State of Minnesota in unclassified positions.
- (b) Benefits
  - Annuity or disability benefit or withdrawal of contributions and investment gain or loss; refund of one-half the account plus annuity based on the remaining one-half.
- (c) Formula
  - Money purchase based upon age and 5% interest assumption.
- (d) Retirement Age and Years of Service
  - Age 58 with any length of service.
- (e) Disability
  - Total and permanent.
  - Refund of total account; refund of one-half the account plus annuity or annuity based on entire account.
- (f) Refunds
  - Value of account.
- (g) Annuity and Disability Option
  - 100% joint and survivor.
  - 50% joint and survivor.
  - 15 year period certain.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(h) Contributions

—4% employee and 6% employer credited to employees account, plus Social Security.

### Deferred Compensation Plan

M.S. 352

(a) Coverage

—Optional for all State employees and employees of political subdivisions.

(b) Investment Selection

- Minnesota Supplemental Investment Fund
  - Income Share Account
  - Growth Share Account
  - Fixed Return Account
- Minnesota Mutual Life Insurance Company
  - Fixed annuity contract
  - Variable annuity contract
- Great West Life Assurance Company
  - Fixed annuity contract

(c) Withdrawal Events

- Termination of service.
- Death.
- Unforeseeable emergency.
- Delayed distribution after termination of service.

(d) Withdrawal Options

- Minnesota Supplemental Investment Fund
  - Lump sum.
  - Lump sum purchase of a fixed or variable annuity contract.
  - Monthly installment over a period specified not to exceed 240 months.
- Insurance Companies
  - The life of the participant.
  - The life of the participant or a period certain, whichever is greater
  - The joint lifetime of the participant and a named beneficiary.

(e) Contributions

- Tax deferred.
- Minimum of \$10.00 per pay period.
- Maximum of 33 $\frac{1}{3}$ % of includable compensation or \$7,500, whichever is less.

These summary plan descriptions are not intended to be all inclusive but are provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

### 2. Summary of Significant Accounting Policies.

(a) Employee Contributions

Employee contributions are established by statute as a percentage of total compensation and are deducted from the employee's salary and remitted by the employers. The Employee Contribution Reserve represents employee contributions less amounts transferred to reserves for retirement and disability or refunded.



## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(b) Employer Contributions

Employer normal cost contributions and additional contributions, which are used to amortize the past fund deficit, are set by statute as a percentage of total compensation with the exception of the Judges Fund. For the Judges Fund, the employer contributions are on a "terminal funding basis." The counties pay to the fund a 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.

(c) Benefit and Disability Reserves

The benefit and disability reserves represent the present value of benefits in effect as of June 30. All benefit and disability payments are made from these reserves. The accumulated contributions of the employees are transferred to these reserves upon retirement. The balance necessary to fully fund their benefit as well as any monies necessary for mortality adjustments are transferred from the State contribution reserve.

(d) State Contribution Reserve

The State contribution reserve is credited with all investment earnings and employer contributions. Also included in this reserve is the unfunded accrued liability which is the amount necessary to place the retirement fund on a fully funded basis.

(e) Actuarial Valuations

Actuarial valuations are performed annually and experience studies are performed every four years. The last completed experience study was as of June 30, 1983. The entry age normal method, a projected benefit cost method, is used to value the funds with contributions being made as a level percentage of covered employee salaries. A salary scale of 6 $\frac{1}{2}$ % and interest assumption of 8% are prescribed by statute.

(f) Investments

Short term and long term debt security investments are reported at cost. Equities are reported at the lower of cost or market.

During fiscal year 1984 all debt security and equity investments were transferred to a single custodial, State Street Bank of Boston. Investment income reported prior to the transfer of assets to State Street Bank was reported on a basis consistent with prior years. After the conversion to State Street Bank, income from equity and debt security holdings was distributed once during the year on a pooled basis.

(g) Equipment and Fixtures

Equipment and fixtures are capitalized at the time of acquisition. Depreciation is computed on the straight line method over the estimated useful life of the asset.

(h) Basis of Accounting

The basic financial statements were prepared using the accrual basis of accounting.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. Investments At Cost	<u>Total</u>	<u>State Employees Fund</u>	<u>State Patrol Fund</u>	<u>Judges Fund</u>
Short Term	\$ 65,622,311	\$ 59,176,532	\$ 5,060,279	\$1,385,500
Debt Securities	183,572,678	171,349,304	11,487,183	736,191
Equities	455,952,709	423,006,246	30,784,035	2,162,428
Total	\$705,147,698	\$653,532,082	\$47,331,497	\$4,284,119
<b>At Market</b>				
Short Term	\$ 65,622,311	\$ 59,176,532	\$ 5,060,279	\$1,385,500
Debt Securities	183,215,092	171,015,530	11,464,806	734,756
Equities	420,604,129	390,196,421	28,411,913	1,995,795
Total	\$669,441,532	\$620,388,483	\$44,936,998	\$4,116,051

4. Cost of Equipment and Fixtures	\$156,978
Less: Accumulated depreciation	93,933
Depreciated Cost	\$ 63,045

5. The retirement funds actual participation in the net assets of the MPRIF are less than the required reserves. The deficiency is part of the MPRIF and is funded by a portion of the earnings in excess of the 5% required.

	<u>Total</u>	<u>State Employees</u>	<u>State Patrol</u>	<u>Judges</u>
Participation	\$396,860,475	\$350,211,392	\$39,846,754	\$6,802,329
Deficiency	6,811,448	6,167,287	608,189	35,972
Reserves Required	\$403,671,923	\$356,378,679	\$40,454,943	\$6,838,301

The deficiency of the MPRIF is not included in the unfunded accrued liability of the basic retirement funds (Note 7).

6. The employee reserve for the defined benefit plans represents the total accumulated contributions without interest at June 30, 1984 for those employees who have not retired or been refunded. For the defined contribution plans, it represents the total net assets of the plans.
7. In determining the accrued liability and unfunded accrued liability as of June 30, 1984, Minnesota Statutes, Chapter 356 requires that equities be valued at cost plus one-third of the unrealized gain or loss on investments. GAAP requires that equities be valued at lower of cost or market. Therefore, the assets and unfunded liability are reported both ways for the three funds shown below. The balance sheet reflects the GAAP method only. The Determination of Accrued Liability and the Determination of Unfunded Accrued Liability—Chapter 356 were prepared by the actuary, Touche Ross & Co.



**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**a. STATE EMPLOYEES RETIREMENT FUND**

	(1)	(2)	(3)
	<b>Present Value of Benefits</b>	<b>Present Value of Applicable Portion of Normal Cost Contribution</b>	<b>Accrued Liability Equals Reserves Required (1)-(2)</b>
<b>A. DETERMINATION OF ACCRUED LIABILITY</b>			
1. Active Members			
a. Retirement benefits	\$1,064,265,824	\$295,551,528	\$768,714,296
b. Disability benefits	71,205,517	23,855,095	47,350,422
c. Refundments due to death or withdrawal	146,717,231	147,660,146	(942,915)
d. Surviving spouse benefits	73,871,520	22,805,568	51,065,952
e. Deferred retirement benefits	104,890,360	37,760,344	67,130,016
f. Subtotal	\$1,460,950,452	\$527,632,681	\$933,317,771
2. Deferred annuitants	19,662,417		19,662,417
3. Former members without vested rights	1,970,954		1,970,954
4. Survivors	220,479		220,479
5. Participation in MPRI Fund	356,378,679		356,378,679
6. Total	\$1,839,182,981	\$527,632,681	\$1,311,550,300

**B. DETERMINATION OF UNFUNDED ACCRUED LIABILITY**

	<b>Chapter 356 33% Market Value</b>	<b>GAAP 100% Market Value (Equities)</b>	<b>Cost Basis</b>
Accrued Liability	\$1,311,550,300	\$1,311,550,300	\$1,311,550,300
Valuation assets	996,003,433	973,726,632	1,006,536,456
Unfunded accrued liability	\$ 315,546,867	\$ 337,823,668	\$ 305,013,844

# **NOTES TO THE FINANCIAL STATEMENTS** (Continued)

## **b. STATE PATROL RETIREMENT FUND**

	(1)	(2)	(3)
	<b>Present Value of Benefits</b>	<b>Present Value of Applicable Portion of Normal Cost Contribution</b>	<b>Accrued Liability Equals Reserves Required (1)-(2)</b>
<b>A. DETERMINATION OF ACCRUED LIABILITY</b>			
1. Active Members			
a. Retirement benefits	\$ 99,944,384	\$36,817,648	\$63,126,736
b. Disability benefits	8,855,669	4,605,574	4,250,095
c. Refundments due to death or withdrawal	296,503	777,743	(481,240)
d. Survivor and children's benefits	3,879,756	2,383,508	1,496,248
e. Vested termination benefits	10,145,939	5,807,526	4,338,413
f. Total active	\$123,122,251	\$50,391,999	\$72,730,252
2. Deferred annuitants	1,741,638	—	1,741,638
3. Former members without vested rights	19,976	—	19,976
4. Survivors-children	109,502	—	109,502
5. Disabled members	585,402	—	585,402
6. Participation in MPRI Fund	40,454,943	—	40,454,943
7. 6% increase in retirement benefit fund for pre-73 retirees	4,040,505	—	4,040,505
8. Total	\$170,074,217	\$50,391,999	\$119,682,218

## **B. DETERMINATION OF UNFUNDED ACCRUED LIABILITY**

	<b>Chapter 356 33% Market Value</b>	<b>GAAP 100% Market Value (Equities)</b>	<b>Cost Basis</b>
Accrued Liability	\$119,682,218	\$119,682,218	\$119,682,218
Valuation assets	86,784,592	85,193,971	87,566,093
Unfunded accrued liability	\$ 32,897,626	\$ 34,488,247	\$ 32,116,125



**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**c. JUDGES RETIREMENT FUND**

	(1)	(2)	(3)
	<b>Present Value of Benefits</b>	<b>Present Value of Applicable Portion of Normal Cost Contribution</b>	<b>Accrued Liability Equals Reserves Required (1)-(2)</b>
<b>A. DETERMINATION OF ACCRUED LIABILITY</b>			
1. Active Members			
a. Retirement benefits	\$34,301,196	\$13,545,202	\$20,755,994
b. Disability benefits	2,997,356	1,926,118	1,071,238
c. Refundments due to death or withdrawal	—	—	—
d. Surviving spouse benefits	6,601,488	4,444,590	2,156,898
e. Subtotal	\$43,900,040	\$19,915,910	\$23,984,130
2. Deferred annuitants	212,455	—	212,455
3. Former members without vested rights	—	—	—
4. Retirement and survivor benefits from Judge's Fund	11,343,003	—	11,343,003
5. Participation in MPRI Fund	6,838,301	—	6,838,301
6. Total	\$62,293,799	\$19,915,910	\$42,377,889

**B. DETERMINATION OF UNFUNDED ACCRUED LIABILITY**

	<b>Chapter 356 33% Market Value</b>	<b>GAAP 100% Market Value (Equities)</b>	<b>Cost Basis</b>
Accrued Liability	\$42,377,889	\$42,377,889	\$42,377,889
Valuation assets	11,791,860	11,678,739	11,845,372
Unfunded accrued liability	\$30,586,029	\$30,699,150	\$30,532,517

# NOTES TO THE FINANCIAL STATEMENTS

(Continued)

## 8. Investment Income

## A. Defined Benefit Plans

## From Basic Funds:

	<u>Total</u>	<u>State Employees</u>	<u>State Patrol</u>	<u>Judges</u>
Short Term Investments	\$ 4,308,050	\$ 3,872,794	\$ 345,827	\$ 89,429
Debt Securities Income	19,529,468	18,143,223	1,315,392	70,853
Dividend Income	3,380,191	3,105,774	255,884	18,533
Pooled Equity Income	12,500,011	11,558,626	878,635	62,750
Subtotal	\$39,717,720	\$36,680,417	\$2,795,738	\$ 241,565

## From MPRI Fund:

Total income	\$45,188,471	\$40,244,967	\$4,165,715	\$ 777,789
Deferred from prior year	22,952,778	20,694,916	1,885,687	372,175
Total available	\$68,141,249	\$60,939,883	\$6,051,402	\$1,149,964
Used for Deficiency	1,945,438	1,761,431	173,734	10,273
Deferred to next F. Y. *	24,205,403	21,594,842	2,190,151	420,410
Recognized	\$41,990,408	\$37,583,610	\$3,687,517	\$ 719,281
Total Income	<u>\$81,708,128</u>	<u>\$74,264,027</u>	<u>\$6,483,255</u>	<u>\$ 960,846</u>

## B. Defined Contribution Plans

		<u>Unclassified</u>	<u>Deferred Compensation</u>
Short Terms	\$ 64,530	\$ 0	\$ 64,530
Fixed Return Earnings	4,755,215	407,066	4,348,149
Total Income	<u>\$ 4,819,745</u>	<u>\$ 407,066</u>	<u>\$4,412,679</u>
Combined Total	<u>\$86,527,873</u>		

\*The deferred income is used to fund a 6.905% benefit increase effective January 1, 1985 for those whose benefit began to accrue prior to July 1, 1983.

## 9. Leases

The office facilities and twenty parking spaces are leased by an agreement through September 30, 1987, requiring an annual rent payment of \$74,347.

10. In prior financial statements, losses on long term bond sales were amortized over the remaining bond life. In Fiscal Year 1984, this statutory method was discontinued and the entire balance written off against Fiscal Year 1984.



**SCHEDULE OF OPERATING EXPENSES  
YEAR ENDED JUNE 30, 1984**

Personal Services	
Staff salaries	\$ 928,321
Social Security	54,789
Retirement	47,240
Insurance	54,644
Unemployment Compensation	1,984
Tuition	254
Total Personal Services	<u>\$1,087,232</u>
Professional Services	
Actuarial	\$ 74,750
Data processing	166,708
Investment Fees	124,765
Audit	36,190
Disability examinations	18,804
Legal counsel	15,672
Total Professional Services	<u>\$ 436,889</u>
Communication	
Printing	\$ 49,600
Telephone	7,508
Postage	51,598
Travel	7,992
Subscriptions and memberships	1,528
Total Communication	<u>\$ 118,226</u>
Rentals	
Office Space	\$ 37,639
Equipment leasing	1,560
Total Rentals	<u>\$ 39,199</u>
Miscellaneous	
Utilities	\$ 6,778
Supplies	12,332
Repairs	3,698
Department Head and Board Member expense	2,278
Depreciation	14,095
Other purchased services	40,465
Total Miscellaneous	<u>\$ 79,646</u>
Total Operating Expenses	<u>\$1,761,192</u>
Expense attributable to other plans	
State Patrol Fund	\$ 46,912
Judges Retirement Fund	27,713
Legislators Retirement	28,960
Elected Officials	2,938
Deferred Compensation	190,829
Unclassified Employees	58,024
Total Distribution to Other Plans	<u>\$ 355,376</u>
Balance attributable to the SER Fund	<u>\$1,405,816</u>

# **MINNESOTA STATE RETIREMENT SYSTEM**

## **SECTION III**

### **ACTUARIAL SECTION**





March 29, 1985

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

Ladies and Gentlemen:

We have performed an actuarial valuation as of June 30, 1984 for the following three funds:

Minnesota State Retirement System,  
Judges Retirement Fund

Minnesota State Retirement System,  
State Patrol Retirement Fund

Minnesota State Retirement System,  
State Employees' Retirement Fund

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 Touche Ross & Co.

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

We hereby certify that on the basis of this valuation, contributions required from employees and the State under Minnesota Statutes (Chapter 352) represent 105.6% of the requirements set forth in Chapter 356 for the State Patrol Retirement Fund and 97.28% of the requirements set forth in Chapter 356 for the State Employees' Retirement Fund.

We further certify the following:

The actuarial valuation determines a contribution amount which includes the normal cost (computed as a level percentage of payroll and the Entry Age Normal actuarial cost method) and a level percentage amortization of the unfunded actuarial liability by the year 2009 for the Judges and State Patrol Plans, and by the year 2010 for the State Employees' Plan.



Board of Directors  
Minnesota State Retirement System

March 29, 1985

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Contributions:

Judges -

Participants contribute amounts specified by state law. State employer contributions to the fund are made on a "terminal funding" basis. Total contributions of the year ended June 30, 1984 were less than the amount determined as of June 30, 1983 by the method described in the above paragraph.

State Patrol -

The contributions made in this year have been sufficient to equal the contribution amount calculated in the valuation.

State Employees -

The contributions made this year have not been sufficient to meet the objective.

Changes since prior valuation:

Judges -

Several changes in the actuarial assumptions and method have been made since the previous valuation.

1. For the June 30, 1984 valuation, we used the individual entry age normal method, with salary scale. This is a change from prior years, in that the values for service retirements for active members used to be calculated on the aggregate entry age normal method, with salary scale.
2. The unfunded liability is now being amortized by the level percent of payroll method, rather than the level dollar amount method used in previous valuations. In other words, each amortization payment is now calculated as if the following year's payment will increase by 6.5%.
3. The following assumptions have changed since the previous valuation:

Board of Directors  
Minnesota State Retirement System

March 29, 1985

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Item	Assumptions Used In	
	June 30, 1984 Valuation	Prior Valuations
Pre-retirement Interest	8% per annum	5% per annum
Salary Scale	6.5% per annum	3.5% per annum
Judges' Retirement Age	Later of age 68 or one year hence	Later of age 68 or current age
Expenses	.26% of payroll	.16% of payroll

4. The actuarial basis for the assets has been changed. Current assets are the value of assets at cost plus one-third of any unrealized gains or losses plus realized income which includes gains or losses. No change was made, however, in the way assets allocated to the Minnesota Post-Retirement Investment Fund were reported and applied in this valuation.

Benefits paid to some retirees and beneficiaries were increased 7.499% on January 1, 1984 in accordance with Chapter 11A of the Minnesota Statutes.

State Patrol -

Several changes in the actuarial assumptions and method have been made since the previous valuation.

1. In prior years, the normal cost for retirement benefits was first determined (based on the age at hire of each member) as the level annual dollar deposit required to pay for the cost of each member's projected benefits over a period from his date of hire to his date of retirement. The accrued liability was equal to the present value of all projected benefits under the plan less the present value of all future normal costs (the level dollar normal costs were used for this purpose). The unfunded accrued liability was the net of the accrued liability and current valuation assets on hand. To comply with the requirements of Chapter 356 which call for normal cost to be determined as a level percentage of salary, the level dollar normal cost was then converted to a level percentage of payroll basis, by applying an approximation which produces a mathematical equivalency.



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The normal cost as a percentage of payroll for disability, refund, survivor and vested termination benefits was, and continues to be, determined by dividing the present value at entry of the applicable benefit by the present value at entry of future compensation.

2. The unfunded liability is now being amortized by the level percent of payroll method, rather than the level dollar amount method used in previous valuations. In other words, each amortization payment is now calculated as if the following year's payment will increase by 6.5%.
3. The following assumptions have changed since the previous valuation:

Item	Assumptions Used In	
	June 30, 1984 Valuation	Prior Valuations
Pre-retirement Interest	8.0% per annum	5.0% per annum
Salary Scale	6.5% per annum	3.5% per annum
Retirement	Later of age 63 for State Police Offi- cers hired before 7/1/61; age 58 for all others; and one year hence	Age 63 for State Police Officers hired before 7/1/61, age 57 for all others
Withdrawal Ages 46-54	See Separation from Service Table in val- uation report	See Separation from Service Table in val- uation report
Expenses	.27% of payroll	.18% of payroll

4. The actuarial basis for the assets has been changed. Current assets are the value of assets at cost plus one-third of any unrealized gains or losses plus realized income which includes realized gains or losses. No change was made, however, in the way assets allocated to the Minnesota Post-Retirement Investment Fund were reported and applied in this valuation.

Board of Directors  
Minnesota State Retirement System

March 29, 1985

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5. The employer contribution rate was reduced as of July 1, 1983 from 21% of salary to 18.9%. There were no changes in member contribution rates.

Benefits paid to some retirees and beneficiaries were increased 7.499% on January 1, 1984 in accordance with Chapter 11A of the Minnesota Statutes.

State Employees -

1. For the June 30, 1984 valuation, we changed to the individual entry age normal method from the aggregate entry age normal method used in prior valuations.

Under the new method, normal cost rate is determined for each individual by dividing the total present value at entry of all benefits by the total present value at entry of all future pay. This percentage is applied to current annual payroll to determine the normal cost.

2. The unfunded liability is now being amortized by the level percent of payroll method, rather than the level dollar amount method used in previous valuations. In other words, each amortization payment is now calculated as if the following year's payment will increase by 6.5%.

3. The following assumptions have changed since the previous valuation:

Item	Assumptions Used In	
	June 30, 1984 Valuation	Prior Valuations
Pre-retirement Interest	8.0% per annum	5.0% per annum
Salary Scale	6.5% per annum	3.5% per annum
Retirement (General Employees Only)	See Separation From Service Tables in valua- tion report. In addition, 50% of those eligible for Rule of 85 were assumed to do so, and all members aged 65 or over were assumed to retire one year hence.	See Separation From Service Tables in val- uation report



Board of Directors  
Minnesota State Retirement System

March 29, 1985

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Item	Assumptions Used In	
	June 30, 1984 Valuation	Prior Valuations
Social Security Cost of Living and Wage Base Increases (Correctional Employees Only)	3.0% per annum	No increase

4. The actuarial basis for the assets has been changed. Current assets are the value of assets at cost plus one-third of any unrealized gains or losses plus realized income which includes realized gains or losses. No change was made, however, in the way assets allocated to the Minnesota Post-Retirement Investment Fund were reported and applied in this valuation.
5. The employer contribution rates were reduced as of July 1, 1983 from 5.6% of salary to 3.9% for the General Plan, and from 11.42% of salary to 8.7% for the Correctional Plan. There were no changes in member contribution rates.

Benefits paid to some retirees and beneficiaries were increased 7.499% on January 1, 1984 in accordance with Chapter 11A of the Minnesota Statutes.

Actuarial valuations are performed once a year. The most recent valuation was as of June 30, 1984.

Plan assets are valued at cost value for stock and short-term investments, and adjusted amortized cost for fixed income investments.

All employee and financial data were provided by the plan administrator, and we relied on that data, performing only general checks of reasonableness.

In general, the actuarial assumptions were specified by the administrative board of the plan and on the basis of an experience study performed as of June 30, 1983. However, the interest and salary scale assumptions are set by state law.

Board of Directors  
Minnesota State Retirement System

March 29, 1985

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It is our opinion that the assumptions used produce results which, in the aggregate, relate reasonably to the past and anticipated experience of the plan.

The "Determination of Accrued Liability" and the "Determination of the Unfunded Liability - Chapter 356" as found in note 7 of the notes to financial statements of this report were prepared by Touche Ross & Co.

TOUCHE ROSS & CO.

  
\_\_\_\_\_  
John H. Flittie, F.S.A.  
\_\_\_\_\_  
James M. Magalska, F.S.A.

/wm



## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

	State Employees Retirement Fund	State Patrol Retirement Fund	Judges Retirement Fund
1. Mortality:	1. 1971 Group Annuity Mortality Table with ages set back eight years for females. Adopted 1980	1. Same	1. Same
2. Post-Disability Mortality:	2. Combined Annuity Mortality Table. Adopted 1972	2. N/A	2. N/A
3. Withdrawal:	3. Graded rates based on actual experience developed by the June 30, 1971 experience analysis. Adopted 1972	3. Graded rates starting at .03 at age 20 and decreasing uniformly to zero at age 55.	3. None. Adopted 1980
4. Expenses:	4. .18% of covered payroll. Adopted 1980	4. .27% of payroll. Adopted 1984	4. .27% of payroll. Adopted 1984
5. Interest Rate:	5. Set by statute at 8% per-retirement and 5% post-retirement. Adopted 1984.	5. Same	5. Same
6. Salary Scale:	6. Set by statute at 6% per annum. Adopted 1984	6. Same	6. Same
7. Assumed Retirement Age:	7. Graded rates beginning at age 58 for the General Employees Plan. Assumed age 60 for the Military Affairs Plan and age 58 for the Correctional Officers Plan. Adopted 1979 50% of those eligible for Rule of 85 assumed to do so and all members 65 and over assumed to retire in one year. Adopted 1984.	7. Age 58 for State Patrolmen and for State Police Officers hired after June 30, 1961. Age 63 for State Police Officers hired before July 1, 1961. Adopted 1984.	7. Judges Plan: Later of Age 68 or one year hence. Adopted 1984. Supreme Court Justices Only: Latest of— —age 70 —12 years of service, or —one year from valuation date. Adopted 1979.
8. Actuarial Cost Method:	8. Entry age cost method, with normal cost determined as a level percentage of future covered payroll, on an individual basis. Prescribed by statute. Unfunded liability is amortized by level percent of payroll method.	8. Same	8. Same
9. Social Security:	9. Correctional Officers Plan Only: Based on the present law and 6½% salary scale applicable to current salaries. Three percent wage base and cost of living increases are projected. Adopted 1984	9. N/A	9. a. Primary amount: \$729.00 per month, increasing with salary scale. Adopted 1974 b. Level contribution rate: 7.05% assumed for all future years. Adopted 1974 c. Covered annual wages: \$37,800 increasing with salary scale. Adopted 1974
10. Assumed survivor status:	10. N/A	10. 100% assumed married, female spouse 3 years younger. Fifteen percent load on spouse benefits for children's benefits. Adopted 1979.	10. 100% assumed married, female spouse 3 years younger. Adopted 1979.
11. Contribution refund:	11. 60% of employees with a vested benefit withdrawing before retirement are assumed to elect return of contributions in lieu of a deferred benefit. Adopted 1982 (1).	11. All employees withdrawing after ten years of service were assumed to leave their contributions on deposit and receive a deferred annuitant benefit. Adopted 1979.	11. N/A

**ANALYSIS OF CHANGE IN THE UNFUNDED ACCRUED LIABILITY**  
**Fiscal Year Ending June 30, 1984**

	<u>STATE EMPLOYEES FUND</u>	<u>STATE PATROL FUND</u>	<u>JUDGES FUND</u>
1. Unfunded accrued liability as of June 30, 1983	\$264,618,040	\$53,400,183	\$29,507,233
2. Change due to current rate of funding and interest requirements			
a. 1983-84 past service contribution	(22,216,542)	(2,789,875)	(309,920)
b. 5% interest requirement	13,230,902	2,670,009	1,475,362
3. Change due to actuarial gains or losses because of experience deviations from expected			
a. Salary increases	19,533,927	525,998	1,400,606
b. Investment income	5,993,423	(817,796)	7,160
c. MPRI Fund mortality	264,161	338,662	(277,859)
d. Withdrawals, death, disability	3,398,759	303,437	186,748
e. Social Security	N/A	N/A	576,541
f. Mortality on other retirees	N/A	N/A	129,942
4. Unfunded accrued liability as of June 30, 1984 before non-recurring items	\$284,822,670	\$53,630,618	\$32,695,813
5. Decrease due to change in interest, salary scale, and retirement assumptions	(77,995,910)	(6,312,730)	(3,656,514)
6. Increase (decrease) due to change in actuarial cost method	60,558,690	(14,420,262)	1,546,730
7. Increase due to Rule of 85 retirement	17,674,009	N/A	N/A
8. Increase due to change in death benefit	30,168,672	N/A	N/A
9. Increase due to increase in Correctional Plan benefit	318,736	N/A	N/A
Unfunded accrued liability as of June 30, 1984	<u>\$315,546,867</u>	<u>\$32,897,626</u>	<u>\$30,586,029</u>



## DEPTH OF FUNDING—PLAN CONTINUATION BASIS

The Plan Continuation Ratio is an indication of the extent to which the benefits *earned to date* are funded. The value of the benefits earned to date are calculated on a plan continuation basis applying all ongoing actuarial assumptions including assumed future salary increases and turnover. It is measured by the ratio of the valuation assets to the present value of accrued benefits.

On this basis, a ratio of 100% indicates full funding of all benefits earned to date.

## STATE EMPLOYEES RETIREMENT FUND

Valuation Date	Present Value of Accrued Benefits			Reported Assets	Portion of Benefits Earned To Date Covered By Reported Assets
	Active, Deferred Inactive	Retirees and Beneficiaries	Total		
6-30-76	\$254,079,150	\$110,267,694	\$364,346,844	\$293,008,488	80.7%
6-30-77	266,439,050	140,980,813	407,419,863	357,556,308	87.8
6-30-78	314,298,931	151,518,891	465,817,822	408,755,610	87.8
6-30-79	384,816,431	179,314,989	564,131,420	482,465,961	85.5
6-30-80	448,335,844	205,332,561	653,668,405	569,165,868	87.1
6-30-81	508,876,656	230,624,886	739,501,542	675,227,139	91.3
6-30-82	580,683,102	282,184,551	862,867,653	783,649,606	90.8
6-30-83	660,127,016	313,794,837	973,921,853	902,506,393	92.7
6-30-84	712,480,059	356,599,158	1,069,079,217	996,003,433	93.2

## STATE PATROL RETIREMENT FUND

Valuation Date	Present Value of Accrued Benefits			Reported Assets	Portion of Benefits Earned To Date Covered By Reported Assets
	Active, Deferred, Inactive	Retirees and Beneficiaries	Total		
6-30-79	\$49,097,648	\$14,228,659	\$63,326,307	\$41,712,515	65.9%
6-30-80	61,488,728	17,209,819	78,698,547	49,620,012	63.1
6-30-81	71,272,075	20,255,867	91,527,942	58,720,161	64.2
6-30-82	76,462,655	25,503,946	101,966,601	68,183,407	66.9
6-30-83	84,049,002	36,111,773	120,160,775	78,774,772	65.6
6-30-84	78,100,467	41,149,847	119,250,314	86,784,592	72.8

## JUDGES RETIREMENT FUND

Valuation Date	Present Value of Accrued Benefits			Reported Assets	Portion of Benefits Earned To Date Covered By Reported Assets
	Active, Deferred, Inactive	Retirees and Beneficiaries	Total		
6-30-77	\$12,699,612	\$3,187,489	\$15,887,101	\$3,946,736	24.8%
6-30-78	13,422,248	3,844,849	17,267,277	4,933,299	28.6
6-30-79	17,665,090	10,648,749	28,313,839	6,845,192	24.2 <sup>1</sup>
6-30-80	20,698,947	11,924,903	32,623,850	7,641,062	23.4
6-30-81	24,231,198	13,155,634	37,386,832	8,513,941	22.8
6-30-82	24,868,165	14,817,093	39,685,258	8,740,420	22.0
6-30-83	27,811,530	16,973,342	44,784,872	11,049,076	24.7
6-30-84	29,198,235	18,181,304	47,379,539	11,791,860	24.9

<sup>1</sup> Several law changes subsequent to the establishment of the fund brought all Judges and Judges Survivors plans into the fund. This is the first valuation that recognized all of the various Judges plans.



## SOLVENCY TEST—FUNDING RATIO

One of the tests of financial solvency is to determine what portion of the accrued liabilities are covered by current assets. If the funding is on a sound basis, the retirement fund will pay all promised benefits when due.

In a short term solvency test, the funds current assets are compared with the liabilities for active member contributions (liability 1), the liabilities for future benefits to present retired lives (liability 2) and the employer liability for service already rendered by active employees (liability 3). Generally, if the fund has been using level cost financing, the funded portion of liability 3 should increase over time with liability 1 and 2 being fully funded.

## STATE EMPLOYEES RETIREMENT FUND

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered By Reported Assets			Funding Ratio (1) + (2) + (3)
	(1)	(2)	(3)		(1)	(2)	(3)	
	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)					
6-30-75	\$ 65,678,307	\$103,633,726	\$279,180,173	\$265,533,524	100%	100%	34.5%	59.2%
6-30-76	75,780,365	110,267,694	284,383,583	293,008,488	100	100	37.6	62.3
6-30-77	87,098,476	140,980,813	293,079,566	357,556,308	100	100	44.2	68.6
6-30-78	100,278,842	151,518,891	343,729,375	408,755,610	100	100	45.7	68.6
6-30-79	121,815,771	179,314,989	365,970,371	482,465,961	100	100	49.6	72.3
6-30-80	136,370,228	205,332,561	425,544,372	569,165,868	100	100	53.5	74.2
6-30-81	153,317,649	230,624,886	477,715,767	675,227,139	100	100	61.0	78.4
6-30-82	165,800,421	282,184,551	590,922,381	783,649,606	100	100	56.8	75.4
6-30-83	192,707,448	313,794,837	660,622,148	902,506,393	100	100	59.9	77.3
6-30-84	205,710,981	356,599,158	749,240,161	966,003,433	100	100	57.9	75.9

## STATE PATROL RETIREMENT FUND

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered By Reported Assets			Funding Ratio (1) + (2) + (3)
	(1)	(2)	(3)		(1)	(2)	(3)	
	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)					
6-30-75	\$ 5,404,991	\$ 7,783,120	\$30,158,762	\$22,125,269	100%	100%	29.6%	51.0%
6-30-76	6,155,117	8,708,776	32,358,063	25,593,705	100	100	33.2	54.2
6-30-77	6,873,913	11,132,877	36,019,646	31,081,251	100	100	36.3	57.5
6-30-78	7,747,055	12,618,680	39,277,660	36,348,010	100	100	40.7	60.9
6-30-79	8,505,215	14,228,659	46,063,984	41,712,515	100	100	42.1	61.5
6-30-80	9,432,724	17,209,819	59,187,851	49,620,012	100	100	38.8	57.8
6-30-81	10,251,899	20,255,867	70,010,143	58,720,161	100	100	40.3	58.4
6-30-82	10,954,514	25,503,946	74,997,233	68,183,407	100	100	42.3	61.2
6-30-83	12,172,335	31,992,242	88,010,378	78,774,772	100	100	39.3	59.6
6-30-84	12,762,346	41,149,847	65,770,025	86,784,592	100	100	50.0	72.5



**JUDGES RETIREMENT FUND****Aggregate Accrued Liabilities For**

Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities Covered By Reported Assets			Funding Ratio (1) + (2) + (3)
					(1)	(2)	(3)	
6-30-75	\$ 398,946	\$ 1,464,278	\$12,374,606	\$1,970,436	100%	100%	.9%	13.8%
6-30-76	726,518	1,635,315	12,874,727	2,375,815	100	100	.1	15.7
6-30-77	920,246	3,187,489	15,124,130	3,946,736	100	94.9	0	20.5
6-30-78	1,263,739	3,844,849	15,276,202	4,933,299	100	95.4	0	24.2
6-30-79	1,553,850	10,648,749	16,976,458	6,845,192	100	49.7	0	23.5 <sup>1</sup>
6-30-80	1,867,726	11,924,903	17,574,412	7,641,062	100	48.4	0	24.4
6-30-81	2,177,802	13,155,634	17,281,815	8,513,941	100	48.2	0	26.1
6-30-82	2,535,186	14,817,093	17,864,867	8,740,420	100	41.9	0	24.8
6-30-83	2,857,495	16,973,342	20,725,473	11,049,076	100	48.3	0	27.2
6-30-84	3,062,588	18,181,304	21,133,997	11,791,860	100	52.0	0	27.8

<sup>1</sup>Several law changes subsequent to the establishment of the fund brought all Judges and Judges Survivors plans into the fund. This is the first valuation that recognized all of the various Judges plans.

**UNFUNDED ACCRUED LIABILITY (UAL)**

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 normal cost contributions.

Looking at just the dollar amounts of the UAL can be misleading. By dividing the unfunded accrued liability by the active employee payroll, we can provide an index which indicates whether the fund is becoming financially stronger or weaker. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the fund.

**STATE EMPLOYEES RETIREMENT FUND**

Valuation Date	Aggregate Accrued Liabilities	Reported Assets	UAL	Active Member Payroll	UAL As A % of Active Member Payroll
6-30-75	\$ 448,492,206	\$265,533,524	\$182,958,682	\$414,852,162	44.1%
6-30-76	470,431,642	293,008,488	177,423,154	460,999,409	38.5
6-30-77	521,158,855	357,556,308	163,602,547	483,203,504	33.9
6-30-78	595,527,108	408,755,610	186,771,498	569,301,385	32.8
6-30-79	667,101,131	482,465,961	184,635,170	637,592,557	29.0
6-30-80	767,247,161	569,165,868	198,081,293	703,470,202	28.2
6-30-81	861,658,302	675,227,139	186,431,163	796,297,430	23.4
6-30-82	1,038,907,353	783,649,606	255,257,747	830,395,472	30.7
6-30-83	1,167,124,433	902,506,393	264,618,040	893,430,208	29.6
6-30-84	1,311,550,300	996,003,433	315,546,867	949,950,593	33.2

**STATE PATROL RETIREMENT FUND**

Valuation Date	Aggregate Accrued Liabilities	Reported Assets	UAL	Active Member Payroll	UAL As A % of Active Member Payroll
6-30-75	\$43,346,873	\$22,125,269	\$21,221,604	\$11,214,526	189.2%
6-30-76	47,221,956	25,593,705	21,628,251	11,996,584	180.3
6-30-77	54,026,436	31,081,251	22,945,185	12,974,808	176.8
6-30-78	59,643,395	36,348,010	23,295,385	13,771,848	169.2
6-30-79	67,797,858	41,712,515	26,085,343	16,429,135	158.8
6-30-80	85,830,394	49,620,012	36,210,382	18,003,587	201.1 <sup>1</sup>
6-30-81	100,517,909	58,720,161	41,797,748	19,967,408	209.3
6-30-82	111,455,693	68,183,407	43,272,286	20,922,575	206.8
6-30-83	132,174,955	78,774,772	53,400,183	23,066,558	231.5
6-30-84	119,682,218	86,784,592	32,897,626	23,016,272	142.9

**JUDGES RETIREMENT FUND**

Valuation Date	Aggregate Accrued Liabilities	Reported Assets	UAL	Active Member Payroll	UAL As A % of Active Member Payroll
6-30-75	\$14,237,830	\$1,970,436	\$12,267,394	\$5,645,172	217.3%
6-30-76	15,146,560	2,375,815	12,770,745	6,058,740	210.8
6-30-77	19,231,865	3,946,736	15,285,129	9,041,000	169.1
6-30-78	20,384,790	4,933,299	15,451,491	9,089,988	170.0
6-30-79	29,179,057	6,845,192	22,333,865	9,606,000	232.5 <sup>2</sup>
6-30-80	31,367,041	7,641,062	23,725,979	10,278,000	230.8
6-30-81	32,615,251	8,513,941	24,101,310	10,618,500	227.0
6-30-82	35,217,146	8,740,420	26,476,726	10,616,226	249.4
6-30-83	40,556,310	11,049,076	29,507,234	12,685,000	232.6
6-30-84	42,377,889	11,791,860	30,586,029	14,083,111	217.2

<sup>1</sup>The ratio increased due to a change in actuarial assumptions of which the change for mortality had the greatest impact.

<sup>2</sup>Several law changes subsequent to the establishment of the fund brought all Judges and Judges Survivors plans into the fund. This is the first valuation that recognized all of the various Judges plans.

**CURRENT SUPPORT**

Employee and employer contributions are set by statute at a specified rate and apply to total salary. The employer additional contributions are for the purpose of paying for the unfunded accrued liability. It has been a philosophy of the legislature that the employee and employer share the normal cost of retirement benefits on an equal basis. Selected rates were changed effective July 1, 1984 in the 1984 Legislative session (See Law Changes in Introductory Section).

	Employee Contributions	Employer Normal Cost Contributions	Employer Additional Contributions	Total
<b>STATE EMPLOYEES RETIREMENT FUND</b>				
General Employees Plan	3.73%	3.73%	1.87%	9.33%
Military Affairs Plan	5.33%	5.33%	1.87%	12.53%
Correctional Officers Plan	4.89%	7.335%	4.08%	16.305%
<b>STATE PATROL RETIREMENT FUND</b>				
	8.5%	12%	9%	29.5%



**JUDGES RETIREMENT FUND**

Judges pay the social security tax rate, applied to their entire salary, plus an additional  $\frac{1}{2}\%$  subject to a minimum of 7% in total.

All judges appointed after January 1, 1974, and those judges that elected to be covered by Social Security after the fund was established first pay up to the maximum at the social security rate to Social Security with the remainder paid to the Judges Fund. For those judges that did not elect Social Security coverage, their entire contribution is paid to the Judges Fund. Any additional funds needed for the administration of the fund are appropriated from the State General Fund as needed.

**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 determinations are the projected rate of earnings of the fund, the rates of separation from active service, salary progression scales and mortality rates.

Comparative normal cost figures, including administrative expenses, were as follows:

Valuation Date	STATE EMPLOYEES RETIREMENT FUND			STATE PATROL FUND	JUDGES FUND
	General Employees Plan	Military Affairs Plan	Correctional Officers Plan		
6-30-77	7.23%	N/A	11.18%	14.72%	13.27%
6-30-78	7.20%	N/A	11.16%	14.44%	12.79%
6-30-79	6.67%	N/A	10.38%	14.83%	13.67%
6-30-80	7.00%	<sup>1</sup>	10.82%	15.68%	15.32%
6-30-81	6.91%	<sup>1</sup>	11.23%	15.95%	14.89%
6-30-82	7.02%	<sup>1</sup>	10.70%	17.14%	15.33%
6-30-83	7.14%	<sup>1</sup>	10.80%	17.83%	15.25%
6-30-84	6.13%	<sup>1</sup>	9.49%	18.68%	13.85%

<sup>1</sup>Included in the General Employees Plan.

# **Minnesota State Retirement System**

## **SECTION IV**

### **STATISTICAL SECTION**





# EARNINGS ON INVESTMENTS

Earnings on investments were calculated 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 at the end of the year

Income on investments is accounted for on an accrual basis and includes interest on bonds, interest on short term investments, dividends on corporate stock, and amortization of the Deferred Yield Adjustment Account.

<b>Earnings</b>	<b><u>1984</u></b>	<b><u>1983</u></b>	<b><u>1982</u></b>	<b><u>1981</u></b>	<b><u>1980</u></b>
<b>STATE EMPLOYEES RETIREMENT FUND</b>					
Excluding gain on stock sales	6.34%	7.38%	9.13%	8.58%	7.76%
Including gain on stock sales	7.93%	11.23%	9.91%	12.90%	9.49%
<b>STATE PATROL RETIREMENT FUND</b>					
Excluding gain on stock sales	6.18%	7.02%	9.18%	8.61%	7.95%
Including gain on stock sales	6.85%	10.53%	10.17%	12.70%	9.93%
<b>JUDGES RETIREMENT FUND</b>					
Excluding gain on stock sales	6.65%	7.24%	9.19%	8.67%	8.61%
Including gain on stock sales	6.36%	10.58%	9.77%	11.53%	8.54%

# ANNUALIZED TIME WEIGHTED TOTAL RATE OF RETURN

The time weighted rate of return measures total return to the fund which includes cash yield as well as realized and unrealized market value changes in assets.

	<b><u>1984</u></b>	<b><u>1983</u></b>	<b><u>1982</u></b>	<b><u>1981</u></b>	<b><u>1980</u></b>	<b><u>Annualized</u></b>	
						<b><u>3 Yr.</u></b>	<b><u>5 Yr.</u></b>
Basic Retirement Funds	(5.5)	40.5	2.0	7.1	7.5	10.7	9.3
Inflation	4.3	2.5	7.1	9.6	14.3	4.6	7.5



## DISTRIBUTION OF INVESTMENTS

The law provides that the aggregate of equity type investments (stocks, convertible issues, investments in commingled funds and investments in limited partnerships) cannot exceed 75% of the total invested assets at market value at any time.

The funds assets were invested at market as follows at June 30:

	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>
<b>STATE EMPLOYEES RETIREMENT FUND</b>					
Bonds	28.4%	30.4%	40.6%	40.1%	40.0%
Short Term Investments	6.7%	5.1%	9.2%	18.8%	17.5%
Equities	64.9%	64.5%	50.2%	41.1%	42.5%
Total Portfolio (%)	100.0%	100.0%	100.0%	100.0%	100.0%
Total Portfolio (Millions \$)	\$653.5	\$620.5	\$438.5	\$403.3	\$360.5
<b>STATE PATROL RETIREMENT FUND</b>					
Bonds	27.1%	25.7%	40.6%	38.4%	40.9%
Short Term Investments	5.7%	11.7%	13.1%	15.2%	17.4%
Equities	67.2%	62.6%	46.3%	46.4%	41.7%
Total Portfolio (%)	100.0%	100.0%	100.0%	100.0%	100.0%
Total Portfolio (Millions \$ )	\$ 47.3	\$ 45.9	\$ 36.7	\$ 35.8	\$ 34.1
<b>JUDGES RETIREMENT FUND</b>					
Bonds	24.8%	23.2%	54.5%	42.1%	55.3%
Short Term Investments	7.7%	16.1%	14.5%	31.1%	14.5%
Equities	67.5%	60.7%	31.0%	26.8%	30.2%
Total Portfolio (%)	100.0%	100.0%	100.0%	100.0%	100.0%
Total Portfolio (Millions \$)	\$ 4.3	\$ 3.4	\$ 2.5	\$ 3.3	\$ 3.9

## SCHEDULE OF REVENUE BY SOURCE

## STATE EMPLOYEES RETIREMENT FUND

<u>Year Ending</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
6-30-75	\$14,634,281	\$22,459,969	\$11,697,401	\$ 1,960	\$ 48,793,611
6-30-76	16,771,281	25,785,186	13,852,593	4,592	56,413,652
6-30-77	18,316,117	28,080,209	23,653,136	2,217,806	72,267,268
6-30-78	20,450,119	31,426,248	22,312,348	1,403	74,190,118
6-30-79	23,228,656	36,966,944	29,339,452	21,245,704 <sup>1</sup>	110,780,756
6-30-80	25,442,110	40,650,797	40,424,477	2,745,965	109,263,349
6-30-81	28,316,881	45,027,367	65,933,604	220,236	139,498,088
6-30-82	28,387,528	45,335,038	71,972,054	1,823,042	147,517,662
6-30-83	37,306,271	29,137,018	91,100,333	1,952,042	159,495,664
6-30-84	33,342,707	50,640,088	83,321,919	1,354,510	168,659,224

## STATE PATROL RETIREMENT FUND

<u>Year Ending</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
6-30-75	\$ 841,956	\$2,314,847	\$1,100,910	\$ 0	\$ 4,257,713
6-30-76	957,335	2,625,932	1,279,575	0	4,862,842
6-30-77	1,030,791	2,828,652	2,085,783	237,356	6,182,582
6-30-78	1,203,801	3,306,684	2,045,792	0	6,556,277
6-30-79	1,066,932	3,173,261	2,615,178	0	6,855,371
6-30-80	1,203,127	3,608,060	3,752,249	118,223	8,681,659
6-30-81	1,282,849	3,841,515	5,795,019	3,960	10,923,343
6-30-82	1,340,657	4,009,217	6,259,980	62,734	11,672,588
6-30-83	1,960,988	3,908,972	7,584,812	70,472	13,525,244
6-30-84	1,877,412	4,637,670	6,775,861	59,282	13,350,225

## JUDGES RETIREMENT FUND

<u>Year Ending</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
6-30-75	\$309,108	\$1,875,114	\$110,844	\$ 0	\$2,295,066
6-30-76	313,898	1,690,994	109,346	0	2,114,238
6-30-77	311,528	1,198,078	328,050	0	1,834,656
6-30-78	423,812	1,319,305	319,324	0	2,062,441
6-30-79	403,497	2,040,717	449,883	0	2,894,097
6-30-80	415,914	1,181,152	496,332	7,143	2,100,541
6-30-81	489,714	1,164,361	742,207	443	2,396,725
6-30-82	468,659	525,044	858,150	0	1,851,853
6-30-83	527,418	2,624,281	975,647	0	4,127,346
6-30-84	465,758	1,670,894	950,690	85,544	3,172,886

<sup>1</sup>Transfer of assets and liabilities from the Metropolitan Transit Commission retirement plan to the General Plan.



**SCHEDULE OF EXPENSES BY TYPE****STATE EMPLOYEES RETIREMENT FUND**

<b>Year Ending</b>	<b>Aggregate Benefit Payments</b>			<b>Admin. Expense</b>	<b>Miscellaneous</b>	<b>Total</b>
	<b>Annuities</b>	<b>Disabilities</b>	<b>Refunds</b>			
6-30-75	\$11,152,822	\$ 400,201	\$3,252,945	\$ 551,892	\$ 0	\$15,357,860
6-30-76	13,279,774	510,946	3,080,043	676,331	0	17,547,094
6-30-77	14,523,069	642,792	4,176,801	721,493	0	20,064,155
6-30-78	15,942,445	746,625	4,434,702	910,926	0	22,034,698
6-30-79	19,143,247	1,201,406	6,098,473	1,041,312	0	27,484,438
6-30-80	21,797,465	1,286,141	7,272,535	1,063,439	20,131	31,439,711
6-30-81	23,648,844	1,450,559	6,885,658	1,335,426	125,671	33,446,158
6-30-82	27,114,262	1,668,970	9,309,820	955,110	797	39,048,959
6-30-83	31,636,330	1,783,501	6,047,856	932,521	227,376	40,627,584
6-30-84	35,210,035	1,956,514	14,799,721	1,405,816	11,562,673 <sup>1</sup>	64,934,759

**STATE PATROL RETIREMENT FUND**

<b>Year Ending</b>	<b>Aggregate Benefit Payments</b>			<b>Admin. Expense</b>	<b>Miscellaneous</b>	<b>Total</b>
	<b>Annuities</b>	<b>Disabilities</b>	<b>Refunds</b>			
6-30-75	\$ 781,728	\$ 19,169	\$ 25,329	\$ 29,081	\$ 0	\$ 855,307
6-30-76	876,564	24,996	26,179	30,817	0	958,556
6-30-77	1,006,855	39,795	28,187	34,981	0	1,109,818
6-30-78	1,154,699	61,500	38,881	34,438	0	1,289,518
6-30-79	1,364,064	63,565	26,163	37,322	0	1,491,114
6-30-80	1,490,622	62,153	54,243	32,290	16,190	1,655,498
6-30-81	1,666,388	58,432	41,146	52,646	5,231	1,823,843
6-30-82	2,012,741	69,250	86,521	40,830	0	2,209,342
6-30-83	2,789,333	37,068	48,677	41,468	17,333	2,933,879
6-30-84	3,373,000	58,061	279,120	46,912	801,809 <sup>1</sup>	4,558,902

**JUDGES RETIREMENT FUND**

<b>Year Ending</b>	<b>Aggregate Benefit Payments</b>			<b>Admin. Expense</b>	<b>Miscellaneous</b>	<b>Total</b>
	<b>Annuities</b>	<b>Disabilities</b>	<b>Refunds</b>			
6-30-75	\$1,021,258	\$ 0	\$ 8,350	\$ 11,972	\$ 0	\$1,041,580
6-30-76	1,076,510	0	7,075	11,500	0	1,095,085
6-30-77	996,092	3,239	2,827	15,775	0	1,071,933
6-30-78	1,019,706	11,727	1,726	13,694	0	1,046,853
6-30-79	1,253,320	25,761	4,371	15,437	0	1,298,889
6-30-80	1,322,073	16,560	7,135	11,037	0	1,356,805
6-30-81	1,426,434	16,825	46,508	34,078	0	1,523,845
6-30-82	1,555,592	17,726	25,900	26,156	0	1,625,374
6-30-83	1,751,969	16,847	22,691	26,008	1,175	1,818,690
6-30-84	1,967,505	11,457	107,762	27,713	262,154 <sup>1</sup>	2,376,591

<sup>1</sup>Write-off of Deferred Yield Account (deferred bond losses).

**SUMMARY DATA  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 1984**

**STATE EMPLOYEES RETIREMENT FUND**

ACTIVE EMPLOYEES	Number Beg. of Yr.	Increases		Decreases				Net Transfers	Number At End Of Year			Average Accumulated Contributions
		New	Refunds	Annuities	Disabilities	Inactive	Death		Total	Vested	Non-Vested	
General Plan	43191	7493	4495	471	55	1610	111	216	44158	14973	29185	\$4495
Correctional Plan	1124	208	52	28	2	81	3	8	1174	245	929	5445
Mil. Aff. Plan	5	4	0	0	0	2	0	(1)	6	1	5	4945
Total	44320	7705	4547	499	57	1693	114	223	45338	15219	30119	\$4520

INACTIVE EMPLOYEES	Number Beg. of Yr.	Increases		Decreases				Number At End Of Year			Average Accumulated Contributions
		From Active	Transfer	To Active	To Annuity	To Refunds	To Retirement Fund	Total	Vested	Non-Vested	
General Plan	5864	1610	(481)	280	64	241	63	6345	852	5493	\$ 846
Correctional Plan	39	81	9	5	1	2	1	120	25	95	3713
Mil. Aff. Plan	0	2	0	0	0	0	0	2	0	2	4117
Total	5903	1693	(472)	285	65	243	64	6467	877	5590	\$ 900

ANNUITANTS	Number Beg. of Yr.	Increases New	Decreases Deaths	Net Transfers	Number End of Yr.	Averages					
						All Annuitants on June 30			New in Fiscal Year 1984		
						Age	Service	Monthly Benefit	Age	Service	Monthly Benefit
General Plan	9799	740	386	(3)	10150	72.5	21.2	\$278	64.2	19.2	\$359
Correctional Plan	285	36	7	0	314	64.5	19.8	498	58.3	21.6	833
Mil. Aff. Plan	3	0	0	0	3	64.9	26.4	904	-	-	-
Total	10087	776	393	(3)	10467	72.3	21.2	\$ 285	64.4	19.4	\$381

DISABILITANTS	Number Beg. of Yr.	Increases New	Decreases Deaths	Rescinded	Number End of Yr.	Averages					
						All Disabilitants on June 30			New in Fiscal Year 1984		
						Age	Service	Monthly Benefit	Age	Service	Monthly Benefit
General Plan	674	55	40	2	687	58.9	17.5	\$ 227	56.9	15.9	\$ 244
Correctional Plan	10	2	0	0	12	54.3	17.3	450	49.7	14.7	564
Total	684	57	40	2	699	58.7	17.5	\$ 234	56.7	15.8	\$ 249

REFUNDS	Number of Refunds			Average Age of Member		Average Years of Service Forfeited		Number of Members Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
General Plan	1814	3201	5015	35.0	33.0	2.7	2.9	217
Correctional Plan	69	10	79	32.6	29.7	3.6	2.5	1
Total	1883	3211	5094	34.9	33.0	2.7	2.9	218



## STATE PATROL RETIREMENT FUND

ACTIVE EMPLOYEES	Number Beg. of Yr.	Increases		Decreases				Number At End Of Year			Average Accumulated Contributions
		New	Refunds	Annuities	Disabilities	Inactive	Death	Total	Vested	Non-Vested	
	774	17	8	34	1	5	1	741	474	267	\$17,022
INACTIVE EMPLOYEES	Number Beg. of Yr.	Increases		Decreases				Number At End Of Year			Average Accumulated Contributions
		From Active	To Active	To Annuity	To Refunds			Total	Vested	Non-Vested	
	32	5	5	0	1			31	21	10	\$7,955
Averages											
ANNUITANTS	Number Beg. of Yr.	Increases New	Decreases Deaths	Net Transfers	Number End of Yr.	All Annuitants on June 30			New in Fiscal Year 1984		
						Age	Service	Monthly Benefit	Age	Service	Monthly Benefit
	339	44	8	1	376	67.4	26.0	\$768	59.3	26.6	\$1,236
DISABILITANTS	Number Beg. of Yr.	Increases New	Decreases Deaths	Number End of Yr.		All Disabilitants on June 30			New in Fiscal Year 1984		
						Age	Service	Monthly Benefit	Age	Service	Monthly Benefit
	5	1	1	5		52.0	19.8	\$709	52.0	25.5	\$1,317
REFUNDS		Number of Refunds			Average Age of Member		Average Years of Service Forfeited		Number of Members Forfeiting Vested Rights		
		Male	Female	Total	Male	Female	Male	Female			
		6	2	8	36.7	27.7	9.5	0.5	2		

**SUMMARY DATA  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 1984**

## JUDGES RETIREMENT FUND

ACTIVE JUDGES	Number Beg. of Yr.	<u>Increases</u>	<u>Decreases</u>				<u>Number At End Of Year</u>			Average Accumulated Contributions
		<u>New</u>	<u>Refunds</u>	<u>Annuities</u>	<u>Inactive</u>	<u>Death</u>	<u>Total</u>	<u>Vested</u>	<u>Non-Vested</u>	
Judges Plan	226	23	1	2	3	2	241	122	119	\$12,970
Supreme Court	3	0	0	0	0	0	3	3	0	0*
Total	229	23	1	2	3	2	244	125	119	\$12,970

INACTIVE JUDGES	Number Beg. of Yr.	<u>Increases</u>	<u>Decreases</u>		<u>Number At End Of Year</u>			Average Accumulated Contributions
		<u>From Active</u>	<u>To Active</u>	<u>To Annuity</u>	<u>Total</u>	<u>Vested</u>	<u>Non-Vested</u>	
Judges Plan	5	3	1	1	6	4	2	5,782

ANNUITANTS	Number Beg. of Yr.	<u>Increases</u>	<u>Decreases</u>	Number End of Yr.	Average Monthly Benefit	Average Monthly Benefit For Fiscal Year New Annuitants
		<u>New</u>	<u>Deaths</u>			
Service	82	5	8	79	\$1,560	\$1,644
Disability	2	0	0	2	1,142	0
Survivors	51	5	1	55	782	1,171
Total	135	10	9	136	\$1,239	\$1,407

REFUNDS	<u>Number of Refunds</u>			<u>Average Age of Member</u>		<u>Average Years of Service Forfeited</u>		<u>Number of Members Forfeiting Vested Rights</u>
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	
Judges Plan	1	0	1	42.2	—	1.4	—	0

\* Contributions to the survivors fund are not refundable therefore they are not credited to the individuals accounts.

**ACTIVE EMPLOYEES**

Year Ending	Average Entry Age For New Members			Average For All Members								
				Entry Age			Attained Age			Service Credit		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total

**STATE EMPLOYEES RETIREMENT FUND****General Employees Retirement Plan**

6/30/78	30.7	29.1	29.5	29.5	28.2	28.8	40.2	36.2	38.2	8.9	5.5	7.2
6/30/79	30.7	28.9	29.4	29.7	28.1	28.9	40.1	35.5	37.8	9.2	5.7	7.5
6/30/80	31.4	29.9	30.5	29.6	28.2	28.9	40.5	36.1	38.2	9.2	5.7	7.5
6/30/81	28.9	27.8	28.2	29.9	28.8	29.3	40.0	35.9	37.8	9.4	5.9	7.6
6/30/82	28.4	27.3	27.7	29.3	28.4	28.8	40.5	36.5	38.4	10.0	6.4	8.1
6/30/83	28.7	27.4	27.9	29.2	28.3	28.7	40.9	36.9	38.8	10.5	6.8	8.5
6/30/84	29.7	29.4	29.6	30.4	30.1	30.3	41.6	37.7	39.5	10.8	7.0	8.8

**Correctional Officers Retirement Plan**

6/30/78	29.1	30.0	29.2	28.2	29.1	28.2	35.8	36.0	35.8	5.9	6.0	5.9
6/30/79	28.5	31.0	28.9	28.0	28.8	28.1	36.4	36.9	36.5	6.8	6.0	6.7
6/30/80	30.1	32.8	30.7	28.1	29.4	28.2	36.2	36.4	36.2	7.0	5.7	6.9
6/30/81	28.4	29.2	28.6	28.5	29.8	28.6	36.2	36.7	36.3	7.1	6.0	7.0
6/30/82	27.7	27.3	27.9	28.0	28.7	28.1	36.0	36.9	36.1	7.0	6.5	6.9
6/30/83	26.5	28.3	26.7	27.7	28.8	27.8	35.4	36.5	35.5	6.7	6.4	6.7
6/30/84	28.7	32.4	29.3	28.8	31.1	29.1	35.6	36.2	35.7	6.7	4.4	6.4

**STATE PATROL RETIREMENT FUND**

6/30/78	26.1	26.3	26.1	N/A	N/A	27.9	N/A	N/A	N/A	N/A	N/A	13.3
6/30/79	28.2	26.5	28.1	27.9	26.1	27.9	41.0	29.7	40.8	13.6	4.2	13.4
6/30/80	25.7	22.5	25.5	26.5	24.1	26.4	40.9	30.1	40.7	13.7	4.8	13.5
6/30/81	27.6	27.8	27.6	26.8	25.0	26.8	40.8	30.6	40.5	13.7	5.0	13.5
6/30/82	24.7	—	24.7	26.2	24.6	26.2	41.1	31.7	40.9	14.2	6.0	14.0
6/30/83	26.4	23.0	26.2	26.1	24.3	26.0	40.7	31.2	40.4	13.8	6.0	13.6
6/30/84	28.0	31.7	28.3	27.1	26.0	27.0	41.0	32.9	40.7	14.0	6.9	13.8

**JUDGES RETIREMENT FUND**

6/30/78	N/A	N/A	46.8	41.6	40.2	41.5	53.1	52.2	53.1	10.7	5.7	10.5
6/30/79	N/A	N/A	38.7	41.1	40.6	41.1	53.2	47.2	52.9	11.5	6.6	11.3
6/30/80	N/A	N/A	46.3	41.3	42.5	41.3	53.8	47.5	53.6	11.7	4.0	11.4
6/30/81	44.8	33.0	43.8	41.2	41.4	41.2	53.5	45.9	53.2	11.9	4.6	11.6
6/30/82	41.3	—	41.3	41.3	41.8	41.3	53.9	46.9	53.7	12.2	5.2	12.0
6/30/83	41.7	37.8	41.0	41.2	40.4	41.2	53.6	44.4	53.0	11.9	4.1	11.5
6/30/84	43.6	44.0	43.7	41.7	41.8	41.7	54.0	45.5	53.3	12.1	3.7	11.4



**EMPLOYEES ELIGIBLE TO AN IMMEDIATE ANNUITY ON JUNE 30, 1984****STATE EMPLOYEES RETIREMENT FUND****General Employees Retirement Plan**

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Full Benefit	413	294	707
Reduced Benefit Due To Early Retirement	1882	1497	3379
Full Benefit (MTC/TOD Savings Clause)	0	0	0
Reduced Benefit Due To Service Less Than 30 Years (MTC/TOD Savings Clause)	0	0	0
Proportional Benefit (Age Equal To Or Greater Than 65, Service Less Than 10 Years)	111	122	233
Rule of 85	773	230	1003
Subtotals	3179	2143	5322
Employees Not Eligible to Immediate Benefit	17720	21116	38836
Totals	20899	23259	44158

**Correctional Officers Retirement Plan**

Full Benefit	32	4	36
Employees Not Eligible to Immediate Benefit	998	140	1138
Totals	1030	144	1174

**Military Affairs Retirement Plan**

Full Benefit	0	0	0
Employees Not Eligible to Immediate Benefit	6	0	6
Totals	6	0	6

**STATE PATROL RETIREMENT FUND**

Full Benefit	80	0	80
Employees Not Eligible to Immediate Benefit	636	24	660
Totals	716	24	740

**JUDGES RETIREMENT FUND****Judges Plan**

Reduced Benefit	17	0	17
Full Benefit	20	0	20
Judges Not Eligible to Immediate Benefit	185	19	204
Totals	222	19	241

**Supreme Court Judges**

Full Benefit	3	0	3
Judges Not Eligible to Immediate Benefit	0	0	0
Totals	3	0	3

## REFUND STATISTICS

## STATE EMPLOYEES RETIREMENT FUND

## General Employees Retirement Plan

Year Ending	Number of Refunds			Average Age of Member		Average Years of Service Forfeited		Number of Members Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
6-30-75	2,039	4,022	6,061	32.5	29.7	2.3	2.0	71
6-30-76	1,745	3,552	5,297	32.4	29.7	2.2	1.7	57
6-30-77	1,882	3,837	5,719	31.7	30.7	2.0	1.8	82
6-30-78	2,091	3,849	5,940	32.0	30.0	1.6	1.6	78
6-30-79	2,145	4,036	6,181	32.5	30.9	2.3	2.3	110
6-30-80	2,151	4,240	6,391	35.6	30.5	2.3	2.4	138
6-30-81	1,960	4,259	6,219	32.3	30.7	1.8	1.8	150
6-30-82	2,633	4,967	7,600	32.7	31.0	2.5	2.3	273
6-30-83	2,184	3,755	5,939	36.5	33.4	1.8	2.0	145
6-30-84	1,814	3,201	5,015	35.0	33.0	2.7	2.9	217

## Correctional Officers Retirement Plan

Year Ending	Number of Refunds			Average Age of Member		Average Years of Service Forfeited		Number of Members Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
6-30-77	133	18	151	31.3	31.4	1.8	1.9	1
6-30-78	97	15	112	32.4	30.2	2.0	1.3	0
6-30-79	117	15	132	31.1	34.9	2.3	2.8	2
6-30-80	112	23	135	30.6	30.6	3.6	2.8	1
6-30-81	82	19	101	31.7	32.5	2.1	2.1	3
6-30-82	86	11	97	31.8	34.3	2.9	3.1	3
6-30-83	67	12	79	32.5	34.4	2.6	1.6	1
6-30-84	69	10	79	32.6	29.7	3.6	2.5	3

## STATE PATROL RETIREMENT FUND

Year Ending	Number of Refunds			Average Age of Member		Average Years of Service Forfeited		Number of Members Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
6-30-77	9	0	9	37.9	—	4.5	—	1
6-30-78	9	0	9	34.1	—	4.9	—	1
6-30-79	4	2	6	35.5	29.5	4.6	6.1	0
6-30-80	8	3	11	32.9	29.7	5.7	0.1	2
6-30-81	10	1	11	30.0	22.0	2.6	1.3	0
6-30-82	10	0	10	34.0	—	7.4	—	4
6-30-83	12	0	12	31.8	—	2.0	—	1
6-30-84	6	2	8	36.7	27.7	9.5	0.5	2

## JUDGES RETIREMENT FUND

Year Ending	Number of Refunds			Average Age of Member		Average Years of Service Forfeited		Number of Members Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
6-30-81	5	0	5	53.6	—	6.4	—	0
6-30-82	2	1	3	49.5	47.0	6.5	8.0	0
6-30-83	3	0	3	49.7	—	5.7	—	0
6-30-84	1	0	1	42.2	—	1.4	—	0



### SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT JUNE 30, 1984

#### STATE EMPLOYEES RETIREMENT FUND

Amount of Monthly Benefit	Deferred	Number of Retirees	Type of Retirement*								Option Selected#			
			1	2	3	4	5	6	7	8	Life	I	II	III
\$ 1-\$100	178	2282	1192	606	418	50	16	0	0	0	1996	269	16	1
101- 200	170	3280	1778	1253	71	116	46	1	0	15	2770	455	50	5
201- 300	153	2032	1079	826	0	80	45	1	0	1	1701	310	19	2
301- 400	108	1165	656	422	0	38	49	0	0	0	957	198	7	3
401- 500	85	769	505	194	0	28	39	3	0	0	597	152	5	15
501- 600	58	493	357	92	0	11	32	1	0	0	349	134	2	8
601- 700	37	363	244	81	0	15	22	1	0	0	244	115	1	3
701- 800	38	239	180	40	0	2	16	0	1	0	137	102	0	0
801- 900	19	190	154	23	0	2	11	0	0	0	116	74	0	0
901-1000	8	124	96	17	0	1	9	0	1	0	77	47	0	0
Over 1000	23	232	170	24	0	3	34	0	1	0	125	107	0	0
Totals	877	11169	6411	3578	489	346	319	7	3	16	9069	1963	100	37
Average Benefit (\$)	329	279	307	239	67	258	498	429	904	128	279	256	186	411

## \*Type of Retirement

- 1—Normal retirement for age & service  
 2—Early retirement  
 3—Proportionate annuity  
 4—Disability retirement  
 5—Correctional Annuity  
 6—Correctional Disability  
 7—Military Affairs  
 8—Survivors of Deceased Former Members (Non MPRIF)

## # Option Selected

- Life  
 Option I —Joint & Survivor  
 Option II —Death while eligible and "Old Law" survivors  
 Option III—Period Certain

#### STATE PATROL RETIREMENT FUND

Amount of Monthly Benefit	Deferred	Number of Retirees	Type of Retirement*			Option Selected#		
			1	2	3	Life	I	II
\$ 1-\$100	1	0	0	0	0	0	0	0
101- 200	1	4	4	0	0	1	3	0
201- 300	1	74	55	0	19	3	52	19
301- 400	3	31	29	0	2	4	25	2
401- 500	1	31	30	0	1	10	20	1
501- 600	2	21	18	3	0	9	12	0
601- 700	3	19	16	1	2	6	11	2
701- 800	1	25	23	0	2	11	12	2
801- 900	2	30	26	2	2	10	18	2
901-1000	3	22	20	1	1	7	14	1
Over 1000	3	124	121	1	2	53	69	2
Totals	21	381	342	8	31	114	236	31
Average Benefit (\$)	674	767	797	801	434	974	711	434

## \*Type of Retirement

- 1—Normal retirement for age & service  
 2—Disability (Non-MPRIF)  
 3—Survivor

## # Option Selected

- Life  
 Option I —Joint & Survivor  
 Option II —Death while eligible and old law survivor

Not included in this table are average benefits of \$149 for each of 16 children surviving 11 former members.

**JUDGES RETIREMENT FUND**

Amount of Monthly Benefit	Deferred	Number of Retirees	Type of Retirement*								Option Selected#				
			1	2	3	4	5	6	7	8	9	Life	I	II	III
\$ 1-\$200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
201- 400	0	9	1	0	1	0	0	0	7	0	0	0	0	9	0
401- 600	1	12	1	0	3	0	0	5	0	0	3	0	1	11	0
601- 800	1	14	7	0	3	0	0	0	1	0	3	2	3	9	0
801-1000	1	30	2	1	3	0	0	23	0	0	1	1	1	28	0
1001-1200	1	11	7	0	1	0	0	1	1	0	1	1	5	5	0
1201-1400	0	11	4	0	1	0	1	1	0	1	3	1	1	8	1
1401-1600	0	13	8	0	2	1	0	0	0	2	0	1	2	10	0
1601-1800	0	14	4	0	1	7	0	1	0	1	0	0	2	12	0
1801-2000	0	5	4	0	0	0	0	0	0	1	0	1	1	2	1
Over 2000	0	17	8	0	0	5	0	0	0	4	0	3	1	13	0
	4	136	46	1	15	13	1	31	9	9	11	10	17	107	2
Average															
Benefit (\$)	778	1239	1432	989	855	2387	1295	850	424	1864	871	1505	1245	1328	1597

Deferred—Former member with deferred future benefit

**\* Type of Retirement**

Benefits provided under laws effective January 1, 1974

- 1—Judges Plan—Service (MPRIF)
- 2—Judges Plan—Disability (MPRIF)
- 3—Judges Plan—Survivor

Benefits provided under laws in effect prior to January 1, 1974

- 4—Supreme and District Court Judges Plan—Service
- 5—Supreme and District Court Judges Plan—Disability
- 6—Survivor of Supreme and District Court Judges Plan
- 7—Survivors of County Court Judges Plan
- 8—Judges Plan—Service
- 9—County Paid Judges Plan—Service

**# Option Selected**

- Life Option I—Joint & Survivor
- Option II—Life plus 50% Survivor
- Option III—Period Certain



## LEGISLATIVE AND CONSTITUTIONAL OFFICERS PLAN

Amount of Monthly Benefit	Deferred		Type of Retirement*			
	Cons.	Legi.	1	2	3	4
\$ 1-\$100		7			2	4
101- 200	1	7			11	11
201- 300	1	8			20	8
301- 400	1	7			18	2
401- 500		13	1	2	16	1
501- 600		16			8	1
601- 700		7			8	
701- 800	1	2	1		6	
801- 900		2		1	3	
901- 900		1	1		5	
Over 1000	1	1	3		10	
Totals	5	71	6	3	107	27
Average Benefit (\$)	533	419	1078	581	503	209

## \*Type of Retirement

- 1—Constitutional Officers  
 2—Survivors of Constitutional Officers  
 3—Legislative Members (Participate in the MPRIF)  
 4—Survivors of Legislative Members

Not included in this table  
 are benefits averaging \$105  
 for each of 10 children  
 surviving 6 former legislators.

## ANNUITY &amp; DISABILITY DEATHS

## STATE EMPLOYEES RETIREMENT FUND

## General Employees Retirement Plan

General Employee Retirement Plan										Percent Of Members Who Received More In Annuity Payments Than They Had Contributed	Ratio Of Annuity Payments/Con- tributions For Deceased Service Annuitants*		
Year Ending	Average Age At Death				Average Years of Retirement				Number of Deaths				
	Annuity		Disability		Annuity		Disability		Annuity			Disability	
	Male	Female	Male	Female	Male	Female	Male	Female	Annuity			Disability	
6-30-75	77.2	77.7	63.2	64.5	10.5	11.4	4.2	4.7	249	30	89.2	50.0	4.0
6-30-76	77.0	78.1	59.2	66.7	11.2	12.2	4.5	4.5	279	17	93.2	58.8	4.7
6-30-77	76.8	77.5	63.4	60.5	10.7	11.0	4.4	3.7	255	36	91.4	52.8	4.3
6-30-78	77.3	78.6	59.8	66.1	11.3	12.2	3.2	5.4	255	31	93.5	54.8	5.0
6-30-79	77.3	77.8	66.9	65.1	12.0	12.3	9.6	6.4	350	44	87.1	72.7	4.6
6-30-80	77.9	79.2	66.3	61.2	12.5	13.8	9.9	5.1	350	49	91.5	61.2	5.2
6-30-81	76.7	80.9	64.7	60.8	11.8	13.9	8.0	5.7	378	43	94.2	74.4	5.4
6-30-82	76.7	77.8	65.3	67.4	12.1	13.9	9.2	9.5	375	35	93.9	85.7	6.1
6-30-83	77.7	79.4	67.6	67.8	13.0	13.6	9.7	8.3	417	44	93.5	93.2	5.8
6-30-84	77.5	80.0	57.3	58.5	12.5	14.0	3.0	2.9	410	17	95.8	52.9	7.4

## Correctional Officers Retirement Plan

Correctional Officers Retirement Plan										Percent Of Members Who Received More In Annuity Payments Than They Had Contributed		Ratio Of Annuity Payments/Contributions For Deceased Service Annuitants*	
Year Ending	Average Age At Death				Average Years of Retirement				Number of Deaths				
	Annuity		Disability		Annuity		Disability		Annuity	Disability			
	Male	Female	Male	Female	Male	Female	Male	Female			Annuity	Disability	
6-30-76	63.0	—	—	—	1.4	—	—	—	3	0	100	N/A	1.8
6-30-77	64.0	—	—	—	2.4	—	—	—	3	0	100	N/A	2.5
6-30-78	61.5	—	—	—	3.2	—	—	—	2	0	100	N/A	3.3
6-30-79	58.0	—	—	—	3.7	—	—	—	6	0	100	N/A	4.0
6-30-80	64.8	—	—	—	4.1	—	—	—	9	0	100	N/A	4.2
6-30-81	64.4	—	53.0	—	5.1	—	1.8	—	7	1	100	0	4.1
6-30-82	66.3	67.0	44.0	—	7.3	7.7	0.9	—	7	1	100	0	6.0
6-30-83	65.7	—	—	—	7.3	—	—	—	6	0	100	N/A	6.8
6-30-84	61.5	64.5	—	—	5.2	8.3	—	—	6	1	71	N/A	4.4

## STATE PATROL RETIREMENT FUND

Year Ending	Average								Number of Deaths		Percent Of Members Who Received More In Annuity Payments Than They Had Contributed	Ratio Of Annuity Payments/Con- tributions For Deceased Service Annuitants*	
	Average Age At Death				Years of Retirement								
	Annuity		Disability		Annuity		Disability		Annuity	Disability			
	Male	Female	Male	Female	Male	Female	Male	Female					
6-30-78	79.0	83.7	—	—	16.0	6.8	—	—	9	0	100	N/A	3.4
6-30-79	72.0	78.5	—	—	10.2	5.8	—	—	6	0	100	N/A	1.7
6-30-80	75.9	78.0	—	—	13.4	4.7	—	—	17	0	100	N/A	2.8
6-30-81	74.4	76.0	—	—	15.0	13.6	—	—	12	0	100	N/A	3.1
6-30-82	72.0	70.0	—	—	13.2	4.9	—	—	6	0	83.3	N/A	3.3
6-30-83	73.6	80.0	—	—	11.5	12.1	—	—	15	0	86.6	N/A	4.8
6-30-84	76.7	70.4	—	—	16.0	8.6	—	—	8	0	93.9	N/A	9.1

## JUDGES RETIREMENT FUND

Year Ending	Average Age At Death				Average Years of Retirement				Number of Deaths	
	Annuity		Disability		Annuity		Disability		Annuity	Disability
	Male	Female	Male	Female	Male	Female	Male	Female		
6-30-81	85.8	86.5	—	—	11.0	4.0	—	—	8	0
6-30-82	79.5	90.0	—	—	10.5	19.7	—	—	6	0
6-30-83	75.7	71.6	80.3	—	3.8	5.7	6.0	—	4	1
6-30-84	80.6	75.1	—	—	11.2	6.5	—	—	9	0

\*i.e. In 1975, the average annuitant who died had received annuity payments in excess of his contributions equal to 4.0 times the contributions he had made as an employee.



## SCHEDULE OF AVERAGE ANNUITY AND DISABILITY BENEFIT PAYMENTS AUTHORIZED WITHIN A FISCAL YEAR

### STATE EMPLOYEES RETIREMENT FUND

#### General Employees Retirement Plan

Retirement Effective Dates	YEARS OF CREDITED SERVICE									Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30-35	35-40	40 +	
Period 7/1/79—6/30/80										
Average Monthly Benefit	35.18	76.67	127.42	200.92	274.13	389.34	537.34	722.54	757.95	280.86
Average Final Salary	1407.14	956.22	978.41	1002.70	1057.35	1199.14	1352.45	1441.74	1507.64	1111.69
Average Age At Retirement	64.6	63.7	63.2	63.1	62.7	62.3	62.1	62.3	63.1	63.2
Number Retired	18	40	195	105	103	52	89	34	17	653
Period 7/1/80—6/30/81										
Average Monthly Benefit	33.08	81.97	133.77	212.04	298.42	430.94	596.53	741.97	793.15	280.69
Average Final Salary	1170.44	1002.58	1056.76	1101.97	1189.68	1321.06	1498.31	1608.45	1546.83	1188.73
Average Age At Retirement	64.0	64.2	63.2	63.7	63.0	62.8	62.9	62.8	63.7	63.3
Number Retired	26	45	235	147	113	69	68	23	18	764
Period 7/1/81—6/30/82										
Average Monthly Benefit	39.6	79.3	139.28	220.28	315.55	404.01	606.30	750.65	925.20	349.01
Average Final Salary	1508.42	1030.38	1088.37	1143.98	1169.96	1219.50	1406.65	1668.43	1678.66	1242.93
Average Age At Retirement	63.6	64.2	63.8	63.2	62.5	62.8	62.3	62.4	64.1	63.0
Number Retired	24	45	196	153	170	107	166	66	19	946
Period 7/1/82—6/30/83										
Average Monthly Benefit	37.46	100.44	153.14	249.59	335.38	488.57	696.60	804.96	1052.96	320.46
Average Final Salary	1390.00	1302.95	1228.35	1371.51	1352.89	1576.29	1773.13	1788.84	1811.07	1415.66
Average Age At Retirement	64.0	64.2	63.3	63.6	62.4	62.9	62.0	62.9	65.4	63.3
Number Retired	41	57	164	148	85	64	53	41	14	667
Period 7/1/83—6/30/84										
Average Monthly Benefit	35.08	107.49	168.97	295.57	384.95	536.13	758.63	932.83	1056.30	359.34
Average Final Salary	1019.72	1132.08	1098.44	1190.00	1283.36	1186.44	1562.22	1588.21	1986.21	1235.84
Average Age At Retirement	65.0	63.7	63.1	62.9	63.0	62.9	62.1	62.3	63.2	63.0
Number Retired	42	64	193	167	94	66	83	40	10	759

#### Correctional Officers Retirement Plan

Retirement Effective Dates	YEARS OF CREDITED SERVICE								Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30-35	35 +	
Period 7/1/79—6/30/80									
Average Monthly Benefit	0.00	277.76	421.28	541.56	664.54	750.74	1269.50	0.00	580.27
Average Final Salary	0.00	1357.74	1330.72	1228.65	1286.13	1403.15	1813.47	0.00	1337.98
Average Age At Retirement	0.0	62.7	56.9	57.4	56.4	54.9	61.9	0.0	56.9
Number Retired	0	1	10	4	6	5	1	0	27
Period 7/1/80—6/30/81									
Average Monthly Benefit	0.00	0.00	373.93	537.30	627.14	906.29	704.97	0.00	567.06
Average Final Salary	0.00	0.00	1283.37	1391.98	1352.92	1380.36	1251.38	0.00	1341.45
Average Age At Retirement	0.0	0.0	54.6	58.4	55.3	55.0	55.0	0.0	56.1
Number Retired	0	0	8	9	3	4	2	0	26
Period 7/1/81—6/30/82									
Average Monthly Benefit	0.00	0.00	437.37	671.82	737.60	1125.06	993.21	0.00	797.92
Average Final Salary	0.00	0.00	1415.99	1603.58	1251.68	1542.48	940.61	0.00	1406.89
Average Age At Retirement	0.0	0.0	56.4	57.1	56.8	56.1	55.2	0.0	56.4
Number Retired	0	0	5	6	5	7	3	0	26
Period 7/1/82—6/30/83									
Average Monthly Benefit	0.00	0.00	464.08	602.30	790.19	0.00	971.02	0.00	700.69
Average Final Salary	0.00	0.00	1343.88	1581.20	1563.65	0.00	1530.64	0.00	1536.70
Average Age At Retirement	0.0	0.0	55.0	56.25	55.0	0.0	55.0	0.0	55.6
Number Retired	0	0	1	4	5	0	2	0	8

## Period 7/1/83—5/30/84

Average Monthly Benefit	0.00	267.30	536.45	697.57	925.68	966.72	1569.73	0.00	833.42
Average Final Salary	0.00	1483.11	1547.72	1773.24	1823.92	1666.90	2254.10	0.00	1763.65
Average Age At Retirement	0.0	58.5	54.4	58.6	57.2	57.6	57.8	0.0	57.5
Number Retired	0	2	5	12	4	7	4	0	34

### SCHEDULE OF AVERAGE BENEFIT ANNUITY AND DISABILITY PAYMENTS AUTHORIZED WITHIN A FISCAL YEAR

## STATE PATROL RETIREMENT FUND

	YEARS OF CREDITED SERVICE								
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30-35	35 +	Totals
Period 7/1/79—6/30/80									
Average Monthly Benefit	0.00	0.00	0.00	597.69	719.53	914.29	991.92	0.00	811.09
Average Final Salary	0.00	0.00	0.00	1752.23	1525.95	1619.34	1713.54	0.00	1606.10
Average Age At Retirement	0.0	0.0	0.0	56.8	56.2	56.8	60.4	0.0	57.1
Number Retired	0	0	0	1	5	3	2	0	11
Period 7/1/80—6/30/81									
Average Monthly Benefit	0.00	278.44	0.00	0.00	814.60	1038.15	1085.40	0.00	850.32
Average Final Salary	0.00	1585.45	0.00	0.00	1676.97	1863.38	1812.66	0.00	1745.08
Average Age At Retirement	0.0	62.6	0.0	0.0	59.0	57.9	61.0	0.0	59.8
Number Retired	0	4	0	0	7	6	6	0	23
Period 7/1/81—6/30/82									
Average Monthly Benefit	0.00	289.49	483.33	0.00	875.39	931.93	1284.5	0.00	1067.42
Average Final Salary	0.00	1694.58	1867.05	0.00	1163.93	1334.35	1955.31	0.00	1721.21
Average Age At Retirement	0.0	55.0	59.1	0.0	56.4	54.6	58.5	0.0	57.5
Number Retired	0	1	2	0	4	4	15	0	26
Period 7/1/82—6/30/83									
Average Monthly Benefit	0.00	0.00	366.73	0.00	946.54	1091.24	1403.01	1392.86	1148.22
Average Final Salary	0.00	0.00	1164.30	0.00	1570.66	1863.57	2038.02	2006.31	1808.84
Average Age At Retirement	0.0	0.0	58.2	0.0	56.7	58.9	58.3	57.8	57.9
Number Retired	0	0	2	0	11	5	15	1	34
Period 7/1/83—6/30/84									
Average monthly Benefit	0.00	0.00	495.25	0.00	980.05	1246.66	1542.75	1425.95	1236.33
Average Final Salary	0.00	0.00	1980.98	0.00	1789.43	2149.03	2218.99	2215.50	2082.89
Average Age At Retirement	0.0	0.0	64.9	0.0	55.8	58.3	58.6	62.4	58.2
Number Retired	0	0	1	0	9	21	8	2	4



**JUDGES RETIREMENT FUND**

	YEARS OF CREDITED SERVICE					
Retirement Effective Dates	10-15	15-20	20-25	25-30	30-35	Totals
Period 7/1/79—6/30/80						
Average Monthly Benefit	0.00	1508.49	1571.65	0.00	0.00	1546.39
Average Final Salary	0.00	3325.61	2946.47	0.00	0.00	3098.13
Average Age At Retirement	0.0	67.2	68.3	0.0	0.0	67.8
Number Retired	0	2	3	0	0	5
Period 7/1/80—6/30/81						
Average Monthly Benefit	865.72	1065.62	1815.93	1300.53	2750.00	1531.07
Average Final Salary	3559.26	3261.65	3278.75	2842.21	4333.33	3474.63
Average Age At Retirement	70.9	64.3	66.1	66.0	66.3	66.8
Number Retired	2	2	1	2	2	9
Period 7/1/81—6/30/82						
Average Monthly Benefit	0.00	2827.09	1369.75	1504.58	2244.58	1968.50
Average Final Salary	0.00	4916.66	4000.00	4000.00	4000.00	4229.16
Average Age At Retirement	0.0	65.9	64.0	65.1	65.1	65.2
Number Retired	0	1	1	1	1	4
Period 7/1/82—6/30/83						
Average Monthly Benefit	391.34	1514.23	1605.71	2423.38	2600.00	1974.81
Average Final Salary	4000.00	4000.00	4000.00	4333.33	4000.00	4083.33
Average Age At Retirement	72.7	68.3	66.6	66.2	70.8	68.0
Number Retired	1	1	3	2	1	8
Period 7/1/83—6/30/84						
Average monthly Benefit	415.26	1897.28	1766.17	0.00	2600.00	1715.20
Average Final Salary	4000.00	4000.00	4000.00	0.00	4000.00	4000.00
Average Retirement	62.2	72.7	70.0	0.0	70.0	69.5
Number Retired	1	2	1	0	1	5

**UNCLASSIFIED PLAN**

Certain employees in the Unclassified State service who are eligible for coverage under the General Employees Retirement Plan may elect to participate in the Unclassified Employees Retirement Plan. Both employee and employer contributions are used to purchase shares in the Supplemental Retirement Fund. The following provides information on the activity within this plan during the fiscal year ending June 30, 1984.

**CURRENT PARTICIPANTS**

On June 30, 1984, there were 1,296 participants in the Unclassified Employees Retirement Plan with shares to their credit, 791 were active and 305 were inactive.

The distribution of participants selecting the various investment options follows:

	June 30, 1981	June 30, 1982	June 30, 1983	June 30, 1984
100% Income shares	34.4%	36.6%	37.0%	39.6%
75% Income shares, 25% Growth shares	14.4%	11.7%	9.6%	8.9%
50% Income shares, 50% Growth shares	29.2%	28.8%	26.5%	29.8%
100% Fixed return	15.0%	16.1%	19.4%	15.3%
75% Fixed return, 25% Growth shares	7.0%	6.8%	7.5%	6.4%

**WITHDRAWALS**

During fiscal year 1984, there were 120 participants who withdrew employee and employer shares to their credit in the Unclassified Employees Retirement Plan compared to 191 in fiscal 1983.

**ANNUITANTS**

Six former participants are receiving monthly benefits from the Unclassified Employees Retirement Plan as of June 30, 1984. Their average service credit at retirement was 7.1 months, their average age at retirement was 63.2, their average age is 68.8 years, and their average monthly benefit is \$138.02. One of the six elected a 15 year period certain annuity, five elected straight life annuities.

## DEFERRED COMPENSATION PLAN

The information provided below pertains only to participation in the Minnesota Supplemental Investment Fund and does not include any data from member participation with any of the insurance companies. We have an obligation to audit certain information provided by the insurance companies and do perform this function.

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

On June 30, 1984 there were 3,743 active contributing participants in the Deferred Compensation Plan and 422 in withdrawal status.

## Distribution of Amounts Deferred in the Month of June 1984

Dollars Deferred Per Month	Income Shares	Growth Shares	Fixed Return	Income & Growth	Income & Fix-RT	Growth & Fix-RT	Income, Growth & Fixed Return	Totals
\$10-\$99	58	49	60	873	97	161	20	1318
100-199	80	62	93	424	50	88	25	822
200-299	55	49	65	283	25	62	15	554
300-399	34	31	44	137	3	11	20	280
400-499	26	24	32	119	5	19	15	240
500-599	45	35	49	162	8	22	19	340
Over 600	19	15	16	110	13	11	5	189
	317	265	359	2108	201	374	119	3743

## Distribution by Age Group of Members in Withdrawal Status at June 30, 1984

Ages	Number of Members	Average Monthly Dollar Value Withdrawn			
		Income	Growth	Fixed	Total
Over 75	7	191.21	188.24	33.57	413.02
74-75	8	425.88	136.90	90.63	653.41
72-73	18	134.36	45.98	66.11	246.45
70-71	32	180.62	42.54	13.51	236.67
68-69	76	99.47	49.15	117.11	265.73
66-67	79	85.10	49.35	176.14	310.59
64-65	69	59.12	42.30	230.32	331.74
62-63	52	71.96	29.11	197.40	298.47
60-61	24	88.73	38.12	423.33	550.18
55-59	47	46.60	33.37	438.72	518.69
50-54	3	0.00	210.54	100.00	310.54
Under 50	7	40.89	43.56	332.14	416.59
	422	\$ 93.96	\$ 47.28	\$201.33	\$342.57