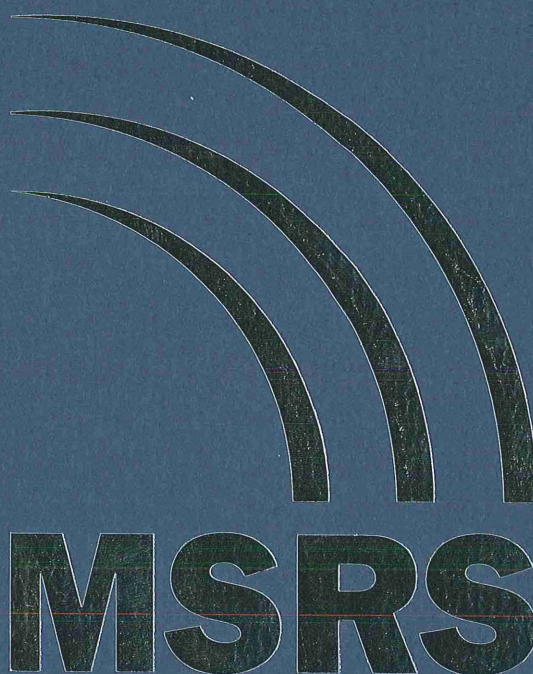


# Comprehensive Annual Financial Report

For the fiscal year ended June 30, 1997



JK  
6160  
.P4  
M66cg  
1997

Minnesota State Retirement System

A Component Unit of the State of Minnesota



# Comprehensive Annual Financial Report

For the fiscal year ended June 30, 1997

RECEIVED

FEB 11 1998

LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155



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



## Table of Contents

<b>Introductory Section</b>	1
Certificate of Achievement	2
Board Chairman's Report	3
Letter of Transmittal	4
Administrative Organization	7
Organization Chart	8
Summary of Retirement System Plans	9
 <b>Financial Section</b>	 15
Independent Auditor's Opinion	16
Combined Financial Statements	
Combined Statement of Plan Net Assets	17
Combined Statement of Changes in Net Assets	18
Notes to the Financial Statements	19
Required Supplemental Information	35
Combining Statement	
Combining Balance Sheet	43
Combining Statement of Changes in Net Assets	44
Combining Statement of Plan Assets — Defined Benefit Funds	45
Combining Statement of Changes in Plan Net Assets — Defined Benefit Funds	46
Statement of Changes in Assets and Liabilities, Deferred Compensation Fund	47
Schedule of Administrative Expenses	48
Summary Schedule of Commissions and Payments to Consultants	49
 <b>Actuarial Section</b>	 51
Actuary's Certification Letter	52
Summary of Actuarial Assumptions and Methods	54
Required Reserves and Actual Rates as Compared to Recommended Rates	55
Schedule of Active Member Valuation Data	56
Schedule of Retirees and Beneficiaries	58
Solvency Test	60
Summary of Unfunded Accrued Liabilities	62
Sample Annual Rates of Termination per 10,000 Members	64
 <b>Statistical Section</b>	 67
Investment Results and Investment Allocation	68
Active Employees' Average Age Tables	69
Employees Eligible to an Immediate Annuity	70
Refund Statistics	71
Schedule of Retired Members by Type of Benefit	72
Unclassified Employees' Retirement Plan	77
Deferred Compensation Plan Statistics	78
Rates of Return by Investment Option	79
Participating Employers	80



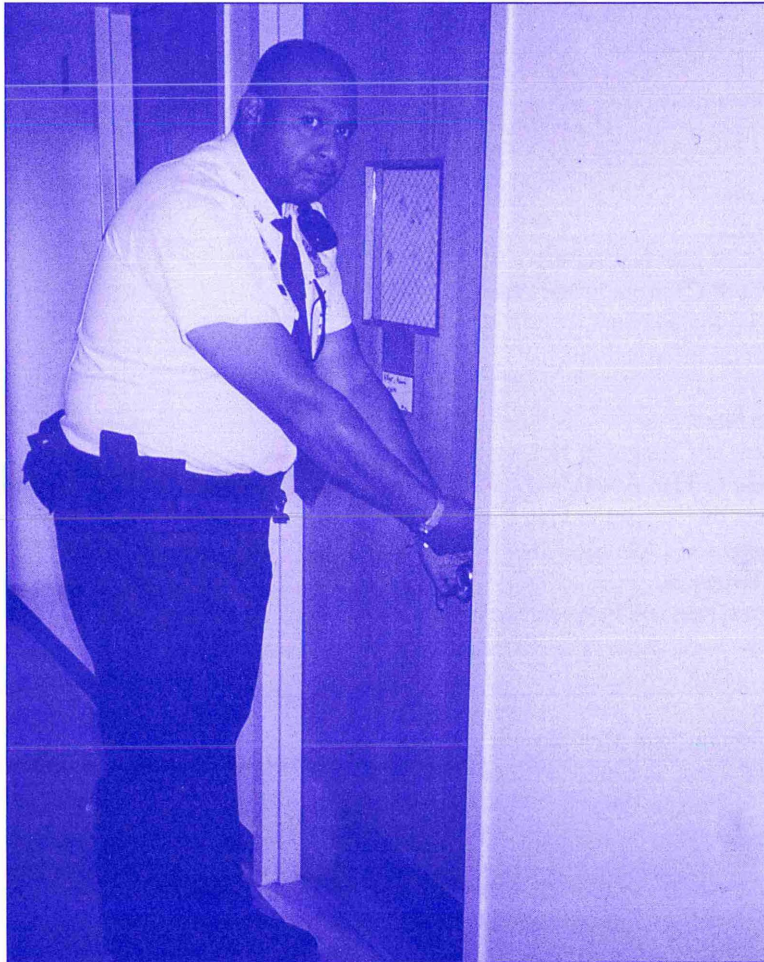


Photo: Eugénie de Rosier

The Correctional Employees' Retirement Plan covers members who work with inmates. Correctional Officer Watson Nicholas locks an inmate's door at the Lino Lakes, Minn., facility.





## 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, 1996

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



*Linda N. Savitsky*  
President

*Jeffrey L. Esser*  
Executive Director



## Board Chairman's Report

Dec. 31, 1997

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:

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, 1997. The funds administered by MSRS held net assets totaling \$6.35 billion, an increase of \$1.71 billion from the previous year.

Another year of excellent investment return was responsible for the tremendous asset growth during the fiscal year. The 1997 fiscal year investment return was 21.4 percent. The rate of return over the last five years averaged 14.2 percent, while the average return over the last 10 years was 11.7 percent.

The strong investment return improved the funding ratio of the General Employees' Retirement Plan to 103 percent. The State Patrol Plan and Correctional Plan assets exceeded liabilities, making this the first year when the three largest pension plans, administered by MSRS, reached full funding. In addition, the excellent return funded a 10.0876 percent post-retirement increase that is payable to eligible retirees on Jan. 1, 1998.

It was an exciting year for MSRS. A benefit improvement bill passed during the 1997 legislative session, increasing the initial retirement formula for various plans we administer. The bill was sponsored by MSRS, the Public Employees' Retirement Association and the Teachers' Retirement Association.

For the third year in a row, we were awarded the *Certificate of Achievement for Excellence in Financial Reporting* for our 1996 *Comprehensive Annual Financial Report*. The Legislative Auditor's Office completed its review of MSRS' internal operations and issued a clean audit opinion for the fiscal year which ended June 30, 1997.

Thanks for your continued support.

Sincerely,

  
Kenneth Yozamp, chairman  
MSRS Board of Directors

## Letter of Transmittal

Dec. 31, 1997

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 excited to present the Minnesota State Retirement System's *Comprehensive Annual Financial Report* for the fiscal year which ended on June 30, 1997. The 10 plans we administer cover 67,000 active employees, 19,800 retirees and 17,400 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 is accurate and provides complete disclosure of the financial status of the funds administered by MSRS.

This report has four sections: Introductory, Financial, Actuarial and 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 employee and employer contributions, and the income on investments. Income for fiscal year 1997 totaled \$1.3 billion. This year's investment return generated \$1.1 billion and accounted for 86 percent of the revenue. The amount from employee and employer contributions totaled \$170 million.

### Expenses

Expenses in 1997 totaled \$212 million, an increase of 12.6 percent more than last fiscal year. Monthly benefits to retirees, survivors and disabled members totaled \$182 million. In addition, \$18.8 million was paid to terminated employees in lump-sum refunds of contributions plus interest. Administrative expenses, excluding investment expenses, totaled \$2.6 million, which represents 1.2 percent of total expenses.

Total revenues of \$1.3 billion exceeded expenses by \$1.1 billion during fiscal year 1997.

### 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 advises the board on investment policy. Also, investment consultants are hired to monitor and evaluate investment performance of the various investment firms hired by the State Board of Investment.

MSRS' assets are pooled with the other statewide retirement funds. The State Board of Investment divides assets into two funds: the Basic Retirement Fund and the Post-Retirement Fund. The Basic Retirement Fund provides funding for active employees and those who have terminated from state service, but have not begun to receive monthly benefits. Assets of retired employees are invested in the Post-Retirement Fund.

#### *Basic Retirement Fund*

The rate of return in the Basic Retirement Fund was 21.8 percent in the fiscal year ending June 30, 1997.

The goal of the Basic Fund is to finance future retirement benefits. *Minnesota Statutes*, §356, sets the actuarial assumed rate of return at 8.5 percent. 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 Retirement Fund is expected to provide a rate of return that exceeds the rate of inflation by 3 percent to 5 percent.

The Basic Retirement Fund's asset allocation target is at the right.

#### *Post Retirement Fund*

The rate of return for the Post-Retirement Fund was 20.9 percent in fiscal year 1997. A 10.0876 increase will be paid to eligible retirees on Jan. 1, 1998.

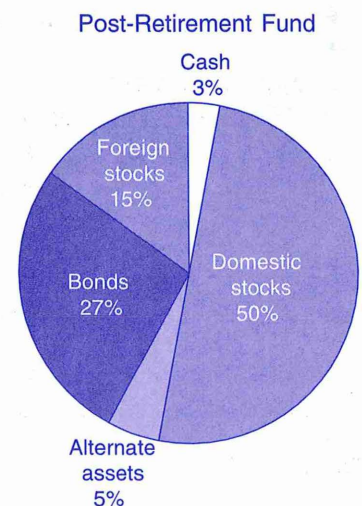
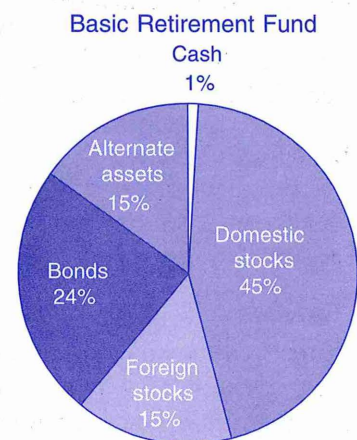
When a member retires, assets sufficient to pay monthly benefits for his or her lifetime are transferred from the Basic Retirement Fund to the Post-Retirement Fund with the expectation that the rate of return will be at least 6 percent. The goal of the Post-Retirement Fund is to provide income to pay 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 portion of the post-retirement increase is capped at 2.5 percent.

If the rate of return from the Post-Retirement Fund is more than needed to meet the expected 6-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 at the right.

#### Funding

We are pleased to announce that the three largest plans administered by MSRS exceeded 100-percent funding. For the first time, the assets of the State Employees' Plan exceeded its liabilities. The excellent investment return helped this improved funding.





The chart below shows the assets, liabilities and actuarial funding ratio of each fund as of June 30, 1997.

(In Thousands)			
Actuarial Basis			
Retirement Fund	Liabilities	Assets	Funding Ratio
State Employees'	\$4,519,542	\$4,664,519	103.21%
State Patrol	332,427	375,650	113.00
Correctional Employees'	212,638	241,916	113.77
Judges'	117,714	74,680	63.44
Legislators'	60,055	25,678	42.76
Elective State Officers'	3,214	456	14.19
	<u>\$5,245,590</u>	<u>\$5,382,899</u>	<u>102.62%</u>

More information regarding the funding of the plans administered by MSRS can be found on pages 60 and 61. Actuarial requirements are governed by *Minnesota Statutes*, §356.215. The actuarial funding method used by MSRS is the entry age normal method with level contributions as a percent of payroll. The assets include one-third of the unrealized investment gains or losses.

The contribution rate for the Judges' Plan is sufficient to reach full funding by 2020. The Legislators' and Elected State Officers' plans are not pre-funded, and both were closed to new members effective July 1, 1997.

#### Economic Outlook

The domestic economic outlook for fiscal year 1998 looks favorable. With unemployment at record lows and strong consumer confidence, inflation rates should continue to remain low for another year. The excellent investment return cannot be expected to continue, but the markets appear resilient to any sustained corrections.

One concern is the instability in the Asian market and banking industry, which could impact the economies and markets on the other continents. However, the diverse asset allocation established by the State Board of Investment, along with the excellent funding of the retirement plans administered by MSRS, leaves us in a strong position as we move into fiscal year 1999.

#### Review of Operations and Activities of Fiscal Year 1997

MSRS is managed by 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 third year in a row. Many benefit improvements were enacted and implemented in 1997.

#### Professional Services

The 1997 actuarial valuations were completed by Milliman & Robertson Inc., and 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 provides legal counsel for MSRS.

#### 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 many other associates for their diligent efforts to make MSRS an effective and successful organization.

Respectfully submitted,



David Bergstrom  
Executive Director



Arvin Herman  
Assistant Director



## Administrative Organization – June 30, 1997

### 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. 1, 2001  
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

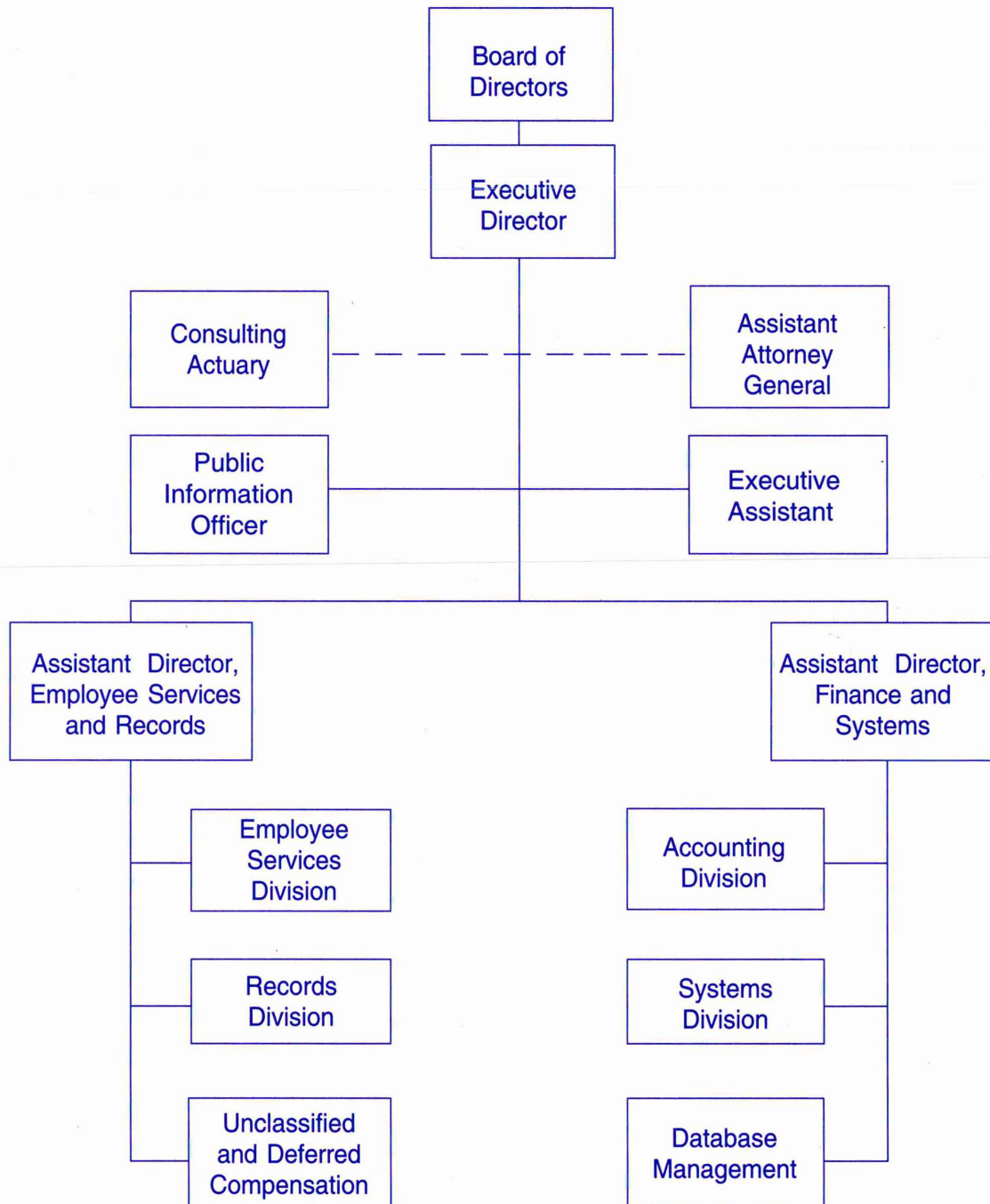
### Administrative Staff

Executive Director: David Bergstrom  
Assistant Directors: Douglas Mewhorter, Employee Services and Records  
Arvin 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, 1997





## 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 non-job related 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 40 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 non-job related 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
  - 15 Year Certain and Life Thereafter
  - 10 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 or specified amount
  - 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.

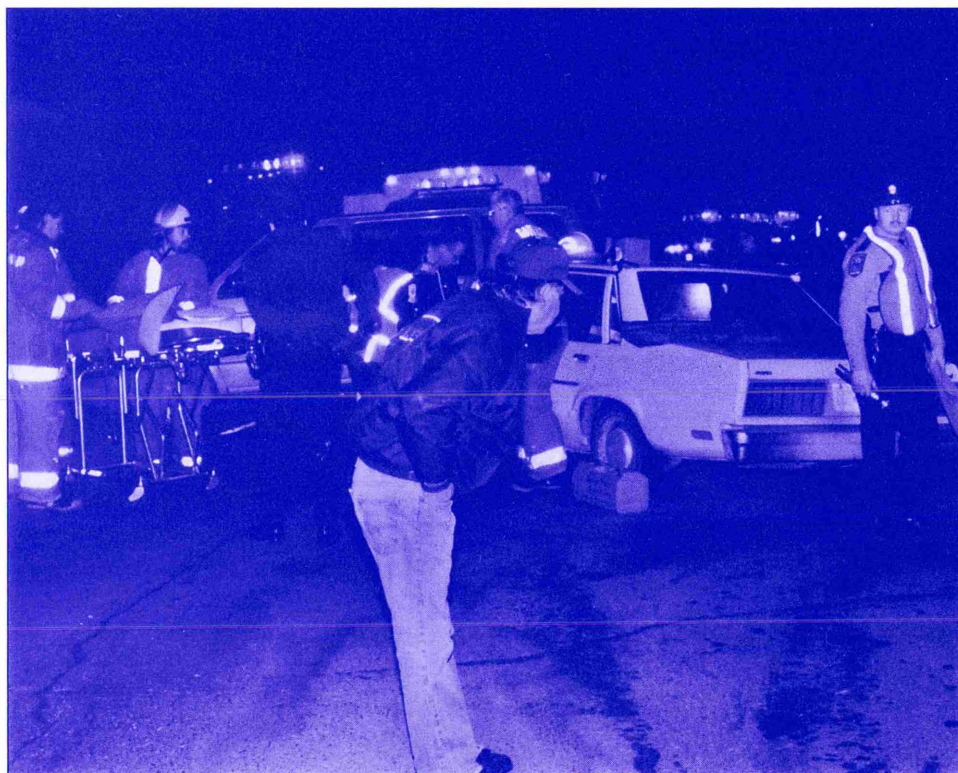


Photo: Courtesy of the Minnesota Department of Public Safety, State Patrol Division

The State Patrol Plan covers state troopers, crime-bureau agents, conservation officers and gambling-enforcement agents. Minnesota State Patrol personnel respond to highway accidents and crime scenes.





## Financial Section





STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
 JAMES R. NOBLES, LEGISLATIVE AUDITOR

## Independent Auditor's Report

Dec. 31, 1997

Board of Directors and Executive Director  
 Minnesota State Retirement System

We have audited the accompanying financial statements of the Minnesota State Retirement System for the year ended June 30, 1997, as listed in the table of contents. 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 and the *Government Auditing Standards*, as issued by the Comptroller General of the United States. 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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSRS on June 30, 1997; and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

MSRS implemented the Governmental Accounting Standards Board's statement, No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, during the year ended June 30, 1997. As a result, the system changed its accounting and reporting methods for the pension trust funds as discussed in note No. 3 of the *Notes to the Financial Statements*.

MSRS implemented the Government Accounting Standards Board's statement, No. 28, *Accounting and Financial Reporting for Securities' Lending Transactions*. This statement requires the collateral for loaned securities and their related liabilities to be reported in certain circumstances as discussed in note No. 4 of the *Notes to the Financial Statements*.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of MSRS. Such information has been subjected to the auditing procedures applied in the audit of the individual fund financial statements, and in our opinion, is fairly stated 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 1998. The report will express our consideration of MSRS' internal control structure and its compliance with laws and regulations.

James R. Nobles  
 Legislative Auditor

Claudia Gudvangen, CPA  
 Deputy Legislative Auditor



**Combined Statement of Plan Net Assets** (as of June 30, 1997)

(In Thousands)

**Assets:**

-	cash	\$ 5,568
-	short-term investments (at fair value)	42,438
-	accounts receivable:	
--	employee contributions	8,237
--	employer contributions	4,374
--	other	161
--	accrued interest	91
-	due from Minnesota Post-Retirement Investment Fund	4,298
-	due from other plans	6,198
-	investment pools (at fair value):	
--	fixed income	829,148
--	external domestic equity	1,346,600
--	passive domestic equity	569,197
--	real estate	126,982
--	Minnesota resources	34,840
--	Minnesota venture capital	178,745
--	global equity	600,052
--	Post-Retirement Fund	2,434,981
--	Supplemental Investment Fund	612,480
-	deposits with insurance companies	1,137,227
-	securities' lending collateral	778,562
-	fixed assets	155
-	nondedicated member deposits	6,911
		<u>\$8,727,245</u>

**Liabilities:**

-	accounts payable	\$ 2,751
-	securities' lending collateral	778,562
-	deferred revenue	10
-	due to MPRI Fund	14,114
-	due to other plans	6,198
-	member Deferred Compensation	1,571,359
		<u>\$2,372,994</u>

Net assets held in trust for pension benefits:

A schedule of funding progress for individual plans is presented later in this report.

\$6,354,251

See Notes to the Financial Statements.

**Combined Statement of Changes in Net Assets** (Year ended June 30, 1997)

(In Thousands)

Additions:	
- employee contributions	\$ 78,514
- employer contributions	91,534
- General Fund revenues	4,881
- transfers to other plans	7,072
- asset fees collected	650
- other income	10
Total	<u>\$ 182,661</u>
Investment Income:	
- net appreciation in fair value of investments	\$ 567,979
- interest income	64,638
- dividend income	267,197
- MPRI Fund income	215,091
Total	<u>\$1,114,905</u>
Less Income Expense	<u>4,976</u>
Net Investment Income	<u>1,109,929</u>
Income From Securities' Lending Activities:	
- securities' lending income	38,149
- securities' lending expenses:	
-- borrower rebates	34,914
-- management fees	1,031
Total securities' lending expenses	<u>35,945</u>
Net Income From Securities' Lending Activities	<u>2,204</u>
Total Additions	<u>\$1,294,794</u>
Operating Expenses:	
- annuity benefits	\$ 181,944
- refunds	18,751
- interest to MPRI Fund	863
- transfers to other plans	7,072
- asset fees rebated	638
- administrative expenses	2,555
Total Operating Expenses	<u>211,823</u>
Net Increase	<u>\$1,082,971</u>
Net Assets, July 1, 1996 (as reported)	4,644,380
Prior Period Adjustment	<u>626,900</u>
Net Assets, June 30, 1997	<u><u>\$6,354,251</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, 1997, the number of employers contributing to the various funds was:

-	state of Minnesota	1
-	University of Minnesota	1
-	counties	47
-	cities	192
-	school districts	246
-	other	<u>183</u>
		670

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

### 2. Summary of Significant Accounting Policies

#### A. Basis of Accounting

The financial statements for the defined benefit funds and the defined contribution fund are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period when they become due. Payment is mandated in the statute. Similarly, benefits and refunds are recognized when due and payable as specified by statute. The Deferred Compensation Fund's, an agency fund, financial statements are prepared using the modified accrual basis of accounting.

#### 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, registered corporations and short-term obligations of specifically high quality. Various alternative investments, including international securities, are limited by statute to 35 percent of the fund pool.

#### C. Investment Valuations

Investments are reported at fair value. Fair value is the proportionate share of the aggregate market value of the investment portfolio of the pool in which the funds participate. Market value is the last reported sales price for securities traded on national or international exchanges. If a security is not actively traded, then the market value is its estimated fair value. Short-term securities are reported at cost, which approximates fair value.

**D. Deposits with Insurance Companies**

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

**E. Fixed Assets**

Fixed assets are office equipment and fixtures, which were capitalized at historical cost when acquired and depreciated using the straight-line method over estimated useful lives ranging from three to 20 years. Balances at June 30, 1997, were:

-	cost of equipment and fixtures	\$420,753
-	less accumulated depreciation	<u>265,905</u>
-	undepreciated balance	<u>\$154,848</u>

**F. 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 this contingency is considered unlikely, these amounts have not been appropriated in the state's General Fund. These balances at June 30, 1997, were:

		(In Thousands)
-	Legislators' Retirement Fund	\$6,452
-	Elected State Officers' Fund	<u>459</u>
		\$6,911

**G. Reserve Accounts****- Employee reserve**

For the defined benefit funds, the employee reserve is credited with the cumulative employee contributions. Upon retirement, these contributions are combined with the necessary state reserve moneys and transferred to the MPRI Fund to provide the resources for future annuity benefits. Employees who terminate their employment prior to retirement can choose to receive a refund of their contributions plus interest or a deferred annuity.

For the defined contribution fund, that is, the Unclassified Employees' Retirement Fund, the employer reserve includes all assets of the fund which are not reserved for the payment of administrative expenses.

	(In Thousands)
State Employees' Retirement Fund	\$621,933
State Patrol Retirement Fund	35,356
Correctional Employees' Retirement Fund	30,347
Judges' Retirement Fund	10,070
Legislators' Retirement Fund	6,378
Elected State Officers' Retirement Fund	455
Unclassified Employees' Retirement Fund	<u>186,580</u>
	\$891,119



## State reserve

For all funds except the Unclassified Employees' Retirement Fund, the state reserve is credited with all investment earnings and employer contributions. For the Unclassified Employees' Retirement Fund, it includes the remaining balance of fees collected to pay administrative expenses.

(In Thousands)

State Employees' Retirement Fund	\$2,355,717
State Patrol Retirement Fund	180,557
Correctional Employees' Retirement Fund	142,398
Judges' Retirement Fund	(4,495)
Legislators' Retirement Fund	(8,887)
Elected State Officers' Retirement Fund	(1,150)
Unclassified Employees' Retirement Fund	<u>2,049</u>
	\$2,664,140

## - Minnesota Post-Retirement Investment Fund reserve

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

(In Thousands)

State Employees' Retirement Fund	\$1,583,803
State Patrol Retirement Fund	152,027
Correctional Employees' Retirement Fund	63,680
Judges' Retirement Fund	58,072
Legislators' Retirement Fund	<u>21,208</u>
	\$1,878,790

## - 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.

(In Thousands)

State Employees' Retirement Fund	\$ 3,174
State Patrol Retirement Fund	902
Judges' Retirement Fund	11,836
Legislators' Retirement Fund	8,215
Elected State Officers' Retirement Fund	<u>1,368</u>
	\$25,495

## H. Actuarial valuations

Actuarial valuations and experience studies are performed annually. The entry age method — a projected benefit cost method — is used to value the funds with contributions being made as a level percent 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 are used by the actuary.

### 3. Effect of Change in Accounting Principles

MSRS has implemented the provisions of statement No. 25 of the Government Accounting Standards Board's *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*. The effect of changing from reporting investments at cost to reporting investments at fair value necessitated the restatement of prior year's net assets to include, properly, the resulting increases. The changes are:

	Net Assets June 30, 1996 (as reported)	(In Thousands) Increase to Market Value	Net Assets June 30, 1996 (as restated)
State Employees' Retirement Fund	\$3,896,040	\$540,603	\$4,436,643
State Patrol Retirement Fund	318,335	46,967	365,302
Correctional Employees' Retirement Fund	189,459	24,671	214,130
Judges' Retirement Fund	64,514	11,195	75,709
Legislators' Retirement Fund	22,531	3,464	25,995
Elected State Officers' Retirement Fund	413	0	413
	<u>\$4,491,292</u>	<u>\$626,900</u>	<u>\$5,118,192</u>

### 4. Cash and Investments

#### A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 1997, and throughout the year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*. The cash balance of \$4,830,000 in the Correctional Employees' Retirement Fund is largely the result of the deposit of a member transfer from the Teachers' Retirement Fund that was received on June 30, 1997, after the investment markets have closed for the day.

#### B. Credit risk

Investments are classified according to their risk level. The three categories are:

- insured and registered investments, or those whose securities are held by the state or its agent in the state's name.
- uninsured or unregistered investments whose securities are held by a counterparty's trust department or agent in the state's name.
- uninsured or unregistered investments whose securities are held by a counterparty's trust department or agent, in other than the state's name

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



## C. Investment Valuations

The combined funds' proportionate share in the cost and market value of the State Board of Investment's pools at June 30, 1997, were:

Investment Pools:	(In Thousands)	
	Cost June 30, 1997	Market Value June 30, 1997
Short-Term	\$ 42,438	\$ 42,438
Fixed Income	822,358	829,148
External Domestic Equity	1,217,646	1,346,600
Passive Domestic Equity	442,988	569,197
Real Estate	133,301	126,982
Minnesota Resources	26,740	34,840
Minnesota Venture Capital	164,089	178,745
Global Equity	538,645	600,052
Post-Retirement Fund	1,878,790	2,434,981
Supplemental Investment Fund	292,099	612,480
Total	<u>\$5,559,094</u>	<u>\$6,775,463</u>

## D. Securities Lending

MSRS does not own securities as such, therefore, it does not engage in any securities' lending activities. The amounts shown on the financial statement are MSRS' proportionate share of securities loaned, collateral pledged and loan income resulting from the lending activity of investment managers retained by the State Board of Investment.

## 5 Interfund Receivables and Payables

As of June 30, 1997, interfund receivables and payables were:

Defined Benefit Retirement Funds	Receivables	Payables
State Employees'	\$2,482	\$3,716
State Patrol		54
Correctional Employees'	3,716	155
Judges'		28
Legislators'		25
Elected State Officers'		1
Defined Contribution Retirement Fund		
Unclassified Employees'		1,661
Agency Fund		
Deferred Compensation		558
	<u>\$6,198</u>	<u>\$6,198</u>

## 6. Leases

The office facilities are leased by an agreement through Sept. 30, 1999. Annual rental obligations for fiscal year 1998 and 1999 are \$184,000 and \$46,887, respectively.

## 7. Deferred Compensation Fund

Pursuant to the *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.

## 8. Actuarial Asset Valuations

*Minnesota Statutes* provide that actuarial valuations must include only one-third of any unrealized market value gains or losses as of the valuation date. For balance sheet purposes and pursuant to the Governmental Accounting Standards Board's statement No. 25, assets are presented at fair market value. The unfunded liability determined using both methods as of June 30, 1997, were

Retirement Fund	(In Thousands)	
	Actuarial Basis	Market Basis
State Employees'	\$ (144,977)	\$(345,213)
State Patrol	(43,223)	(57,422)
Correctional Employees'	(29,278)	(40,261)
Judges'	43,034	41,921
Legislators'	34,377	34,377
Elected State Officers'	2,758	2,758
	<u>\$ (137,309)</u>	<u>\$ (363,840)</u>



## 9. 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 fund fully the actuarial liabilities by 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, 1997, follow:

	Retirement Funds					
	State Employees'	State Patrol	Correctional Employees'	Judges'	Legislators'	Elective State Officers'
Actual employee contributions as a percent of payroll	\$ 63,848 4.07%	\$3,746 8.50%	\$ 5,508 4.90%	\$1,457 6.27%	\$ 699 9.00%	\$ 42 9.00%
Actual employer contributions as a percent of payroll	\$ 66,568 4.20%	\$ 6,151 14.88%	\$ 9,129 6.27%	\$ 5,094 22.00%	N/A N/A	N/A N/A
Total contributions made as a percent of payroll	\$130,416 8.27%	\$9,897 23.38%	\$14,637 11.17%	\$6,551 28.27%	\$ 699 9.00%	\$ 42 9.00%
Required contribution (normal cost) as a percent of payroll	\$104,224 6.67%	\$8,638 21.19%	\$ 8,965 11.05%	\$3,991 17.30%	\$ 1,565 20.78%	\$ 64 13.90%
Required contributions (UAAL amortization cost) as a percent of payroll	\$ 6,563 0.42%	\$ 0 0.00%	\$ 0 0.00%	\$2,208 9.57%	\$ 1,719 22.83%	\$ 133 28.96%
Required contributions (administrative cost) as a percent of payroll	\$ 1,875 0.12%	\$ 57 0.14%	\$ 130 0.16%	\$ 32 0.14%	\$ 26 0.35%	\$ 3 0.63%
Total required contributions as a percent of payroll	\$112,662 7.21%	\$8,695 21.33%	\$ 9,095 11.21%	\$6,231 27.01%	\$ 3,310 43.96%	\$ 200 43.49%
Funding surplus (deficit) as a percent of payroll	\$ 17,754 1.06%	\$1,202 2.05%	\$ 5,542 -0.04%	\$ 320 1.26%	\$(2,611) -34.96%	\$ (158) -34.49%

## 10. Changes in Actuarial Assumptions

The defined benefit funds are all actuarially valued on an annual basis. A summary of the changes to the assumptions used in valuing each fund follows. Please note, GAMM is the Group Annuity Mortality Table for males, and similarly, GAMF is the Group Mortality Table for females.

### A. State Employees' Retirement Fund

There were no changes in actuarial assumptions.

### B. State Patrol Retirement Fund

	<u>Assumptions</u>	<u>From (fiscal year 1996)</u>	<u>To (fiscal year 1997)</u>
-	Salary increase	Level 6.5%	Graded from 7.25% to 5.25%
-	Payroll growth	6.5%	5.0%
-	Annuitant mortality	Males: 1971 GAMM Females: 1971 GAMF (-8)	Males: 1983 GAMM (-2) Females: 1983 GAMF (+2)
-	Disabilitant mortality	Same as annuitant	Combined Annuity Mortality Table
-	Active member mortality	Same as annuitant	Males: 1983 GAMM (-1)
-	Retirement age	100% at age 58 or older	Age-related table
-	Turnover	3% at age 20 to 0% at age 55	2.2% at age 20 to 0% at age 50
-	Net increase (decrease) to accrued actuarial liability resulting from these changes (\$6,379,000).		

### C. Correctional Employees' Retirement Fund

All assumptions were changed the same as the State Patrol Retirement Fund, except the assumed turnover rates.

-	Turnover	Graded rates from 24% male, 37% female at age 20 to .4% male, 9% female at age 59	Graded rates from 24% males, 16% female at age 20 to .4% male, 9% female at age 59
-	Net increase (decrease) to accrued actuarial liability resulting from these changes \$4,423,000.		

### D. Judges' Retirement Fund

-	Salary increase	Level 6.5%	Level 5.0%
-	Payroll growth	6.5%	5.0%
-	Annuitant mortality	Males: 1971 GAMM Females: 1971 GAMF (-8)	Males: 1983 GAMM Females: 1983 GAMF
-	Disability mortality	Same as annuitant	Combined Annuity Mortality Table
-	Active member	Same as annuitant	Males: 1983 GAMM (-4) Females: 1983 GAMM (-2)
-	Retirement age	100% at age 68 or older	Age-related table
-	Turnover	No change	No change
-	Net increase (decrease) to accrued actuarial liability resulting from these changes is \$2,455,000.		



## E. Legislators' Retirement Fund

All assumptions were changed the same as the Judges' Retirement Fund.

- Net increase (decrease) to accrued actuarial liability resulting from these changes is \$215,000.

## F. Elected State Officers' Retirement Fund

All assumptions were changed the same as the Judges' Retirement Fund.

- Net increase (decrease) to accrued actuarial liability resulting from these changes is \$114,000.

## 11. Changes in Plan Provisions

The enactment of *Minnesota Session Laws* of 1997, Chapter 233, resulted in numerous changes in the defined benefit funds administered by MSRS. Unless otherwise noted, those changes were effective July 1, 1997, and were:

## A. State Employees' Retirement Fund

	<u>From</u>	<u>To</u>
- Contribution rates		
-- Employee	4.07%	4.00%
-- Employer	4.20%	4.00%
- Benefit formulas		
-- First 10 years of service	1.0%	1.2%
-- Thereafter	1.5%	1.7%
- Normal retirement age	Same as Social Security	66
- Post-retirement benefit increases for earnings in excess of assumed interest rate, retired as of July 1, 1997	<u>Assumed Rates</u> 5.0%	6.0%
- Net increase (decrease) to accrued actuarial liability resulting from these changes, \$126,550,000.		

## B. State Patrol Retirement Fund

	<u>From</u>	<u>To</u>
- Contribution rates		
-- Employee	8.92%	8.40%
-- Employer	14.88%	12.60%
- Benefit formula, per year of service	2.65%	3.00%
- Early-retirement reduction factor	full actuarial reduction	.2% per month before age 55
- Post-retirement benefit increases for earnings in excess of assumed interest rate, retired as of July 1, 1997	<u>Assumed Rates</u> 5.0%	6.0%
- Net increase (decrease) to accrued actuarial liability resulting from these changes, \$9,088,000.		

## C. Correctional Employees' Retirement Fund

	<u>From</u>	<u>To</u>
- Contribution rates		
-- Employee	4.90%	5.50%
-- Employer	6.75%	7.70%
- Benefit formula, per year of service		
-- Before Social Security eligibility	2.50%	2.40%
-- After Social Security eligibility	1.50%	2.40%
- Early-retirement reduction factor	full actuarial reduction	.2% per month before age 55
- Post-retirement benefit increases for earnings in excess of assumed interest rate, retired as of July 1, 1997	<u>Assumed Rates</u> 5.0%	6.0%
- Net increase (decrease) to accrued actuarial liability resulting from these changes, \$11,602,000.		

## D. Judges' Retirement Fund

	<u>From</u>	<u>To</u>
- Benefit formula, per year of service		
-- Before July 1, 1980	2.50%	2.70%
-- Thereafter	3.00%	3.20%
- Maximum benefit as a percent of salary for the preceding 12 months	65%	70%
- Post-retirement benefit increases for earnings in excess of assumed interest rate, retired as of July 1, 1997	<u>Assumed Rates</u> 5.0%	6.0%
- Net increase (decrease) to accrued actuarial liability resulting from these changes, \$39,435,000.		

## E. Legislators' Retirement Fund

- Post-retirement benefit increases for earnings in excess of assumed interest rate, retired as of July 1, 1997	<u>Assumed Rates</u> 5.0%	6.0%
- There was not net increase (decrease) to accrued actuarial liability resulting from this change.		

## F. Elected State Officers' Retirement Fund

- Post-retirement benefit increases for earnings in excess of assumed interest rate, retired as of July 1, 1997	<u>Assumed Rates</u> 5.0%	6.0%
- There was not net increase (decrease) to accrued actuarial liability resulting from this change.		



## 12 Defined Contribution Fund Disclosure

MSRS administers one defined contribution plan, the Unclassified Retirement Fund. This fund is comprised of 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, 1997 were:

-	Active members	1,760		
-	Inactive members	1,084		
	Total	2,844		
-	Annualized payroll (June 30, 1997)	\$3,033,000		
-	Participating employers	18		
-	Contribution rates			
		<u>Employee</u>	<u>Employer</u>	
--	as of June 30, 1997	4.07%	6.00%	
--	as of July 1, 1997	4.00%	6.00%	

*Minnesota Statutes*, Section 352D.01.12 authorized creation of this plan. It is considered a money purchase plan, i.e., members vest only to the extent of the value of their accounts (employee contributions plus employer contributions plus [minus] investment gains [losses], less administrative expenses). Retirement and disability benefits are available through conversion, at the member's option, to the General Employees' Plan provided he or she had prior service in that plan or at least 10 years of service. This reversion option is actuarially valued as a contingent liability for the State Employees' Retirement Fund in the amount of \$5,200,000.

## 13. Optional Retirement Annuities

In the defined benefit funds, two Joint-and-Survivor options are available. A 50 percent option or a 100 percent option can be chosen. Annuities take the form of Joint-and-Survivor options with the right of reversion to the Single-Life amount, if the beneficiary dies before the member. A 15-Year-Period-Certain-and-Life-Thereafter annuity is available and for the Judges' Plan a 10-Year-Period-Certain-and-Life-Thereafter annuity is provided. The Legislators' and Elected State Officers' Plans provide, automatically, a 50 percent benefit continuance to a surviving spouse. Also, legislators can choose 100 percent survivor coverage with an actuarially reduced benefit.

## 14. 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, 1997, follow:

## Members receiving benefits:

-	retirees	15,623
-	beneficiaries	1,574

## Terminated members:

-	vested, not receiving benefits	9,775
-	nonvested	6,447

## Active members:

-	vested	36,372
-	nonvested	9,917

Totals	79,708
--------	--------

Annualized payroll (June 30, 1997):	\$1,612,662,000
-------------------------------------	-----------------

Participating employers	23
-------------------------	----

*Minnesota Statutes*, Section 352.04 requires that eligible employees contribute 4.07 percent of their total compensation reduced to 4.00 percent as of July 1, 1997. The employer contributes 4.20 percent, 4.00 percent as of July 1, 1997. Retirement benefits can be computed by two methods: the step formula and the level formula. Step formula benefits are 1 percent (1.2 percent as of July 1, 1997) of the high five year average salary for each of the first 10 years, plus 1.5 percent (1.7 percent as of July 1, 1997) 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 (1.7 percent as of July 1, 1997) of the high five year average salary for all years of service, and full benefits are available at 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 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, 1997, follow:

## Members receiving benefits:

-	retirees	442
-	beneficiaries	128

## Terminated members:

-	vested, not receiving benefits	21
-	nonvested	7

## Active members:

-	vested	717
-	nonvested	78

Totals	1,393
--------	-------

Annualized payroll (June 30, 1997):	\$43,084,000
-------------------------------------	--------------

*Minnesota Statutes*, Section 352B.02 requires that eligible employees contribute 8.92 percent effective July 1, 1996, of their total compensation, reduced to 8.40 percent as of July 1, 1997. The employer contributes 14.88 percent (12 percent as of July 1, 1997). Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 2.65 percent (3.00 percent as of July 1, 1997) 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, 1997, follow:

## Members receiving benefits:

-	retirees	483
-	beneficiaries	36

## Terminated members:

-	vested, not receiving benefits	282
-	nonvested	90

## Active members:

-	vested	1,570
-	nonvested	1,030

Totals	3,491
--------	-------

Annualized payroll (June 30, 1997):	\$91,847,000
-------------------------------------	--------------

*Minnesota Statutes*, Section 352.91 requires that eligible employees contribute 4.90 percent of their total compensation, increased to 5.50 percent as of July 1, 1997. The employer contributes 6.27 percent (5.50 percent as of July 1, 1997). Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. Before age 65, the benefit is 6.27 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. After July 1, 1997, the benefits became 2.40 percent for all years of service with certain reductions for early retirement.



## 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, 1997, follow:

## Members receiving benefits:

-	retirees	148
-	beneficiaries	79

## Terminated members:

-	vested, not receiving benefits	7
-	nonvested	1

## Active Members:

-	vested	206
-	nonvested	73

Totals	514
--------	-----

Annualized payroll (June 30, 1997):	\$24,420,000
-------------------------------------	--------------

*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 at age 65 with five years of service, age 62 with five years of service and a reduced benefit, or age 70, which is mandatory retirement, 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 the 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, 1997, follow:

	Legislators'	Elected State Officers'
Members receiving benefits:		
- retirees	181	5
- beneficiaries	66	6
Terminated members:		
- vested, not receiving benefits	128	4
- nonvested	10	0
Active members:		
- vested	102	4
- nonvested	99	2
	—	—
Totals	586	21

Annualized payroll (June 30, 1997):	\$7,626,000	\$483,000
-------------------------------------	-------------	-----------

*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.

## 15. Required Supplemental Information

A six-year *Schedule of Funding Progress* and a six-year *Schedule of Employer Contributions* for each of the defined benefit plans are presented in the pages which follow these notes.



## Required Supplemental Information

### Schedule of Funding Progress

(In Thousands)  
Unaudited

Year Ended June 30,	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A)/(B)	Actual Covered Payroll (Previous FY) (C)	UAAL as Percent of Covered Payroll (B-A)/(C)
State Employees' Retirement Fund:						
1991	\$2,304,311	\$2,883,603	\$579,292	79.91%	\$1,370,964	42.25%
1992	2,613,472	3,125,299	511,827	83.62	1,409,108	36.32
1993	2,905,578	3,563,492	657,914	81.54	1,482,005	44.39
1994	3,158,068	3,876,584	718,516	81.47	1,536,978	46.75
1995	3,462,098	3,795,926	333,828	91.21	1,514,177	22.05
1996	3,975,832	4,087,273	111,441	97.27	1,560,369	7.14
1997	4,664,519	4,519,542	(144,977)	103.21	1,568,747	-9.24
State Patrol Retirement Fund:						
1991	200,068	224,033	23,965	89.30	32,365	74.05
1992	222,314	233,656	11,342	95.15	32,882	34.49
1993	244,352	258,202	13,850	94.64	35,765	38.73
1994	262,570	275,377	12,807	95.35	35,341	36.24
1995	284,918	283,078	(1,840)	100.65	37,518	-4.90
1996	323,868	303,941	(19,927)	106.56	41,476	-48.04
1997	375,650	332,427	(43,223)	113.00	41,996	-102.92
Correctional Employees' Retirement Fund:						
1991	105,925	112,171	6,246	94.43	43,429	14.38
1992	121,051	123,515	2,464	98.01	47,592	5.18
1993	135,939	134,280	(1,659)	101.24	52,122	-3.18
1994	148,163	152,702	4,539	97.03	54,673	8.30
1995	165,457	153,491	(11,936)	107.78	66,939	-17.83
1996	193,833	170,959	(22,874)	113.38	72,959	-31.35
1997	241,916	212,638	(29,278)	113.77	112,408	-26.05

## Required Supplemental Information

### Schedule of Funding Progress

(In Thousands)

Actuarial Valuation Date	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A)/(B)	Actual Covered Payroll (Previous FY) (C)	UAAL as Percent of Covered Payroll (B-A)/(C)
Judges' Retirement Fund:						
7/01/91	\$33,559	\$ 78,429	\$44,870	42.79%	\$18,410	243.73%
7/01/92	37,768	83,969	46,201	44.98	22,765	202.95
7/01/93	44,156	90,509	46,353	48.79	22,084	209.89
7/01/94	50,428	98,313	47,885	51.29	22,264	215.08
7/01/95	56,813	102,238	45,425	55.57	22,877	198.56
7/01/96	64,851	108,150	43,299	59.96	22,421	193.12
7/01/97	74,681	117,714	43,033	63.44	22,909	187.84
Legislators' Retirement Fund:						
7/01/91	14,694	30,403	15,709	48.33	7,078	221.94
7/01/92	15,160	33,224	18,064	45.63	6,556	275.53
7/01/93	17,169	36,801	19,632	46.65	7,322	268.12
7/01/94	18,738	45,448	26,710	41.23	6,589	405.37
7/01/95	21,213	50,255	29,042	42.21	7,056	411.59
7/01/96	22,532	54,225	31,693	41.55	6,267	505.71
7/01/97	25,678	60,055	34,377	42.76	7,767	442.60
Elective State Officers' Retirement Fund:						
7/01/91	308	2,249	1,941	13.69	422	459.95
7/01/92	334	2,380	2,046	14.03	378	541.27
7/01/93	322	2,689	2,367	11.97	500	473.40
7/01/94	361	2,848	2,487	12.68	411	605.11
7/01/95	378	2,948	2,570	12.82	422	609.00
7/01/96	412	2,983	2,571	13.81	456	563.82
7/01/97	456	3,214	2,758	14.19	467	590.58



## Required Supplemental Information

### Schedule of Employer Contributions

(In Thousands)

Year Ended June 30,	Actuarially Required Contribution Rate	Actual Covered Payroll (B)	Actual Member Contribution (B)	Annual Required Contribution [(A) + (B)] - (C)	Actual Employer Contribution*	Percent Contributed
State Employees' Retirement Fund:						
1991	8.17%	\$1,370,964	\$56,895	\$55,113	\$57,986	105.21%
1992	7.86	1,409,108	58,478	52,278	59,244	113.32
1993	8.27	1,482,005	59,132	63,430	58,982	92.99
1994	8.93	1,536,978	62,555	74,697	60,741	81.32
1995	9.15	1,514,177	61,627	76,920	63,161	82.11
1996	8.05	1,560,369	63,507	62,103	65,557	105.56
1997	7.21	1,568,747	63,848	49,259	66,568	135.14
State Patrol Retirement Fund:						
1991	22.15	32,965	2,751	4,418	4,825	109.21
1992	22.58	32,882	2,795	4,630	4,893	105.68
1993	22.27	35,765	3,040	4,925	5,288	107.37
1994	21.94	35,341	3,004	4,750	5,159	108.61
1995	21.79	37,518	3,189	4,986	5,583	111.97
1996	21.34	41,476	3,484	5,367	5,742	106.99
1997	21.33	41,996	3,746	5,212	6,151	118.02
Correctional Employees' Retirement Fund:						
1991	10.73	43,429	2,128	2,532	2,731	107.86
1992	10.82	47,952	2,332	2,817	2,955	104.90
1993	11.41	52,122	2,554	3,393	3,217	94.81
1994	10.97	54,673	2,679	3,319	3,355	101.08
1995	11.30	66,939	3,280	4,284	4,195	97.92
1996	11.11	72,959	3,575	4,531	4,559	100.62
1997	11.21	112,408	5,508	7,093	9,129	128.70

\* This includes contributions from other sources, if applicable.

## Required Supplemental Information

### Schedule of Employer Contributions

(In Thousands)

Year Ended June 30,	Actuarially Required Contribution Rate	Actual Covered Payroll (B)	Actual Member Contribution (B)	Annual Required Contribution [(A) + (B)] - (C)	Actual Employer Contribution*	Percent Contributed
<b>Judges' Retirement Fund:</b>						
1991	23.59%	\$18,410	\$ 799	\$3,544	\$ 0	0.00%
1992	25.10	22,765	988	4,726	4,722	99.92
1993	26.59	22,084	1,409	4,463	4,845	108.56
1994	26.29	22,264	1,416	4,437	4,912	110.71
1995	28.27	22,877	1,455	5,012	5,162	102.99
1996	27.32	22,421	1,426	4,699	4,972	105.81
1997	27.01	22,909	1,457	4,731	6,632	140.18
<b>Legislators' Retirement Fund:</b>						
1991	32.62	7,078	637	1,672	1,889	112.98
1992	27.67	6,556	590	1,224	601	49.10
1993	30.49	7,322	659	1,573	2,284	145.20
1994	31.12	6,589	593	1,457	1,618	111.05
1995	38.34	7,056	635	2,070	2,938	141.93
1996	41.54	6,267	564	2,039	1,511	74.10
1997	43.96	7,767	699	2,715	3,176	116.98
<b>Elected State Officers' Retirement Fund:</b>						
1991	34.84	422	38	109	40	36.70
1992	33.28	378	34	92	111	120.65
1993	36.23	500	45	136	88	64.71
1994	38.64	411	37	122	164	134.43
1995	42.00	422	38	139	165	118.71
1996	43.58	456	41	158	151	95.57
1997	43.49	467	42	161	167	103.73

\* This includes contributions from other sources, if applicable.



## Required Supplemental Information

### Revenues by Sources

(In Thousands)  
Unaudited

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Covered Payroll	Percentage Employer Contributions
State Employees' Retirement Fund:							
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
1997	63,848	66,568	936,759	2,455	1,069,630	1,612,062	4.13
State Patrol Retirement Fund:							
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
1997	3,746	6,151	75,700	0	85,597	43,084	14.28
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
1997	5,508	9,129	46,321	3,715	64,673	91,847	9.94

## Required Supplemental Information

### Revenues by Sources

(In Thousands)  
Unaudited

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Covered Payroll	Percentage Employer Contributions
Judges' Retirement Fund:							
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
1997	1,457	5,094	16,057	1,548	24,156	24,420	20.54
Legislators' Retirement Fund:							
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
1997	699	0	4,347	3,176	8,222	7,626	N/A
Elective State Officers' Retirement Fund:							
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
1997	42	0	0	167	209	483	N/A



## Required Supplemental Information

### Expenses by Type

(In Thousands)  
Unaudited

Fiscal Year	Benefits	Administrative Expenses	Refunds	Other	Total
State Employees' Retirement Fund:					
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
1997	150,676	2,172	14,649	5,160	172,657
State Patrol Retirement Fund:					
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
1997	14,642	62	30	146	14,880
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
1997	6,267	140	368	140	6,915

## Required Supplemental Information

### Expenses by Type

(In Thousands)  
Unaudited

Fiscal Year	Benefits	Administrative Expenses	Refunds	Other	Total
Judges' Retirement Fund:					
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
1997	7,560	33	0	39	7,632

#### Legislators' Retirement Fund:

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
1997	2,639	30	119	20	2,808

#### Elective State Officers' Retirement Fund:

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
1997	160	5	0	0	165



**Combining Balance Sheet** (as of June 30, 1997)

(In Thousands)

		Defined Contribution Fund	Agency Fund	
	Defined Benefit Funds	Unclassified Retirement Fund	Deferred Compensation Fund	Total
<b>Assets:</b>				
- cash	\$ 5,200	\$ 56	\$ 312	\$ 5,568
- short term investments (at fair value)	34,175	3,570	4,693	42,438
- accounts receivable:				
-- member contributions	3,788	121	4,328	8,237
-- employer contributions	4,195	179	0	4,374
-- other	151	9	1	161
-- accrued interest	91	0	0	91
- due from MPRI Fund	4,298	0	0	4,298
- due from other plans	6,198	0	0	6,198
- investment pools:				
-- fixed income (at fair value)	829,148	0	0	829,148
-- external domestic equity (at fair value)	1,346,600	0	0	1,346,600
-- passive domestic equity (at fair value)	569,197	0	0	569,197
-- Real Estate Fund (at fair value)	126,982	0	0	126,982
-- Minnesota Resources Fund (at fair value)	34,840	0	0	34,840
-- Minnesota venture capital (at fair value)	178,745	0	0	178,745
-- global equity (at fair value)	600,052	0	0	600,052
-- Post-Retirement Fund (at fair value)	2,434,981	0	0	2,434,981
-- Supplemental Investment Fund (at fair value)	0	186,678	425,802	612,480
- deposits with insurance companies	0	0	1,137,227	1,137,227
- securities' lending collateral	729,738	16,357	32,467	778,562
- fixed assets	155	0	0	155
- nondedicated member deposits	6,911	0	0	6,911
	<u>\$6,915,445</u>	<u>\$206,970</u>	<u>\$1,604,830</u>	<u>\$8,727,245</u>
<b>Liabilities:</b>				
- accounts payable	\$ 1,982	\$ 323	\$ 446	\$ 2,751
- securities' lending collateral	729,738	16,357	32,467	778,562
- deferred revenue	10	0	0	10
- due to MPRI Fund	14,114	0	0	14,114
- due to other plans	3,979	1,661	558	6,198
- member Deferred Compensation	0	0	1,571,359	1,571,359
	<u>749,823</u>	<u>18,341</u>	<u>\$1,604,830</u>	<u>2,372,994</u>
<b>Net assets held in trust for pension benefits</b>	<u>\$6,165,622</u>	<u>\$188,629</u>	<u>\$ 0</u>	<u>\$6,354,251</u>

A six-year *Schedule of Funding Progress* and a six-year *Schedule of Employer Contributions* for each of the defined benefit plans are discussed in the *Notes to the Financial Statements*.

# Combining Statement of Changes in Plan Net Assets (Year ended June 30, 1997)

	( In Thousands)		
	Defined Contribution Fund		
	Defined Benefit Funds	Unclassified Retirement Fund	1997 Totals
Additions:			
- member contributions	\$ 75,300	\$ 3,214	\$ 78,514
- employer contributions	86,942	4,592	91,534
- General Fund revenues	4,881	0	4,881
- transfers from other plans	6,170	902	7,072
- asset fees collected	0	650	650
- other income	10	0	10
Total	\$ 173,303	\$ 9,358	\$ 182,661
Investment income:			
- net appreciation in fair value of investments	536,265	31,714	567,979
- interest income	63,455	1,183	64,638
- dividend income	267,197	0	267,197
- MPRI Fund interest	215,091	0	215,091
Total	\$ 1,082,008	\$ 32,897	\$1,114,905
Less investment expenses	\$ 4,976	\$ 0	\$ 4,976
Net investment income	1,077,032	32,897	1,109,929
Income from securities' lending activities:			
- securities' lending income	37,231	918	38,149
- securities' lending expenses:			
-- borrower rebates	34,071	843	34,914
-- management fees	1,008	23	1,031
Total	35,079	866	35,945
Net income from securities' lending activities	2,152	52	2,204
Total additions	1,252,487	42,307	1,294,794
Operating expenses:			
- annuity benefits	\$ 181,944	\$ 0	\$ 181,944
- refunds	15,166	3,585	18,751
- interest to MPRI Fund	863	0	863
- transfers to other plans	4,642	2,430	7,072
- asset fees rebated	0	638	638
- administrative expenses	2,442	113	2,555
Total	\$ 205,057	\$ 6,766	\$ 211,823
Net increase	\$ 1,047,430	\$ 35,541	\$ 1,082,971
Net assets, July 1, 1996 (as reported)	\$ 4,491,292	\$ 153,088	\$ 4,644,380
Prior period adjustment	\$ 626,900	\$ 0	\$ 626,900
Net assets, June 30, 1997	\$ 6,165,622	\$ 188,629	\$ 6,354,251

See Notes to the Financial Statements.



## Combining Statement of Plan Net Assets

### Defined Benefit Funds (as of June 30, 1997)

(In Thousands)

	State Employees'	State Patrol	Correctional Employees'	Judges'	Legislators'	Elected State Officers	Total
<b>Assets:</b>							
- cash	\$ 369	\$ 0	\$ 4,830	\$ 1	\$ 0	\$ 0	\$ 5,200
- short term investments	27,481	2,560	2,906	1,228	0	0	34,175
- accounts receivable:							
-- member contributions	3,289	220	243	34	0	2	3,788
-- employer contributions	3,378	367	333	117	0	0	4,195
-- other	40	4	105	2	0	0	151
-- accrued interest	80	6	4	1	0	0	91
- due from MPRI Fund	0	3,589	709	0	0	0	4,298
- due from other plans	2,482	0	3,716	0	0	0	6,198
- due from other funds	0	0	0	0	0	0	0
- prepaid expenses	0	0	0	0	0	0	0
- investment pools (at fair value):							
-- fixed	732,839	52,124	39,862	4,323	0	0	829,148
-- external domestic equity	1,190,185	84,654	64,740	7,021	0	0	1,346,600
-- passive domestic equity	503,081	35,783	27,365	2,968	0	0	569,197
-- Real Estate Fund	112,232	7,983	6,105	662	0	0	126,982
-- Minnesota Resources Fund	30,793	2,190	1,675	182	0	0	34,840
-- Minnesota venture capital	157,983	11,237	8,593	932	0	0	178,745
-- global equity fund	530,353	37,722	28,849	3,128	0	0	600,052
-- Post-Retirement Fund	2,052,665	198,197	82,668	74,512	26,939	0	2,434,981
- securities' lending collateral	632,331	52,110	30,771	11,339	3,187	0	729,738
- fixed assets	155	0	0	0	0	0	155
- nondedicated member deposits	0	0	0	0	6,452	459	6,911
	<u>\$ 5,979,736</u>	<u>\$ 488,746</u>	<u>\$ 303,474</u>	<u>\$ 106,450</u>	<u>\$ 36,578</u>	<u>\$ 461</u>	<u>\$ 6,915,445</u>
<b>Liabilities:</b>							
- accounts payable	\$ 1,790	\$ 94	\$ 78	\$ 12	\$ 5	\$ 3	\$ 1,982
- securities' lending collateral	632,331	52,110	30,771	11,339	3,187	0	729,738
- deferred revenue	0	0	0	10	0	0	10
- due to MPRI Fund	8,283	469	582	2,828	1,952	0	14,114
- due to other plans	3,716	54	155	28	25	1	3,979
	<u>\$ 646,120</u>	<u>\$ 52,727</u>	<u>\$ 31,586</u>	<u>\$ 14,217</u>	<u>\$ 5,169</u>	<u>\$ 4</u>	<u>\$ 749,823</u>
<b>Net assets held in trust for pension benefits:</b>	<u>\$ 5,333,616</u>	<u>\$ 436,019</u>	<u>\$ 271,888</u>	<u>\$ 92,233</u>	<u>\$ 31,409</u>	<u>\$ 457</u>	<u>\$ 6,165,622</u>

A six-year *Schedule of Funding Progress* and a six-year *Schedule of Employer Contributions* for each of the defined benefit plans are discussed in the *Notes to the Financial Statements*.

# Combining Statement of Changes in Plan Net Assets

## Defined Benefit Funds (Year ended June 30, 1997)

(In Thousands)

	State Employees'	State Patrol	Correctional Employees'	Judges'	Legislators'	Elected State Officers'	Total
<b>Additions:</b>							
- member contributions	\$ 63,848	\$ 3,746	\$5,508	\$ 1,457	\$ 699	\$ 42	\$ 5,300
- employer contributions	66,568	6,151	9,129	5,094	0	0	6,942
- General Fund revenues	0	0	0	1,538	3,176	67	4,881
- transfers from other plans	2,455	0	3,715	0	0	0	6,170
- other income	0	0	0	10	0	0	50
<b>Total</b>	<b>132,871</b>	<b>9,897</b>	<b>18,352</b>	<b>8,099</b>	<b>3,875</b>	<b>209</b>	<b>173,303</b>
<b>Investment income</b>							
- net appreciation in fair value of investments	465,422	36,987	23,592	7,998	2,266	0	536,265
- interest income	55,802	4,041	3,156	456	0	0	63,455
- dividend income	236,216	16,802	12,802	1,377	0	0	267,197
- MPRI Fund income	181,851	18,029	6,920	6,219	2,072	0	215,091
<b>Total</b>	<b>939,291</b>	<b>75,859</b>	<b>46,470</b>	<b>16,050</b>	<b>4,338</b>	<b>0</b>	<b>1,082,008</b>
Less investment expense	4,398	313	239	26	0	0	4,976
<b>Net investment income</b>	<b>934,893</b>	<b>75,546</b>	<b>46,231</b>	<b>16,024</b>	<b>4,338</b>	<b>0</b>	<b>1,077,032</b>
<b>Income from securities' lending activities:</b>							
- securities' lending income	32,253	2,665	1,563	585	165	0	37,231
- securities' lending expenses:							
-- borrower rebates	29,514	2,439	1,430	536	152	0	34,071
-- management fees	873	72	43	16	4	0	1,008
<b>Total</b>	<b>30,387</b>	<b>2,511</b>	<b>1,473</b>	<b>552</b>	<b>156</b>	<b>0</b>	<b>35,079</b>
<b>Net income from securities' lending activities</b>	<b>1,866</b>	<b>154</b>	<b>90</b>	<b>33</b>	<b>9</b>	<b>0</b>	<b>2,152</b>
<b>Total additions</b>	<b>1,069,630</b>	<b>85,597</b>	<b>64,673</b>	<b>24,156</b>	<b>8,222</b>	<b>209</b>	<b>1,252,487</b>
<b>Operating expenses:</b>							
- annuity benefits	\$ 150,676	\$ 14,642	\$ 6,267	\$ 7,560	\$ 2,639	160	181,944
- refunds	14,649	30	368	0	119	0	15,166
- interest to MPRI Fund	543	146	115	39	20	0	863
- transfers to other plans	4,617	0	25	0	0	0	4,642
- administrative expenses	2,172	62	140	33	30	5	2,442
<b>Total</b>	<b>172,657</b>	<b>14,880</b>	<b>6,915</b>	<b>7,632</b>	<b>2,808</b>	<b>165</b>	<b>205,057</b>
<b>Net increase</b>	<b>896,973</b>	<b>70,717</b>	<b>57,758</b>	<b>16,524</b>	<b>5,414</b>	<b>44</b>	<b>1,047,430</b>
<b>Net assets, July 1, 1996 (as reported)</b>	<b>3,896,040</b>	<b>318,335</b>	<b>189,459</b>	<b>64,514</b>	<b>22,531</b>	<b>413</b>	<b>4,491,292</b>
<b>Prior Period Adjustment</b>	<b>540,603</b>	<b>46,967</b>	<b>24,671</b>	<b>11,195</b>	<b>3,464</b>	<b>0</b>	<b>626,900</b>
<b>Net assets, June 30, 1997</b>	<b>5,333,616</b>	<b>436,019</b>	<b>271,888</b>	<b>92,233</b>	<b>31,409</b>	<b>457</b>	<b>6,165,622</b>

See Notes to the Financial Statements.



# Statement of Changes in Assets and Liabilities

## Deferred Compensation Fund (Year ended June 30, 1997)

(In Thousands)

	Balance July 1, 1996	Increases	Decreases	Balance June 30, 1997
<b>Assets:</b>				
- cash	\$ 151	\$1,091,849	\$1,091,688	\$ 312
-- accounts receivable:				
-- member contributions	4,947	4,328	4,947	4,328
-- accrued investment income	0	0	0	0
-- other	46	1	46	1
- investment pools:				
-- short-term	4,139	34,014	33,460	4,693
-- MSI Fund	339,861	256,822	170,881	425,802
- deposits with insurance companies	988,354	226,825	77,952	1,137,227
- securities' lending collateral	0	32,467	0	32,467
<b>Total assets</b>	<b>\$1,337,498</b>	<b>\$1,646,306</b>	<b>\$1,378,974</b>	<b>\$1,604,830</b>
<b>Liabilities:</b>				
- accounts payable – accrued expenses	\$ 410	\$ 446	\$ 410	\$ 446
- due to other funds	541	558	541	558
- securities' lending collateral	0	32,467	0	32,467
- member deferred compensation	\$1,336,547	\$ 660,959	\$ 426,147	\$1,571,359
<b>Total liabilities and reserves</b>	<b>\$1,137,498</b>	<b>\$ 694,430</b>	<b>\$ 427,098</b>	<b>\$1,604,830</b>

See Notes to the Financial Statements.

**Schedule of Administrative Expenses** (Year ended June 30, 1997)

(In Thousands)

	Total
Staff salaries	\$ 1,633
Social Security	120
Retirement	70
Insurance	148
Other personal services	<u>5</u>
Total	<u>\$ 1,976</u>
Professional services:	
- actuarial	\$ 214
- data processing	139
- disability examinations	36
- legal counsel	18
- other professional services	<u>1,119</u>
Total	<u>\$ 1,526</u>
Communication:	
- printing	\$ 148
- telephone	24
- postage	168
- travel	15
- subscriptions, memberships and training	<u>9</u>
Total	<u>\$ 364</u>
Rentals:	
- office space	<u>\$ 176</u>
Miscellaneous:	
- supplies	\$ 105
- repairs and maintenance agreements	23
- department head and board member expense	13
- statewide indirect cost	105
- depreciation	42
- other purchased services	<u>3</u>
Total	<u>291</u>
Total Operating Expenses	<u><u>\$ 4,333</u></u>
Expenses distributed by fund:	
- State Employees'	\$ 2,211
- State Patrol	71
- Correctional Employees'	143
- Judges'	37
- Legislators'	30
- Elected State Officers'	5
- Unclassified Employees'	113
- Deferred Compensation *	<u>1,723</u>
Total distribution	<u><u>\$ 4,333</u></u>

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



## Summary Schedule of Commissions and Payments to Consultants

Individual or Firm Name	Services Received	Fees Paid
William Mercer Inc.	Actuarial	\$ 72,699
Ochs Services Inc.	Deferred Compensation administration	1,761,755
National Benefits Inc.	Deferred Compensation administration	2,238,658
State of Minnesota:		
- Department of Health	Medical Advisor	\$ 36,180
- Office of the Attorney General	Legal	18,243
- Legislative Commission on Pensions and Retirement	Actuarial	87,292



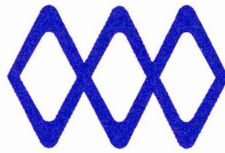
Photo: Eugénie de Rosier

The Unclassified Employees' Retirement Plan covers members who may work for the public sector only a short time, such as a commissioner of a state department during a governor's administration. Suzanne Winter is a licensing investigator for the Attorney General's Office.





## Actuarial Section



## MILLIMAN & ROBERTSON, INC.

Actuaries & Consultants

*Internationally WOODROW MILLIMAN*

Suite 400, 15800 Bluemound Road, Brookfield, Wisconsin 53005-6069

Telephone: 414/784-2250

Fax: 414/784-7287

### Actuary's Certification Letter

Dec. 18, 1997

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, 1997.

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 39.03 percent and 42.07 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, which 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, 1997. In the aggregate, the basic financial membership data provided to us by the system's office appears reasonable in comparison to last year. Except for adjusting the salary information for a group of members that transferred from the SERF to the CERF, 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 1997 valuation. The funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

Fund	Funding Date	Funded Percent
SERF	2020	103%
SPRF	2020	113
CERF	2020	114
LRF	N/A	43
ESORF	N/A	14
JRF	2020	63

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:

#### - Retirement

State Employees' Plan<sup>(7)</sup> — Graded rates from age 58 with 25 percent of those eligible for Rule of 90 retiring each year; Correctional Plan<sup>(6)</sup> — age 58; State Patrol Plan<sup>(6)</sup> — age 58, if hired after June 30, 1961, or age 63 if hired before July 1, 1961; Judges' Plan<sup>(6)</sup> — age 68; State Elective Officers<sup>(6)</sup> and Legislators' Plans<sup>(6)</sup> — age 62.

#### - Mortality

The 1983 Group Annuity Mortality Tables<sup>(9)</sup> are used for all funds. These tables are set back or set forward (expressed in years) to match fund experience as follows:

Fund	Pre-Retirement		Post-Retirement *	
	Male	Female	Male	Female
State Employees'	-4	-2	0	0
State Patrol	-1	0	+2	+2
Correctional Employees'	-1	0	+2	+2
Judges'	-4	-2	0	0
Legislators'	-4	-2	0	0
Elected State Officers'	-4	-2	0	0

#### - Separation

Graded rates are based on actual experiences<sup>(8)</sup>.

#### - Expense

Prior year expenses are expressed as a percentage of prior year payroll<sup>(8)</sup>.

#### - Interest

Rates are 8.5 percent pre-retirement<sup>(7)</sup> and 6 percent post-retirement<sup>(9)</sup>.

#### - Salary increases

The increase is 6.5 percent per year<sup>(6)</sup> (5 percent plus graded merit and seniority assumption for State Employees' Retirement Fund<sup>(8)</sup>).

#### - Contribution refund

Employees who withdraw are assumed to take the larger of a refund or a deferred benefit<sup>(4)</sup>.

#### - Social Security

The Correctional Plan<sup>(3)</sup> is based on the present law and a 6.5 percent salary scale. Only state service earnings are used. The Judges Plan<sup>(3)</sup> has a \$1,027 per month primary amount and a 7.65 percent contribution rate with \$53,400 covered salary.

#### - Asset valuation

This is cost plus one-third unrealized gains or losses<sup>(6)</sup>.

#### 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
	(9) June 30, 1997

\* Post-retirement tables are statutorily gender neutral.



**Required Reserves** (as of July 1, 1997)

(In Thousands)

	State Employees' Fund	State Patrol Fund	Correctional Employees' Fund	Judges' Fund	Legislators' Fund	State Elective Officers' Fund
Active members:						
- retirement annuities	\$ 2,366,666	\$ 163,934	\$ 122,548	\$42,863	\$15,775	\$1,386
- disability benefits	89,071	7,698	6,576	2,121	0	0
- survivor benefits	57,297	4,114	2,550	1,677	168	7
- deferred retirements	224,550	988	10,106	0	1,633	193
- refunds	(113,680)	(527)	(3,704)	193	(476)	(4)
Totals	\$ 2,623,904	\$ 176,207	\$ 138,076	\$ 46,854	\$ 17,100	\$ 1,582
Deferred retirements	304,641	3,096	10,708	939	13,436	264
Former members not vested	4,020	195	174	13	96	0
Annuitants in MPRIF	1,583,803	152,027	63,680	58,072	21,208	0
Annuitants not in MPRIF	<u>3,174</u>	<u>902</u>	<u>0</u>	<u>11,836</u>	<u>8,215</u>	<u>1,368</u>
Total required reserves	<u>\$ 4,519,542</u>	<u>\$ 332,427</u>	<u>\$ 212,638</u>	<u>\$ 117,714</u>	<u>\$ 60,055</u>	<u>\$3,214</u>

\* Source: *Actuarial Report*, Table 9.**Actual Rates as Compared to Recommended Rates**

	Actual Contribution Rates			Recommended Rate	Sufficiency (Deficiency)
	Employee	Employee	Total		
State Employees' Fund	4.00%	4.00%	8.00%	7.61%	0.39%
State Patrol Fund	8.40	12.60	21.00	15.67	5.33
Correctional Employees' Fund	5.50	7.70	13.20	12.49	0.71
Judges' Fund	6.27	22.02	28.29	27.60	0.69
Legislators' Plan	9.00	0.00	9.00	48.03	(39.03)
Elected Officers' Plan	9.00	0.00	9.00	51.07	(42.07)

## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
State Employees' Retirement Fund:				
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
06-30-97	46,289	1,612,662,000	34,839	5.81
State Patrol Retirement Fund:				
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
06-30-97	795	43,084,000	54,194	10.00
Correctional Employees' Retirement Fund:				
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
06-30-97	2,600	91,847,000	35,326	2.56



## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
Judges' Retirement Fund:				
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
06-30-97	279	24,420,000	87,527	.91
Legislators' Retirement Fund:				
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
06-30-97	201	7,626,000	37,940	2.73
Elective State Officers' Retirement Fund:				
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
06-30-97	6	483,000	80,500	1.68

**Schedule of Retirees and Beneficiaries** (Fiscal year end totals)

Year Ended	Number Added	Number Removed	Annual Number	Benefits	Percent Increase In Annual Benefits	Average Annual Benefit
State Employees' Retirement Fund:						
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
06-30-97	1,187	662	17,197	150,676,000	10.37	8,762
State Patrol Retirement Fund:						
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
06-30-97	28	18	570	14,642,000	10.26	25,688
Correctional Employees' Retirement Fund:						
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
06-30-97	62	16	519	6,267,000	14.78	12,075

**Schedule of Retirees and Beneficiaries** (Fiscal year end totals)

Year Ended	Number Added	Number Removed	Annual Number	Benefits	Percent Increase In Annual Benefits	Average Annual Benefit
<b>Judges' Retirement Fund:</b>						
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
06-30-97	19	8	227	7,560,000	11.83	33,304
<b>Legislators' Retirement Fund:</b>						
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
06-30-97	25	6	247	2,639,000	13.85	10,684
<b>Elective State Officers' Retirement Fund:</b>						
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
06-30-97	0	1	11	160,000	3.23	14,545



# Solvency Test – Funding Ratio

(In Thousands)

Valuation Date	(1)	(2)	(3)	(4)	Portion			Funding Ratio
	Active Member Contributions	Retirees and Beneficiaries	Employer Financed Portion	Reported Assets	Covered by Reported Assets			
	Aggregate	Accrued	Liabilities		(1)	(2)	(3)	
State Employees' Retirement Fund:								
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	1,068,200	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
06-30-97	621,933	1,586,977	2,310,632	4,664,519	100	100	106.3	103.2
State Patrol Retirement Fund:								
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
06-30-97	35,356	152,929	144,142	375,650	100	100	130.0	113.0
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
06-30-97	30,347	63,680	118,611	241,916	100	100	124.7	113.8

## 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)		
Judges' Retirement Fund:								
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
06-30-97	10,070	69,908	37,736	74,680	100	92.4	0	63.4
Legislators' Retirement Fund:								
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
06-30-97	6,378	29,423	24,254	25,678	100	65.6	0	42.8
Elective State Officers' Retirement Fund:								
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
06-30-97	455	1,368	1,391	456	99.8	0	0	14.2



## Summary of Unfunded Accrued Liability (UAL)

(In Thousands)

Valuation Date	Aggregate Accrued Liabilities	Reported Assets	Unfunded Accrued Liability	Member Payroll	UAL as a Percent Payroll
State Employees' Retirement Fund					
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
06-30-97	4,519,542	4,664,519	(144,977)	1,612,662	9.0
State Patrol Retirement Fund:					
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
06-30-97	332,427	375,650	(43,223)	43,084	100.3
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
06-30-97	212,638	241,916	(29,278)	91,847	31.9



## Summary of Unfunded Accrued Liability (UAL)

(In Thousands)

Valuation Date	Aggregate Accrued Liabilities	Reported Assets	Unfunded Accrued Liability	Member Payroll	UAL as a Percent Payroll
Judges' Retirement Fund:					
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
06-30-97	117,714	74,680	43,034	24,420	176.2
Legislators' Retirement Fund:					
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
06-30-97	60,055	25,678	34,377	7,626	450.8
Elective State Officers' Fund:					
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
06-30-97	3,214	456	2,758	483	571.0

## Sample Annual Rates of Termination per 10,000 Members

Age	Death		Withdrawal		Disability		Retirement *	
	Male	Female	Male	Female	Male	Female	Male	Female
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

Age	Death		Withdrawal		Disability		Retirement *	
	Male	Female	Male	Female	Male	Female	Male	Female
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) \*\*

Year	House	Senate
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) \*\*\*

Year	Rate
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.



Photo: Leslie Lane Hoyum

The General Employees' Retirement Plan covers general members who work for Minnesota's Department of Agriculture through to its Zoological Garden. Above, Revenue tax specialist Kim Greenwald verifies a driver's compliance with the state's diesel fuel law. Below, interpretive naturalist Andrew Spencer and colleague present a bird show to an engrossed audience.



Photo: Eugénie de Rosier



Statistical Section



## Investment Results Compared to Selected Performance Standards

	Fiscal Year					Annualized	
	1993	1994	1995	1996	1997	Three Year	Five Year
<b>Combined Funds:</b>							
- Rate of return(time weighted)							
- Total fund	14.4%	1.8%	16.3%	18.1%	21.4%	18.5%	14.2%
- Composite index *	14.0	2.1	16.9	17.4	20.0	18.1	13.9
- Combined Funds Percentile (rank in TUCS) **	42nd	67th	48th	34th	28th	27th	37th
- Inflation	3.0	2.5	3.0	2.8	2.3	2.7	2.7

\* As of June 30, 1997, the composite was weighted at 50.0 percent on the Wilshire 5000, 27.5 percent on the Lehman Aggregate, 15.0 percent on the Custom International, 2.1 percent on the Wilshire Real Estate, 2.9 percent on Venture Capital, 0.5 percent on resource funds, and 2.0 percent on 91-day treasury bills. This composite is adjusted to reflect various investment restrictions.

\*\* This is the Wilshire Associates Trust Universe Comparison Service Combined Funds compared to public and corporate plans greater than \$1 billion, gross of fees.

## Investment Allocation

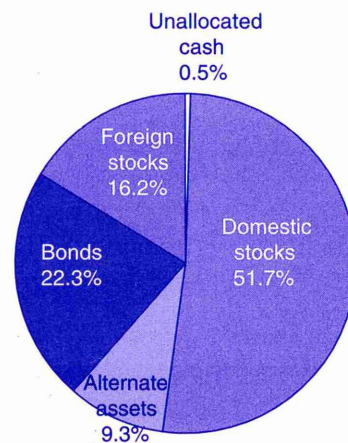


68

### Basic Funds:

	Actual Asset Mix	Policy Target
Domestic stocks	51.7%	45.0%
Foreign stocks	16.2	15.0
Bonds	22.3	24.0
Alternate assets ***	9.3	15.0
Unallocated cash	0.5	1.0
Total	100.0%	100.0%

Actual Asset Mix



\*\*\* Alternate assets are invested in bonds until they are deployed.

# Active Employees' Average Age Tables

(These statistics are unavailable for the Legislators' and Elective State Officers' Plans.)

Year Ended	Average Entry Age						Averages for All Members					
	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:												
06-30-88	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
06-30-97	33.7	32.7	33.2	30.9	30.8	30.8	44.6	42.6	43.6	12.9	10.5	11.6
State Patrol Retirement Fund:												
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
06-30-97	29.8	26.2	29.6	27.3	27.0	27.3	43.3	36.9	42.8	15.9	9.8	15.4
Correctional Employees' Retirement Fund:												
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
06-30-97	38.4	39.0	38.7	30.9	33.4	31.6	39.8	38.3	39.3	8.3	4.4	7.2
Judges Retirement Fund:												
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
06-30-97	52.2	51.1	51.7	42.8	42.3	42.6	54.5	50.2	53.6	11.1	8.0	10.4



**Employees Eligible to an Immediate Annuity** (as of June 30, 1997)

	Total
State Employees' Retirement Fund:	
- full benefit	816
- reduced benefit due to early retirement	5,964
- proportional benefit (age equal to or more than 65 and service years fewer than 10)	95
- Rule of 90	603
- vested employees not eligible to immediate benefit	28,887
- employees not vested	10,212
Totals	46,577
State Patrol Retirement Fund:	
- full benefit	77
- vested employees not eligible to immediate benefit	640
- employees not vested	78
Totals	795
Correctional Employees' Retirement Fund:	
- full benefit	81
- vested employees not eligible to immediate benefit	1,489
- employees not vested	1,030
Totals	2,600
Judges' Retirement Fund:	
- full benefit	23
- reduced benefit	13
- vested judges not eligible to immediate benefit	170
- judges not vested	73
Totals	279
Legislators' Retirement Plan:	
- full benefit	15
- reduced benefit	11
- vested members not eligible for an immediate benefit	76
- members not vested	99
Totals	201
Elective State Officers' Retirement Plan:	
- full benefit	2
- vested members not eligible for an immediate benefit	2
- 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 Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
State Employees' Retirement Fund:								
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
06-30-97	1,281	2,143	3,424	36.4	35.9	3.4	3.7	1,190
State Patrol Retirement Fund:								
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
06-30-97	2	1	3	46.2	34.0	3.1	0.1	1
Correctional Employees' Retirement Fund:								
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
06-30-97	54	22	76	34.0	33.3	3.1	2.6	18
Judges Retirement Fund:								
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
06-30-97	1	0	1	48.0	-	0.1	0	0

## Schedule of Retired Members by Type of Benefit State Employees' Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type					Option Selected			
		1	2	3	4	5	Life	I	II	III
\$ 0 - \$ 249	3,287	2,791	162	307	0	27	2,337	854	66	30
250 - 499	3,770	3,032	266	441	1	30	2,583	1,032	120	35
500 - 749	2,978	2,426	238	303	0	11	1,985	902	77	14
750 - 999	2,155	1,838	133	173	0	11	1,317	779	49	10
1,000 - 1,249	1,502	1,309	60	129	2	2	864	604	22	12
1,250 - 1,499	1,122	1,011	22	86	0	3	593	501	17	11
1,500 - 1,749	730	666	11	50	1	2	344	372	10	4
1,750 - 1,999	576	537	7	31	0	1	237	332	2	5
2,000 - 2,249	412	385	2	22	1	2	177	227	4	4
2,250 - 2,499	272	254	1	16	1	0	120	142	4	6
2,500 - 2,749	164	159	1	3	0	1	60	104	0	0
2,750 - 2,999	108	102	0	6	0	0	36	71	1	0
3,000 or more	158	151	1	5	1	0	52	103	2	1
Totals	17,234	14,661	904	1,572	7	90	10,705	6,023	374	132

## Type:

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

## Option:

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

## Schedule of Retired Members by Type of Benefit

### State Patrol Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected		
		1	2	3	Life	I	II
\$ 0 - \$ 249	6	2	0	1	1	1	4
250 - 499	9	3	0	6	3	2	4
500 - 749	17	5	1	11	5	8	4
750 - 999	40	7	0	33	10	25	5
1,000 - 1,249	26	10	1	15	7	19	0
1,250 - 1,499	28	8	1	18	4	20	4
1,500 - 1,749	31	19	1	11	9	20	2
1,750 - 1,999	44	33	4	7	21	21	2
2,000 - 2,249	43	30	4	9	12	28	3
2,250 - 2,499	59	52	2	5	17	41	1
2,500 - 2,749	56	53	1	2	19	37	0
2,750 - 2,999	59	52	3	4	24	32	3
3,000 or more	<u>153</u>	<u>148</u>	<u>2</u>	<u>3</u>	<u>105</u>	<u>48</u>	<u>0</u>
Totals	571	422	20	125	237	302	3

## Type:

- 1 Retired members  
2 Disabilitants  
3 Survivors

## Option:

- Life Single Life annuity  
I Joint and Survivor  
II Death while eligible



## Schedule of Retired Members by Type of Benefit Correctional Employees' Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selection			
		1	2	3	Life	I	II	III
\$ 0 - \$ 249	31	23	1	7	21	6	4	0
250 - 499	57	50	2	5	40	16	1	0
500 - 749	82	68	0	14	45	32	4	1
750 - 999	88	79	5	4	69	17	2	0
1,000 - 1,249	68	57	7	4	46	19	2	1
1,250 - 1,499	57	45	12	0	35	22	0	0
1,500 - 1,749	42	32	9	1	21	20	1	0
1,750 - 1,999	26	23	2	1	14	12	0	0
2,000 - 2,249	21	21	0	0	10	11	0	0
2,250 - 2,499	20	20	0	0	5	15	0	0
2,500 - 2,749	15	14	1	0	9	6	0	0
2,750 - 2,999	4	4	0	0	3	1	0	0
3,000 or more	8	8	0	0	4	4	0	0
Totals	519	444	39	36	322	181	14	2

## Type:

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

## Option:

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

## Schedule of Retired Members by Type of Benefit

### Judges' Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$ 0 - \$ 249	3	3	0	0	3	0	0	0
250 - 499	1	0	0	1	0	0	1	0
500 - 749	8	3	0	5	6	1	0	1
750 - 999	9	4	0	5	6	1	2	0
1,000 - 1,249	5	2	0	3	5	0	0	0
1,250 - 1,499	12	4	0	8	8	3	0	1
1,500 - 1,749	7	1	0	6	4	3	0	0
1,750 - 1,999	9	5	0	4	6	2	1	0
2,000 - 2,249	23	5	0	18	11	5	7	0
2,250 - 2,499	15	6	0	9	4	9	2	0
2,500 - 2,749	14	8	0	6	6	5	3	0
2,750 - 2,999	12	6	1	5	1	7	3	1
3,000 or more	<u>112</u>	<u>98</u>	<u>5</u>	<u>9</u>	<u>33</u>	<u>53</u>	<u>20</u>	<u>6</u>
Totals	230	145	6	79	93	89	39	9

## Type:

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

## Option:

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

## Schedule of Retired Members by Type of Benefit

### Legislators' and Elective State Officers' Retirement Funds

Monthly Benefit Amount	Retirement Type			
	Elective State Officers'		Legislators'	
	Member	Survivor	Member	Survivor
\$ 0 - \$ 249	1	0	5	11
250 - 499	2	1	22	23
500 - 749	0	1	39	13
750 - 999	0	0	32	9
1,000 - 1,249	0	1	19	3
1,250 - 1,499	0	0	16	3
1,500 - 1,749	0	1	10	0
1,750 - 1,999	1	0	11	0
2,000 - 2,249	0	1	10	1
2,250 - 2,499	0	1	4	2
2,500 - 2,749	0	0	6	0
2,750 - 2,999	0	0	5	0
3,000 or more	1	0	3	1
Totals	5	6	182	66



## Unclassified Employees' Retirement Plan

On June 30, 1997, there were 1,760 active participants, and 1,084 inactive participants for a total of 2,844.

	Share Value		Rate of Return	
	June 30, 1996	June 30, 1997	Fiscal Year 1996	Five Year Average
Investment performance:				
- Income shares	\$67.38	\$81.50	21.4%	14.6%
- Growth shares	49.53	63.87	29.5	18.5
- Common stock index	36.18	46.82	29.9	19.4
- Bond market	23.42	25.50	9.3	7.9
- International shares	11.37	13.39	18.3	11.3 *

	Average Interest Rate		
	Fiscal Year 1996	Fiscal Year 1997	Five Year Average
Accounts:			
- Money market	5.0%	5.5%	4.7%
- Fixed interest	6.2	6.6	6.8 **

	Current Investments for June 1997		Total Investments as of June 30, 1997		
	Percent of Participants	Percent of Dollars	Percent of Participants	Percent of Dollars	Average Invested
Investment distribution:					
- Income shares	40	54	96	51	34,968
- Growth shares	23	19	53	20	24,722
- Money market	6	3	28	6	13,904
- Bond market	8	2	25	2	6,978
- Common stock index	18	15	36	13	23,033
- Fixed interest	5	3	21	5	14,876
- International	11	4	20	3	10,603

	Monthly Investment							
	Under \$50	\$50-\$99	\$100-\$199	\$200-\$299	\$300-\$399	\$400-\$499	\$500-\$599	Over \$600
Participant distribution:								
- age 24 or under	5	10	15	6	4	2	0	9
- age 25 through 34	3	20	82	71	42	19	16	81
- age 35 through 44	3	12	69	68	51	76	51	132
- age 45 through 54	5	5	51	61	54	50	85	196
- age 55 through 64	1	3	34	19	12	20	24	57
- age 65 and over	0	0	8	1	0	2	1	4

	Fiscal Year 1997 Number	Average Dollar
Participant lump-sum withdrawals:		
- from active status	124	26,878
- survivor refund	9	34,073
- annuitants as of June 30, 1997	90	\$550/month

\* Since Sept. 1, 1994

\*\* Since Nov. 1, 1994

## 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

	Minnesota Supplemental Investment Fund	Minnesota Mutual Life Insurance Co.	Great-West Life Assurance Co.	Total
Actives	16,765	23,745	30,452	70,962
Inactives	6,055	3,228	9,959	19,242
Withdrawals:				
- partial	176	282	281	759
- lump sum	286	686	1,255	2,227
- ongoing	995	1,174	1,559	3,728
Contributions	\$ 30,791,000	\$ 38,307,000	\$ 67,810,000	\$ 136,908,000
Withdrawals	\$ 11,184,000	\$ 16,948,000	\$ 39,148,000	\$ 67,280,000

**Rates of Return by Investment Option** (Periods ended June 30, 1997)

Fund Name	Current	Five Year	Seven Year
<b>Fixed Options:</b>			
- Supplemental Fund fixed interest	6.10%	6.37%	6.87%
- Great-West 36-month certificate	4.90	4.66	5.86
- Great-West 84-month certificate	5.65	6.65	8.68
- Minnesota Mutual general account	6.20	6.56	7.17

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.

Fund Name	One Year	Three Year Average	Five Year Average	Annual Expenses
<b>Variable options:</b>				
- Supplemental Fund money market	5.17%	5.23%	4.32%	0.41%
- Great-West money market	4.17	4.21	3.31	1.41
- Minnesota Mutual Advantus money market	3.96	3.95	3.07	1.60
<b>Bond options:</b>				
- Minnesota Mutual Vanguard corporate portfolio	8.17	8.87	7.65	1.28
- Supplemental Fund bond market	8.88	8.69	7.48	0.52
- Great-West max corp. bond - Loomis Sayles	15.01	13.89	12.33	1.85
<b>Balanced options:</b>				
- Great-West maxim Invesco balanced portfolio	25.06	23.57	N/A	1.95
- Supplemental Fund income share	20.96	18.96	14.15	0.42
- Minnesota Mutual Vanguard Wellington	23.72	19.80	14.55	1.31
<b>Domestic stock options:</b>				
- Minnesota Mutual Advantus index	31.85	26.50	17.77	1.45
- Supplemental Fund common stock index	29.41	26.05	18.88	0.42
- Supplemental Fund growth share	28.95	25.24	18.03	0.69
- Great-West max Vista growth and income	26.10	20.25	15.82	1.95
- Great-West max midcap-Janus growth fund	-4.16	17.04	N/A	2.05
- Great-West Amcent: twencentury ultra fund	20.78	23.83	20.10	1.95
- Minnesota Mutual Fidelity Contrafund	23.09	23.07	18.89	1.83
- Minnesota Mutual Janus twenty	32.63	27.91	16.81	1.93
<b>International stock options:</b>				
- Supplemental Fund International	17.77	11.91	14.08	0.61
- Great-West Templeton International	18.15	13.96	N/A	2.45
- Minnesota Mutual Scudder International	18.65	11.58	12.19	2.14



## Participating Employers

Adrian ISD, No. 511  
 Agricultural Utilization Research Institute  
 Aitkin Public Utilities Commission  
 Akeley, City of  
 Albany ISD, No. 745  
 Albert Lea ISD, No. 241  
 Albert Lea/Mankato ISD, No. 2246  
 Alexandria, City of  
 Alexandria ISD, No. 206  
 Alexandria Light and Power  
 Amalgamated Transit Union 1005  
 American Federation of State, County and  
     Municipal Employees  
 Annandale ISD, No. 876  
 Anoka, City of  
 Anoka County  
 Anoka/Hennepin ISD, No. 11  
 Appleton Regional Development Commission  
 Archaeology Office  
 Area Special Education Cooperative  
 Argyle, City of  
 Arlington, City of  
 Arlington/Green Isle ISD, No. 731  
 Arrowhead Library System  
 Arrowhead Region Computing Consortium  
 Arrowhead Regional Development Commission  
     Arts Education Center  
 Askov ISD, No. 566  
 Assessors' Board  
 Association of Minnesota Counties  
 Atwater/Cosmos/Grove City ISD, No. 464  
 Atwater/Cosmos/Grove City ISD, No. 2396  
 Aurora, City of  
 Aurora/Hoyt Lakes ISD, No. 691  
 Austin, City of  
 Austin ISD, No. 492  
 Babbitt, City of  
 Babbitt ISD, No. 692  
 Bagley, City of  
 Bagley ISD, No. 162  
 Bagley Public Utilities Commission  
 Barnum, City of  
 Barnum ISD, No. 91  
 Baudette, City of  
 Becker County  
 Becker County Human Services  
 Becker County Sunnyside Nursing Home  
 Becker Soil and Water Conservation District  
 Belgrade/Broton/Elrosa ISD, No. 2364  
 Belgrade/Elrosa ISD, No. 736  
 Belle Plaine ISD, No. 881  
 Beltrami County  
 Beltrami County Service Center  
 Beltrami County Social Services  
 Beltrami Electric Cooperative  
 Beltrami Nursing Home  
 Bemidji, City of  
 Bemidji ISD, No. 31  
 Bemidji Regional Interdistrict Council  
     Special Education Cooperative, No. 998  
 Bertha/Hewitt ISD, No. 786  
 Big Falls, City of  
 Bigfork, City of  
 Big Lake, City of  
 Big Lake ISD, No. 727  
 Bird Island/Olivia/Lake Lillian ISD, No. 2534  
 Biwabik, City of  
 Blackduck, City of  
 Bloomington, City of  
 Bloomington ISD, No. 271

Blue Earth, City of  
 Blue Earth ISD, No. 2148  
 Blue Earth Water and Light  
 Bovey, City of  
 Brainerd, City of  
 Brainerd Housing and Redevelopment  
 Brainerd ISD, No. 181  
 Brainerd Public Utilities  
 Brainerd Water and Light  
 Breitung Township  
 Brooklyn Center ISD, No. 286  
 Brooklyn Park, City of  
 Broton ISD, No. 737  
 Buffalo, City of  
 Buffalo ISD, No. 877  
 Buhl, City of  
 Buhl/Mountain Iron ISD, No. 712  
 Burnsville, City of  
 Burnsville ISD, No. 191  
 Caledonia, City of  
 Caledonia ISD, No. 299  
 Calumet, City of  
 Cambridge, City of  
 Canby ISD, No. 891  
 Cannon Falls ISD, No. 252  
 Carlton, City of  
 Carlton County  
 Carlton County Cooperative Power Association  
 Carlton ISD, No. 93  
 Carlton County Soil and Water  
 Carver County  
 Carver-Scott Cooperative  
 Carver Soil and Water Conservation District  
 Centennial ISD, No. 12  
 Central Minnesota Computing Center  
 Central Minnesota Education Resources and  
     Development Council  
 Champlin, City of  
 Chanhassen, City of  
 Chaska, City of  
 Chaska ISD, No. 112  
 Chatfield ISD, No. 227  
 Chisago, City of  
 Chisago County  
 Chisago ISD, No. 141  
 Chisholm, City of  
 Chisholm Hibbing Airport Commission  
 Chisholm ISD, No. 695  
 Circle Pines, City of  
 Circle Pines-Lexington Police Department  
 Clara City ISD, No. 126  
 Claremont ISD, No. 201  
 Clarkfield ISD, No. 892  
 Clay County  
 Clearbrook/Gonvick ISD, No. 2311  
 Clearbrook ISD, No. 161  
 Clearwater County Social Services  
 Cleveland ISD, No. 391  
 Clinton/Graceville ISD, No. 55  
 Cohasset, City of (Bass Brook)  
 Cold Spring, City of  
 Coleraine, City of  
 Coleraine/Greenway/Bovey ISC  
 Columbia Heights, City of  
 Columbia Heights Housing and Redevelopment  
 Columbia Heights ISD, No. 13  
 Columbus, Town of  
 Columbus Township  
 Commission on Economic Status  
 Cook, City of

Cook County  
 Cook County Hospital  
 Corcoran, City of  
 Cottage Grove, City of  
 Cottonwood County  
 Cromwell ISD, No. 95  
 Crookston ISD, No. 593  
 Crop Improvement Association  
 Crosby, City of  
 Crosby/Ironton ISD, No. 182  
 Crosslake, City of  
 Crosslake Telephone  
 Crow Wing County  
 Crystal, City of  
 Dairyland Electric Cooperative  
 Dakota County  
 Dakota County ISD, No. 917  
 Dawson, City of  
 Dawson ISD, No. 378  
 Dayton, City of  
 Deeplaven, City of  
 Deer River, City of  
 Deer River ISD, No. 317  
 Deerwood, City of  
 Delano ISD, No. 879  
 Detroit Lakes, City of  
 Dilworth, City of  
 Dodge Center, City of  
 Dover/Eyota ISD, No. 533  
 Duluth, City of  
 Duluth Convention and Entertainment Center  
 Duluth Housing and Redevelopment  
 Duluth ISD, No. 709  
 Duluth Port Authority  
 Duluth Teachers' Retirement Association  
 Duluth Transit Authority  
 Eagan, City of  
 Eagle Bend ISD, No. 790  
 East Bethel, City of  
 East Central Electric Cooperative  
 East Central ISD, No. 2580  
 East Central Regional Library  
 Eden Prairie, City of  
 Eden Prairie ISD, No. 272  
 Eden Valley/Watkins ISD, No. 463  
 Edina, City of  
 Edina ISD, No. 273  
 Elk River, City of  
 Elk River ISD, No. 728  
 Elk River Municipal Utilities  
 Ely, City of  
 Esko ISD, No. 99  
 Evansville ISD, No. 208  
 Eveleth, City of  
 Eveleth/Gilbert ISD, No. 2154  
 Eveleth ISD, No. 697  
 Fairfax ISD, No. 649  
 Fairview Hospital  
 Faribault, City of  
 Faribault County  
 Faribault ISD, No. 656  
 Farmington ISD, No. 192  
 Fayal, Town of  
 Floodwood, City of  
 Floodwood ISD, No. 698  
 Foley ISD, No. 51  
 Forest Lake, City of  
 Forest Lake ISD, No. 831  
 Fosston ISD, No. 601  
 Foster-Wheeler Twin Cities  
 Frazee/Vergas ISD, No. 23



## Participating Employers

Freshwater Education District  
 Fridley ISD, No. 14  
 Gaylord, City of  
 Gaylord Community Hospital, Lakeview Home  
 Gaylord ISD, No. 732  
 Gibbon, City of  
 Gibbon/Fairfax/Winthrop ISD, No. 2365  
 Gibbon ISD, No. 733  
 Gilbert, City of  
 Gilbert ISD, No. 699  
 Gillette Children's Hospital  
 Glencoe Area Health Center  
 Glencoe, City of  
 Glencoe ISD, No. 422  
 Glencoe/Silver Lake ISD  
 Gonvick ISD, No. 158  
 Goodhue County  
 Goodhue County ISD, No. 6051  
 Goodhue ISD, No. 253  
 Grand Marais, City of  
 Grand Rapids, City of  
 Grand Rapids ISD, No. 318  
 Grand Rapids Public Utilities  
 Granite Falls ISD, No. 894  
 Grant County  
 Great River Regional Library  
 Green Acres Nursing Home  
 Greenway/Bovey ISD, No. 316  
 Grey Eagle ISD, No. 791  
 Halstad Municipal Utilities  
 Ham Lake, City of  
 Hanover, City of  
 Hastings ISD, No. 200  
 Hayfield ISD, No. 203  
 Headwaters Nutrition Project  
 Hennepin County  
 Hennepin County Medical Center  
 Hennepin County Parks  
 Hennepin Technical Centers  
 Henning, City of  
 Heritage Living Center  
 Hermantown, City of  
 Hermantown ISD, No. 700  
 Heron Lake ISD, No. 330  
 Hibbing, City of  
 Hibbing ISD, No. 701  
 Hibbing Public Utilities  
 Hibbing Recreation and Park Board  
 Hill, City of  
 Hill City ISD, No. 2  
 Hills Beaver Creek Schools  
 Hinckley, City of  
 Holdingford ISD, No. 738  
 Hopkins ISD, No. 270  
 Howard Lake, City of  
 Hoyt Lakes, City of  
 Hubbard County  
 Hutchinson, City of  
 Hutchinson ISD, No. 423  
 Ideal, Township of  
 Intermediate District, No. 287  
 International Falls, City of  
 International Falls ISD, No. 361  
 Inver Grove Heights ISD, No. 199  
 Iron Range Historical Society  
 Isanti County  
 ISD Data Processing Board  
 Itasca County Auditors  
 Itasca County, Soil and Water Conservation District  
 Itasca County

Itasca County Human Services  
 Itasca County Nursing Home  
 Itasca Medical Center  
 Jackson, City of  
 Janesville, City of  
 Janesville ISD, No. 913  
 Jordan ISD, No. 717  
 Kanabec County  
 Kandiyohi County  
 Kasson, City of  
 Kasson/Mantorville ISD, No. 204  
 Keewatin, City of  
 Keewatin Public Utilities  
 Koochiching County  
 La Crescent, City of  
 Lake Agassiz Regional Library  
 Lake City ISD, No. 813  
 Lake County  
 Lake County Power  
 Lake Crystal ISD, No. 70  
 Lake of the Woods County  
 Lake of the Woods Highway  
 Lake of the Woods Welfare  
 Lake Superior ISD, No. 381  
 Lakeville ISD, No. 194  
 Lambertson ISD, No. 633  
 League of Minnesota Cities  
 Le Center ISD, No. 392  
 Legislative Joint Coordination Committee  
 Lester Prairie, City of  
 Lester Prairie ISD, No. 424  
 Lewiston/Altura ISD, No. 857  
 Lexington, City of  
 Lindstrom, City of  
 Litchfield, City of  
 Litchfield ISD, No. 465  
 Litchfield Public Utilities  
 Little Falls, City of  
 Little Falls ISD, No. 482  
 Little Fork, City of  
 Little Fork ISD, No. 362  
 Little Fork Medical Center  
 Logis  
 Long Lake, City of  
 Long Prairie, City of  
 Long Prairie ISD, No. 792  
 Mahnomon, City of  
 Mahtomedi ISD, No. 832  
 Mankato ISD, No. 77  
 Mantorville, City of  
 Maple Grove, City of  
 Maple Lake ISD, No. 881  
 Maplewood, City of  
 Marble, City of  
 Marshall ISD, No. 413  
 Marshall/Beltrami Soil and Water  
 May, Town of  
 Mazeppa ISD, No. 809  
 McGregor, City of  
 McGregor ISD, No. 4  
 McLeod County  
 Medford, City of  
 Medina, City of  
 Meeker County  
 Meeker/Wright Special Education Cooperative, No. 938  
 Melrose, City of  
 Melrose Hospital and Pine Villa  
 Melrose ISD, No. 740  
 Mendota Heights, City of

Mesabi ISD, No. 2711  
 Metropolitan Airports Commission  
 Metropolitan Council  
 Metropolitan Council Transit Operations  
 Metropolitan Council Waste Service  
 Metropolitan Educational Cooperative  
 Service Unit  
 Metropolitan Library Service Agency  
 Metropolitan Sports Facilities Commission  
 Middle Management Association  
 Mid-Minnesota Development Commission  
 Mid-Range Special Education Cooperative  
 Mid-State Education District  
 Milaca ISD, No. 912  
 Minnesota River Valley Special Education  
 Cooperative  
 Minnesota Safety Council  
 Minnesota State Armory Building Commission  
 Minneapolis, City of  
 Minneapolis Community Development Agency  
 Minneapolis Employees' Retirement Fund  
 Minneapolis Fire Department  
 Minneapolis Housing Authority  
 Minneapolis Special School District, No. 1  
 Minneapolis Teachers' Retirement Fund  
 Minnehaha Creek Watershed District  
 Minnesota Association of Counties  
 Minnesota Association of Professional  
 Employees  
 Minnesota Education Computing Cooperative  
 Minnesota Federation of Teachers  
 Minnesota Historical Society  
 Minnesota Horticultural Society  
 Minnesota House Employees  
 Minnesota House Members  
 Minnesota Regional Development Commission  
 Minnesota Regional Transit Board  
 Minnesota Revisor of Statutes  
 Minnesota River Valley Special Education  
 Cooperative  
 Minnesota Safety Council  
 Minnesota Senate Employees (B1)  
 Minnesota Senate Members (MO)  
 Minnesota State Fair  
 Minnesota Technology Inc.  
 Minnesota Valley Cooperative Center  
 Minnesota Valley ISD, No. 6027  
 Minnesota Valley Regional Library  
 Minnetonka ISD, No. 276  
 Monticello-Big Lake Hospital  
 Moorhead ISD, No. 152  
 Moose Lake, City of  
 Moose Lake ISD, No. 97  
 Moose Lake Municipal Power  
 Mora, City of  
 Mora ISD, No. 332  
 Mora Municipal Utilities  
 Morrison County  
 Mound, City of  
 Mound/Westonka ISD, No. 277  
 Mounds View, City of  
 Mounds View ISD, No. 621  
 Mountain Iron, City of  
 Mountain Lake School District  
 Murray County  
 Murray County Central ISD, No. 2169  
 Nashwauk, City of  
 Nashwauk/Keewatin ISD, No. 319  
 Nett Lake ISD, No. 707  
 Nevis, City of



## Participating Employers

New Hope, City of	Prior Lake, City of	St. Anthony, City of
New Prague, City of	Prior Lake ISD, No. 719	St. Clair ISD, No. 75
New Prague ISD, No. 721	Proctor, City of	St. Cloud Area Planning Organization
New Prague Utilities Commission	Proctor ISD, No. 704	St. Cloud, City of
New Scandia, City of	Proctor Public Utilities	St. Cloud ISD, No. 742
New Scandia Township	Quad Cities Cable	St. Francis ISD, No. 15
New Ulm, City of	Ramsey, City of	St. James ISD, No. 840
New Ulm City Public Utilities Commission	Ramsey County (week 1)	St. Louis County
New Ulm ISD, No. 88	Ramsey County (week 2)	St. Louis County ISD, No. 710
New York Mills, City of	Red Lake ISD, No. 38	St. Louis County ISD, No. 2142
New York Mills ISD, No. 553	Red Lake Falls, City of	St. Louis Park, City of
Nicollet County	Red Lake Falls ISD, No. 630	St. Louis Park ISD, No. 283
Nicollet ISD, No. 507	Red Wing ISD, No. 256	St. Michael/Albertville ISD, No. 885
Nisswa, City of	Redrock Central ISD	St. Michael, City of
Nobles County	Redwood County	St. Michael's Hospital and Nursing Home
North Branch, City of	Redwood Falls, City of	St. Paul, City of
North Branch ISD, No. 138	Redwood Falls ISD, No. 637	St. Paul ISD, No. 625
North Branch Water and Light	Redwood Soil and Water Conservation District	St. Paul ISD, No. 625, Teachers
North Itasca Electric Cooperative	Region Nine Development Commission	St. Paul Park, City of
Northeast Educational District, No. 6033	Regions Hospital, formerly St. Paul Ramsey	St. Paul Port Authority
Northeast Educational Cooperative Service	Renville County	St. Paul Public Housing Agency
Northeast Metropolitan ISD, No. 916	Rice Lake ISD	St. Paul Teachers' Retirement Association
Northeast Minnesota Job Training	Richfield, City of	St. Peter, City of
Northern Country Library Cooperative	Richfield ISD, No. 280	St. Peter Community Hospital
Northern Electric Cooperative Association	Right Step Academy	St. Peter ISD, No. 508
Northern Lakes Cooperative	Robbinsdale, City of	Staples, City of
Northfield, City of	Robbinsdale ISD, No. 281	Staples/Motley ISD, No. 2170
Northfield ISD, No. 659	Rochester ISD, No. 535	State of Minnesota
North St. Louis County Soil and Water	Rockford, City of	Stearns County
North St. Paul/Maplewood ISD, No. 622	Rockford ISD, No. 883	Steele County
Northwest Cable Commission	Rocori ISD, No. 750	Stewart ISD, No. 426
Northwest Minnesota Educational	Rogers, City of	Stewartville, City of
Cooperative Service Unit, No. 928	Roosevelt Township	Stewartville ISD, No. 534
Northwest Regional Development Commission	Roseau County	Stillwater ISD, No. 834
Northwest Technical College, No. 2200	Roseau Electric Cooperative	Storden/Jeffers ISD, No. 178
Norwood ISD, No. 108	Roseau ISD, No. 682	Swanville ISD, No. 486
Oakdale, City of	Rosemount/Apple Valley/Eagan ISD, No. 196	Swift County
Oak Park Heights, City of	Roseville, City of	Technology and Information Education Services
Ogilvie ISD, No. 333	Roseville ISD, No. 623	Thief River Falls ISD, No. 564
Onamia ISD, No. 480	Runestone Area Education District	Thomson, Town of
Orono, City of	Runestone Area ISD	Todd County, Soil and Water Conservation District
Orono ISD, No. 278	Sandstone, City of	Tower, City of
Orr, City of	Sartell, City of	Tracy, City of
Ortonville, City of	Sartell/St. Stephen ISD, No. 748	Tracy ISD, No. 417
Osakis, City of	Sauk Centre, City of	Traverse Des Sioux Library System
Osakis ISD, No. 213	Sauk Centre ISD, No. 743	Triton ISD, No. 2125
Osseo ISD, No. 279	Sauk Centre Power and Light	Two Harbors, City of
Ottertail County	Sauk Rapids ISD, No. 47	Ulen/Hitterdale ISD, No. 914
Ottertail Lake Sewer District	Savage, City of	University of Minnesota
Ottertail Water Management District	Scott County, Soil and Water	University of Minnesota Heat Plant, Foster Wheeler
Owatonna, City of	Shakopee ISD, No. 720	United Hospital District
Owatonna ISD, No. 761	Shakopee Public Utilities	Upper Minnesota Valley Regional Development
Owatonna Public Utilities	Sibley County	Upsala, City of
Park Rapids, City of	Sibley ISD, 2310	Upsala ISD, No. 487
Park Rapids ISD, No. 309	Silver Lake, City of	Valley Regional Library
Paynesville, City of	Silver Lake ISD, No. 425	Verndale, City of
Paynesville Community Hospital	Slayton, City of	Verndale ISD, No. 818
Paynesville ISD, No. 741	Slayton ISD, No. 504	Vernon Center, City of
Pennington County	South International Falls, City of	Victoria, City of
Pierz ISD, No. 484	South Koochiching ISD, No. 363	Viking Library System
Pillager ISD, No. 116	South St. Paul ISD, No. 6	Virginia County Library Cooperative
Pine, City of	South Washington County ISD, No. 833	Virginia ISD, No. 706
Pine County	Southwest Regional Development Commission	Virginia Regional Medical Center
Pine County, Soil and Water Conservation District	Spirit Mountain	Wabasha/Kellogg ISD, No. 811
Pine Island ISD, No. 255	Spring Lake Park, City of	Waconia ISD, No. 110
Pioneerland Library System	Spring Lake Park ISD, No. 16	Wadena, City of
Pipestone, City of	Spring Park, City of	Wadena/Deer Creek ISD, No. 2155
Pipestone ISD, No. 583	Spring Valley, City of	Waldorf Pemberton ISD, No. 913
PKM Electric Cooperative Inc.	Springfield, City of	Walker ISD, Nos. 113 or 119
Plum Creek Library System	Springfield ISD, No. 85	Warren, City of



Warroad, City of  
Waseca, City of  
Waseca ISD, No. 289  
Washington County  
Washington County, Soil and Water  
Watertown/Mayer ISD, No. 395  
Watertown/Mayer Schools  
Waterville/Elysian ISD, No. 2143  
Wayzata ISD, No. 284  
Wells, City of  
Westbrook ISD, No. 175  
West Central Education District, No. 6026  
West Concord ISD, No. 205  
West Lake Superior Sanitary District  
West St. Paul, City of  
West St. Paul ISD, No. 197  
Westonka ISD, No. 277  
White Bear Lake, City of  
White Bear Lake ISD, No. 624  
White Bear Lake ISD, No. 916  
White, Town of  
Wild Rice Electrical Cooperative  
Wilkin County  
Willernie, City of  
Willmar, City of  
Willmar ISD, No. 347  
Willmar Municipal Utilities  
Willow River ISD, No. 577  
Windom Area Hospital  
Windom, City of  
Winona, City of  
Winona County  
Winona ISD, No. 861  
Winthrop ISD, No. 735  
Worthington, City of  
Worthington ISD, No. 518  
Worthington Regional Hospital  
Wrenshall ISD, No. 100  
Wright County  
Wright County Highway Department  
Wright County Human Services  
Wright County Technical Center  
Yellow Medicine East ISD, No. 2190  
Zumbrota ISD, No. 260