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Comprehensive Annual Financial Report

For the fiscal year ended June 30, 1996

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Minnesota State Retirement System

A Component Unit of the State of Minnesota

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 1996

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David Bergstrom, Executive Director

Minnesota State Retirement System
A Component Unit of the State of Minnesota

Prepared by
Finance and Systems Divisions
Minnesota State Retirement System
MidAmerica Bank Building, Suite 300
175 W. Lafayette Frontage Road
St. Paul, MN 55107-1425

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Introductory Section



Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minnesota State
Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1995

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



2



Arthur R. Lynch
President

Jeffrey L. Esser
Executive Director

Board Chairman's Report

Dec. 1, 1996

Minnesota State Retirement System
MidAmerica Bank Building, Suite 300
175 W. Lafayette Frontage Road
St. Paul, MN 55107-1425

Dear Board Members, Benefit Recipients and Employers:

On behalf of the board of directors, I am pleased to present the *Comprehensive Annual Financial Report* of the Minnesota State Retirement System for the fiscal year which ended on June 30, 1996. As of that date the funds administered by MSRS held assets totaling just under \$6 billion, an increase of almost \$800 million from the previous year.

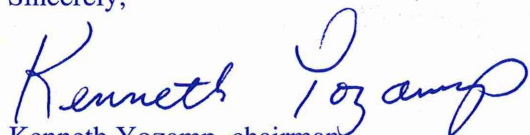
An excellent investment return was largely responsible for the tremendous asset growth during the fiscal year. The investment return for fiscal year 1996 was 18.1 percent. The rate of return over the last five years averaged 12.8 percent, while the average return over the last 10 years has been 11.1 percent.

These returns have made MSRS one of the most financially sound public pension systems in the nation. The General Employees Retirement Plan funding ratio surpassed 97 percent, with assets of almost \$4 billion, covering liabilities of \$4.1 billion. The State Patrol Plan and Correctional Plan assets exceeded liabilities and brought the funding ratio of each to more than 100 percent. Also, the excellent return funded an 8.0395 percent post-retirement increase that eligible retirees will receive as of Jan. 1, 1997.

Again, MSRS received the *Certificate of Achievement for Excellence in Financial Reporting* for 1995 from the Government Finance Officers Association, which recognizes open, accurate disclosure of the financial status of the funds. The Legislative Auditor's Office completed its review of MSRS' internal operations and issued a *clean* audit opinion for the fiscal year ended June 30, 1996.

I am excited about the challenges and opportunities facing us as we move toward the next century. Your support of MSRS is truly appreciated.

Sincerely,



Kenneth Yozamp, chairman
MSRS Board of Directors

Letter of Transmittal

Dec. 1, 1996

Board of Directors
Minnesota State Retirement System
MidAmerica Bank Building, Suite 300
175 W. Lafayette Frontage Road
St. Paul, MN 55107-1425

Dear Directors:

We are pleased to present the Minnesota State Retirement System's *Comprehensive Annual Financial Report* for the fiscal year which ended on June 30, 1996. We administer 10 plans covering 70,000 active employees, 19,200 retirees and 13,900 members who no longer contribute but are eligible for future monthly benefits.

The information contained in this report is the responsibility of MSRS management. The data in this report is accurate and provides complete disclosure of the financial status of the funds administered by MSRS.

This report has four sections:

- 1) Introductory
- 2) Financial
- 3) Actuarial
- 4) Statistical

Accounting Systems and Reports

This report is prepared in accordance with the generally accepted accounting principles of the Governmental Accounting Standards Board. These financial statements comply with reporting requirements established under *Minnesota Statutes* §356.20.

Internal accounting controls ensure the reliability of all financial records and adequately safeguard assets.

Transactions of the State Employees Plan, State Patrol Plan, Correctional Plan, Judges Plan, Elective State Officers Plan, Legislators Plan, Military Affairs Plan, Transportation Pilots Plan, and the Unclassified Plan are reported on the accrual basis of accounting. The Deferred Compensation Plan is reported on the modified accrual basis of accounting.

Revenues

The revenues needed to finance benefits come from the collection of employer and employee contributions, and through income on investments. Income for fiscal year 1996 totaled \$780 million. This year's investment return generated \$616 million and accounted for 79 percent of the revenue. The revenue from employee and employer contributions totaled \$161 million.

Expenses

Expenses in 1996 totaled \$188 million, an increase of 9.9 percent more than fiscal year 1995. Monthly benefits to retirees, survivors and disabled members totaled \$164 million. In addition, \$16.1 million was paid to terminated employees in lump-sum refunds of employee contributions plus interest. Administrative expenses, exclusive of investment expenses, totaled \$2.3 million, which represents less than 1.2 percent of total expenses.

Total revenues of \$780 million exceeded expenses by \$592 during fiscal year 1996.

Investments

Assets of the MSRS funds are invested by the State Board of Investment. This board includes the governor, attorney general, secretary of state, state auditor and state treasurer. Members of the board are subject to the *prudent person* rule, fiduciary standards detailed in *Minnesota Statutes* §356A, and investment guidelines in *Minnesota Statutes* §11A.

A 17-member Investment Advisory Council provides advice to the board on investment policy. Also, investment consultants are hired to monitor and evaluate investment performance of the various investment firms.

Assets of the Minnesota State Retirement System are pooled with the other statewide retirement funds. The State Board of Investment divides assets into two funds. Assets of retired employees are invested in the Minnesota Post-Retirement Fund. All other assets, mainly those of active members contributing to MSRS, are invested in the Basic Retirement Fund.

The goal of the Basic Retirement Fund is to finance future retirement benefits. The actuarial assumed rate of return is 8.5 percent as specified in *Minnesota Statutes* §356. Over a five year period, this fund is expected to outperform the median funds of public and private investors who have a similar asset allocation, and to generate a greater investment return than a composite of market indices that match the asset allocation.

Over a 10 year period, the Basic Fund is expected to provide a rate of return that is 3 percent to 5 percent more than the rate of inflation. The asset allocation shown on the chart was established to meet these objectives.

In 1996, the rate of return in the Basic Fund was 18.8 percent.

When a member retires, assets sufficient to pay monthly benefits for his or her lifetime are transferred from the Basic Fund to the Post-Retirement Fund. This money is expected to return at least 5 percent. The goal of the Post-Retirement Fund is to provide income to pay monthly benefits, plus generate additional earnings to provide for a cost-of-living increase based on inflation. Inflation is measured by the *U.S. Consumer Price Index*. The cost of living on the post-retirement increase is capped at 3.5 percent.

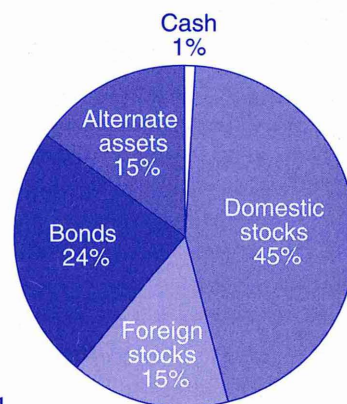
If the rate of return from the Post-Retirement Fund is more than needed to meet the expected 5 percent return and the cost-of-living increase, the investment gain is spread over a five year period to help fund future increases. If the return is not sufficient to meet these financial requirements, the loss is distributed over the next five year period.

The Post-Retirement Fund's asset allocation target is shown on the right. This fund's rate of return was 17.2 percent. An 8.0395 percent benefit increase will be paid to eligible retirees effective Jan. 1, 1997.

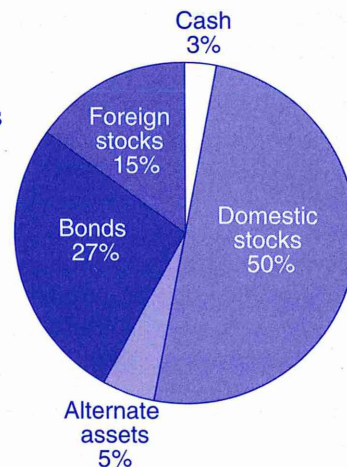
Funding

The overall objective of any retirement system is to fund current and future benefit payments. The 18.1 overall investment return in fiscal year 1996 improved the funding for most of the plans that MSRS administers.

**Basic
Retirement
Fund**



**Post-
Retirement
Fund**



The funding ratio of each MSRS administered plan is found on pages 62 and 63. The chart below shows the assets, liabilities and actuarial funding ratio of each fund as of June 30, 1996.

(In Thousands)

Actuarial Basis

<u>Retirement Fund</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Funding Ratio</u>
State Employees	\$4,087,273	\$3,975,832	97.27%
State Patrol	303,941	323,868	106.56
Correctional Employees	170,959	193,833	113.38
Judges	108,150	64,851	59.96
Legislators	54,225	22,532	41.55
Elective State Officers	2,983	412	13.81

The actuarial funding method used by MSRS is the entry age normal method with level contributions as a percent of payroll. Actuarial requirements are governed by *Minnesota Statutes* §356.215. The assets include one-third of the unrealized investment gains or losses.

All advance funded, defined benefit plans administered by MSRS are on target to reach full funding by the year 2020. The Legislators and Elective State Officers Plans are not prefunded. Progress with full-funding goals are on pages 32 and 33.

Economic Outlook

The economic outlook for fiscal year 1997 is more favorable than past years. It appears that there will be continued job growth, strong consumer confidence and little monetary tightening, which should result in a very stable economy. This stability suggests a modest inflation rate of 2 percent to 3 percent in fiscal year 1997. The stock market has continued to perform well through November 1996. The excellent investment return cannot be expected to continue, but even a flat market or a correction of 10 percent or less will leave MSRS funds in a very healthy position going into fiscal year 1998.

Review of Operations and Activities of Fiscal Year 1996

MSRS management is vested in an 11 member board of directors. Kenneth Yozamp is board chairman; Mary Benner is vice-chairwoman.

MSRS received the *Certificate of Achievement for Excellence in Financial Reporting* from the Government Finance Officers Association for the second year in a row.

This past year we've redesigned and rewritten all our plan handbooks, and each member received a copy in the mail.

Professional Services

Fiscal year 1996 valuations of the MSRS funds were completed by Milliman & Robertson Inc. The valuations were reviewed by William M. Mercer Inc. The state legislative auditor conducted an independent audit of MSRS financial statements. The auditor's comments are on page 16. Minnesota's Office of the Attorney General serves as our legal counsel.

Acknowledgments

This report provides complete and reliable information to assist management decisions and determine legal and fiduciary compliance requirements. A summary will be published in the next issue of MSRS' newsletter.

We thank the board of directors, staff, and other associates who are responsible for MSRS' continuing success.

Respectfully submitted,



David Bergstrom
Executive Director



Arvin Herman
Assistant Director

Administrative Organization – June 30, 1996

MSRS Board of Directors

Kenneth Yozamp, chairman
Department of Corrections
Minnesota Correctional Facility
Box B
St. Cloud, MN 56302
Telephone: (320) 240-7066
Term: May 6, 1996 to May 1, 2000
Elected: Correctional Plan member

Mary Benner, vice-chairwoman
Department of Labor and Industry
443 Lafayette Road
St. Paul, MN 55155
Telephone: (612) 282-6637
Term: May 6, 1996 to May 1, 2000
Elected: state employee

Robert S. Rossman
Metropolitan Council, Transit Operations
Amalgamated Transit Union
312 Central Ave., Suite 438
Minneapolis, MN 55414
Telephone: (612) 379-2914
Term: Feb. 27, 1996 to May 1, 2000
Appointed: MCTO designate

Michael A. McGrath
State Treasurer
303 Administration Building
St. Paul, MN 55155
Telephone: (612) 296-7091
Term: April 22, 1995 to Jan. 4, 1999
Appointed: state official

Otto T. Bang
American Agency Inc.
5851 Cedar Lake Road
St. Louis Park, MN 55416
Telephone: (612) 593-8703
Term: April 22, 1995 to Jan. 4, 1999
Appointed: public member

Mel Tan
1609 Selsmer Ave.
Cloquet, MN 55720
Telephone: (218) 897-7689
Term: May 18, 1993 to Jan. 6, 1997
Appointed: public member

Gail J. Tessman
Department of Transportation
308 Transportation Building
St. Paul, MN 55155
Telephone: (612) 297-3564
Term: May 2, 1994 to May 4, 1998
Elected: state employee

Richard K. Hull
Minnesota State Patrol, District 2800
1991 Industrial Park Road S.
P. O. Box 644
Brainerd, MN 56401
Telephone: (218) 828-2230
Term: May 2, 1994 to May 4, 1998
Elected: State Patrol Plan member

Donald M. Buckner
1152 Stryker Ave.
W. St. Paul, MN 55118
Telephone: (612) 457-3853
Term: May 6, 1996 to May 4, 1998
Elected: retired state employee

Luther C. Thompson
Department of Public Service
Metro Square Building, Suite 200
121 Seventh Place E.
St. Paul, MN 55101
Telephone: (612) 296-1065
Term: May 6, 1996 to May 1, 2000
Elected: state employee

John D. Richter
Department of Revenue
3400 First St. N., Suite 203
St. Cloud, MN 56303
Telephone: (320) 654-5515
Term: May 2, 1994 to May 4, 1998
Elected: state employee

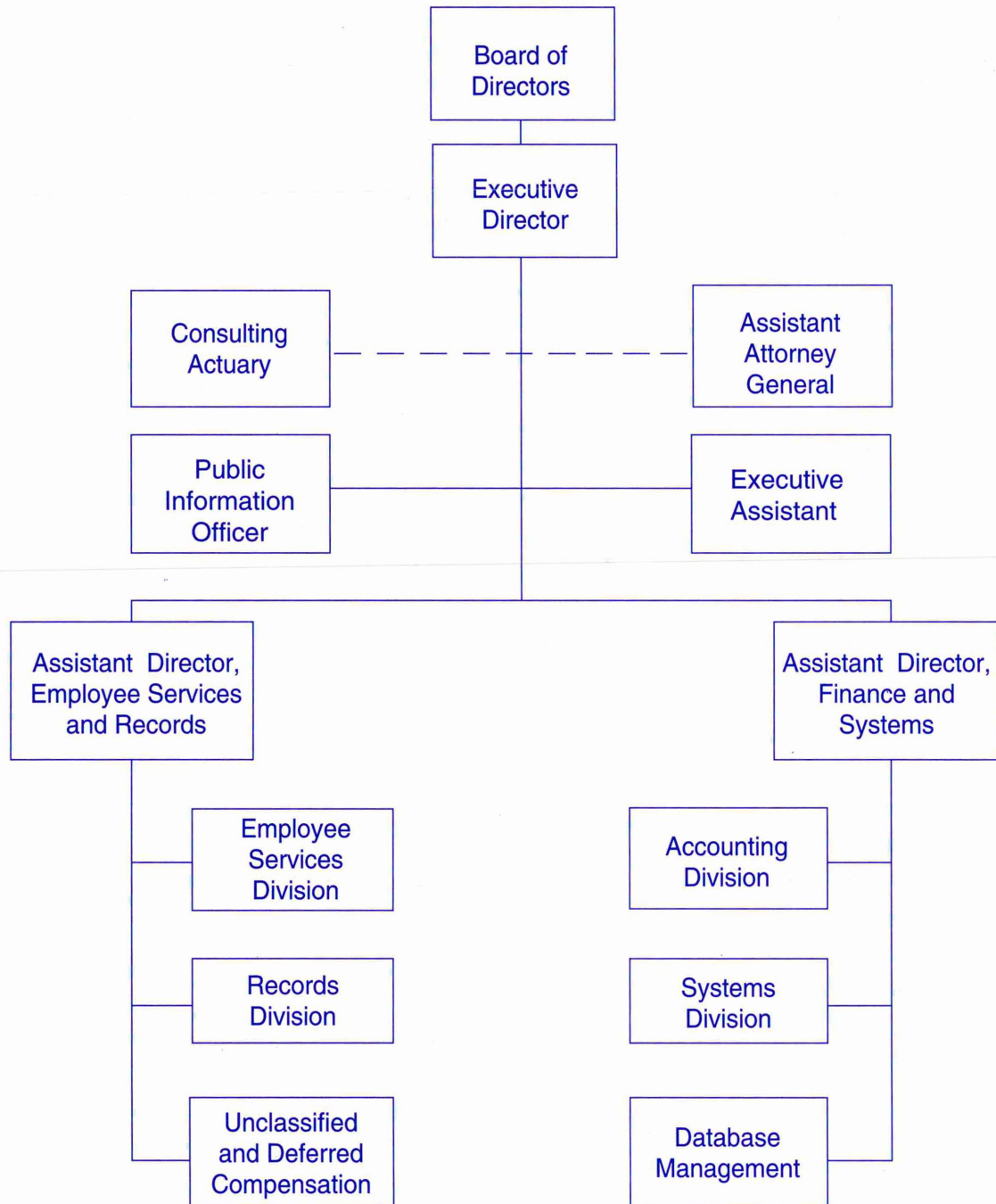
Administrative Staff

Executive Director: David Bergstrom
Assistant Directors: Douglas Mewhorter, Employee Services and Records
Arvin L. Herman, Finance and Systems

Professional Consultants

Legislative Actuary: Milliman & Robertson, Inc.
Consulting Actuary: William M. Mercer, Inc.
Legal Counsel: Assistant Attorney General Jon Murphy
Medical Advisor: Minnesota Department of Health

Organization Chart – June 30, 1996



Summary of Retirement Plans

Purpose

The Minnesota State Retirement System was established by the state legislature in 1929 to provide retirement benefits to state employees. MSRS administers seven defined benefit plans and two defined contribution plans for most state employees and other selected public employees.

Administration

MSRS administration is governed by an 11 member board of directors. The board includes four elected General Plan members, one elected State Patrol Plan member, one elected Correctional Plan member, one elected retired member, one designated Metropolitan Council Transit Operations representative, and three members appointed by the governor.

MSRS management is vested with the executive director who administers the plans in accordance with Minnesota law and board policies. Plan descriptions follow.

Defined Benefit Plans

1. General Employees Plan

- A. Coverage: most state employees and selected metropolitan agency employees
Contributions: 4.07 percent, employee; 4.2 percent, employer
- B. Benefit formula
 - 1 percent of a five high year salary for first 10 years, then 1.5 percent each year beyond 10 years with subsidized early retirement adjustment
 - or 1.5 percent for all years of service with an actuarial equivalent, early retirement reduction
- C. Retirement age and service years
 - age 65 with one year of service, no reduction
 - age 62 with 30 years of service, no reduction
 - *Rule of 90*, no reduction
 - age 55 with three years of service, reduced from age 65
 - any age with 30 years of service, reduced from age 62
 - total and permanent disability with three years of service
- D. Surviving spouse benefit
 - if employee has at least 3 years of service at death, generally, the spouse is eligible for a 100 percent Joint and Survivor annuity or a refund
- E. Refunds
 - contributions with 6 percent interest
- F. Annuity and disability options
 - 100 percent, Joint and Survivor with bounce back
 - 50 percent, Joint and Survivor with bounce back
 - 15 Year Certain and Life Thereafter

2. **Military Affairs and Transportation Pilots Plan** (provisions differing from General Plan)
 - A. Coverage: required retirement from federal military status at age 60, or 62 for transportation pilots
Contributions: 5.67 percent, employee; 5.8 percent, employer
 - B. Retirement age and service years
 - age 60 to 62 for pilots with at least three years of service, no reduction
 - C. Disability
 - eligible for disability if unable to perform duties with five years of service
 - General Plan formula, no reduction
 - pilots are entitled to 75 percent of salary for maximum of five years
3. **State Patrol Retirement Plan**
 - A. Coverage: state troopers, conservation officers and crime bureau agents
Contributions: 8.92 percent, employee; 14.88 percent, employer
 - B. Benefit formula
 - 2.65 percent of successive, five high year salary for each year of service
 - C. Retirement age and service years
 - age 55 with three years of service, no reduction
 - age 50 with three years of service, reduction from age 55
 - D. Disability
 - eligible for disability if unable to perform duties with three years of service, and immediate coverage if disabled on the job
 - job related disability, benefit is equal to 53 percent of five high year average salary, plus 2.65 percent for each year beyond 20; minimum nonduty disability is 39.75 percent
 - E. Survivor benefits
 - member death in service: spouse gets 50 percent of final average salary; with 10 or more years of service spouse's entitlement changes to 100 percent Joint and Survivor annuity when the employee would have reached age 55
 - children get 10 percent of final average salary per child plus \$20 per month, prorated equally to the children until age 18, or 23 if a student, or until married; total benefit limited to 70 percent of final average salary
 - refund with 6 percent interest if no survivor benefit payable
 - F. Refunds
 - contributions with 6 percent interest
 - G. Annuity and disability option
 - 100 percent Joint and Survivor with bounce back
 - 50 percent Joint and Survivor with bounce back

4. Correctional Employees Plan (provisions differing from General Plan)

- A. Coverage: employees who have direct contact with inmates at Minnesota correctional facilities
Contributions: 4.9 percent, employee; 6.75 percent, employer
- B. Benefit formula
 - 2.5 percent of five high year average salary for each year of service to a maximum of 75 percent payable for 84 months or until age 65, then reverts to General Plan formula
- C. Retirement age and service years
 - age 55 with three years of service
 - age 50 with three years of service, reduction from age 55
 - job related disability, benefit equals 50 percent of five high year average salary plus 2.5 percent for each year beyond 20; the minimum nonduty disability is 37.5 percent

5. Judges Retirement Plan

- A. Coverage: district, appellate and supreme court judges
Contributions: 8.15 percent by those not covered by Social Security, 6.27 percent by those covered by Social Security; 22 percent, employer
- B. Benefit formula
 - 2.5 percent for each year of service prior to July 1, 1980, plus 3 percent of same average salary for service after June 30, 1980; formula applied to five high year average salary within last decade
- C. Retirement age and service years
 - age 70 with one year of service, no reduction
 - age 65 with five years of service, no reduction
 - age 62 with five years of service, reduction from age 65
- D. Disability
 - eligible for disability if unable to perform duties
 - continuation of full salary for one year, then as computed under the formula with no reduction, and subject to minimum of 25 percent of five high year salary
- E. Survivor benefits
 - spouse eligible for 60 percent of normal annuity, subject to a minimum of 25 percent of final average salary
- F. Refunds
 - contributions with 5 percent interest
- G. Annuity and disability options
 - 100 percent Joint and Survivor with or without bounce back
 - 50 percent Joint and Survivor with or without bounce back
 - 10 Year Certain and Life Thereafter
 - 15 Year Certain and Life Thereafter

General Fund Plans**6. Legislators Retirement Plan**

- A. Coverage: legislators
Contributions: 9 percent, employee; as needed from General Fund appropriation, employer
- B. Benefit formula
 - 2.5 percent five high year average salary
- C. Retirement age and service years
 - age 62 with six years of service, no reduction
 - age 60 with six years of service, reduction from age 62
- D. Survivor benefits
 - spouse gets 50 percent of benefit or 100 percent Joint and Survivor amount, if legislator is age 60 or more at death
 - first child gets 25 percent, next two children get 12.5 percent for a 100 percent maximum
- E. Refunds
 - contributions with 6 percent interest
- F. Annuity options
 - 100 percent Joint and Survivor with bounce back, discounted by value of free 50 percent spousal benefit applicable
 - 100 percent and 50 percent Joint and Survivor options for other than spouse

7. Elective State Officers Plan

- A. Coverage: elected constitutional officers
Contributions: 9 percent, employee; as needed from General Fund appropriation, employer
- B. Benefit formula
 - 2.5 percent of five high year average salary
- C. Retirement age and service years
 - age 62 with eight years of service, no reduction
 - age 60 with eight years of service, reduction from age 62
- D. Survivor benefits
 - spouse gets 50 percent of benefit
 - first child gets 25 percent, next two children get 12.5 percent for a maximum of 100 percent
- E. Refunds
 - contributions with 6 percent interest

Defined Contribution Plan

1. Unclassified Employees Plan

- A. Coverage: specified employees in unclassified positions
Contributions: 4.07 percent, employee; 6 percent, employer
- B. Benefits
 - account balance or annuity benefit withdrawal based on age and 5 percent interest assumption
- C. Retirement age and service years
 - age 55 with any length of service
- D. Refunds
 - account value
- E. Annuity and Disability Option
 - 100 percent Joint and Survivor with bounce back
 - 50 percent Joint and Survivor with bounce back
 - 15 Year Certain and Life Thereafter

Agency Fund Plan

2. Deferred Compensation Plan – *Internal Revenue Code*, Section 457

- A. Coverage: optional for all state employees and political subdivisions' employees
Contributions: tax deferred with a \$10 per pay period minimum and a 25 percent, gross, taxable compensation maximum or a \$7,500 maximum
- B. Investment providers
 - Minnesota Supplemental Investment Fund (MSI)
 - Minnesota Mutual Life Insurance Co.
 - Great-West Life Assurance Co.
 - providers offers investment in various stock, bond and money market funds designed to meet individual investment objectives
- C. Withdrawal events
 - termination of service or death
 - emergency
- (d) Withdrawal options
 - MSI Fund
 - lump sum
 - lump-sum purchase of fixed or variable annuity contract from insurance company
 - monthly installment over a specified period
 - insurance companies
 - participant life
 - participant life or a period certain, whichever is greater
 - joint participant and named beneficiary lifetime
 - term certain payment

Plan descriptions are not all inclusive. Descriptions provide general information only.



Financial Section





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155-4708 • TDD RELAY 612/297-5353

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report

Nov. 20, 1996

Members of the Board and Executive Director
Minnesota State Retirement System

We have audited the accompanying financial statements of the Minnesota State Retirement System and the combining and individual fund financial statements of the system as of and for the year ended June 30, 1996, as presented in the financial section of this report. These financial statements are the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Also, an audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 2, investments are valued at cost or amortized cost as required by generally accepted accounting principles. *Minnesota Statutes* require valuation of all securities at cost plus one-third of 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Retirement System on June 30, 1996; and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of the individual funds of the Minnesota State Retirement System on June 30, 1996, and the results of operations of such funds for the year then ended. Both statements are in conformity with generally accepted accounting principles. 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 Statutes*, Section 356.20.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining and individual fund financial statements individually. The supplemental schedule of administrative expenses, which is the responsibility of the system's management is presented for purposes of additional analysis and is not a required part of the financial statements of the Minnesota State Retirement System. The information has been subjected to the auditing procedures applied in the audit of the combined, combining, and individual fund financial statements. In our opinion, the information is stated fairly, in all material respects, in relation to the financial statements of the respective individual funds taken as a whole.

In accordance with government auditing standards, we will issue a report in January 1997. The report will express our consideration of MSRS' internal control structure and its compliance with laws and regulations.

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

Combined Balance Sheet (as of June 30, 1996)

(In Thousands)

Assets:

-	cash	\$	202
-	accounts receivable:		
--	member contributions		8,838
--	employer contributions		4,250
--	other		87
--	accrued interest		120
-	due from MPRI Fund		23
-	due from other plans		883
-	investment pools:		
--	short-term (at cost)		60,954
--	equity (at cost)		2,020,640
--	fixed income (at cost)		711,208
--	MPRI Fund (at cost)		1,695,387
--	MSI Fund (at market)		490,545
-	deposits with insurance companies		988,354
-	nondedicated member deposits		6,678
-	fixed assets (net of accumulated depreciation)		172

Total assets		\$5,988,341
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Liabilities:

-	accounts payable	\$	2,090
-	deferred revenue		10
-	due to MPRI Fund		4,388
-	due to other plans		883
-	due to General Fund		41
-	member Deferred Compensation		1,336,548

Total liabilities		\$1,343,960
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Fund balance:

-	MPRI Fund reserve	\$1,695,387
-	member reserve	813,978
-	nonMPRI Fund reserve	25,155
-	state reserve	2,346,099

Total required reserves		\$4,880,619
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Unfunded accrued liability (at cost)		(236,238)
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Total fund balance		\$4,644,381
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Total liabilities and fund balance		\$5,988,341
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See Notes to the Financial Statements.

Combined Statement of Revenues, Expenses and Changes in Fund Balance (Year ended June 30, 1996)

(In Thousands)

Operating revenues:	
- member contributions	\$ 75,588
- employer contributions	85,185
- General Fund revenues	3,135
- investment income	441,871
- MPRI Fund income	173,932
- asset fees collected	560
- other income	50
	<hr/>
Total operating revenues	\$ 780,321
Operating expenses:	
- annuity benefits	\$ 164,493
- refunds	9,133
- refund interest	6,964
- MPRI Fund interest	691
- administrative expenses	2,315
- asset fees rebated	345
- investment fees	4,175
	<hr/>
Total operating expenses	\$ 188,116
Net fund balance additions	\$ 592,205
Fund balance at June 30, 1995	<u>\$4,052,176</u>
Fund balance at June 30, 1996	<u><u>\$4,644,381</u></u>

See Notes to the Financial Statements.

Notes to the Financial Statements

1. Description of the System

The Minnesota State Retirement System is the administrator of a multiple employer, cost sharing public employee retirement system. It consists of six defined benefit funds, one defined contribution fund and one agency fund. On June 30, 1996, the number of employers contributing to the various funds was:

state of Minnesota	1
University of Minnesota	1
counties	44
cities	183
school districts	230
other employers	<u>134</u>
	593

MSRS is a component unit of the state of Minnesota and is included with other fiduciary funds in their comprehensive annual financial report. This report includes financial information for MSRS only.

2. Summary of Significant Accounting Policies

A. Basis of accounting

The basic financial statements were prepared using the accrual basis of accounting. The Deferred Compensation Fund was prepared using the modified accrual basis of accounting. Both methods are in accordance with the statement pronouncements of the Governmental Accounting Standard Board.

B. Investments

Short-term and equity investments are reported at cost. Fixed income securities are reported at amortized cost. The market value of all investments on June 30, 1996, was \$5.61 billion. On June 30, 1995, the market value was \$4.77 billion. Space restrictions make it impractical to print the entire investment portfolio in this report, however, a portfolio list is available upon request.

C. Risk categories

Investments are classified according to their risk level. Three categories follow:

1. investments which are insured, registered or whose securities are held by the state or its agent in the state's name
2. uninsured or unregistered investments whose securities are held by a counter party's trust department or agent in the state's name
3. uninsured or unregistered investments whose securities are held by a counter party's trust department but are not held in the state's name

D. Fixed assets

Fixed assets are office equipment and fixtures, which were capitalized at historical cost when acquired. Depreciation is computed on the straight-line method over estimated useful lives ranging from three to 20 years.

E. Fund balance

1. Employee reserve

The employee reserve is credited with the cumulative employee contributions. Upon retirement these contributions are combined with the necessary state reserve funds and transferred to the MPRI Fund to provide an annuity. Employees who terminate their employment prior to retirement may elect to receive a refund of their contributions plus interest or a deferred annuity.

2. State reserve

The state reserve is credited with all investment earnings and employer contributions. The reserve contains the unfunded accrued liability, which is the actuarially determined amount needed to maintain the retirement fund on a fully funded basis.

3. MPRI Fund reserve

The MPRI Fund reserve equals the corresponding assets invested in the MPRI Fund. The MPRI Fund's proceeds pay the monthly pension benefits of eligible retirees. This account is adjusted annually to fully fund the actuarial value of benefits remaining.

4. NonMPRI Fund reserve

The nonMPRI Fund reserve is the unfunded actuarial value of future benefits to be paid to retirees and beneficiaries ineligible to participate in the MPRI Fund.

F. Deposits with insurance companies

Deposits with insurance companies refers to the Deferred Compensation Fund's combined participant account balances and annuity contracts held by authorized companies.

G. Nondedicated member deposits

Member contributions to the Legislators and Elective State Officers Funds are deposited into the general operating revenues of the state. In the event of plan termination, the state Department of Finance and the legislative auditor have determined that Minnesota's General Fund is legally obligated to repay member contributions. Because of this unlikely contingency, these amounts have not been appropriated in the state's General Fund.

H. Actuarial valuations

Actuarial valuations and experience studies are performed annually. 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 5 percent for the State Employees Retirement Fund, 6.5 percent for other funds, and an interest assumption of 8.5 percent were used by the actuary.



3. Capital Equipment

Capital equipment balances at June 30, 1996, were:

Cost of equipment and fixtures	\$397,356
Less accumulated depreciation	<u>(225,469)</u>
Undepreciated cost	\$171,887

4. Cash and Investments

A. Cash

MSRS cash is deposited into state treasury accounts. On June 30, 1996, and throughout the fiscal year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*.

B. Investment policies

Pursuant to *Minnesota Statutes*, the assets of MSRS funds are pooled with those of other funds and invested by the State Board of Investment. Investments primarily include obligations and stocks of the United States and Canadian governments, their agencies and their registered corporations and short-term obligations of specific high quality. Various alternative investments, including international securities, are limited by statute to 35 percent of the fund pool.

C. Credit risk

MSRS does not own any investments that are considered securities for purposes of assessing credit risk. All investments are in State Board of Investment administered pools, open-end mutual funds, or guaranteed investment contracts; none of which are considered securities for credit risk purposes.

D. Investment values

Market values and costs of investment pools on June 30, 1996, follow:

(In Thousands)

<u>Fund</u>	<u>Market Value of Investment Pools</u>			<u>Totals</u>
	<u>Short-Term</u>	<u>Equity</u>	<u>Fixed Income</u>	
State Employees Retirement	\$43,541	\$2,033,291	\$602,554	\$2,697,386
State Patrol Retirement	4,183	144,617	44,137	192,937
Correctional Employees Retirement	4,106	110,165	33,621	147,952
Judges Retirement	2,486	11,931	3,640	18,047
Unclassified	2,439	0	0	2,439
Deferred Compensation	4,139	0	0	4,139
Totals	<u>\$60,954</u>	<u>\$2,300,004</u>	<u>\$710,952</u>	<u>\$3,062,910</u>

<u>Fund</u>	<u>Cost (Book Value) of Investment Pools</u>			<u>Totals</u>
	<u>Short-Term</u>	<u>Equity</u>	<u>Fixed Income</u>	
State Employees Retirement	\$43,541	\$1,785,785	\$628,688	\$2,458,014
State Patrol Retirement	4,183	127,390	44,760	176,334
Correctional Employees Retirement	4,106	96,647	34,014	134,829
Judges Retirement	2,486	10,816	3,745	17,087
Unclassified	2,439	0	0	2,439
Deferred Compensation	4,139	0	0	4,139
Totals	<u>\$60,954</u>	<u>\$2,020,640</u>	<u>\$711,208</u>	<u>\$2,792,802</u>

5. Minnesota Supplemental Investment Fund

The MSI Fund is an investment vehicle for various state and local pension plans. To accomplish the diverse investment goals of these plans, the MSI Fund is structured like a family of mutual funds. Plan participants are permitted to allocate their individual accounts to the investment options approved for participation by their plan administrators. Members of the Unclassified Employees Retirement Fund and Deferred Compensation Plan may invest in all options offered in the MSI Fund.

The market value and cost of each fund's participation in the various MSI Fund investment options, as of June 30, 1996, follow:

(In Thousands)

<u>Investment Options</u>	<u>Unclassified Fund</u>	<u>Market Value</u>	
		<u>Deferred Compensation Fund</u>	<u>Totals</u>
Income Account	\$79,909	\$105,253	\$185,162
Growth Account	27,355	61,651	89,006
Money Market Account	10,272	30,343	40,615
Bond Market Account	4,764	13,817	18,563
Common Stock Index Account	15,747	64,185	79,932
Fixed Interest Account	8,572	57,129	65,701
International Account	4,084	7,483	11,567
Totals	\$150,684	\$339,861	\$490,545

<u>Investment Options</u>	<u>Unclassified Fund</u>	<u>Cost</u>	
		<u>Deferred Compensation Fund</u>	<u>Totals</u>
Income Account	\$35,284	\$ 56,529	\$ 91,813
Growth Account	10,901	31,121	42,021
Money Market Account	5,731	18,373	24,104
Bond Market Account	2,680	9,233	11,913
Common Stock Index Account	7,049	38,241	45,290
Fixed Interest Account	4,245	33,340	37,585
International Account	2,125	5,095	7,220
Totals	\$68,014	\$191,933	\$259,946

6. Minnesota Post Retirement Investment Fund

- A. MPRI Fund is a joint investment fund for retired members. When members retire, the money required to pay the annuity for their expected life is transferred to the MPRI Fund. Participation in the MPRI Fund is shown as the required reserves as determined by the actuary.
- B. MPRI Fund income represents the 5 percent earnings on the required reserves for fiscal year 1996, plus the 1995 income used to pay the January 1996 benefit increase. Income in excess of 5 percent was distributed according to *Minnesota Statutes*, Section 11A.18, Subdivision 9.

The proportionate market value and cost attributable to the participation of each fund in the MPRI Fund, as of June 30, 1996, follow:

(In Thousands)		
<u>Fund</u>	<u>Market Value</u>	<u>Cost (Book Value)</u>
State Employees Retirement	\$1,734,408	\$1,433,177
State Patrol Retirement	172,239	142,325
Correctional Employees Retirement	66,490	54,942
Judges Retirement	58,648	48,462
Legislators Retirement	19,945	16,481
Totals	<u>\$2,051,730</u>	<u>\$1,695,38</u>

7. Changes in Actuarial Assumptions

In fiscal year 1996, there were no changes made in the actuarial assumptions used to prepare the actuarial valuations.

8. Actuarial Asset Valuations

Minnesota Statutes provide that actuarial valuations must include one-third of any unrealized market value gains or losses. The lower of cost or market value is required on the balance sheet. The unfunded liability determined with each value, as of June 30, 1996, follows:

(In Thousands)		
<u>Fund</u>	<u>Unfunded Liability</u>	
	<u>Cost Basis</u>	<u>Actuarial Basis</u>
State Employees Retirement	\$ 191,232	\$111,441
State Patrol Retirement	(14,393)	(19,927)
Correctional Employees Retirement	(18,500)	(22,874)
Judges Retirement	43,635	43,299
Legislators Retirement	31,693	31,693
Elective State Officers Retirement	2,571	2,571
Totals	<u>\$236,238</u>	<u>\$146,203</u>

9. Pension Benefit Obligation

The pension benefit obligation is a standardized measure of the actuarial present value of credited projected benefits. It is intended to help statement users assess the funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The assumptions are the same as those of the statutory method, however, the method of computation is different. The valuation, as of June 30, 1996, follows:

(In Thousands)

	Retirement Fund						Totals
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers	
Retirees and beneficiaries receiving benefits and terminated employees not receiving benefits	\$1,585,766	\$146,314	\$67,576	\$61,237	\$36,289	\$1,554	\$1,898,736
Current Employees:							
Accumulated employee contributions including allocated investment income	754,205	50,687	29,620	15,985	5,689	462	856,648
Employee financed-vested	1,138,262	72,985	44,921	18,218	6,721	797	1,281,904
Employer financed-nonvested	134,127	22,362	7,440	9,088	2,705	30	175,752
Pension benefit obligation	\$3,612,360	\$292,348	\$149,557	\$104,528	\$51,404	\$ 2,483	\$4,212,680
Net assets available for benefits (cost basis)	3,896,041	318,334	189,459	64,515	22,532	412	4,491,613
Unfunded (assets in excess of) pension benefit obligation	(283,681)	(25,986)	(39,902)	40,013	28,872	2,431	(278,613)
Funded ratio	107.85%	108.89%	126.68%	61.72%	43.83%	14.49%	106.61%

10. Comparison of Contributions

The contribution rates for each of the defined benefit funds are not actuarially determined, but are statutorily set. These rates are intended to be sufficient to fully fund the actuarial liabilities by the year 2020. Annual reviews are made by the actuary to determine their sufficiency. Comparisons of the actual to the actuarially required contributions, as of June 30, 1996, follow:

(In Thousands)

	Retirement Fund					
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers
Employee contributions as a percentage of payroll	\$63,507 4.07%	\$3,484 8.50%	\$3,575 4.90%	\$1,426 6.27%	\$563 9.00%	\$41 9.0%
Employer contributions as a percentage of payroll	\$65,556 4.20%	\$ 5,583 14.88%	\$4,559 6.27%	\$4,972 22.00%	N/A N/A	N/A N/A
Total contributions made as a percentage of payroll	\$129,063 8.27%	\$9,226 23.38%	\$8,134 11.17%	\$6,398 28.27%	\$563 9.00%	\$41 9.00%
Required contribution (normal cost) as a percentage of payroll	\$102,811 6.69%	\$8,189 21.21%	\$7,914 10.96%	\$3,949 17.15%	\$1,264 20.25%	\$64 13.93%
Required contributions (UAAL) amortization cost as a percentage of payroll	\$19,210 1.25%	0 0.00%	0 0.00%	\$2,312 10.04%	\$1,305 20.91%	\$135 29.43%
Required contributions (administrative cost) as a percentage of payroll	\$1,690 .11%	\$50 .13%	\$108 .15%	\$30 .13%	\$24 .38%	\$1 .22%
Total required contributions as a percentage of payroll	\$123,712 8.05%	\$8,239 21.34%	\$8,022 11.11%	\$6,291 27.32%	\$2,593 41.54%	\$200 43.58%
Funding surplus (deficit) as a percentage of payroll	\$5,351 .22%	\$987 2.04%	\$112 .06%	\$107 .95%	\$(2,030) (32.54%)	\$(159) (34.58%)

11. Deferred Compensation Fund

Pursuant to *Internal Revenue Code*, Section 457, all member contributions and other assets in the Deferred Compensation Fund remain the property of the participating employers until paid or made available to the members, subject only to the claims of the employers' general creditors. MSRS is responsible for exercising due care in the administration of the fund.

12. Leases

The office facilities are leased by an agreement through Sept. 30, 1997. Annual rent obligations by fiscal year follow:

<u>Fiscal Year</u>	<u>Rent</u>
1996	\$169,278
1997	176,009
1998	184,000
1999	46,887

13. Interfund Receivables and Payables

As of June 30, 1996, interfund receivables and payables follow:

(In Thousands)		
<u>Defined Benefit Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
State Employees Retirement	883	
State Patrol Retirement		50
Correctional Employees Retirement		111
Judges Retirement		27
Legislative Retirement		22
Elective Retirement		1
Defined Contribution Fund		
Unclassified Retirement		131
Agency Fund		
Deferred Compensation	—	541
Totals	883	883

14. Required Supplemental Information

Ten year historical trends, designed to provide information about progress in accumulating sufficient assets to pay benefits when due, are presented on the pages which follow these notes. All available information is presented.

15. Descriptions of Individual Defined Benefit Funds

A. State Employees Retirement Fund

The State Employees Retirement Fund includes the General Employees Plan, a multiple employer, cost sharing plan, and the Military Affairs and Transportation Pilots Plan, a single employer plan. Only certain employees of the Departments of Military Affairs and Transportation are eligible to be members of the Military Affairs and Transportation Pilots Plan, but all state employees who are not members of another plan are covered by the General Employees Plan. Membership statistics, as of June 30, 1996, follow:

Members receiving benefits:

- retirees	15,225
- beneficiaries	1,447

Terminated members:

- vested, not receiving benefits	6,118
- nonvested	5,744

Active members:

- vested	37,998
- nonvested	<u>11,916</u>

Totals	78,448
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Annualized payroll (June 30, 1996):	\$1,643,049,000
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Minnesota Statutes, Section 352.04 requires that eligible employees contribute 4.07 percent of their total compensation. The employer contributes 4.20 percent. Retirement benefits may be computed by two methods: the step formula and the level formula. Step formula benefits are 1 percent of the high five year average salary for each of the first 10 years, plus 1.5 percent for each year thereafter. Also, it includes full benefits under the Rule of 90. In contrast, the level formula does not include the Rule of 90, benefits are 1.5 percent of the high five year average salary for all years of service, and full benefits are available at the normal retirement age.

At the time of retirement, members employed for the first time before July 1, 1989, have their benefit computed under the method providing the higher amount. Those employed on or after July 1, 1989, are eligible for the level formula method only.

B. State Patrol Retirement Fund

The State Patrol Retirement Fund includes only the State Patrol Retirement Plan, a single employer plan. Membership is limited to those state employees who are state troopers, conservation officers or crime bureau officers. Membership statistics, as of June 30, 1996, follow:

Members receiving benefits:

- retirees	434
- beneficiaries	126

Terminated members:

- vested, not receiving benefits	22
- nonvested	6

Active members:

- vested	708
- nonvested	69

Totals	1,365
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Annualized payroll (June 30, 1996):	\$40,399,000
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Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 8.92 percent effective July 1, 1996, of their total compensation. The employer contributes 14.88 percent. Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 2.65 percent of the high five year average salary for each year of service.

C. Correctional Employees Retirement Fund

The Correctional Employees Retirement Fund includes only the Correctional Plan, a single employer plan. Membership is limited to those state employees who have direct responsibility for inmates at Minnesota correctional facilities. Membership statistics, as of June 30, 1996, follow:

Members receiving benefits:

- retirees	446
- beneficiaries	27

Terminated members:

- vested, not receiving benefits	324
- nonvested	84

Active members:

- vested	1,372
- nonvested	892

Totals	3,145
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Annualized payroll (June 30, 1996):	\$78,030,000
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Minnesota Statutes, Section 352.91 requires that eligible employees contribute 4.90 percent of their total compensation. The employer contributes 6.27 percent. Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 2.5 percent of the high five year average salary for each year of service payable for 84 months or until age 65. At age 65, or after 84 months but not before age 62, benefits revert to those of the General Employees Plan.

D. Judges Retirement Fund

The Judges Retirement Fund includes only the Judges Retirement Plan, a single employer plan. Active membership is limited to Minnesota district, appellate and supreme court judges. Also, retirees include municipal and county court judges. Membership statistics, as of June 30, 1996, follow:

Members receiving benefits:

-	retirees	140
-	beneficiaries	76

Terminated members:

-	vested, not receiving benefits	6
-	nonvested	1

Active Members:

-	vested	213
-	nonvested	<u>67</u>

Totals	503
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Annualized payroll (June 30, 1996):	\$24,287,000
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Minnesota Statutes, Section 490.123 requires that eligible employees covered by Social Security contribute 6.27 percent of the total compensation, employees not covered by Social Security contribute 8.15 percent. The employer contributes 22 percent for all employees.

Members become eligible for retirement benefits upon reaching age 65 with five years of service, age 62 with five years of service and a reduced benefit, or mandatory retirement age 70 with one year of service. The benefit is 2.5 percent for each year of service prior to July 1, 1980, plus 3 percent of same average salary for service after June 30, 1980. The formula is applied to the high five year average salary.

E. General Fund Plans

The General Fund Plans include the Legislators Retirement Plan and the Elective State Officers Plan. Each is a single employer plan. Members of the Minnesota House of Representatives and Senate are included in the Legislators Retirement Plan; the Elective State Officers Plan includes only the elected constitutional officers. Membership statistics, as of June 30, 1996, follow:

	<u>Legislators Retirement Plan</u>	<u>Elective State Officers Plan</u>
Members receiving benefits:		
- retirees	163	5
- beneficiaries	65	7
Terminated members:		
- vested, not receiving benefits	127	4
- nonvested	7	0
Active members:		
- vested	98	4
- nonvested	103	2
Totals	<u>563</u>	<u>22</u>
Annualized payroll (June 30, 1996):	\$7,423,000	\$475,000

Minnesota Statutes, Sections 3A.03 and 352C.09 require that legislators contribute 9 percent of their salary including certain per diem payments, and elected officers contribute 9 percent of their salary. Both plans are funded by annual appropriations from the state's General Fund.

Legislators are eligible for full retirement benefits upon reaching age 62 with six years of service or for a reduced benefit at age 60 with the same service. The benefit is 2.5 percent per year of service multiplied by the high five year average covered compensation, but not to exceed their final annual compensation. Except for a minimum eight year service requirement, the Elective State Officers Plan has the same benefit eligibility.

16. Defined Contribution Plan

The Unclassified Fund includes only the Unclassified Employees Retirement Plan, a multiple employer defined contribution plan. Membership is limited to certain specified employees of the state of Minnesota and various other statutorily designated entities. Membership statistics, as of June 30, 1996, follow:

Active members:	1,719
Inactive members:	925
Totals	<u>2,644</u>
Annualized payroll (June 30, 1996):	\$67,798,000

Minnesota Statutes, Section 352D.01.12 authorized creation of this plan. Eligible employees contribute 4.07 percent. The employer contributes 6 percent. Members' benefits vest only to the extent of the value of their accounts; i.e., cumulative employee contributions and employer contributions plus investment income less administrative expenses. Retirement and disability benefits are available through conversion, at the member's option, to the General Employee Plan, provided he or she has at least 10 years of service.

17. Optional Retirement Annuities

In the defined benefit funds, two joint and survivor annuity options are available. Either 50 percent or 100 percent joint and survivor options may be elected. Annuities take the form of Joint and Survivor options with reversion to the Single-Life amount if the beneficiary predeceases the member. A 15 Year Certain and Life Thereafter option is available, and for the Judges Plan, a 10 Year Certain and Life Thereafter option is provided. The Legislators and Elective State Officers plans provide, automatically, a 50 percent benefit continuance to a surviving spouse. Also, legislators can elect additional survivor coverage.

18. Contingent Liability

The Unclassified Employees Retirement Plan, a defined contribution plan, permits employees who were previously members of a Minnesota defined benefit plan or who have accrued 10 or more years of service to elect a General Employees Retirement Plan option upon retirement. The actuarially estimated value of this unfunded liability is \$5,200,000.

Required Supplemental Information

Analysis of Funding Progress

(In Thousands)

Unaudited

<u>Fiscal Year</u>	<u>Net Assets Available for Benefits (Cost)</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll (Historical)</u>	<u>Unfunded Benefit Percentage of Covered Payroll</u>
State Employees Retirement Fund:						
1987*	1,585,971	1,650,993	96.1	65,022	1,058,471	6.1
1988	1,609,381	1,775,445	90.6	166,064	1,091,511	15.2
1989	1,824,416	2,109,272	86.5	284,856	1,163,800	24.5
1990	2,067,688	2,328,167	88.8	260,479	1,254,991	20.8
1991	2,267,368	2,520,042	90.0	252,674	1,390,183	18.2
1992	2,576,920	2,742,278	94.0	165,358	1,381,115	12.0
1993	2,846,117	3,057,914	93.1	211,797	1,412,267	15.0
1994	3,147,066	3,376,267	93.2	229,201	1,789,033	12.8
1995	3,401,803	3,339,193	101.9	(62,610)	1,611,687	(3.9)
1996	3,896,041	3,612,360	107.9	(283,681)	1,643,049	(17.3)
State Patrol Retirement Fund:						
1987	136,397	153,107	89.1	16,710	25,132	66.5
1988	146,068	167,349	87.3	21,281	26,085	81.6
1989	164,033	184,250	89.0	20,217	27,765	72.8
1990	182,966	198,359	92.2	15,393	30,150	51.1
1991	197,502	214,626	92.0	17,124	32,323	53.0
1992	219,764	224,478	97.9	4,714	32,630	14.4
1993	240,075	247,633	96.9	7,558	35,326	21.4
1994	261,692	264,307	99.0	2,615	41,462	6.3
1995	280,423	271,819	103.2	(8,604)	39,838	(21.6)
1996	318,334	292,348	108.9	(25,986)	40,399	(64.3)
Correctional Employees Retirement Fund:						
1988**	72,446	69,142	104.8	(3,304)	33,155	(10.0)
1989	83,206	79,143	105.1	(4,063)	35,475	(11.5)
1990	95,015	87,554	108.5	(7,461)	38,999	(19.1)
1991	103,982	95,097	109.3	(8,885)	43,247	(20.5)
1992	119,122	105,604	112.8	(13,518)	46,512	(29.1)
1993	132,825	115,888	114.6	(16,937)	50,991	(33.2)
1994	147,472	131,466	112.2	(16,006)	70,562	(22.7)
1995	162,086	133,923	121.0	(28,163)	71,022	(39.7)
1996	189,459	149,557	126.7	(39,902)	78,030	(51.1)

* This row includes the Correctional Employees Retirement Fund.

** Before July 1, 1987, this fund was included with the State Employees Retirement Fund.

Required Supplemental Information

Analysis of Funding Progress

Fiscal Year	Net Assets Available for Benefits (Cost)	Pension Benefit Obligation	(In Thousands)	Unfunded Pension Benefit Obligation	Annual Covered Payroll (Historical)	Unfunded Benefit Percentage of Covered Payroll
			Unaudited Percentage Funded			
Judges Retirement Fund:						
1987	18,781	53,677	35.0	34,896	15,644	223.1
1988	20,774	59,389	35.0	38,615	16,102	239.8
1989	23,325	64,106	36.4	40,781	18,006	226.5
1990	28,205	68,487	41.2	40,282	19,134	210.5
1991	33,559	74,444	45.1	40,885	20,660	197.9
1992	37,770	82,383	45.8	44,613	21,297	209.5
1993	44,106	87,432	50.5	43,326	21,928	197.6
1994	50,554	94,884	53.3	44,330	22,302	198.8
1995	56,635	98,797	57.3	42,162	23,429	180.0
1996	64,515	104,517	61.7	40,002	24,206	165.3
Legislators Retirement Fund:						
1987	11,158	21,950	50.8	10,792	4,786	225.5
1988	11,857	23,758	49.9	11,901	4,386	271.3
1989	12,317	26,998	45.6	14,681	4,668	314.5
1990	12,748	29,654	43.0	16,906	5,859	288.5
1991	14,694	29,641	49.6	14,947	6,707	222.9
1992	15,160	32,272	47.0	17,112	6,286	272.2
1993	17,168	34,994	49.1	17,826	6,801	262.1
1994	18,738	43,356	43.2	24,618	6,916	356.0
1995	21,213	48,114	44.1	26,901	7,193	374.0
1996	22,532	51,404	43.8	22,532	7,423	303.5
Elective State Officers Retirement Fund:						
1987	246	1,619	15.2	1,373	355	386.8
1988	281	1,757	16.0	1,476	365	404.4
1989	314	1,938	16.2	1,624	387	419.6
1990	351	2,108	16.7	1,757	404	434.9
1991	308	2,160	14.3	1,852	425	435.8
1992	334	2,268	14.7	1,934	375	515.7
1993	322	2,548	12.6	2,226	373	596.8
1994	361	2,718	13.3	2,357	462	510.2
1995	378	2,800	13.5	2,422	452	535.8
1996	412	2,843	14.5	2,431	475	511.8

Required Supplemental Information

Revenues by Sources

(In Thousands)

Unaudited

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other</u>	<u>Total</u>	<u>Covered Payroll</u>	<u>Percentage Employer Contributions</u>
State Employees Retirement Fund:							
1987*	40,625	42,911	192,178	1,245	276,959	1,058,471	4.05
1988	41,632	42,951	136,396	1,201	222,180	1,091,511	3.94
1989	43,957	45,401	205,180	1,099	295,637	1,163,800	3.90
1990	55,671	57,200	220,092	29	332,992	1,254,991	4.56
1991	56,895	57,986	182,747	4	297,632	1,390,183	4.17
1992	58,478	59,244	297,879	8	415,609	1,381,115	4.29
1993	59,130	58,980	269,405	3	387,518	1,412,267	4.18
1994	62,555	60,742	305,850	13	429,160	1,789,033	3.40
1995	61,627	63,161	269,588	2	394,378	1,611,687	3.92
1996	63,507	65,556	517,346	40	646,449	1,643,049	3.99
State Patrol Retirement Fund:							
1987	2,164	4,778	16,462	63	23,467	25,132	19.01
1988	2,244	4,971	12,976	62	20,253	26,085	19.06
1989	2,367	5,256	17,746	59	25,428	27,765	18.93
1990	2,568	5,706	18,870	3	27,147	30,150	18.93
1991	2,751	4,825	16,013	0	23,589	32,323	14.93
1992	2,795	4,893	24,569	0	32,257	32,630	15.00
1993	3,040	5,288	22,595	0	30,923	35,326	14.97
1994	3,004	5,160	25,102	0	33,266	41,462	12.45
1995	3,189	5,583	22,815	0	31,587	39,838	14.01
1996	3,484	5,742	42,458	0	51,684	40,399	14.21
Correctional Employees Retirement Fund:							
1988**	1,753	3,089	5,721	0	10,563	33,155	9.32
1989	1,748	3,084	9,254	0	14,086	35,475	8.69
1990	1,925	3,412	10,133	0	15,470	38,999	8.75
1991	2,128	2,731	8,035	0	12,894	43,247	6.31
1992	2,332	2,955	14,121	0	19,408	46,512	6.35
1993	2,554	3,217	12,680	0	18,451	50,991	6.31
1994	2,679	3,355	13,767	0	19,801	70,562	4.75
1995	3,280	4,196	12,729	0	20,205	71,022	5.91
1996	3,575	4,559	25,429	0	33,563	78,030	5.84

* This row includes the Correctional Employees Retirement Fund.

** Before July 1, 1987, this fund was included in the State Employees Retirement Fund.

Required Supplemental Information

Revenues by Sources

(In Thousands)
Unaudited

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other</u>	<u>Total</u>	<u>Covered Payroll</u>	<u>Percentage Employer Contributions</u>
Judges Retirement Fund:							
1987	563	2,405	2,699	62	5,729	15,644	15.37
1988	565	2,650	1,980	57	5,252	16,102	16.46
1989	733	2,875	2,443	44	6,095	18,006	15.97
1990	779	5,500	2,494	39	8,812	19,134	28.74
1991	799	5,900	2,927	20	9,646	20,660	28.56
1992	988	4,722	3,407	11	9,128	21,297	22.17
1993	1,409	4,844	3,853	1,444	11,550	21,928	22.09
1994	1,416	4,912	4,527	1,467	12,322	22,302	22.02
1995	1,455	5,161	4,305	1,469	12,390	23,429	22.03
1996	1,427	4,972	6,831	1,483	14,713	24,206	20.54
Legislators Retirement Fund:							
1987	430	0	979	1,847	3,256	4,786	N/A
1988	397	0	976	925	2,298	4,386	N/A
1989	431	0	980	860	2,271	4,668	N/A
1990	546	0	764	451	1,761	5,859	N/A
1991	637	0	882	1,889	3,408	6,707	N/A
1992	590	0	872	601	2,003	6,286	N/A
1993	659	0	974	2,283	3,916	6,801	N/A
1994	593	0	1,278	1,618	3,489	6,916	N/A
1995	635	0	1,163	2,939	4,737	7,193	N/A
1996	563	0	1,611	1,511	3,685	7,423	N/A
Elective State Officers Retirement Fund:							
1987	32	0	0	132	164	355	N/A
1988	34	0	0	132	166	365	N/A
1989	35	0	0	141	176	387	N/A
1990	36	0	0	112	148	404	N/A
1991	38	0	0	40	78	425	N/A
1992	34	0	0	111	145	375	N/A
1993	45	0	0	88	133	373	N/A
1994	37	0	0	164	201	462	N/A
1995	37	0	0	165	202	452	N/A
1996	41	0	0	151	192	475	N/A

Required Supplemental Information

Expenses by Type

(In Thousands)
Unaudited

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Other</u>	<u>Total</u>
State Employees Retirement Fund:					
1987*	57,057	1,449	7,996	1,475	67,977
1988*	63,697	1,550	7,490	1,958	74,695
1989	69,603	1,166	7,898	1,969	80,636
1990	76,040	1,542	8,203	3,230	89,015
1991	85,977	1,531	7,912	3,199	98,619
1992	95,010	1,590	7,886	3,132	107,618
1993	104,361	1,786	8,116	3,339	117,602
1994	116,072	1,978	7,644	4,048	129,742
1995	126,831	1,908	8,350	3,452	140,541
1996	136,521	1,972	10,260	4,074	152,827
State Patrol Retirement Fund:					
1987	5,431	74	99	93	5,697
1988	6,263	58	9	178	6,508
1989	7,186	66	78	137	7,467
1990	7,847	76	27	264	8,214
1991	8,720	79	18	236	9,053
1992	9,603	84	104	205	9,996
1993	10,253	61	37	262	10,613
1994	11,271	66	11	300	11,648
1995	12,092	55	129	580	12,856
1996	13,279	57	9	428	13,773
Correctional Employees Retirement Fund:					
1988**	2,678	82	196	50	3,006
1989	2,964	87	270	91	3,412
1990	3,187	116	248	141	3,692
1991	3,493	113	200	125	3,931
1992	3,773	129	255	156	4,313
1993	4,150	87	296	177	4,710
1994	4,557	100	285	221	5,163
1995	4,971	105	291	255	5,622
1996	5,460	112	305	306	6,183

* These rows include the Correctional Employees Retirement Fund.

** Before July 1, 1987, this fund was included with the State Employees Retirement Fund.

Required Supplemental Information

Expenses by Type

(In Thousands)
Unaudited

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Other</u>	<u>Total</u>
Judges Retirement Fund:					
1987	2,726	34	0	7	2,767
1988	3,110	38	6	15	3,169
1989	3,451	47	24	21	3,543
1990	3,846	55	1	30	3,932
1991	4,183	62	30	17	4,292
1992	4,593	59	0	20	4,672
1993	5,144	37	0	33	5,214
1994	5,773	27	34	40	5,874
1995	6,233	28	0	49	6,310
1996	6,760	32	0	41	6,833
Legislators Retirement Fund:					
1987	1,038	34	130	0	1,202
1988	1,149	31	19	2	1,201
1989	1,211	36	14	1	1,263
1990	1,263	37	30	1	1,331
1991	1,362	42	47	11	1,462
1992	1,500	40	48	9	1,597
1993	1,697	24	178	9	1,908
1994	1,887	24	0	8	1,911
1995	2,052	26	158	27	2,263
1996	2,318	25	6	17	2,366
Elective State Officers Retirement Fund:					
1987	97	2	17	0	116
1988	97	2	0	0	99
1989	105	1	0	0	106
1990	111	1	0	0	112
1991	119	2	0	0	121
1992	117	2	0	0	119
1993	143	2	0	0	145
1994	161	1	0	0	162
1995	164	1	20	0	185
1996	155	3	0	0	158

Combining Balance Sheet (as of June 30, 1996)

(In Thousands)

		Defined Contribution Fund	Agency Fund	
	Defined Benefit Funds	Unclassified Retirement Fund	Deferred Compensation Fund	Totals
Assets:				
- cash	\$ 38	\$ 13	\$ 151	\$ 202
- accounts receivable:				
-- member contributions	3,750	141	4,947	8,838
-- employer contributions	4,042	208	0	4,250
-- other	32	9	46	87
-- accrued interest	120	0	0	120
- due from MPRI Fund	23	0	0	23
- due from other plans	883	0	0	883
- investment pools:				
-- short-term (at cost)	54,376	2,439	4,139	60,954
-- equity (at cost)	2,020,640	0	0	2,020,640
-- fixed income (at cost)	711,208	0	0	711,208
-- MPRI Fund (at cost)	1,695,387	0	0	1,695,387
-- MSI Fund (at market)	0	150,684	339,861	490,545
- deposits with insurance companies	0	0	988,354	988,354
- nondedicated member deposits	6,678	0	0	6,678
- fixed assets (net of accumulated depreciation)	172	0	0	172
Total assets	\$ 4,497,349	\$ 153,494	\$ 1,337,498	\$ 5,988,341
Liabilities:				
- accounts payable	\$ 1,406	\$ 275	\$ 409	\$ 2,090
- deferred revenue	10	0	0	10
- due to MPRI Fund	4,388	0	0	4,388
- due to other plans	211	131	541	883
- due to General Fund	41	0	0	41
- member Deferred Compensation	0	0	1,336,548	1,336,548
Total liabilities	\$ 6,056	\$ 406	\$ 1,337,498	\$ 1,343,960
Fund balance:				
- MPRI Fund reserve	\$ 1,695,387	\$ 0	\$ 0	\$ 1,695,387
- member reserve	660,890	153,088	0	813,978
- nonMPRI Fund reserve	25,155	0	0	25,155
- state reserve	2,346,099	0	0	2,346,099
Total required reserves	\$ 4,727,531	\$ 153,088	\$ 0	\$ 4,880,619
Unfunded accrued liability (at cost)	(236,238)	0	0	(236,238)
Total fund balance	\$ 4,491,293	\$ 153,088	\$ 0	\$ 4,644,381
Total liabilities and fund balance	\$ 4,497,349	\$ 153,494	\$ 1,337,498	\$ 5,988,341

See Notes to the Financial Statements.

Combining Statement of Revenues, Expenses and Changes in Reserves (Year ended June 30, 1996)

(In Thousands)

	Defined Benefit Funds	Defined Contribution Fund	Unclassified Retirement Fund	Totals
Operating revenues:				
- member contributions	\$ 72,597	\$ 2,991		\$ 75,588
- employer contributions	80,829	4,356		85,185
- General Fund revenues	3,135	0		3,135
- investment income	419,743	22,128		441,871
- MPRI Fund income	173,932	0		173,932
- asset fees collected	0	560		560
- other income	50	0		50
Total operating revenues	\$ 750,286	\$ 30,035		\$ 780,321
Operating expenses:				
- annuity benefits	\$ 164,493	\$ 0		\$ 164,493
- refunds	8,113	1,020		9,133
- refund interest	2,467	4,497		6,964
- MPRI Fund interest	691	0		691
- administrative expenses	2,201	114		2,315
- asset fees rebated	0	345		345
- investment fees	4,175	0		4,175
Total operating expenses	\$ 182,140	\$ 5,976		\$ 188,116
Other changes in reserves:				
- plan transfers	609	(609)		0
Total other changes in reserves	\$ 609	\$ (609)		\$ 0
Net fund balance additions	568,755	23,450		592,205
Fund balance at June 30, 1995	\$3,922,538	\$129,638		\$4,052,176
Fund balance at June 30, 1996	\$4,491,293	\$153,088		\$4,644,381

See Notes to the Financial Statements.

Combining Balance Sheet

Defined Benefit Funds (as of June 30, 1996)

(In Thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elected State Officers	Totals
Assets:							
- cash	\$ 16	\$ 8	\$ 1	\$ 13	\$ 0	\$ 0	\$ 38
- accounts receivable:							
-- member contributions	3,362	172	186	28	0	2	3,750
-- employer contributions	3,423	287	234	98	0	0	4,042
-- other	26	3	1	2	0	0	32
-- accrued interest	106	7	6	1	0	0	120
- due from MPRI Fund	9	0	8	6	0	0	23
- due from other plans	883	0	0	0	0	0	883
- investment pools:							
-- short-term (at cost)	43,541	4,183	4,166	2,486	0	0	54,376
-- equity (at cost)	1,785,785	127,390	96,649	10,816	0	0	2,020,640
-- fixed income (at cost)	628,688	44,761	34,014	3,745	0	0	711,208
-- MPRI Fund (at cost)	1,433,177	142,325	54,942	48,462	16,481	0	1,695,387
-- nondedicated member deposits	0	0	0	0	6,265	413	6,678
-- fixed assets (net of accumulated depreciation)	172	0	0	0	0	0	172
Total assets	\$ 3,899,188	\$ 319,136	\$ 190,207	\$ 65,657	\$ 22,746	\$ 415	\$ 4,497,349
Liabilities:							
- accounts payable	\$ 1,280	\$ 63	\$ 51	\$ 7	\$ 3	\$ 2	\$ 1,406
- deferred revenue	0	0	0	10	0	0	10
- due to MPRI Fund	1,867	689	586	1,057	189	0	4,388
- due to other plans	0	50	111	27	22	1	11
- due to General Fund	0	0	0	41	0	0	41
Total liabilities	\$ 3,147	\$ 802	\$ 748	\$ 1,142	\$ 214	\$ 3	\$ 6,056
Fund balance:							
- MPRI Fund reserve	\$ 1,433,177	\$ 142,325	\$ 54,942	\$ 48,462	\$ 16,481	\$ 0	\$ 1,695,387
- member reserve	586,315	32,981	25,440	9,535	6,205	414	660,890
- nonMPRI Fund reserve	3,741	725	0	12,015	7,362	1,312	25,155
- state reserve	2,064,040	127,910	90,577	38,138	24,177	1,257	2,346,099
Total required reserves	\$ 4,087,273	\$ 303,941	\$ 170,959	\$ 108,150	\$ 54,255	\$ 2,983	\$ 4,727,531
Unfunded accrued liability (at cost)	(191,232)	14,393	18,500	(43,635)	(31,693)	(2,571)	(236,238)
Net fund balance	\$ 3,896,041	\$ 318,334	\$ 189,459	\$ 64,515	\$ 22,532	\$ 412	\$ 4,491,293
Total liabilities and fund balance	\$ 3,899,188	\$ 319,136	\$ 190,207	\$ 65,657	\$ 22,746	\$ 415	\$ 4,497,349

See Notes to the Financial Statements.

Combining Statement of Revenues, Expenses and Changes in Fund Balance Defined Benefit Funds (Year ended June 30, 1996)

(In Thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elected State Officers	Totals
Operating revenues:							
- member contributions	\$ 63,507	\$ 3,484	\$ 3,575	\$ 1,427	\$ 563	\$ 41	\$ 72,597
- employer contributions	65,556	5,742	4,559	4,972	0	0	80,829
- General Fund revenues	0	0	0	1,473	1511	151	3,135
- investment income	369,769	28,000	20,038	1,936	0	0	419,743
- MPRI Fund income	147,577	14,458	5,391	4,895	1,611	0	173,932
- other income	40	0	0	10	0	0	50
Total operating revenues	\$ 646,449	\$ 51,684	\$ 33,563	\$ 14,713	\$ 3,685	\$ 192	\$ 750,286
Operating expenses:							
- annuity benefits	\$ 136,521	\$ 13,279	\$ 5,460	\$ 6,760	\$ 2,318	\$ 155	\$ 164,493
- refunds	7,857	6	244	0	6	0	8,113
- interest on refunds	2,403	3	61	0	0	0	2,467
- interest to MPRI Fund	385	161	107	21	17	0	691
- administrative expenses	1,972	57	112	32	25	3	2,201
- investment fees	3,689	267	199	20	0	0	4,175
Total operating expenses	\$ 152,827	\$ 13,773	\$ 6,183	\$ 6,833	\$ 2,366	\$ 159	\$ 182,140
Other changes in reserves:							
- transfers to General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
- plan transfers	616	0	(7)	0	0	0	609
Total other changes	\$ 616	\$ 0	\$ (7)	\$ 0	\$ 0	\$ 0	\$ 609
Net reserve additions	494,238	37,911	27,373	7,880	1,319	34	568,755
Reserve balance at July 1, 1995	\$3,401,803	\$280,423	\$162,086	\$56,635	\$21,212	\$378	\$3,922,538
Reserve balance at June 30, 1996	\$3,896,041	\$318,334	\$189,459	\$64,515	\$22,531	\$412	\$4,491,293

See Notes to the Financial Statements.

State Employees Retirement Fund

Statement of Revenues, Expenses and Changes in Reserves (Year ended June 30, 1996)

(In Thousands)

	<u>Total</u>	<u>Member Reserve</u>	<u>NonMPRIF Reserve</u>	<u>MPRIF Reserve</u>	<u>State Reserve</u>
Operating revenues:					
- member contribution	\$ 63,507	\$ 63,320	\$ 0	\$ 0	\$ 187
- employer contributions	65,556	0	0	0	65,556
- investment income	369,769	0	0	0	369,769
- MPRI Fund income	147,577	0	0	147,577	0
- other income	40	0	0	0	40
Total operating revenues	<u>\$ 646,449</u>	<u>\$ 63,320</u>	<u>\$ 0</u>	<u>\$ 147,577</u>	<u>\$ 435,552</u>
Operating expenses:					
- annuity benefits	136,521	0	871	135,650	0
- refunds	7,857	7,857	0	0	0
- interest on refunds	2,403	0	0	0	2,403
- interest to MPRI Fund	385	0	0	0	385
- administrative expenses	1,972	0	0	0	1,972
- investment fees	3,689	0	0	0	3,689
Total operating expenses	<u>\$ 152,827</u>	<u>\$ 7,857</u>	<u>\$ 871</u>	<u>\$ 135,650</u>	<u>\$ 8,449</u>
Other changes in reserves:					
- actuarial transfers	0	0	381	1,867	(2,248)
- inactive employee transfers	0	95	0	0	(95)
- new annuity transfers	0	(15,600)	0	105,997	(90,397)
- plan transfers	616	28	0	0	588
Total other changes	<u>\$ 616</u>	<u>\$ (15,477)</u>	<u>\$ 381</u>	<u>\$ 107,864</u>	<u>\$ (92,152)</u>
Net reserve additions	<u>\$ 494,238</u>	<u>\$ 39,986</u>	<u>\$ (490)</u>	<u>\$ 119,791</u>	<u>\$ 334,951</u>
Balance June 30, 1995	<u>\$3,401,803</u>	<u>\$ 546,329</u>	<u>\$4,231</u>	<u>\$1,313,386</u>	<u>\$ 1,537,857</u>
Balance June 30, 1996	<u>\$3,896,041</u>	<u>\$ 586,315</u>	<u>\$3,741</u>	<u>\$1,433,177</u>	<u>\$1,872,808</u>

See Notes to the Financial Statements.

State Patrol Retirement Fund

Statement of Revenues, Expenses and Changes in Reserves (Year ended June 30, 1996)

(In Thousands)

	<u>Total</u>	<u>Member Reserve</u>	<u>NonMPRIF Reserve</u>	<u>MPRIF Reserve</u>	<u>State Reserve</u>
Operating revenues:					
- member contributions	\$ 3,484	\$ 3,455	\$ 0	\$ 0	\$ 29
- employer contributions	5,742	0	0	0	5,742
- investment income	28,000	0	0	0	28,000
- MPRI Fund income	14,458	0	0	14,458	0
Total operating revenues	<u>\$ 51,684</u>	<u>\$ 3,455</u>	<u>\$ 0</u>	<u>\$ 14,458</u>	<u>\$ 33,771</u>
Operating expenses:					
- annuity benefits	13,279	0	122	13,157	0
- refunds	6	6	0	0	0
- interest on refunds	3	0	0	0	3
- interest to MPRI Fund	161	0	0	0	161
- administrative expenses	57	0	0	0	57
- investment fees	267	0	0	0	267
Total operating expenses	<u>\$ 13,773</u>	<u>\$ 6</u>	<u>\$ 122</u>	<u>\$ 13,157</u>	<u>\$ 488</u>
Other changes in reserves:					
- actuarial adjustments	0	0	2,248	689	(2,937)
- inactive employee transfers	0	(3)	0	0	3
- new annuity transfers	0	(1,625)	(2,160)	12,056	(8,271)
Total other changes	<u>\$ 0</u>	<u>\$ (1,628)</u>	<u>\$ 88</u>	<u>\$ 12,745</u>	<u>\$ (11,205)</u>
Net reserve additions	\$ 37,911	\$ 1,821	\$ (34)	\$ 14,046	\$ 22,078
Balance June 30, 1995	<u>\$ 280,423</u>	<u>\$ 31,160</u>	<u>\$ 759</u>	<u>\$ 128,279</u>	<u>\$ 120,225</u>
Balance June 30, 1996	<u><u>\$ 318,334</u></u>	<u><u>\$ 32,981</u></u>	<u><u>\$ 725</u></u>	<u><u>\$ 142,325</u></u>	<u><u>\$ 142,303</u></u>

See Notes to the Financial Statement.

Correctional Employees Retirement Fund

Statement of Revenues, Expenses and Changes in Reserves (Year ended June 30, 1996)

(In Thousands)

	<u>Total</u>	<u>Member Reserve</u>	<u>MPRIF Reserve</u>	<u>State Reserve</u>
Operating revenues:				
- member contributions	\$ 3,575	\$ 3,568	\$ 0	\$ 7
- employer contributions	4,559	0	0	4,559
- investment income	20,038	0	0	20,038
- MPRI Fund income	35,391	0	5,391	0
Total operating revenues	<u>\$ 33,563</u>	<u>\$ 3,568</u>	<u>\$ 5,391</u>	<u>\$ 24,604</u>
Operating expenses:				
- annuity benefits	\$ 5,460	\$ 0	\$ 5,460	\$ 0
- refunds	244	244	0	0
- interest on refunds	61	0	0	61
- interest to MPRI Fund	107	0	0	107
- administrative expenses	112	0	0	112
- investment fees	199	0	0	199
Total operating expenses	<u>\$ 6,183</u>	<u>\$ 244</u>	<u>\$ 5,460</u>	<u>\$ 479</u>
Other changes in reserves:				
- actuarial transfers	\$ 0	\$ 0	\$ 586	\$ (586)
- new annuity transfers	0	(706)	5,649	(4,943)
- plan transfers	(7)	(3)	0	(4)
Total other changes	<u>\$ (7)</u>	<u>\$ (709)</u>	<u>\$ 6,235</u>	<u>\$ (5,533)</u>
Net reserve additions	<u>\$ 27,373</u>	<u>\$ 2,615</u>	<u>\$ 6,166</u>	<u>\$ 18,592</u>
Balance June 30, 1995	<u>\$ 162,086</u>	<u>\$ 22,825</u>	<u>\$ 48,776</u>	<u>\$ 90,485</u>
Balance June 30, 1996	<u><u>\$ 189,459</u></u>	<u><u>\$ 25,440</u></u>	<u><u>\$ 54,942</u></u>	<u><u>\$ 109,077</u></u>

See Notes to the Financial Statements.

Judges Retirement Fund

Statement of Revenues, Expenses and Changes in Reserves (Year ended June 30, 1996)

(In Thousands)

	<u>Total</u>	<u>Member Reserve</u>	<u>NonMPRIF Reserve</u>	<u>MPRIF Reserve</u>	<u>State Reserve</u>
Operating revenues:					
- member contributions	\$ 1,427	\$ 1,427	\$ 0	\$ 0	\$ 0
- employer contributions	4,972	0	0	0	4,972
- General Fund appropriations	1,473	0	0	0	1,473
- investment income	1,936	0	0	0	1,936
- MPRI Fund income	4,895	0	0	4,895	0
- other income	10	0	0	0	10
Total operating revenues	<u>\$14,713</u>	<u>\$ 1,427</u>	<u>\$ 0</u>	<u>\$ 4,895</u>	<u>\$ 8,391</u>
Operating expenses:					
- annuity benefits	\$ 6,760	\$ 0	\$ 1,472	\$ 5,288	\$ 0
- refunds	0	0	0	0	0
- interest on refunds	0	0	0	0	0
- interest to MPRI Fund	21	0	0	0	21
- administrative expenses	32	0	0	0	32
- investment fees	20	0	0	0	20
Total operating expenses	<u>\$ 6,833</u>	<u>\$ 0</u>	<u>\$ 1,472</u>	<u>\$ 5,288</u>	<u>\$ 73</u>
Other changes in reserves:					
- actuarial adjustments	\$ 0	\$ 0	\$ 1,449	\$ 1,057	\$ (2,506)
- new annuity transfers	0	(261)	0	2,591	(2,330)
Total other changes:	<u>\$ 0</u>	<u>\$ (261)</u>	<u>\$ 1,449</u>	<u>\$ 3,648</u>	<u>\$ (4,813)</u>
Net reserve additions	\$ 7,880	\$ 1,166	\$ (23)	\$ 3,255	\$ 3,482
Balance June 30, 1995	<u>\$ 56,635</u>	<u>\$ 8,369</u>	<u>\$ 12,038</u>	<u>\$ 45,207</u>	<u>\$ (8,979)</u>
Balance June 30, 1996	<u>\$64,515</u>	<u>\$ 9,535</u>	<u>\$12,015</u>	<u>\$ 48,462</u>	<u>\$ (5,497)</u>

See Notes to the Financial Statements.

Legislators Retirement Fund

Statement of Revenues, Expenses and Changes in Reserves (Year ended June 30, 1996)

(In Thousands)

	<u>Total</u>	<u>Member Reserve</u>	<u>NonMPRIF Reserve</u>	<u>MPRIF Reserve</u>	<u>State Reserve</u>
Operating revenues:					
- member contributions	\$ 563	\$ 563	\$ 0	\$ 0	\$ 0
- General Fund revenues	1,511	0	0	0	1,511
- MPRI Fund income	1,611	0	0	1,611	0
Total revenues	<u>\$ 3,685</u>	<u>\$ 563</u>	<u>\$ 0</u>	<u>\$ 1,161</u>	<u>\$ 1,511</u>
Operating expenses:					
- annuity benefits	\$ 2,318	\$ 0	\$ 348	\$ 1,970	\$ 0
- refunds	6	6	0	0	0
- interest on refunds	0	0	0	0	0
- interest to MPRI Fund	17	0	0	0	17
- administrative expenses	25	0	0	0	25
Total expenses	<u>\$ 2,366</u>	<u>\$ 6</u>	<u>\$ 348</u>	<u>\$ 1,970</u>	<u>\$ 42</u>
Other changes in reserves:					
- actuarial transfers	\$ 0	\$ 0	\$ 957	\$ 189	\$ (1,146)
- new annuity transfers	0	(185)	76	1,789	(1,680)
- transfers to General Fund	0	0	0	0	0
Total other changes	<u>\$ 0</u>	<u>\$(185)</u>	<u>\$ 1,033</u>	<u>\$ 1,978</u>	<u>\$(2,826)</u>
Net reserve additions	\$ 1,319	\$ 372	\$ 685	\$ 1,619	\$(1,357)
Balance June 30, 1995	<u>\$21,213</u>	<u>\$5,833</u>	<u>\$6,677</u>	<u>\$14,862</u>	<u>\$(6,159)</u>
Balance June 30, 1996	<u>\$21,532</u>	<u>\$6,205</u>	<u>\$7,362</u>	<u>\$16,481</u>	<u>\$(7,516)</u>

See Notes to the Financial Statements.

Elective State Officers Retirement Fund**Statement of Revenues, Expenses and Changes in Reserves** (Year ended June 30, 1996)

(In Thousands)

	<u>Total</u>	<u>Member Reserve</u>	<u>NonMPRIF Reserve</u>	<u>State Reserve</u>
Operating revenues:				
- member contributions	\$ 41	\$ 41	\$ 0	\$ 0
- General Fund revenues	<u>151</u>	<u>0</u>	<u>0</u>	<u>151</u>
Total revenues	<u>\$ 192</u>	<u>\$ 41</u>	<u>\$ 0</u>	<u>\$ 151</u>
Operating expenses:				
- annuity benefits	\$ 155	\$ 0	\$ 155	\$ 0
- refunds	0	0	0	0
- interest on refunds	0	0	0	0
- administrative expenses	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total Expenses	<u>\$ 158</u>	<u>\$ 0</u>	<u>\$ 155</u>	<u>\$ 3</u>
Other changes in reserves:				
- actuarial adjustments	\$ 0	\$ 0	\$ 64	\$ (64)
- transfers to annuities	<u>0</u>	<u>(6)</u>	<u>19</u>	<u>0</u>
Total other changes	<u>\$ 0</u>	<u>\$ (6)</u>	<u>\$ 83</u>	<u>\$ (77)</u>
Net reserve additions	<u>\$ 34</u>	<u>\$ 35</u>	<u>\$ (72)</u>	<u>\$ 71</u>
Balance June 30, 1995	<u>\$ 378</u>	<u>\$ 379</u>	<u>\$ 1,384</u>	<u>\$(1,385)</u>
Balance June 30, 1996	<u><u>\$ 412</u></u>	<u><u>\$ 414</u></u>	<u><u>\$ 1,312</u></u>	<u><u>\$(1,314)</u></u>

See Notes to the Financial Statements.

Deferred Compensation Fund

Statement of Changes in Assets and Liabilities (Year ended June 30, 1996)

(In Thousands)

	Balance July 1, 1995	Increases	Decreases	Balance June 30, 1996
Assets:				
- cash	\$ 109	\$ 90,001	\$ 89,959	\$ 151
-- accounts receivable:				
-- member contributions	3,187	4,947	3,187	4,947
-- other	1	45	0	46
- investment pools:				
-- short-term	1,563	35,258	32,682	4,139
-- MSI Fund	287,918	200,044	148,101	339,861
- deposits with insurance companies	824,266	213,330	67,242	988,354
Total assets	<u>\$1,135,044</u>	<u>\$543,625</u>	<u>\$341,171</u>	<u>\$1,337,498</u>
Liabilities:				
- accounts payable – accrued expenses	\$ 377	\$ 410	\$ 377	\$ 410
- due to other funds	473	541	473	541
- member deferred compensation	1,134,194	272,027	69,674	1,336,547
Total liabilities and reserves	<u>\$1,135,044</u>	<u>\$272,978</u>	<u>\$ 70,542</u>	<u>\$1,337,498</u>

See Notes to the Financial Statements.

Schedule of Administrative Expenses (Year ended June 30, 1996)

(In Thousands)

	<u>Totals</u>
Staff salaries	\$1,504
Social Security	113
Retirement	65
Insurance	147
Other personal services	<u>2</u>
Total	<u>\$1,831</u>
Professional services:	
- actuarial	\$ 126
- data processing	137
- disability examinations	36
- legal counsel	26
- other professional services	<u>976</u>
Total	<u>\$1,301</u>
Communication:	
- printing	\$ 105
- telephone	17
- postage	188
- travel	10
- subscriptions, memberships and training	<u>11</u>
Total	<u>\$ 331</u>
Rentals:	
- office space	\$ 169
Miscellaneous:	
- supplies	\$ 37
- repairs and maintenance agreements	20
- department head and board member expense	16
- statewide indirect cost	107
- depreciation	41
- other purchased services	3
- other	<u>0</u>
Total	<u>\$ 224</u>
Total Operating Expenses	<u>\$3,856</u>
Expenses distributed by fund:	
- State Employees	\$1,972
- State Patrol	57
- Correctional	112
- Judges	32
- Legislators	25
- Elected Officials	3
- Unclassified Employees	114
- Deferred Compensation	<u>1,541</u>
Total distribution	<u>\$3,856</u>

* This amount is excluded from the combined administrative expenses on page 18 because agency funds do not report operations.

Investment Summaries (Year ended June 30, 1996)

(In Thousands)

<u>State Board of Investment Pools</u>	<u>Market Value</u> <u>June 30, 1995</u>	<u>Cost</u> <u>June 30, 1995</u>	<u>Purchases</u>	<u>Sales</u>	<u>Cost</u> <u>June 30, 1996</u>	<u>Market Value</u> <u>June 30, 1996</u>
State Employees Retirement Fund:						
- short-term pools	\$ 38,071	\$ 38,071	\$ 978,792	\$ 973,322	\$ 43,541	\$ 43,541
- equity pools	1,602,932	1,438,695	743,375	396,285	1,785,785	2,033,291
- fixed income pools	626,861	610,214	111,484	93,010	628,688	620,554
Total pooled investments	\$ 2,267,864	\$ 2,086,980	\$ 1,833,651	\$ 1,462,617	\$ 2,458,014	\$ 2,697,386
State Patrol Retirement Fund:						
- short-term pools	\$ 942	\$ 942	\$ 93,694	\$ 90,453	\$ 4,183	\$ 4,183
- equity pools	119,426	107,189	54,876	34,675	127,390	144,617
- fixed income pools	47,146	45,897	26,249	27,385	44,761	44,137
Total pooled investments	\$ 167,514	\$ 154,028	\$ 174,818	\$ 152,513	\$ 176,334	\$ 192,937
Correctional Retirement Fund:						
- short-term pools	\$ 4,177	\$ 4,177	\$ 57,551	\$ 57,562	\$ 4,166	\$ 4,166
- equity pools	86,108	77,035	41,060	21,446	96,649	110,165
- fixed income pools	33,676	32,726	6,359	5,071	34,014	33,621
Total pooled investments	\$ 123,961	\$ 113,938	\$ 104,970	\$ 84,079	\$ 134,829	\$ 147,952
Judges Retirement Fund:						
- short-term pools	\$ 969	\$ 969	\$ 14,423	\$ 12,906	\$ 2,486	\$ 2,486
- equity pools	8,507	7,985	5,059	2,228	10,816	11,931
- fixed income pools	3,327	3,315	927	497	3,745	3,640
Total pooled investments	\$ 12,803	\$ 12,269	\$ 20,409	\$ 15,63	\$ 17,047	\$ 18,057
Unclassified Fund:						
- short-term pools	\$ 1,656	\$ 1,656	\$ 9,110	\$ 8,327	\$ 2,439	\$ 2,439
- MSI Fund pools	128,527	63,955	11,050	7,005	68,000	105,684
Total pooled investments	\$ 130,183	\$ 65,611	\$ 20,160	\$ 15,332	\$ 70,439	\$ 153,123
Deferred Compensation Fund:						
- short-term pools	\$ 1,564	\$ 1,564	\$ 35,257	\$ 32,682	\$ 4,139	\$ 4,139
- MSI Fund pools	287,918	173,039	52,116	33,222	191,933	339,861
Total pooled investments	\$ 289,482	\$ 174,603	\$ 87,373	\$ 65,904	\$ 196,072	\$ 344,000
Combined funds:						
- short-term pools	\$ 47,379	\$ 47,379	\$ 1,188,827	\$ 1,175,252	\$ 60,954	\$ 60,954
- equity pools	1,816,973	1,630,904	844,370	454,634	2,020,640	2,300,004
- fixed income pools	711,010	692,152	145,019	125,963	711,208	701,952
- MSI Fund pools	416,445	236,994	63,166	40,227	259,933	490,545
Total pooled investments	\$ 2,991,807	\$ 2,607,429	\$ 2,241,382	\$ 1,796,076	\$ 3,052,735	\$ 3,553,455

Schedule of Cash Receipts and Disbursements (Year Ended June 30, 1996)

(In Thousands)

	<u>State Employees</u>	<u>State Patrol</u>	<u>Correctional Employees</u>	<u>Judges</u>	<u>Legislators</u>	<u>Elected State Officers</u>	<u>Unclassified</u>	<u>Totals</u>
Cash balance July 1, 1995	\$ 754	\$ 10	\$ 10	\$ 11	\$ 0	\$ 0	\$ 47	\$ 832
Add receipts:								
- member contributions	62,996	3,471	3,569	1,452	563	41	2,954	75,046
- employer contributions	64,941	5,733	4,545	5,063	0	0	4,302	84,584
- General Fund revenues	0	0	0	1,473	1,118	115	0	2,706
- investment income	369,792	28,003	20,039	1,935	0	0	4,030	423,799
- MPRI Fund income	147,577	14,458	5,391	4,895	1,611	0	0	173,932
- investments redeemed/sold	1,462,617	152,513	84,079	15,631	0	0	15,332	1,730,172
- transfers in	266	0	0	0	0	0	0	266
- other	29	(2)	(1)	10	0	0	557	593
Total Cash Receipts	<u>\$ 2,108,218</u>	<u>\$ 204,176</u>	<u>\$117,622</u>	<u>\$ 30,459</u>	<u>\$ 3,292</u>	<u>\$ 156</u>	<u>\$ 27,175</u>	<u>\$ 2,491,098</u>
Less disbursements:								
- benefit payments	\$ (136,522)	\$ (13,279)	\$ (5,460)	\$ (6,760)	\$(2,318)	\$(156)	\$ 0	\$ (164,495)
- refunds	(7,857)	(5)	(244)	0	(6)	0	(1,020)	(9,132)
- interest on refunds	(2,403)	(3)	(60)	0	0	0	(4,497)	(6,963)
- interest to MPRI Fund	(385)	(161)	(106)	(21)	(17)	0	0	(690)
- administrative expenses	(2,721)	(52)	(90)	24	(24)	0	196	(2,667)
- investment fees	(3,629)	(268)	(198)	(20)	0	0	0	(4,115)
- investments purchased	(1,833,651)	(174,818)	(104,970)	(20,409)	0	0	(20,160)	(2,154,008)
- MPRI Fund transfers	(121,762)	(15,592)	(6,496)	(3,281)	(927)	0	(774)	(148,832)
- transfers out	(26)	0	(7)	0	0	0	(609)	(642)
- other	0	0	0	10	0	0	(345)	(335)
Total cash disbursements	<u>\$(2,108,956)</u>	<u>\$(204,178)</u>	<u>\$(117,631)</u>	<u>\$(30,457)</u>	<u>\$(3,292)</u>	<u>\$(156)</u>	<u>\$(27,209)</u>	<u>\$(2,491,879)</u>
Cash balance June 30, 1996	<u>\$ 16</u>	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ 13</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13</u>	<u>\$ 51</u>

Note: The Deferred Compensation Fund is excluded from this schedule because agency funds do not report operations.

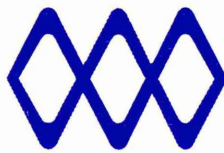
**Summary Schedule of Commissions and Payments to Consultants**

<u>Individual or Firm Name</u>	<u>Services Received</u>	<u>Fees Paid</u>
William Mercer Inc.	Actuarial	\$ 75,004
Ochs Services Inc.	Deferred Compensation administration	1,613,151
National Benefits Inc.	Deferred Compensation administration	2,130,293
State of Minnesota:		
- Department of Health	Medical Advisor	\$ 36,002
- Office of the Attorney General	Legal	25,781
- Legislative Commission on Pensions and Retirement	Actuarial	50,646





Actuarial Section



MILLIMAN & ROBERTSON, INC.
Actuaries & Consultants

Internationally WOODROW MILLIMAN

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Actuary's Certification Letter

Dec. 12, 1996

Board of Trustees
Minnesota State Retirement System
MidAmerica Bank Building, Suite 300
175 W. Lafayette Frontage Road
St. Paul, MN 55107-1425

Dear Members of the Board:

We have completed our annual actuarial valuation of the Minnesota State Retirement System to test how well the fundamental financing objectives are being achieved and to determine the actuarial status of the State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CERF), the Legislators Retirement Fund (LRF), the Elective State Officers Retirement Fund (ESORF) and the Judges Retirement Fund (JRF) as of July 1, 1996.

The fundamental financing objectives of the funds are to establish contribution rates which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding.

The results of the valuation indicate that the SERF, SPRF, CERF and JRF are either ahead of or on schedule to meet the required dates for full funding. The valuation of the LRF and ESORF resulted in a deficiency in the current funding level. The deficiencies are 34.96 percent and 34.49 percent of payroll, respectively. It should be noted that, with respect to the LRF and ESORF, the employer is required to fund the portion of the benefit liabilities. These liabilities are not funded by the member's accumulated contribution at the time of benefit commencement.

The actuarial valuation was based upon applicable statutory provisions and the *Standards of Actuarial Work* in effect on July 1, 1996. In the aggregate, the basic financial membership data provided to us by the system's office appears reasonable in comparison to last year. We have relied upon the data as submitted in performing the actuarial valuation. It is our understanding that the data has been subsequently audited with no significant changes made.

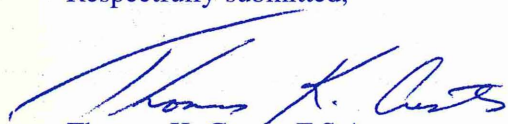
The six valuations were performed by using the actuarial cost methods and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by the MSRS board and approved by the Legislative Commission on Pensions and Retirement.

The following table shows the date for full funding for each of the plans, and the funding percentage for the 1996 valuation. The funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

<u>Fund</u>	<u>Funding Date</u>	<u>Funded Percentage</u>
SERF	2020	97%
SPRF	2020	107
CERF	2020	113
LRF	N/A	42
ESORF	N/A	14
JRF	2020	60

We certify that, to the best of our knowledge and belief, this actuarial valuation was performed in accordance with the requirements of *Minnesota Statutes*, Section 356.215, and the requirements of the *Standards for Actuarial Work*.

Respectfully submitted,



Thomas K. Custis, F.S.A.
Consulting Actuary

TKC/bh

Summary of Actuarial and Assumption and Methods

Actuarial cost method

The entry age normal actuarial cost method, based on earnings and the date the employee entered the plan, is applied to all plan benefits. Under this method, actuarial gains or losses decrease or increase the unfunded actuarial accrued liability.

Assumptions:

1. **Retirement** State Employees Plan⁽⁷⁾ — Graded rates from age 58 with 25 percent of those eligible for Rule of 90 retiring each year; Correctional Plan⁽⁶⁾ — age 58; State Patrol Plan⁽⁶⁾ — age 58, if hired after June 30, 1961, or age 63 if hired before July 1, 1961; Judges Plan⁽⁶⁾ — age 68; Elective Officers⁽⁶⁾ and Legislators Plans⁽⁶⁾ — age 62.
2. **Mortality** The 1971 group annuity mortality table⁽⁵⁾ has an eight year set back for females. The combined annuity table⁽¹⁾ is for disabilitants. For the State Employees Retirement Fund⁽⁸⁾, the 1983 group annuity mortality table, with males set back four years and females set back two years, is used.
3. **Separation** Graded rates are based on actual experiences⁽⁸⁾.
4. **Expense** Prior year expenses are expressed as a percentage of prior year payroll⁽⁸⁾.
5. **Interest** Rates are 8.5 percent pre-retirement⁽⁷⁾ and 5 percent post-retirement⁽²⁾.
6. **Salary increases** The increase is 6.5 percent per year⁽⁶⁾ (5 percent plus graded merit and seniority assumption for State Employees Retirement Fund⁽⁸⁾).
7. **Contribution refund** Employees who withdraw are assumed to take the larger of a refund or a deferred benefit⁽⁴⁾.
8. **Social Security** The Correctional Plan⁽³⁾ is based on the present law and a 6.5 percent salary scale. Only state service earnings are used. The Judges Plan⁽³⁾ has a \$1,027 per month primary amount and a 7.65 percent contribution rate with \$53,400 covered salary.
9. **Asset valuation** This is cost plus one-third unrealized gains or losses⁽⁶⁾.

Effective dates assumptions adopted:

- | | |
|-------------------|-------------------|
| (1) June 30, 1972 | (5) June 30, 1980 |
| (2) June 30, 1973 | (6) June 30, 1984 |
| (3) June 30, 1974 | (7) June 30, 1989 |
| (4) June 30, 1979 | (8) June 30, 1994 |

Required Reserves (as of July 1, 1996)

(In Thousands)

	<u>State Employees Fund</u>	<u>State Patrol Fund</u>	<u>Correctional Fund</u>	<u>Judges Fund</u>	<u>Legislative Plan</u>	<u>Elective State Officers Plan</u>
Active members:						
- retirement annuities	\$ 2,203,614	\$ 134,515	\$ 82,034	\$40,708	\$15,864	\$1,273
- disability benefits	83,079	9,009	1,869	2,067	0	0
- survivors benefits	54,430	7,193	3,696	3,728	370	13
- deferred retirements	212,961	7,717	17,995	0	1,834	154
- refunds	(52,578)	(807)	(2,210)	312	(132)	(11)
Totals	\$ 2,501,506	\$ 157,627	\$ 103,384	\$ 46,914	\$ 17,936	\$ 1,429
Deferred retirements	145,270	3,096	12,484	759	12,391	242
Former members not vested	3,579	168	149	0	55	0
Annuitants in MPRIF	1,433,177	142,325	54,942	48,462	16,481	0
Annuitants not in MPRIF	3,741	725	0	12,015	7,362	1,312
Total required reserves	\$ 4,087,273	\$ 303,941	\$ 107,959	\$ 108,150	\$ 54,225	\$2,983

Actual Compared to Recommended Rates

	<u>Actual Contribution Rates</u>			<u>Recommended Rate</u>	<u>Sufficiency (Deficiency)</u>
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>		
State Employees Fund	4.07%	4.20%	8.27%	7.21%	1.06%
State Patrol Fund	8.92	14.88	23.80	21.33	2.46
Correctional Fund	4.90	6.27	11.17	11.21	(0.04)
Judges Fund (1)	6.36	22.00	28.36	27.39	0.97
Legislative Plan	9.00	0.00(2)	9.00	43.96	(36.96)
Elected Officers Plan	9.00	0.00(2)	9.00	43.49	(34.49)

(1) This represents the average rate of receipts.

(2) Employer contributions are appropriated, as needed, directly from the state General Fund.

Schedule of Active Member Valuation Data

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Average Annual Pay</u>	<u>Percentage Increase In Average Pay</u>
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State Employees Retirement Fund:

06-30-87	45,707	\$1,208,169,834	\$26,433	5.18%
06-30-88	47,040	1,316,671,000	27,990	5.89
06-30-89	48,653	1,418,160,000	29,148	4.14
06-30-90	49,576	1,515,248,502	30,564	4.86
06-30-91	49,718	1,612,238,000	32,428	6.10
06-30-92	49,214	1,658,792,000	33,706	3.94
06-30-93	48,830	1,694,520,000	34,702	2.96
06-30-94	49,365	1,789,033,000	36,241	4.43
06-30-95	49,705	1,611,687,000	32,425	-10.53
06-30-96	49,914	1,643,419,000	32,925	1.52

State Patrol Retirement Fund:

06-30-87	771	28,583,892	37,072	3.77
06-30-88	740	29,267,000	39,550	6.68
06-30-89	765	32,591,000	42,603	7.72
06-30-90	788	34,423,288	43,684	2.54
06-30-91	809	37,777,000	46,696	6.89
06-30-92	795	37,113,000	46,683	-0.03
06-30-93	781	40,654,000	52,054	11.50
06-30-94	788	41,462,000	52,617	1.08
06-30-95	803	39,838,000	49,611	-5.71
06-30-96	777	40,399,000	51,994	4.80

Correctional Employees Retirement Fund:

06-30-87	1,233	35,181,294	28,533	3.72
06-30-88	1,267	38,807,000	30,629	7.35
06-30-89	1,317	41,976,000	31,872	4.06
06-30-90	1,416	47,075,739	33,245	4.31
06-30-91	1,463	50,821,000	34,738	4.49
06-30-92	1,573	56,044,000	35,629	2.57
06-30-93	1,618	60,330,000	37,287	4.65
06-30-94	1,761	70,562,000	40,069	7.46
06-30-95	2,117	71,022,000	33,548	-16.27
06-30-96	2,264	78,030,000	34,444	2.74

Schedule of Active Member Valuation Data

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Average Annual Pay</u>	<u>Percentage Increase In Average Pay</u>
Judges Retirement Fund:				
06-30-87	238	\$15,998,455	67,220	-2.29%
06-30-88	246	17,109,000	69,549	3.46
06-30-89	257	18,759,000	72,992	4.95
06-30-90	262	20,191,649	77,064	5.58
06-30-91	271	21,570,000	79,594	3.28
06-30-92	271	22,181,000	81,849	2.83
06-30-93	267	22,469,000	84,154	2.82
06-30-94	265	22,302,000	84,158	0.01
06-30-95	271	23,429,000	86,454	2.73
06-30-96	280	24,287,000	86,739	.33
Legislators Retirement Fund:				
06-30-87	201	4,765,000	23,706	-2.36
06-30-88	201	4,932,000	24,537	3.50
06-30-89	201	6,114,000	30,418	23.97
06-30-90	201	6,430,000	31,990	5.17
06-30-91	201	7,554,000	37,582	17.48
06-30-92	200	6,753,000	33,765	-10.16
06-30-93	200	6,891,000	34,455	2.04
06-30-94	201	6,916,000	34,408	-0.14
06-30-95	198	7,193,000	36,328	5.58
06-30-96	201	7,423,000	36,930	1.66
Elective Officers Retirement Fund:				
06-30-87	6	373,000	62,167	-3.12
06-30-88	6	386,000	64,333	3.49
06-30-89	6	406,000	67,667	5.18
06-30-90	6	428,000	71,333	5.42
06-30-91	6	440,000	73,333	2.80
06-30-92	6	451,000	75,167	2.50
06-30-93	6	462,000	77,000	2.44
06-30-94	6	462,000	77,000	0.00
06-30-95	6	452,000	75,333	-2.16
06-30-96	6	475,000	79,167	5.09

Schedule of Retirees and Beneficiaries (Fiscal year end totals)

<u>Year Ended</u>	<u>Number Added</u>	<u>Number Removed</u>	<u>Annual Number</u>	<u>Benefits</u>	<u>Percentage Increase In Annual Benefits</u>	<u>Average Annual Benefit</u>
State Employees Retirement Fund:						
06-30-87	976	505	12,341	\$ 57,057,000	15.42%	4,623
06-30-88	1,021	485	12,877	63,698,000	11.64	4,947
06-30-89	742	540	13,079	69,604,000	9.27	5,322
06-30-90	940	634	13,385	76,040,000	9.25	5,681
06-30-91	1,200	578	14,007	85,977,000	13.07	6,138
06-30-92	1,198	604	14,601	95,010,000	10.51	6,507
06-30-93	1,032	566	15,067	104,362,000	9.84	6,927
06-30-94	1,506	642	15,931	116,072,000	11.22	7,286
06-30-95	913	703	16,141	126,831,000	9.27	7,858
06-30-96	1,160	629	16,672	136,521,000	7.64	8,189
State Patrol Retirement Fund:						
06-30-87	23	20	430	5,431,000	16.90	12,630
06-30-88	46	21	455	6,263,000	15.32	13,765
06-30-89	22	22	455	7,187,000	14.75	15,796
06-30-90	32	22	465	7,846,000	9.17	16,873
06-30-91	36	14	487	8,720,000	11.14	17,906
06-30-92	27	17	497	9,603,000	10.13	19,322
06-30-93	31	17	511	10,253,000	6.77	20,065
06-30-94	27	9	529	11,271,000	9.93	21,306
06-30-95	20	9	540	12,092,000	7.28	22,393
06-30-96	36	16	560	13,279,000	9.82	23,712
Correctional Retirement Fund:						
06-30-87	16	11	333	2,287,000	0.97	6,868
06-30-88	29	16	346	2,678,000	17.10	7,740
06-30-89	24	13	357	2,964,000	10.68	8,303
06-30-90	26	19	364	3,188,000	7.56	8,758
06-30-91	30	11	383	3,493,000	9.57	9,120
06-30-92	23	12	394	3,773,000	8.02	9,576
06-30-93	23	8	409	4,150,000	9.99	10,147
06-30-94	30	8	431	4,557,000	9.81	10,573
06-30-95	34	16	449	4,971,000	9.08	11,071
06-30-96	34	10	473	5,460,000	9.84	11,543

Schedule of Retirees and Beneficiaries (Fiscal year end totals)

<u>Year Ended</u>	<u>Number Added</u>	<u>Number Removed</u>	<u>Annual Number</u>	<u>Benefits</u>	<u>Percentage Increase In Annual Benefits</u>	<u>Average Annual Benefit</u>
Judges Retirement Fund:						
06-30-87	25	11	152	\$2,725,000	13.97%	17,928
06-30-88	17	8	161	3,110,000	14.13	19,317
06-30-89	12	7	166	3,451,000	10.96	20,789
06-30-90	22	10	178	3,846,000	11.45	21,607
06-30-91	11	7	182	4,183,000	8.76	22,984
06-30-92	11	7	186	4,592,000	9.78	24,688
06-30-93	19	5	200	5,144,000	12.02	25,720
06-30-94	19	12	207	5,773,000	12.22	27,889
06-30-95	16	8	215	6,233,000	7.97	28,991
06-30-96	10	9	216	6,760,000	8.45	31,296
Legislators Retirement Fund:						
06-30-87	17	7	166	1,038,000	17.29	6,253
06-30-88	8	5	169	1,149,000	10.69	6,799
06-30-89	8	16	161	1,211,000	5.40	7,522
06-30-90	6	4	163	1,262,000	4.21	7,742
06-30-91	26	12	177	1,362,000	7.92	7,695
06-30-92	15	14	178	1,500,000	10.13	8,427
06-30-93	26	4	200	1,697,000	13.13	8,485
06-30-94	13	8	205	1,887,000	11.20	9,205
06-30-95	20	9	216	2,052,000	8.74	9,500
06-30-96	19	7	228	2,318,000	12.97	10,167
Elective State Officers Retirement Fund:						
06-30-87	1	1	8	97,000	-2.02	12,125
06-30-88	0	0	8	98,000	1.03	12,250
06-30-89	0	0	8	105,000	7.1	13,125
06-30-90	0	0	8	110,000	4.76	13,750
06-30-91	2	3	7	119,000	8.18	17,000
06-30-92	1	0	8	117,000	-1.68	14,625
06-30-93	2	0	10	143,000	22.22	14,300
06-30-94	1	0	11	161,000	12.59	14,636
06-30-95	0	0	11	164,000	1.86	14,909
06-30-96	2	1	12	155,000	-5.49	12,917

Solvency Test – Funding Ratio

(In Thousands)

Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Employer Financed Portion	(4) Reported Assets	Portion Covered by Reported Assets			Funding Ratio
	Aggregate Accrued Liabilities				(1)	(2)	(3)	

State Employees Retirement Fund:

06-30-87*	\$271,658	\$ 586,695	\$1,107,870	\$1,585,971	100%	100%	65.7%	80.7%
06-30-88*	286,714	649,064	1,179,698	1,644,145	100	100	60.0	77.7
06-30-89	316,302	714,269	1,426,115	1,871,542	100	100	58.9	76.2
06-30-90	355,216	773,505	1,579,247	2,108,210	100	100	62.0	77.8
06-30-91	391,070	884,089	1,608,444	2,304,312	100	100	64.0	79.9
06-30-92	427,320	987,191	1,710,788	2,613,472	100	100	70.0	83.6
06-30-93	466,594	1,068,20	2,028,690	2,905,578	100	100	67.6	81.5
06-30-94	500,436	1,269,882	2,106,266	3,158,068	100	100	65.9	81.5
06-30-95	546,329	1,317,617	1,931,980	3,462,098	100	100	82.7	91.2
06-30-96	586,315	1,436,918	2,064,040	3,975,832	100	100	94.6	97.3

State Patrol Retirement Fund:

06-30-87	16,856	68,457	75,315	136,397	100	100	67.8	84.9
06-30-88	17,863	80,185	77,014	148,355	100	100	65.3	84.7
06-30-89	19,583	87,385	87,466	167,271	100	100	68.9	86.0
06-30-90	21,276	93,794	92,273	185,699	100	100	76.5	89.6
06-30-91	22,980	101,632	99,421	200,068	100	100	75.9	89.3
06-30-92	24,742	108,590	100,324	222,314	100	100	88.7	95.1
06-30-93	27,006	115,357	115,839	244,352	100	100	88.0	94.6
06-30-94	28,908	122,508	123,961	262,570	100	100	89.7	95.3
06-30-95	31,160	129,038	122,880	284,918	100	100	101.5	100.6
06-30-96	32,981	143,050	127,910	323,868	100	100	115.6	106.6

Correctional Employees Retirement Fund:

06-30-88**	10,965	25,435	45,054	74,065	100	100	83.6	90.9
06-30-89	12,053	28,492	52,139	85,441	100	100	86.1	92.2
06-30-90	13,452	31,241	57,524	96,945	100	100	90.8	94.8
06-30-91	14,975	33,768	63,428	105,926	100	100	90.2	94.4
06-30-92	16,729	36,728	70,058	121,051	100	100	96.5	98.0
06-30-93	18,537	40,027	75,716	135,939	100	100	102.2	101.2
06-30-94	20,451	44,186	88,065	148,163	100	100	94.8	97.0
06-30-95	22,825	48,776	81,890	165,427	100	100	114.6	107.8
06-30-96	25,440	54,942	90,577	193,833	100	100	125.3	113.4

* These rows include the Correctional Employees Retirement Fund.

** Before July 1, 1987, this fund was included with the State Employees Retirement Fund.

Solvency Test – Funding Ratio

(In Thousands)

Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Employer Financed Portion	(4) Reported Assets	Portion Covered by Reported Assets			Funding Ratio
<u>Aggregate Accrued Liabilities</u>					<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
Judges Retirement Fund:								
06-30-87	\$3,829	\$26,595	\$23,610	\$18,781	100%	56.2%	0%	34.8%
06-30-88	4,018	29,949	25,741	20,670	100	55.9	0	34.8
06-30-89	4,477	32,564	27,813	23,352	100	70.3	0	36.0
06-30-90	4,683	36,120	28,593	28,116	100	64.9	0	40.5
06-30-91	5,125	38,105	33,368	33,559	100	74.6	0	43.8
06-30-92	5,711	42,769	35,489	37,768	100	84.9	0	45.0
06-30-93	6,558	48,706	35,245	44,156	100	77.2	0	48.8
06-30-94	7,460	53,203	37,650	50,428	100	80.8	0	51.3
06-30-95	8,369	57,245	36,624	56,813	100	84.6	0	55.6
06-30-96	9,535	60,477	38,138	64,851	100	91.5	0	60.0
Legislators Retirement Fund:								
06-30-87	2,937	1,1354	8,792	11,158	100	72.4	0	48.3
06-30-88	3,296	12,009	9,577	11,857	100	71.3	0	47.7
06-30-89	3,622	12,410	12,789	12,317	100	70.0	0	42.7
06-30-90	4,117	12,661	14,544	12,748	100	68.2	0	40.7
06-30-91	4,462	11,999	13,942	14,694	100	85.2	0	48.3
06-30-92	4,975	12,556	15693	15,160	100	81.1	0	45.6
06-30-93	5,123	15,153	16,525	17,168	100	79.5	0	46.7
06-30-94	5,620	19,092	20,736	18,738	100	68.7	0	41.2
06-30-95	5,833	21,539	22,883	21,213	100	71.4	0	42.2
06-30-96	6,205	23,843	24,177	22,532	100	62.9	0	41.6
Elective Officers Retirement Fund:								
06-30-87	245	718	837	246	100	0	0	13.5
06-30-88	278	720	931	281	100	0	0	14.6
06-30-89	313	710	1,078	315	100	0	0	15.0
06-30-90	349	709	1,213	351	100	0	0	15.5
06-30-91	306	952	991	308	100	0	0	13.7
06-30-92	334	982	1,064	334	100	0	0	14.0
06-30-93	322	1,373	994	332	100	0	0	12.0
06-30-94	359	1,212	1,277	361	100	0	0	12.7
06-30-95	379	1,384	1185	378	99.7	0	0	12.8
06-30-96	414	1,312	1,257	412	99.5	0	0	13.8

Summary of Unfunded Accrued Liability (UAL)

(In Thousands)

<u>Valuation Date</u>	<u>Aggregate Accrued Liabilities</u>	<u>Reported Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Member Payroll</u>	<u>UAL as a Percentage Payroll</u>
State Employees Retirement Fund:					
06-30-87*	\$1,966,223	\$1,585,971	\$ 380,252	\$1,243,198	30.6%
06-30-88*	2,115,476	1,644,145	471,331	1,316,671	35.8
06-30-89	2,456,686	1,871,542	585,144	1,418,160	41.3
06-30-90	2,707,968	2,108,210	599,758	1,513,522	39.6
06-30-91	2,883,603	2,304,312	579,291	1,612,238	35.9
06-30-92	3,125,299	2,613,472	511,827	1,658,792	30.9
06-30-93	3,563,492	2,905,578	657,914	1,694,520	38.8
06-30-94	3,876,584	3,158,068	718,516	1,789,033	40.2
06-30-95	3,795,926	3,462,098	333,828	1,611,687	20.7
06-30-96	4,087,273	3,975,832	111,441	1,643,419	6.8
State Patrol Retirement Fund:					
06-30-87	160,628	136,397	24,231	28,583	84.8
06-30-88	175,062	148,355	26,707	29,267	91.3
06-30-89	194,434	167,271	27,163	32,591	83.3
06-30-90	207,343	185,699	21,644	34,423	62.9
06-30-91	224,033	200,068	23,965	37,777	63.4
06-30-92	233,656	222,314	11,342	37,113	30.6
06-30-93	258,202	244,352	13,850	40,654	34.1
06-30-94	275,377	262,570	12,807	41,462	30.9
06-30-95	283,078	284,918	(1,840)	39,838	4.6
06-30-96	303,941	323,868	(19,927)	40,399	49.3
Correctional Employees Retirement Fund:					
06-30-88**	81,454	74,065	7,389	38,807	19.0
06-30-89	92,684	85,441	7,243	41,976	17.3
06-30-90	102,217	96,945	5,272	47,075	11.2
06-30-91	112,171	105,926	6,245	50,821	12.3
06-30-92	123,515	121,051	2,404	56,044	4.4
06-30-93	134,280	135,939	(1,658)	60,330	3.4
06-30-94	152,702	148,163	4,539	70,562	6.4
06-30-95	153,491	165,427	(11,436)	71,022	16.8
06-30-96	170,959	193,833	(22,874)	78,030	29.3

* These rows include the Correctional Employees Retirement Fund.

** Before July 1, 1987, this fund was included with the State Employees Retirement Fund.

Summary of Unfunded Accrued Liability (UAL)

(In Thousands)

<u>Valuation Date</u>	<u>Aggregate Accrued Liabilities</u>	<u>Reported Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Member Payroll</u>	<u>UAL as a Percentage Payroll</u>
Judges Retirement Fund:					
06-30-87	\$ 54,034	\$18,781	\$35,253	\$15,999	220.3%
06-30-88	59,708	20,760	38,948	17,109	227.6
06-30-89	64,854	23,352	41,502	18,759	221.2
06-30-90	69,396	28,116	41,280	20,662	199.8
06-30-91	76,598	33,559	43,039	21,570	199.5
06-30-92	83,969	37,768	46,201	22,181	208.3
06-30-93	90,509	44,156	46,353	22,469	206.3
06-30-94	98,313	50,428	47,885	22,302	214.7
06-30-95	102,238	56,813	45,425	23,429	193.9
06-30-96	108,150	64,851	43,299	24,287	178.3
Legislators Retirement Fund:					
06-30-87	23,083	11,158	11,925	4,765	250.3
06-30-88	24,882	11,857	13,025	4,932	264.1
06-30-89	28,821	12,317	16,504	5,179	318.7
06-30-90	31,322	12,748	18,574	5,465	339.9
06-30-91	30,403	14,694	15,709	6,589	238.4
06-30-92	33,224	15,160	18,064	6,753	267.5
06-30-93	36,801	17,168	19,633	6,891	284.9
06-30-94	45,448	18,738	26,710	6,916	386.2
06-30-95	50,255	21,213	29,042	7,193	403.8
06-30-96	54,225	22,532	31,693	7,423	427.0
Elective State Officers Fund:					
06-30-87	1,800	246	1,554	373	416.6
06-30-88	1,929	281	1,648	386	426.9
06-30-89	2,101	315	1,786	406	439.9
06-30-90	2,271	351	1,920	428	448.6
06-30-91	2,249	308	1,941	440	441.1
06-30-92	2,380	334	2,046	451	453.7
06-30-93	2,689	322	2,367	462	512.3
06-30-94	2,848	361	2,467	462	534.0
06-30-95	2,948	378	2,570	452	571.1
06-30-96	2,983	412	2,571	475	541.3

Sample Annual Rates of Termination, per 10,000 Members

<u>Age</u>	<u>Death</u>		<u>Withdrawal</u>		<u>Disability</u>		<u>Retirement *</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
State Employees Retirement Fund:								
20	3	2	2,400	3,700	0	0	0	0
25	4	2	1,600	2,910	0	0	0	0
30	5	3	1,040	2,120	2	0	0	0
35	6	4	720	1,410	2	1	0	0
40	9	6	530	920	2	2	0	0
45	14	8	410	630	35	0	0	0
50	25	14	320	470	14	10	0	0
55	43	21	210	330	34	24	0	0
60	66	34	0	0	76	62	150	150
65	101	58	0	0	0	0	10,000	10,000
70	176	97	0	0	0	0	0	0
State Patrol Retirement Fund:								
20	5	4	300	300	4	4	0	0
25	6	5	250	250	6	6	0	0
30	8	5	200	200	8	8	0	0
35	11	7	150	150	11	11	0	0
40	16	9	100	100	18	18	0	0
45	29	13	50	50	29	29	0	0
50	53	20	200	200	50	50	0	0
55	85	38	0	0	88	88	0	0
60	131	65	0	0	141	141	0	0
65	213	100	0	0	0	0	0	0
70	361	159	0	0	0	0	0	0
Correctional Employees Retirement Fund:								
20	5	4	2,400	3,700	0	0	0	0
25	6	5	1,600	2,910	0	0	0	0
30	8	5	1,040	2,120	2	0	0	0
35	11	7	720	1,410	2	1	0	0
40	16	9	530	920	2	2	0	0
45	29	13	410	630	3	5	0	0
50	53	20	320	470	14	10	0	0
55	85	38	210	330	34	24	0	0
60	131	65	0	0	76	62	0	0
65	213	100	0	0	0	0	0	0
70	361	159	0	0	0	0	0	0

* For the State Patrol and the Correctional Employees Retirement funds, the retirement rates for male and female are 10,000 at age 58.

Sample Annual Rates of Termination, per 10,000 Members

<u>Age</u>	<u>Death</u>		<u>Withdrawal</u>		<u>Disability</u>		<u>Retirement *</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Judges Retirement Fund:								
20	5	4	0	0	0	0	0	0
25	6	5	0	0	0	0	0	0
30	8	5	0	0	2	0	0	0
35	1	7	0	0	2	1	0	0
40	16	9	0	0	2	2	0	0
45	29	13	0	0	3	5	0	0
50	53	20	0	0	14	10	0	0
55	85	38	0	0	34	24	0	0
60	131	65	0	0	76	62	0	0
65	213	100	0	0	0	0	0	0
70	361	159	0	0	0	0	0	0

Legislators Retirement Fund: (Termination rates by years of service) **

<u>Year</u>	<u>House</u>	<u>Senate</u>
1	0	0
2	30	0
3	0	0
4	20	25
5	0	0
6	10	0
7	0	0
8	5	10

Elective State Officers Retirement Fund: (Termination rates by years of service) ***

<u>Year</u>	<u>Rate</u>
1	0 %
2	0
3	0
4	50
5	0
6	0
7	0
8	50

* For the Judges Retirement Fund, the retirement rates for male and female are 10,000 at age 68.

** For the Legislators Retirement Fund, the retirement rate is 100 percent at age 62.

*** For the Elective Officers Retirement Fund, the retirement rate is 100 percent at age 62.



Statistical Section

Investment Results Compared to Selected Performance Standards

	Fiscal Year					Annualized	
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Three Year</u>	<u>Five Year</u>
Rate of return (time weighted)							
Total fund	14.5%	14.4%	1.8%	16.3%	18.1%	11.8%	12.8%
Composite index *	12.1	14.0	2.1	16.9	17.4	11.9	12.3
Stocks, bonds, cash only	14.6	16.2	1.8	16.3	18.1	11.8	12.8
Median fund **	13.3	13.7	2.4	16.7	17.4	12.1	12.8
Inflation	3.1	3.0	2.5	3.0	2.8	2.8	2.9

* As of June 30, 1996, the composite was weighted at 50.4 percent on the Wilshire 5000, 28.0 percent on the Lehman Aggregate, 14.3 percent on the Custom International, 2.0 percent on the Wilshire Real Estate, 3.0 percent on Venture Capital, .4 percent on resource funds, and 1.9 percent on 91-day treasury bills. This composite is adjusted to reflect various investment restrictions.

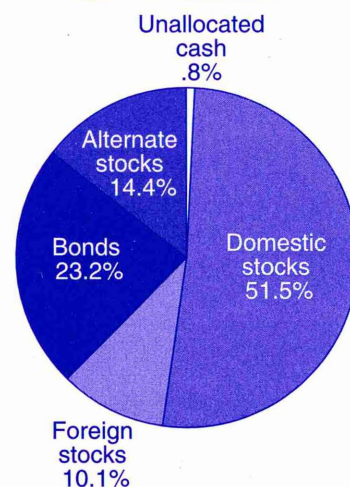
** This is the Wilshire Associated Trust Universe Comparison Service's median balanced portfolio. The service contains returns of more than 200 public and corporate funds.

Investment Allocation

	<u>Actual Asset Mix</u>	<u>Policy Target</u>
Domestic stocks	51.5	45.0%
Foreign stocks	14.4	15.0
Bonds	23.2	24.0
Alternative assets ***	10.1	15.0
Unallocated cash	.8	1.0
Total	100.0%	100.0%

*** Alternative assets are invested in bonds until they are deployed.

Actual Asset Mix



Active Employees Average Age Tables (These statistics are unavailable for the Legislators and Elective State Officers Plans.)

Average Entry Age				Averages for All Members								
Year Ended	For New Members			Entry Age			Attained Age			Service Credit		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
State Employees Retirement Fund:												
06-30-87	32.4	31.9	32.1	30.5	30.5	30.5	41.9	38.5	40.1	11.2	7.6	9.3
06-30-88	33.6	33.6	33.6	30.7	30.8	30.8	42.1	39.0	40.4	11.2	7.7	9.3
06-30-89	33.0	32.7	32.8	30.6	30.7	30.7	42.2	39.1	40.5	11.3	7.8	9.4
06-30-90	33.9	33.3	33.5	30.7	31.0	30.9	42.4	39.6	40.9	11.4	8.1	9.6
06-30-91	32.9	32.1	32.5	30.7	31.0	30.9	42.6	40.0	41.2	11.5	8.5	9.9
06-30-92	33.2	32.5	32.8	30.7	30.8	30.8	42.9	40.6	41.6	11.7	9.0	10.2
06-30-93	33.0	32.3	32.6	30.7	30.8	30.8	43.2	41.0	42.0	12.0	9.4	10.6
06-30-94	33.9	32.5	33.1	30.8	30.7	30.8	43.4	41.2	42.1	12.1	9.7	10.8
06-30-95	33.4	32.8	33.0	30.8	30.7	30.8	43.9	41.6	42.7	12.4	9.9	11.0
06-30-96	33.2	32.7	32.9	30.8	30.7	30.8	44.2	42.0	43.0	12.7	10.2	11.3
State Patrol Retirement Fund:												
06-30-87	26.0	36.7	26.4	26.8	25.5	26.7	40.7	34.1	40.5	14.0	8.6	13.8
06-30-88	32.5	34.2	32.7	26.8	25.5	26.7	40.9	35.1	40.6	14.2	9.6	14.0
06-30-89	28.2	24.3	27.9	26.8	24.8	26.8	41.0	34.0	40.7	14.2	9.1	14.0
06-30-90	29.9	30.7	29.9	27.0	25.5	26.9	40.9	34.4	40.6	14.0	8.9	13.8
06-30-91	30.6	31.0	30.6	27.1	26.5	27.1	40.9	35.0	40.7	13.9	8.4	13.6
06-30-92	-	-	-	27.1	26.6	27.1	41.3	35.9	41.1	14.3	9.2	14.0
06-30-93	-	-	-	27.1	26.3	27.0	42.1	36.6	41.8	15.0	10.2	14.8
06-30-94	29.2	27.1	28.5	27.1	26.5	27.1	42.5	35.1	41.9	15.3	8.5	14.9
06-30-95	31.9	28.1	30.5	27.2	27.1	27.2	42.8	35.2	42.3	15.6	8.0	15.0
06-30-96	33.8	26.1	32.9	27.2	27.0	27.2	43.3	35.8	42.8	16.0	8.7	15.5
Correctional Employees Retirement Fund:												
06-30-87	30.0	30.0	30.0	29.1	30.8	29.3	37.3	35.9	37.1	8.2	5.2	7.8
06-30-88	29.8	31.5	30.3	29.1	31.0	29.4	37.7	36.2	37.5	8.6	5.2	8.1
06-30-89	29.6	29.3	29.5	29.1	30.2	29.3	38.0	35.5	37.7	8.8	5.2	8.2
06-30-90	30.5	31.1	30.7	29.2	30.3	29.4	38.0	35.4	37.5	8.7	5.0	8.1
06-30-91	31.1	32.2	31.5	29.3	30.6	29.5	38.2	35.7	37.7	8.8	5.0	8.1
06-30-92	31.0	31.0	29.5	29.5	31.5	31.2	38.1	36.5	38.1	8.1	5.0	8.1
06-30-93	31.5	33.6	32.2	29.6	31.9	30.1	38.8	37.0	38.5	9.1	5.1	8.3
06-30-94	31.4	32.5	31.8	29.7	32.0	30.2	39.0	36.9	38.5	9.1	4.7	8.1
06-30-95	31.7	32.2	31.9	30.1	32.2	30.6	38.5	36.5	38.0	8.2	4.1	7.2
06-30-96	34.6	32.3	33.7	30.5	32.4	31.0	39.0	36.7	38.4	8.3	4.2	7.3
Judges Retirement Fund:												
06-30-87	45.6	48.6	46.4	41.7	42.8	41.8	54.0	48.1	53.4	12.2	5.2	11.5
06-30-88	44.9	43.2	44.6	41.8	43.0	42.0	53.9	48.0	53.2	11.9	5.0	11.1
06-30-89	44.7	-	44.7	42.0	43.0	42.2	54.1	49.0	53.6	11.9	6.0	11.3
06-30-90	43.8	43.0	43.6	41.9	43.0	42.0	53.4	49.1	52.8	11.3	6.0	10.7
06-30-91	46.7	41.2	45.6	42.1	42.8	42.2	53.5	49.2	52.9	11.2	6.4	10.6
06-30-92	47.6	54.2	48.9	43.4	42.3	42.5	53.8	50.4	53.3	11.4	7.0	10.7
06-30-93	44.5	42.9	44.1	42.4	43.4	42.5	53.5	50.8	53.1	11.1	7.5	10.5
06-30-94	43.6	40.0	41.7	42.3	42.5	43.3	53.6	50.1	53.0	11.4	7.6	10.7
06-30-95	47.9	36.9	45.0	42.6	42.0	42.5	53.8	49.7	53.0	11.2	7.7	10.5
06-30-96	49.4	46.7	48.4	42.8	42.6	42.8	54.2	50.6	53.5	11.4	8.0	10.7

Employees Eligible to an Immediate Annuity (as of June 30, 1996)

	<u>Totals</u>
State Employees Retirement Fund:	
- full benefit	811
- reduced benefit due to early retirement	5,873
- proportional benefit (age equal to or more than 65 and service years fewer than 10)	103
- Rule of 90	544
- vested employees not eligible to immediate benefit	31,529
- employees not vested	11,046
Totals	49,906
State Patrol Retirement Fund:	
- full benefit	58
- vested employees not eligible to immediate benefit	650
- employees not vested	69
Totals	777
Correctional Employees Retirement Fund:	
- full benefit	63
- vested employees not eligible to immediate benefit	1,309
- employees not vested	892
Totals	2,264
Judges Retirement Fund:	
- full benefit	24
- reduced benefit	14
- vested judges not eligible to immediate benefit	175
- judges not vested	67
Totals	280
Legislators Retirement Plan:	
- full benefit	23
- reduced benefit	6
- vested members not eligible for an immediate benefit	69
- members not vested	103
Totals	201
Elective State Officers Retirement Plan:	
- full benefit	1
- vested members not eligible for an immediate benefit	3
- members not vested	2
Totals	6

Refund Statistics

(These statistics are not available for the Legislators and Elective State Officers Plans.)

Year Ended	Number of Refunds			Age		Years Forfeited		Number Forfeiting
	Male	Female	Total	Male	Female	Male	Female	Vested Rights
State Employees Retirement Fund:								
06-30-87	1,230	2,584	3,814	35.1	33.4	3.3	2.9	184
06-30-88	1,540	2,607	4,147	33.3	33.1	2.5	2.7	177
06-30-89	1,256	2,595	3,851	33.9	33.4	3.0	2.7	652
06-30-90	1,227	2,491	3,718	34.9	33.6	2.9	2.7	1,085
06-30-91	1,271	2,415	3,686	33.9	34.8	2.6	2.6	934
06-30-92	1,019	1,954	2,973	34.6	34.5	3.1	2.9	920
06-30-93	989	1,662	2,651	35.2	34.7	3.5	3.1	819
06-30-94	941	1,608	2,549	34.7	34.6	3.0	3.4	766
06-30-95	962	1,475	2,443	35.4	35.2	3.4	3.4	789
06-30-96	1,087	1,677	2,764	35.9	35.3	3.4	3.4	891
State Patrol Retirement Fund:								
06-30-87	8	0	8	34.0	-	5.8	-	1
06-30-88	1	0	1	34.5	-	3.8	-	0
06-30-89	6	1	7	32.2	36.1	5.0	1.5	1
06-30-90	2	0	2	33.0	-	5.6	-	2
06-30-91	3	0	3	37.0	-	2.8	-	1
06-30-92	4	0	4	39.5	-	8.7	-	2
06-30-93	1	0	1	35.5	-	11.1	-	1
06-30-94	1	0	1	36.2	-	4.6	-	1
06-30-95	3	0	3	36.0	-	11.1	-	3
06-30-96	3	1	4	51.6	33.1	1.7	0.8	0
Correctional Employees Retirement Fund:								
06-30-87	56	15	71	32.3	31.6	3.8	2.4	2
06-30-88	48	10	58	31.1	29.4	3.2	2.7	2
06-30-89	42	20	62	32.7	34.6	4.3	2.9	19
06-30-90	38	21	59	34.6	33.6	4.2	2.0	28
06-30-91	34	12	46	33.3	30.0	3.8	3.0	20
06-30-92	39	12	51	32.1	33.9	4.2	2.4	28
06-30-93	30	19	49	36.1	34.3	5.2	2.4	22
06-30-94	35	16	51	34.0	34.6	3.5	5.3	24
06-30-95	43	17	60	32.2	31.5	3.4	1.8	20
06-30-96	41	40	81	33.6	34.0	2.8	2.2	17
Judges Retirement Fund:								
06-30-87	0	0	0	-	-	-	-	0
06-30-88	0	1	1	-	37.9	-	3.5	0
06-30-89	1	0	1	43.5	-	14.4	-	1
06-30-90	0	0	0	-	-	-	-	0
06-30-91	5	0	5	40.8	-	3.3	-	2
06-30-92	0	0	0	-	-	-	-	0
06-30-93	0	0	0	-	-	-	-	0
06-30-94	1	0	1	46.4	-	12.7	-	1
06-30-95	0	0	0	-	-	-	-	0
06-30-96	0	0	0	-	-	-	-	0

State Employees Retirement Fund

Schedule of Retired Members by Type of Benefit

Monthly Benefit Amount	Number of Retirees	Retirement Type					Option Selected			
		1	2	3	4	5	Life	I	II	III
\$ 0 - \$ 249	3,837	3,240	197	371	0	29	2,754	966	82	35
250 - 499	4,015	3,286	292	410	1	26	2,794	1,086	108	27
500 - 749	3,003	2,481	215	294	0	13	1,970	949	66	18
750 - 999	1,993	1,745	96	146	1	5	1,216	738	29	10
1,000 - 1,249	1,380	1,252	34	91	1	2	738	608	18	16
1,250 - 1,499	892	817	12	61	0	2	432	444	12	4
1,500 - 1,749	643	598	8	36	1	0	275	359	4	5
1,750 - 1,999	422	402	1	17	1	1	190	224	4	4
2,000 - 2,249	280	265	1	13	1	0	116	158	1	5
2,250 - 2,499	135	129	1	5	0	0	55	78	2	0
2,500 - 2,749	93	90	0	3	0	0	32	61	0	0
2,750 - 2,999	47	44	0	2	1	0	15	32	0	0
Over 3,000	50	50	0	0	0	0	16	34	0	0
Totals	16,790	14,399	857	1,449	7	78	10,603	5,737	326	124

Types:

1. General Plan annuitants
2. General Plan disabilitants
3. General Plan survivors
4. Military Affairs Plan
5. Unclassified Plan

Options:

Single Life annuity

- I Joint and Survivor
- II Death while eligible
- III Period Certain

State Patrol Retirement Fund

Schedule of Retired Members by Type of Benefit

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected		
		1	2	3	Life	I	II
\$ 0 - \$ 249	10	4	0	6	4	1	5
250 - 499	7	3	0	4	1	3	3
500 - 749	20	6	1	13	8	10	2
750 - 999	55	14	1	40	12	38	5
1,000 - 1,249	27	7	1	19	5	19	3
1,250 - 1,499	40	23	1	16	11	26	3
1,500 - 1,749	46	35	4	7	21	24	1
1,750 - 1,999	52	40	3	9	17	32	3
2,000 - 2,249	74	67	2	5	22	52	0
2,250 - 2,499	57	52	2	3	23	33	1
2,500 - 2,749	66	60	2	4	39	25	2
2,750 - 2,999	43	42	1	0	31	12	0
Over 3,000	65	64	0	1	41	24	0
Totals	562	417	18	127	235	299	28

Types:

1. Retired members
2. Disabilitants
3. Survivors

Options

Single Life annuity

- I Joint and Survivor
- II Death while eligible

Correctional Retirement Fund

Schedule of Retired Members by Type of Benefit

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$ 0 - \$ 249	32	24	1	7	20	9	3	0
250 - 499	62	51	1	10	41	18	3	0
500 - 749	91	83	1	7	62	27	1	1
750 - 999	94	87	6	1	73	20	0	0
1,000 - 1,249	64	50	13	1	44	19	0	1
1,250 - 1,499	41	32	9	0	21	20	0	0
1,500 - 1,749	28	26	1	1	14	14	0	0
1,750 - 1,999	25	24	1	0	11	14	0	0
2,000 - 2,249	17	17	0	0	9	8	0	0
2,250 - 2,499	9	9	0	0	5	4	0	0
2,500 - 2,749	6	6	0	0	2	4	0	0
2,750 - 2,999	1	1	0	0	0	1	0	0
Over 3,000	3	3	0	0	2	1	0	0
Totals	473	413	33	27	304	159	8	2

Types:

1. Retired members
2. Disabilitants
3. Survivors

Options:

- Single Life annuity
- I Joint and Survivor
 - II Period Certain

Judges Retirement Fund

Schedule of Retired Members by Type of Benefit

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$ 0 - \$ 249	4	4	0	0	4	0	0	0
250 - 499	2	0	0	2	2	0	0	0
500 - 749	8	3	0	5	6	1	0	1
750 - 999	7	2	0	5	5	1	1	0
1,000 - 1,249	12	4	0	8	9	2	0	1
1,250 - 1,499	10	3	0	7	6	4	0	0
1,500 - 1,749	8	5	0	3	6	1	1	0
1,750 - 1,999	32	8	0	24	15	9	8	0
2,000 - 2,249	14	7	1	6	5	7	2	0
2,250 - 2,499	14	6	1	7	4	5	4	1
2,500 - 2,749	9	5	2	2	2	5	2	0
2,750 - 2,999	20	19	0	1	4	9	5	2
Over 3,000	80	72	3	5	24	34	17	5
Totals	220	138	7	75	92	78	40	10

Types:

1. Retired members
2. Disabilitants
3. Survivors

Options:

Single Life annuity

- I Joint and Survivor
- II Life plus 50 percent survivors
- III Period Certain

Legislators and Elective State Officers

Schedule of Retired Members by Type of Benefit

Monthly Benefit Amount	Retirement Type			
	Elective State Officers		Legislators	
	Member	Survivor	Member	Survivor
\$ 0 - \$ 249	1	0	8	12
250 - 499	2	2	23	28
500 - 749	0	0	39	12
750 - 999	0	2	31	8
1,000 - 1,249	0	0	13	4
1,250 - 1,499	0	0	12	0
1,500 - 1,749	1	1	11	0
1,750 - 1,999	0	2	12	0
2,000 - 2,249	0	0	4	1
2,250 - 2,499	0	0	6	0
2,500 - 2,749	0	0	3	0
2,750 - 2,999	1	0	2	0
Over 3,000	0	0	0	0
	—	—	—	—
Totals	5	7	164	65

Unclassified Employees Retirement Plan

On June 30, 1996, there were 1,550 active participants, and 1,003 inactive participants for a total of 2,553.

	<u>Share Value</u>		<u>Rate of Return</u>	
	<u>June 30, 1995</u>	<u>June 30, 1996</u>	<u>Fiscal Year 1996</u>	<u>Five Year Average</u>
Investment Performance:				
Income shares	\$57.53	\$67.38	17.12%	12.54%
Growth shares	39.92	49.53	24.07	15.21
Common stock index	28.95	36.18	24.97	15.78
Bond market	22.32	23.42	4.93	8.69
International shares	9.76	11.37	16.50	11.60

	<u>Average Interest Rate</u>		
	<u>Fiscal Year 1995</u>	<u>Fiscal Year 1996</u>	<u>Five Year Average</u>
Money market	5.1%	5.0%	4.2%
Fixed interest	6.2	6.2	6.7

	<u>Current Investments for June 1996</u>		<u>Total Investments as of June 30, 1996</u>		
	<u>Percentage of Participants</u>	<u>Percentage of Dollars</u>	<u>Percentage of Participants</u>	<u>Percentage of Dollars</u>	<u>Average Invested</u>
Investment distribution:					
Income shares	71	53	98	53	31,781
Growth shares	39	17	52	18	20,431
Money market	12	6	30	7	13,602
Bond market	12	3	25	3	7,497
Common stock index	29	13	35	10	17,854
Fixed interest	9	3	22	6	16,729
International	17	5	17	3	9,270

	<u>Monthly Investment</u>							
	<u>Under \$50</u>	<u>\$50-\$99</u>	<u>\$100-\$199</u>	<u>\$200-\$299</u>	<u>\$300-\$399</u>	<u>\$400-\$499</u>	<u>\$500-\$599</u>	<u>Over \$600</u>
Participant distribution:								
Age 24 or under	0	2	6	6	5	1	1	7
Age 25 through 34	1	5	30	66	72	32	26	96
Age 35 through 44	0	3	17	54	81	73	54	184
Age 45 through 54	0	1	9	32	45	69	85	224
Age 55 through 64	0	0	5	18	19	27	30	54
Age 65 and over	0	0	4	4	3	8	7	15

	<u>Fiscal Year 1996 Number</u>	<u>Average Dollar</u>
Participant withdrawals:		
Lump sum withdrawals:		
- from active status	160	34,480
- survivor refund	7	15,286
- annuitants as of June 30, 1996	78	\$306 per month

Deferred Compensation Plan Statistics

The Minnesota State Deferred Compensation Plan is comprised of three separate investment product providers. Each provider offers various investment options to its eligible members.

Member Statistics by Provider

	<u>Minnesota Supplemental Investment Fund</u>	<u>Minnesota Mutual Life Insurance Co.</u>	<u>Great-West Life Assurance Co.</u>	<u>Totals</u>
Actives	14,739	19,810	29,845	64,394
Inactives	5,353	2,830	8,228	16,411
Withdrawals:				
- partial	202	212	306	720
- lump sum	283	401	1,056	1,740
- ongoing	968	1,165	2,152	4,285
Contributions	\$ 29,549,000	\$ 33,411,000	\$ 67,132,000	\$ 130,092,000
Withdrawals	\$ 9,964,000	\$ 19,193,000	\$ 27,512,000	\$ 56,669,000

Rates of Return by Investment Option (Periods ended June 30, 1996)

<u>Fund Name</u>	<u>Current</u>	<u>Five Year</u>	<u>Seven Year</u>
Fixed Options:			
- Supplemental Fund fixed interest	6.19%	6.71%	7.22%
- Great-West 36 month certificate	5.25	6.64	5.94
- Great-West 84 month certificate	6.10	8.43	8.35
- Minnesota Mutual general account	6.85	7.06	7.44

Each of the fixed options has administrative and investment expenses. These expenses are paid through a reduction in investment earnings, which is taken into account when the providers declare the current interest rate that a Deferred Compensation account earns.

<u>Fund Name</u>	<u>One Year</u>	<u>Three Year Average</u>	<u>Five Year Average</u>	<u>Annual Expenses</u>
Variable options:				
- Supplemental Fund money market	5.43%	4.50%	4.22%	0.41%
- Great-West money market	4.27	3.47	3.20	1.41
- Minnesota Mutual money market	4.05	3.23	2.93	1.64
Bond options:				
- Minnesota Mutual Vanguard corporate portfolio	3.80	4.73	9.33	1.31
- Supplemental Fund bond market	4.93	4.88	8.69	0.55
- Great-West Voyageur U.S. government securities	2.90	3.23	7.19	1.90
Balanced options:				
- Great-West Fidelity income and growth	4.39	3.80	8.83	2.27
- Supplemental Fund income share	17.12	11.97	12.54	0.42
- Minnesota Mutual Vanguard Wellington	17.02	12.10	12.48	1.33
Domestic stock options:				
- Minnesota Mutual Index 500	23.92	15.47	13.95	1.47
- Supplemental Fund common stock index	24.97	16.37	15.78	0.42
- Supplemental Fund growth share	24.07	15.18	15.21	0.68
- Great-West Vista growth and income	18.94	10.85	14.40	1.95
- Great-West Growth Fund, I-Janus	30.36	19.73	23.41	2.05
- Great-West 20th Century ultra	23.03	14.46	19.10	1.95
- Minnesota Mutual Fidelity Contrafund	22.13	14.98	19.30	1.98
- Minnesota Mutual Janus 20	25.87	12.38	14.66	2.00
International stock options:				
- Supplemental Fund International	16.50	12.76	11.60	0.56
- Great-West Templeton International	12.23	16.46	14.22	2.45
- Minnesota Mutual Scudder International	14.66	11.39	9.88	2.19

Participating Employers

Adrian ISD, No. 511	Breitung Township	Dairyland Electric Cooperative
Agricultural Utilization Research Institute	Brooklyn Center ISD, No. 286	Dakota County
Akeley, City of	Brooklyn Park, City of	Dawson, City of
Albany ISD, No. 745	Broton ISD, No. 737	Deephaven, City of
Albert Lea ISD, No. 241	Buffalo, City of	Deer River, City of
Albert Lea/Mankato ISD, No. 2246	Buffalo ISD, No. 877	Deer River ISD, No. 317
Alexandria, City of	Buhl, City of	Deerwood, City of
Alexandria ISD, No. 206	Buhl/Mountain Iron ISD, No. 712	Delano ISD, No. 879
Alexandria Light and Power	Burnsville, City of	Detroit Lakes, City of
Amalgamated Transit Union 1005	Burnsville ISD, No. 191	Dilworth, City of
American Federation of State, County and Municipal Employees	Caledonia, City of	Dodge Center, City of
Anoka, City of	Caledonia ISD, No. 299	Duluth, City of
Anoka County	Calumet, City of	Duluth Convention and Entertainment Center
Anoka/Hennepin ISD, No. 11	Cambridge, City of	Duluth Housing and Redevelopment
Appleton Regional Development Commission	Canby ISD, No. 891	Duluth ISD, No. 709
Argyle, City of	Cannon Falls ISD, No. 252	Duluth Port Authority
Arlington, City of	Carlton, City of	Duluth Teachers' Retirement Association
Arlington/Green Isle ISD, No. 731	Carlton County	Duluth Transit Authority
Arrowhead Library System	Carlton County Cooperative Power Association	Eagan, City of
Arrowhead Region Computing Consortium	Carlton ISD, No. 93	Eagle Bend ISD, No. 790
Arrowhead Regional Development Commission Arts Education Center	Carver County	East Bethel, City of
Askov ISD, No. 566	Carver-Scott Cooperative	East Central Electric Cooperative
Association of Minnesota Counties	Centennial ISD, No. 12	East Central ISD, No. 2580
Atwater/Cosmos/Grove City ISD, No. 2396	Central Minnesota Computing Center	East Central Regional Library
Aurora, City of	Champlin, City of	Eden Prairie, City of
Aurora/Hoyt Lakes ISD, No. 691	Chanhassen, City of	Eden Prairie ISD, No. 272
Austin ISD, No. 492	Chaska, City of	Eden Valley ISD, No. 463
Babbitt, City of	Chaska ISD, No. 112	Edina, City of
Babbitt ISD, No. 692	Chatfield ISD, No. 227	Edina ISD, No. 273
Bagley, City of	Chisago, City of	Elk River, City of
Bagley ISD, No. 162	Chisago County	Elk River ISD, No. 728
Bagley Public Utilities	Chisago ISD, No. 141	Elk River Municipal Utilities
Barnum, City of	Chisago Lake ISD, No. 2144	Ely, City of
Barnum ISD, No. 91	Chisholm, City of	Esko ISD, No. 99
Bass Brook, City of	Chisholm Hibbing Airport Commission	Evansville ISD, No. 208
Baudette, City of	Chisholm ISD, No. 695	Eveleth, City of
Becker County	Circle Pines, City of	Eveleth/Gilbert ISD, No. 2154
Becker County, Sunnyside Nursing Home	Circle Pines-Lexington Police Department	Eveleth ISD, No. 697
Becker Soil and Water Conservation District	Clara City ISD, No. 126	Fairfax ISD, No. 649
Belgrade/Broton ISD, No. 2364	Claremont ISD, No. 201	Faribault, City of
Belgrade/Elrosa ISD, No. 736	Clarkfield ISD, No. 892	Faribault County
Belle Plaine ISD, No. 716	Clay County	Faribault ISD, No. 656
Beltrami County	Clearbrook ISD, No. 161	Farmington ISD, No. 192
Beltrami County Service Center	Clearwater County Social Services	Fayal, Town of
Beltrami Electric Cooperative	Cleveland ISD, No. 391	Floodwood, City of
Beltrami Nursing Home	Clinton/Graceville ISD, No. 55	Floodwood ISD, No. 698
Bemidji, City of	Cohasset, City of (Bass Brook)	Foley ISD, No. 51
Bemidji ISD, No. 31	Cold Spring, City of	Forest Lake ISD, No. 831
Bemidji Regional Interdistrict Council	Cold Spring ISD, No. 750	Forest Lake, City of
Special Education Cooperative, No. 998	Coleraine, City of	Fosston ISD, No. 601
Bertha/Hewitt ISD, No. 786	Columbia Heights, City of	Frazee ISD, No. 23
Big Falls, City of	Columbia Heights Housing and Redevelopment	Freshwater Education District
Bigfork, City of	Columbia Heights ISD, No. 13	Fridley ISD, No. 14
Bird Island/Olivia/Lake Lillian ISD, No. 2534	Columbus, Town of	Gaylord, City of
Big Lake, City of	Cook, City of	Gaylord Community Hospital, Lakeview Home
Big Lake ISD, No. 727	Cook Community Hospital	Gaylord ISD, No. 732
Biwabik, City of	Cook County	Gibbon, City of
Blackduck, City of	Cook County Hospital	Gibbon/Fairfax ISD
Bloomington, City of	Corcoran, City of	Gibbon ISD, No. 733
Bloomington ISD, No. 271	Cottage Grove, City of	Gilbert, City of
Blue Earth, City of	Cottonwood County	Gilbert ISD, No. 699
Blue Earth ISD, No. 2148	Cromwell ISD, No. 95	Gillette Children's Hospital
Blue Earth Light and Water	Crookston ISD, No. 593	Glencoe Area Health Center
Bovey, City of	Crop Improvement Association	Glencoe, City of
Brainerd, City of	Crosby, City of	Glencoe ISD, No. 422
Brainerd ISD, No. 181	Crosby/Ironton ISD, No. 182	Gonvick ISD, No. 158
Brainerd Water and Light	Crosslake, City of	Goodhue County
	Crow Wing County	Goodhue County ISD, No. 6051
	Crystal, City of	Goodhue ISD, No. 253

Participating Employers

Grand Marais, City of	Lester Prairie ISD, No. 424	Moorhead ISD, No. 152
Grand Rapids, City of	Lewiston/Altura ISD, No. 857	Moose Lake, City of
Grand Rapids ISD, No. 318	Lexington, City of	Moose Lake ISD, No. 97
Grand Rapids Public Utilities	Lindstrom, City of	Moose Lake Municipal Power
Grant County	Litchfield, City of	Mora, City of
Great River Regional Library	Litchfield ISD, No. 465	Mora ISD, No. 332
Greater Minnesota Corp.	Litchfield Public Utilities	Mora Municipal Utilities
Greater Staples Hospital	Little Falls, City of	Morrison County
Green Acres Nursing Home	Little Fork, City of	Mound, City of
Greenway ISD, No. 316	Little Fork ISD, No. 362	Mound ISD, No. 277
Grey Eagle ISD, No. 791	Little Fork Medical Center	Mounds View, City of
Halstad Municipal Utilities	Long Prairie, City of	Mounds View ISD, No. 621
Ham Lake, City of	Long Prairie ISD, No. 792	Mountain Iron, City of
Hastings ISD, No. 200	Mahnomen, City of	Mountain Lake School District
Hayfield ISD, No. 203	Mahtomedi ISD, No. 832	Murray County
Headwaters Nutrition Project	Mankato, City of	Nashwauk, City of
Hennepin County	Mankato ISD, No. 77	Nashwauk/Keewatin ISD, No. 319
Hennepin County Medical Center	Mantorville, City of	Nett Lake ISD, No. 707
Hennepin County Parks	Maple Grove, City of	New Hope, City of
Hennepin Technical Centers	Maple Lake ISD, No. 881	New Prague, City of
Henning, City of	Maplewood, City of	New Prague ISD, No. 721
Hermantown, City of	Marble, City of	New Prague Utilities Commission
Hermantown ISD, No. 700	Marshall ISD, No. 413	New Scandia, City of
Heron Lake ISD, No. 330	May, Town of	New Scandia Township
Hibbing, City of	Mazeppa ISD, No. 809	New Ulm, City of
Hibbing ISD, No. 701	McGregor, City of	New Ulm City Public Utilities Commission
Hibbing Public Utilities	McGregor ISD, No. 4	New Ulm ISD, No. 88
Hibbing Recreation and Park Board	McLeod County	New York Mills, City of
Hill City, City of	Medford, City of	New York Mills ISD, No. 553
Hill City ISD, No. 2	Medina, City of	Nicollet County
Hills Beaver Creek Schools	Meeker County	Nicollet ISD, No. 507
Hinckley, City of	Meeker/Wright Special Education Cooperative, No. 938	Nisswa, City of
Holdingford ISD, No. 738	Melrose, City of	Nobles County
Hopkins ISD, No. 270	Melrose Hospital and Pine Villa	North Branch, City of
Horticultural Society	Melrose ISD, No. 740	North Branch ISD, No. 138
Howard Lake, City of	Mendota Heights, City of	North Branch Water and Light
Hoyt Lakes, City of	Mesabi ISD, No. 2711	North Itasca Electric Cooperative
Hubbard County	Metropolitan Airports Commission	Northeast Educational District, No. 6033
Hutchinson, City of	Metropolitan Council	Northeast Educational Cooperative Service
Hutchinson ISD, No. 423	Metropolitan Council Transit Operations	Northeast Metropolitan ISD, No. 916
Ideal, Township of	Metropolitan Council Waste Service	Northeast Minnesota Job Training
International Falls, City of	Metropolitan Educational Cooperative Service Unit	Northern Country Library Cooperative
International Falls ISD, No. 361	Metropolitan Library Service Agency	Northern Electric Cooperative Association
Inver Grove Heights ISD, No. 199	Metropolitan Sports Facilities Commission	Northfield ISD, No. 659
Isanti County	Middle Management Association	Northfield, City of
ISD Data Processing Board	Mid-Minnesota Development Commission	Northome ISD, No. 363
Itasca County, Soil and Water Conservation District	Mid-State Education District	North St. Paul ISD, No. 622
Itasca County	Milaca ISD, No. 912	Northwest Cable Commission
Itasca Medical Center	Minnesota River Valley Special Education Cooperative	Northwest Minnesota Educational
Jackson, City of	Minnesota Safety Council	Cooperative Service Unit, No. 928
Janesville, City of	Minnesota State Armory Building Commission	Northwest Regional Development Commission
Jordan ISD, No. 717	Minneapolis, City of	Northwest Technical College, No. 2200
Kandiyohi County	Minneapolis Community Development Agency	Norwood ISD, No. 108
Kasson, City of	Minneapolis Employees' Retirement Fund	Oak Park Heights, City of
Kasson/Mantorville ISD, No. 204	Minneapolis Fire Department	Oakdale, City of
Keewatin, City of	Minneapolis Housing Authority	Ogilvie ISD, No. 333
Keewatin Public Utilities	Minneapolis Special School District, No. 1	Onamia ISD, No. 480
Koochiching County	Minneapolis Teachers' Retirement Fund	Orono, City of
La Crescent, City of	Minnetonka ISD, No. 276	Orono ISD, No. 278
Lake Agassiz Regional Library	Minnesota Association of Counties	Orr, City of
Lake City ISD, No. 813	Minnesota Association of Professional Employees	Ortonville, City of
Lake County	Minnesota Education Computing Cooperative	Osakis, City of
Lake Crystal ISD, No. 70	Minnesota Historical Society	Osakis ISD, No. 213
Lake of the Woods County	Minnesota Safety Council	Osseo ISD, No. 279
Lake Superior ISD, No. 381	Minnesota State Fair	Ottertail County
Lakeville ISD, No. 194	Minnesota Technology Inc.	Ottertail Water Management District
Lamberton ISD, No. 633	Minnesota Valley Cooperative Center	Owatonna ISD, No. 761
League of Minnesota Cities	Minnesota Valley ISD, No. 6027	Owatonna, City of
Le Center ISD, No. 392	Minnesota Valley Regional Library	Owatonna Public Utilities
Lester Prairie, City of	Monticello-Big Lake Hospital	Park Rapids, City of

Participating Employers

Park Rapids ISD, No. 309	Southwest Regional Development Commission	Waseca ISD, No. 289
Paynesville, City of	Spring Lake, City of	Washington County
Paynesville Community Hospital	Spring Lake Park, City of	Washington County, Soil and Water Conservation District
Paynesville ISD, No. 741	Spring Lake Park ISD, No. 16	Watertown/Mayer ISD, No. 395
Pennington County	Spring Lake Park Police Department	Waterville ISD, No. 2143
Pierz ISD, No. 484	Spring Valley, City of	Wayzata ISD, No. 284
Pillager ISD, No. 116	Springfield, City of	Wells, City of
Pine, City of	Springfield ISD, No. 85	Westbrook ISD, No. 175
Pine County	St. Anthony, City of	West Central Education District, No. 6026
Pine County, Soil and Water Conservation District	St. Clair ISD, No. 75	West Concord ISD, No. 205
Pine Island ISD, No. 150	St. Cloud, City of	West St. Paul, City of
Pine Island ISD, No. 255	St. Cloud ISD, No. 742	West St. Paul ISD, No. 197
Pioneerland Library System	St. Francis ISD, No. 15	Westonka ISD, No. 277
Pipestone, City of	St. James ISD, No. 840	White Bear Lake, City of
Pipestone ISD, No. 583	St. Louis County	White Bear Lake ISD, No. 624
PKM Electric Cooperative Inc.	St. Louis County ISD, No. 710	White Bear Lake ISD, No. 916
Plum Creek Library System	St. Louis Park, City of	White, Town of
Prior Lake, City of	St. Louis Park ISD, No. 283	Wild Rice Electrical Cooperative
Prior Lake ISD, No. 719	St. Michael/Albertville ISD, No. 885	Wilkin County
Proctor, City of	St. Michael, City of	Willernie, City of
Proctor ISD, No. 704	St. Michael's Hospital and Nursing Home	Willmar, City of
Proctor Public Utilities	St. Paul, City of	Willmar ISD, No. 347
Quad Cities Cable	St. Paul ISD, No. 6	Willmar Municipal Utilities
Ramsey, City of	St. Paul ISD, No. 625	Willow River ISD, No. 577
Ramsey County	St. Paul Park, City of	Windom, City of
Red Lake ISD, No. 38	St. Paul Port Authority	Winona, City of
Red Lake Falls, City of	St. Paul Public Housing Agency	Winona County
Red Lake Falls ISD, No. 630	St. Paul Ramsey Medical Center	Winona ISD, No. 861
Red Wing ISD, No. 256	St. Paul Teachers' Retirement Association	Worthington, City of
Redwood County	St. Peter, City of	Worthington ISD, No. 518
Redwood Falls, City of	St. Peter Community Hospital	Worthington Regional Hospital
Redwood Falls ISD, No. 637	St. Peter ISD, No. 508	Wrenshall ISD, No. 100
Redwood Soil and Water Conservation District	Staples ISD, No. 793	Wright County
Renville County	State of Minnesota	Zumbrota ISD, No. 260
Richfield, City of	Stearns County	
Richfield ISD, No. 280	Stewart ISD, No. 426	
Robbinsdale, City of	Stewartville ISD, No. 534	
Robbinsdale ISD, No. 281	Stillwater ISD, No. 834	
Rochester ISD, No. 535	Storden/Jeffers ISD, No. 178	
Rockford, City of	Swanville ISD, No. 486	
Rockford ISD, No. 883	Swift County	
Rogers, City of	Thief River Falls ISD, No. 564	
Roosevelt Township	Thomson, Town of	
Roseau County	Todd County, Soil and Water Conservation District	
Roseau Electric Cooperative	Tower, City of	
Rosemount/Apple Valley/Eagan ISD, No. 196	Tracy, City of	
Roseville, City of	Traverse Des Sioux Library System	
Roseville ISD, No. 623	Two Harbors, City of	
Runestone Area Education District	Ulen/Hitterdal ISD, No. 914	
Sandstone, City of	University of Minnesota	
Sandstone ISD, No. 576	University of Minnesota Heat Plant	
Sartell, City of	United Hospital District	
Sartell/St. Stephen ISD, No. 748	Upper Minnesota Valley Regional Development	
Sauk Centre, City of	Upsala ISD, No. 487	
Sauk Centre ISD, No. 743	Valley Regional Library	
Sauk Centre Power and Light	Verndale, City of	
Sauk Rapids ISD, No. 47	Verndale ISD, No. 818	
Savage, City of	Vernon Center, City of	
Scott County, Soil and Water Conservation District	Victoria, City of	
Shakopee ISD, No. 720	Viking Library System	
Shakopee, City of	Virginia ISD, No. 706	
Sibley County	Virginia Regional Medical Center	
Silver Lake, City of	Wabasha/Kellogg ISD, No. 811	
Silver Lake ISD, No. 425	Wadena, City of	
Slayton, City of	Wadena/Deer Creek ISD, No. 2155	
Slayton ISD, No. 504	Waldorf Pemberton ISD, No. 913	
South International Falls, City of	Walker ISD, Nos. 113 or 119	
South Koochiching ISD, No. 363	Warren, City of	
South St. Paul ISD, No. 6	Warroad, City of	
South Washington County ISD, No. 833	Waseca, City of	