

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 1998

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Minnesota State Retirement System

A Pension Trust Fund of the State of Minnesota

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 1998

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David Bergstrom, Executive Director

Minnesota State Retirement System
A Pension Trust Fund of the State of Minnesota

Prepared by
Finance and Systems Divisions

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

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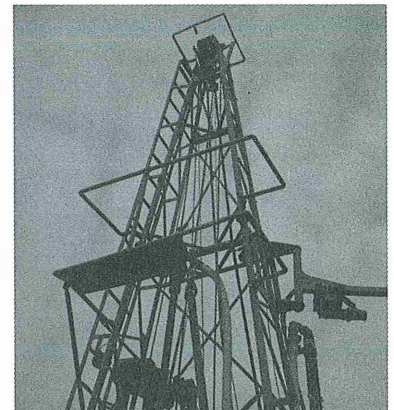
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Photo: Eugénie de Rosier



Duane Hillman, foundation-field crew chief, Department of Transportation, oversees the drilling operation at the proposed intersection of state Highways 62 and 55. During the drilling, soil samples are extracted from 35-foot depths, and ground-water level is determined. Member: General Employees' Retirement Plan.





Introductory Section

Board Chairman's Report

Dec. 31, 1998

Minnesota State Retirement System
175 W. Lafayette Frontage Road, Suite 300
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, 1998. The funds administered by MSRS held net assets totaling \$8.96 billion, an increase of \$1.37 billion from the previous year, after excluding previously reported deposits with insurance companies. The remarkable returns in the financial markets have helped the assets more than double since 1995.

The 1998 investment return was 20.9 percent. The rate of return over the last five years averaged 15.4 percent, while the average return over the last 10 years has been an impressive 13.9 percent.


This excellent investment return over the last five years resulted in a 9.8254 percent post-retirement increase payable to eligible retirees on Jan. 1, 1999. The post-retirement increases paid during the last five years have averaged 7.67 percent, making Minnesota the nationwide leader in increases paid to retirees.

We have devoted this past year to preparing for the year 2000, and the challenges it will bring. We have successfully tested many of our systems, and most importantly, made sure that we will be able to process retirement checks after the beginning of the next century.

It was another very successful year for MSRS. Our excellent financial strength ensures that current and future retirees will have a secure retirement. We are committed to maintaining a retirement system that you can count on.

Thanks for your support.

Sincerely,



Kenneth Yozamp, chair
MSRS Board of Directors

Letter of Transmittal

Dec. 31, 1998

Board of Directors
Minnesota State Retirement System
175 W. Lafayette Frontage Road, Suite 300
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, 1998. We provide retirement coverage for 72,500 active employees, 20,600 retirees and 19,500 members who no longer contribute, but are eligible for future monthly benefits. These members participate in 10 unique retirement plans.

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.

Transactions of the State Employees' Plan, State Patrol Plan, Correctional Plan, Judges' Plan, Elected 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.

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

Revenues (Additions)

The revenues needed to finance benefits come from the collection of employee and employer contributions, and predominantly the income on investments. Income for fiscal year 1998 totaled \$1.7 billion. This year's investment return generated \$1.4 billion and accounted for 82.4 percent of the revenue. The amount from employee and employer contributions totaled \$203.5 million.

Expenses (Deductions)

Expenses in 1998 totaled \$282.7 million, an increase of 25 percent more than last fiscal year. Monthly benefits, totaling \$231 million to retirees, survivors and disabled members, represented 82 percent of total expenses. In addition, \$21.2 million was paid to terminated employees in lump-sum refunds of contributions plus interest. Administrative expenses, excluding investment expenses, totaled \$5 million, which represents only 1.8 percent of total expenses.

Total revenues of \$1.7 billion exceeded expenses by \$1.4 billion during fiscal year 1998.

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 Public Employees' Retirement Association and the Teachers' Retirement Association. 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 22.2 percent in the fiscal year ending June 30, 1998.

The goal of the Basic Fund is to finance future retirement benefits. The actuarial assumed rate of return at 8.5 percent is set by law in *Minnesota Statutes*, §356. Over a five year period, this fund is expected to outperform the median funds of public and private investors who have a similar asset allocation, and to generate a greater investment return than a composite of market indices that match the asset allocation. Over a 10 year period, the Basic 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 19.4 percent in fiscal year 1998. A 9.8254 percent increase will be paid to eligible retirees on Jan. 1, 1999.

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 up to 2.5 percent. Inflation is measured by the *U.S. Consumer Price Index*.

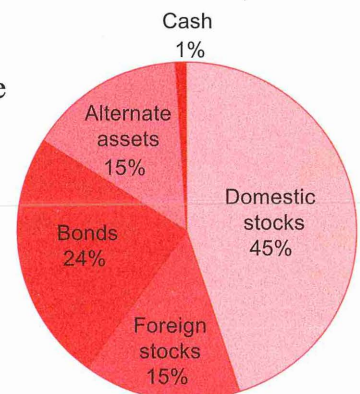
If the rate of return from the Post-Retirement Fund is more than needed to meet the expected 6-percent return and the cost-of-living increase, the additional investment gain is spread over a five-year period to help fund future increases. If the return is not sufficient to meet these financial requirements, the loss is distributed over the next five-year period.

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

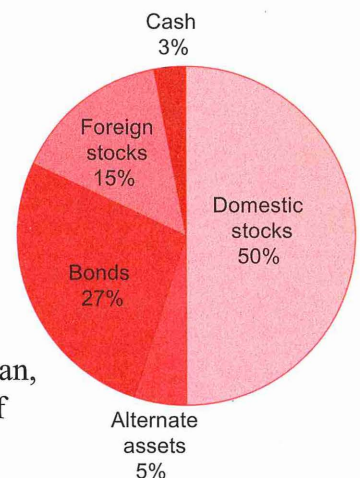
Funding

The three largest plans administered by MSRS — the General Employees' Plan, the State Patrol Plan and the Correctional Plan, which represent 97 percent of all the liabilities of the plans — exceed 100 percent funding. The excellent investment returns continue to enhance the plans' financial strength.

Basic Retirement Fund



Post-Retirement Fund



The contribution rate for the Judges' Plan is sufficient to reach full funding before the targeted date of 2020. The Legislators' and Elected State Officers' Plans are not prefunded, and have been closed to new members since July 1, 1997.

The chart below shows the assets, liabilities and actuarial funding ratio of each fund as of June 30, 1998.

(In Thousands)

Actuarial Basis

Retirement Fund	Liabilities	Assets	Funding Ratio
State Employees'	\$5,005,165	\$5,390,526	107.70%
State Patrol	371,369	430,011	115.79
Correctional Employees'	261,869	295,291	112.76
Judges'	130,727	86,578	66.23
Legislators'	62,928	31,212	49.60
Elective State Officers'	3,369	500	14.84
	<u>\$5,835,427</u>	<u>\$6,234,118</u>	<u>106.83%</u>

More information regarding the funding of the plans administered by MSRS can be found on pages 58 and 59. The assumptions and actuarial details are governed by *Minnesota Statutes*, §356.215. The entry age normal method with level contributions as a percent of payroll is used as the actuarial funding method. The assets include one-third of the unrealized investment gains or losses.

Economic Outlook

The instability in the Asian and other foreign markets could have a negative impact on domestic and foreign markets. The recent volatility of the markets is likely to continue until the overseas markets become more stable.

It is important to realize that assets are sufficiently diversified, and that our excellent funding keep us in a strong position as we move into fiscal year 1999.

The domestic economy continues to look strong with record low unemployment and historically low interest rates. For many investors, the domestic stock market may be the best alternative, which avoids low interest rates and the volatility of the foreign markets. To date, the domestic markets seem resilient to sustained market corrections.

Review of Operations and Activities of Fiscal Year 1998

MSRS is managed by an 11 member board of directors. Kenneth Yozamp and Mary Benner have continued as chair and vice chair, respectively.

The main focus on internal operations during 1998 was to ensure the computer programs and systems used by MSRS are year 2000 compliant. The program changes are almost completed and tested. We will continue to test during fiscal year 1999 to make sure we are fully functional at the beginning of the next century.

Professional Services

The 1998 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 pages 16 and 17. 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 the MSRS newsletter.

We extend special thanks to the board of directors, staff and other associates for their diligent efforts to make MSRS a successful organization.

Respectfully submitted,



David Bergstrom
Executive Director



Arvin Herman
Assistant Director

Administrative Organization – June 30, 1998

MSRS Board of Directors

Kenneth Yozamp, chair
c/o Middle Management Association
525 Park St., Suite 333
St. Paul, MN 55103
Telephone: (651) 222-3811
Term: May 6, 1996 to May 1, 2000
Elected: Correctional Plan member

Mary Benner, vice-chair
Department of Labor and Industry
443 Lafayette Road
St. Paul, MN 55155
Telephone: (651) 282-6637
Term: May 6, 1996 to May 1, 2000
Elected: state employee

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

Donald M. Buckner
1152 Stryker Ave.
W. St. Paul, MN 55118
Telephone: (651) 457-3853
Term: May 4, 1998 to May 1, 2000
Elected: retired 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 4, 1998 to May 6, 2002
Elected: State Patrol Plan member

David R. Kauppi
Department of Revenue
600 N. Robert St.
Mail Station 6320
St. Paul, MN 55146-6320
Telephone: (651) 296-3734
Term: July 16, 1998 to May 6, 2002
Appointed: state employee

Michael A. McGrath
State Treasurer
303 Administration Building
St. Paul, MN 55155
Telephone: (651) 296-7091
Term: April 22, 1995 to Jan. 4, 1999
Appointed: state official

John D. Richter
Department of Revenue
3400 First St. N., Suite 203
St. Cloud, MN 56303
Telephone: (320) 654-5515
Term: May 4, 1998 to May 6, 2002
Elected: state employee

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

Mel Tan
1609 Selsmer Ave.
Cloquet, MN 55720
Telephone: (218) 897-7689
Term: May 18, 1997 to Jan. 1, 2001
Appointed: public member

Luther C. Thompson
Department of Public Service
Metro Square Building, Suite 200
121 Seventh Place E.
St. Paul, MN 55101
Telephone: (651) 296-1065
Term: May 6, 1996 to May 1, 2000
Elected: state employee

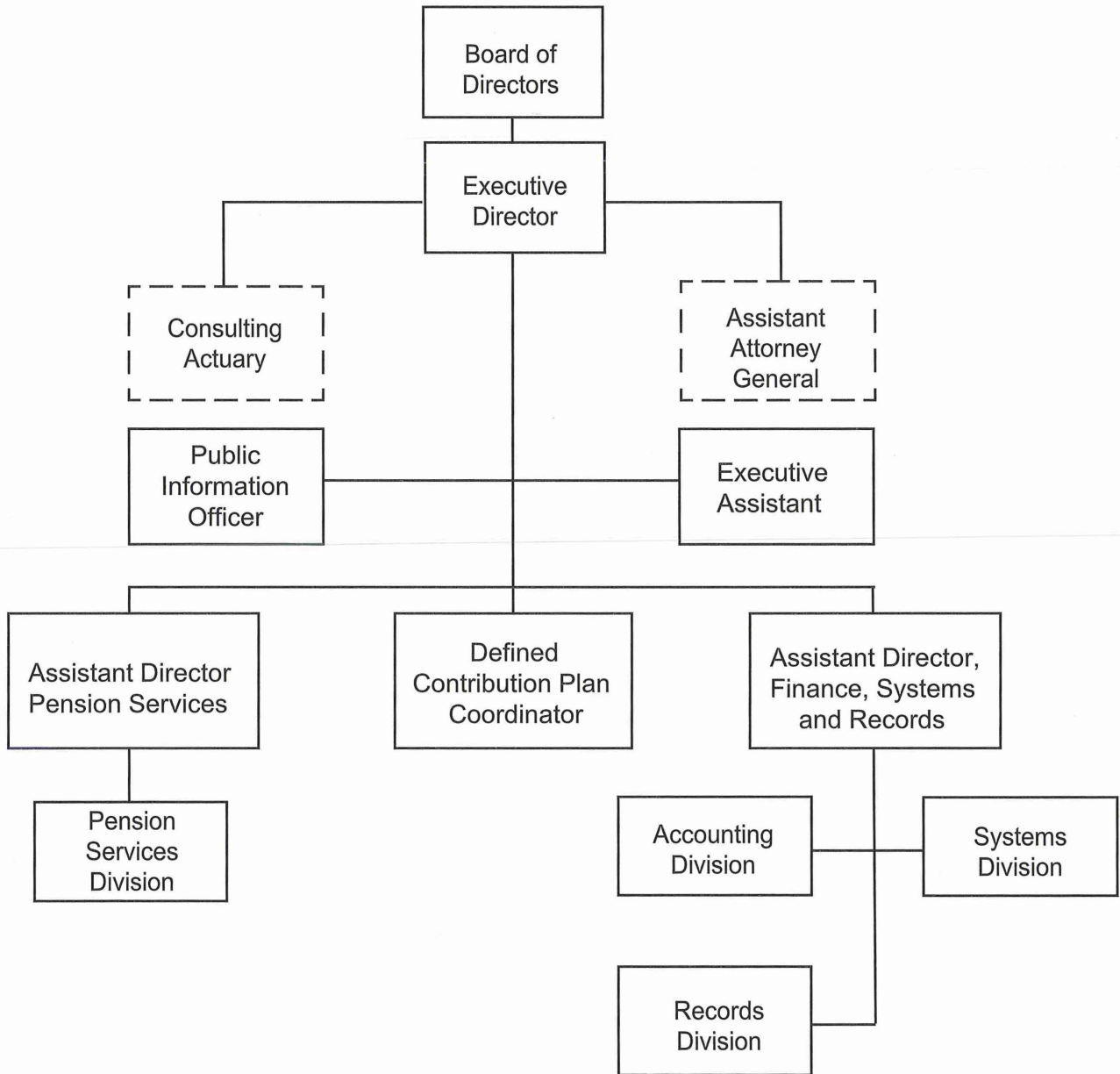
Administrative Staff

Executive Director: David Bergstrom
Assistant Directors: Arvin Herman
Ronald Schweitzer

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, 1998



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: 4.00 percent, employee; 4.0 percent, employer
- B. Benefit formula
 - 1.2 percent of a five high year salary for first 10 years, then 1.7 percent each year beyond 10 years with subsidized early retirement adjustment
 - or 1.7 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' Plans** (provisions differing from General Plan)
 - A. Coverage: required retirement from federal military status at age 60, or 62 for transportation pilots
Contributions: 5.6 percent, employee; 5.6 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, crime bureau and gambling enforcement agents
Contributions: 8.4 percent, employee; 12.6 percent, employer
 - B. Benefit formula
 - 3 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 60 percent of five high year average salary, plus 3.00 percent for each year beyond 20; minimum non-job related disability is 45.0 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: 5.5 percent, employee; 7.7 percent, employer
- B. Benefit formula
 - 2.4 percent of five high year average salary for each year of service or an accelerated annuity to age 62 or 65, then an actuarially adjusted benefit thereafter
- 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 2.4 percent for each year beyond 20; the minimum non-job related disability is 36 percent

5. Judges' Retirement Plan

- A. Coverage: district, appellate and supreme court judges
Contributions: 8 percent by those not covered by Social Security, 6.27 percent by those covered by Social Security; 20.5 percent, employer
- B. Benefit formula
 - 2.7 percent for each year of service prior to July 1, 1980, plus 3.2 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; newly elected legislators are covered by the Unclassified Plan as of Jan. 1, 1999
Contributions: 9 percent, employee; as needed from General Fund appropriation, employer
- B. Benefit formula
 - 2.5 percent five high year average salary, plus a variable actuarial adjustment based on your retirement age
- 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. Elected State Officers' Plan

- A. Coverage: elected constitutional officers; newly elected constitutional officers are covered by the Unclassified Plan as of Jan. 1, 1999
Contributions: 9 percent, employee; as needed from General Fund appropriation, employer
- B. Benefit formula
 - 2.5 percent of five high year average salary, plus a variable actuarial adjustment based on your retirement age
- 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: 4.00 percent, employee; 6 percent, employer
- B. Benefits
 - account balance or annuity benefit withdrawal based on age and 6 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

Expendable Trust Fund Plan

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

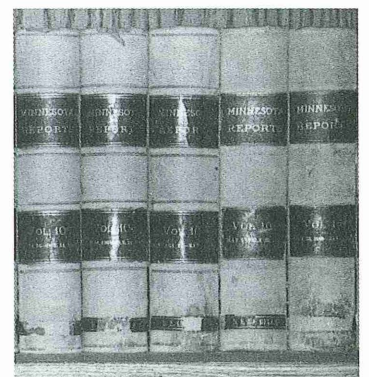
- A. Coverage: optional for all state employees and political subdivisions' employees
Contributions: tax deferred with a \$10 per pay period minimum and a 25 percent, gross, taxable compensation maximum or a \$8,000 maximum
- B. Investment providers
 - Minnesota Supplemental Investment Fund (MSI)
 - Minnesota Mutual Life Insurance Co.
 - Great-West Life Assurance Co.
 - providers offer 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: Eugénie de Rosier

Margaret Fuller Corneille directs three boards of the Supreme Court: Law Examiners tests prospective lawyers; Continuing Legal Education oversees ongoing legal education; and Legal Certification administers the specialist certification process. Judicial Center, St. Paul. Member: Unclassified Retirement Plan.





Financial Section



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

Board of Trustees
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, 1998, as listed in the Table of Contents. These financial statements are the responsibility of the Minnesota State Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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 also 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Minnesota State Retirement System has included such disclosures in Note 7. Due to the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, sufficient audit evidence does not exist to support the Minnesota State Retirement System's disclosures with respect to the year 2000 issue, made in Note 7. Further, we do not provide assurance that the Minnesota State Retirement System's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Minnesota State Retirement System does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Retirement System at June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Board of Trustees
and
Executive Director
Minnesota State Retirement System
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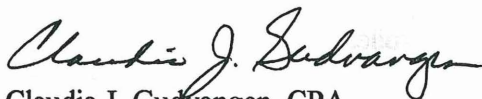
As discussed in Note 3 to the financial statements, the Minnesota State Retirement System reclassified the State Deferred Compensation Fund from an agency fund to an expendable trust fund during the year ended June 30, 1998. This change resulted in the presentation of a Statement of Revenues, Expenditures and Changes in Fund Balances for the State Deferred Compensation Fund in fiscal year 1998.

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 the Minnesota State Retirement System. 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 have also issued a report dated December 1, 1998, on our consideration of the Minnesota State Retirement System's internal control structure and compliance with laws and regulations.



James R. Nobles
Legislative Auditor



Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 1, 1998

Combined Statement of Plan Net Assets (as of June 30, 1998)

(In Thousands)

Assets:

-	cash	\$ 279
-	short-term investments (at fair value)	76,004
-	accounts receivable:	
--	member contributions	7,508
--	employer contributions	5,218
--	other	84
--	accrued interest	192
-	due from Minnesota Post-Retirement Investment Fund	2,790
-	due from other plans	14,449
-	investment pools (at fair value):	
--	fixed income	994,612
--	external domestic equity	1,579,964
--	passive domestic equity	736,771
--	real estate	167,620
--	Minnesota resources	36,975
--	Minnesota venture capital	232,649
--	global equity	650,918
--	Post-Retirement Fund	2,894,780
--	Supplemental Investment Fund	772,837
-	securities' lending collateral	778,694
-	fixed assets	115
-	nondedicated member deposits	7,254

\$8,959,713

Liabilities:

-	accounts payable	\$ 2,622
-	securities' lending collateral	778,693
-	due to MPRI Fund	5,143
-	due to other plans	14,449

\$ 800,907

Net assets held in trust for pension benefits:

\$8,158,806

A schedule of funding progress for individual plans is presented later in this report.
See *Notes to the Financial Statements*.

Combined Statement of Changes in Net Assets (Year ended June 30, 1998)

(In Thousands)

Additions:	
- member contributions	\$ 117,039
- employer contributions	86,411
- General Fund revenues	7,057
- transfers from other plans	10,583
- transfers from other providers	13,939
- asset fees collected	2,732
- insurance company fees collected	1,117
- other income	25
Total	<u>\$ 238,903</u>
Investment Income:	1,420,180
Less Investment Expense:	<u>\$ 5,974</u>
Net Investment Income	1,414,206
Income from Securities' Lending Activities:	
- securities' lending income	<u>49,670</u>
- securities' lending expenses:	
-- borrower rebates	45,603
-- management fees	<u>1,277</u>
Total securities' lending expenses	<u>46,880</u>
Net Income From Securities' Lending Activities	<u>2,790</u>
Total Additions	<u>\$1,655,899</u>
Deductions:	
- annuity benefits	\$ 230,978
- refunds	21,170
- interest to MPRI Fund	1,532
- transfers to other plans	10,582
- transfers to other providers	11,689
- asset fees rebated	1,736
- administrative expenses	4,989
Total Deductions	<u>282,676</u>
Net Increase	<u>\$1,373,223</u>
Net Assets, July 1, 1997 (as reported)	6,354,251
Change in Accounting	431,332
Net Assets, June 30, 1998	<u><u>\$8,158,806</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 expendable trust fund. On June 30, 1998, the number of employers contributing to the various funds was:

-	state of Minnesota	1
-	University of Minnesota	1
-	counties	54
-	cities	184
-	school districts	269
-	other	<u>232</u>
		741

MSRS is a pension trust fund 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, the defined contribution fund and the expendable trust 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 statute. Similarly, benefits and refunds are recognized when due and payable as specified by statute.

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. Fixed Assets

Fixed assets are office equipment and fixtures. They 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, 1998, were:

-	cost of equipment and fixtures	\$402,933
-	less accumulated depreciation	<u>287,697</u>
-	undepreciated balance	<u>\$115,236</u>

E. 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 believe that Minnesota's General Fund is 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, 1998, were:

		(In Thousands)
-	Legislators' Retirement Fund	\$6,754
-	Elective State Officers' Fund	<u>500</u>
		\$7,254

F. 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 Minnesota Post-Retirement Investment 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 (Unclassified Employees' Retirement Fund) and the expendable trust fund (Deferred Compensation Fund), the employee reserve includes all assets of the fund which are not reserved for the payment of administrative expenses.

	(In Thousands)
State Employees' Retirement Fund	\$653,884
State Patrol Retirement Fund	35,702
Correctional Employees' Retirement Fund	34,827
Judges' Retirement Fund	10,865
Legislators' Retirement Fund	6,655
Elective State Officers' Retirement Fund	497
Unclassified Employees' Retirement Fund	230,926
Deferred Compensation Fund	<u>550,619</u>

\$1,523,975

- State reserve

For all funds except the Unclassified Employees' Retirement Fund and the Deferred Compensation Fund, the state reserve is credited with all investment earnings and employer contributions. For the Unclassified Employees' Retirement Fund and the Deferred Compensation Fund, they include the remaining balance of fees collected to pay administrative expenses. These balances at June 30, 1998, were:

	(In Thousands)
State Employees' Retirement Fund	\$2,735,815
State Patrol Retirement Fund	195,910
Correctional Employees' Retirement Fund	171,192
Judges' Retirement Fund	(871)
Legislators' Retirement Fund	(6,847)
Elective State Officers' Retirement Fund	(1,076)
Unclassified Employees' Retirement Fund	507
Deferred Compensation Fund	<u>1,110</u>
	\$3,095,740

- 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	\$1,813,037
State Patrol Retirement Fund	185,313
Correctional Employees' Retirement Fund	79,770
Judges' Retirement Fund	66,941
Legislators' Retirement Fund	<u>24,748</u>
	\$2,169,809

G. 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 the Government Accounting Standards Board's statement No. 32. This statement is titled: *Financial Reporting for the Internal Revenue Code, Section 457, Deferred Compensation Plans*. To do so, MSRS excluded assets held in trust by two contract vendors and reported only those assets reported by the State Board of Investment. This portion, previously reported as an agency fund, is now reported as an expendable trust fund. The fiduciary and administrative responsibilities of MSRS remain unchanged.

4. Cash and Investments

A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 1998, and throughout the year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*. The negative cash balances of the State Patrol Retirement Fund and the Legislators' Retirement Fund are the result of a technical delay in the transfer of cash from the Post-Retirement Investment Fund to each of those funds.

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

All MSRS investments are held in State Board of Investment administered pools, open-end mutual funds or guaranteed investment contracts. None of these are considered securities for risk-assessment purposes.

C. Investment Valuations

The combined funds' proportionate share in the cost and market values of the State Board of Investment's pools at June 30, 1998, were:

(In Thousands)		
Investment Pools	Cost June 30, 1998	Market Value
Fixed Income	979,502	994,612
External Domestic Equity	1,346,968	1,579,964
Passive Domestic Equity	473,046	736,771
Real Estate	135,020	167,620
Minnesota Resources	36,678	36,975
Minnesota Venture Capital	191,656	232,649
Global Equity	611,035	650,918
Post-Retirement Fund	2,169,809	2,894,780
Supplemental Investment Fund	336,433	772,837
Total	<u>\$6,280,147</u>	<u>\$8,067,126</u>

D. Securities Lending

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, 1998, interfund receivables and payables were:

	(In Thousands)	
	Interfund Receivables	Interfund Payables
Defined Benefit Retirement Funds		
State Employees'	\$5,950	\$8,438
State Patrol		59
Correctional Employees'	7,712	170
Judges'		29
Legislators'		25
Elective State Officers'		1
Defined Contribution Retirement Fund		
Unclassified Employees'	787	5,138
Expendable Trust Fund		
Deferred Compensation		589
Totals	<u>\$14,449</u>	<u>\$14,449</u>

6. Leases

The office facilities are leased by an agreement through Sept. 30, 2001. Annual rental obligations by fiscal year are:

Fiscal Year	Amount
1999	\$201,464
2000	221,451
2001	243,348
2002	262,236

7. Year 2000 Disclosure — Unaudited

As of June 30, 1998, MSRS had no resources committed to contracts to modify computer systems and other electronic equipment to make them year 2000 compliant. MSRS systems are developed and modified by MSRS employees.

All MSRS financial systems have been either developed and tested, or updated and tested, and upon review, found to be year 2000 compliant. Other subsystems, none of which have a material effect on either MSRS operations or financial statements, are all currently being updated and will be compliant by June 30, 1999.

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, 1998, were

(In Thousands)

Retirement Fund	Actuarial Basis	Market Basis
State Employees'	\$ (385,361)	\$(755,478)
State Patrol	(58,642)	(83,816)
Correctional Employees'	(33,422)	(52,374)
Judges'	44,149	42,457
Legislators'	31,716	31,728
Elective State Officers'	2,869	2,869
	<u>\$ (398,691)</u>	<u>\$(814,614)</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, 1998, follow:

	(In Thousands)					
	Retirement Funds					
	State Employees'	State Patrol	Correctional Employees'	Judges'	Legislators'	Elective State Officers'
Actual employee contributions as a percent of payroll	\$ 62,901 4.00%	\$ 3,634 8.92%	\$ 5,954 4.90%	\$ 1,570 6.28%	\$ 612 9.00%	\$ 42 9.00%
Actual employer contributions as a percent of payroll	\$ 62,315 4.00%	\$ 5,475 14.88%	\$ 8,146 6.75%	\$ 5,446 22.00%	N/A N/A	N/A N/A
Total contributions made as a percent of payroll	\$125,216 8.00%	\$ 9,109 23.80%	\$14,100 11.65%	\$7,016 28.28%	\$ 612 9.00%	\$ 42 9.00%
Required contribution (normal cost) as a percent of payroll	\$116,881 7.48%	\$ 8,931 21.19%	\$11,634 14.34%	\$3,764 16.24%	\$ 1,425 18.93%	\$ 63 13.67%
Required contributions (UAAL amortization cost) as a percent of payroll	\$ 0 0.00%	\$(2,605) -6.39%	\$(1,647) -2.03%	\$2,588 11.22%	\$ 2,160 28.69%	\$ 167 28.36%
Required contributions (administrative cost) as a percent of payroll	\$ 2,031 0.13%	\$ 61 0.15%	\$ 146 0.18%	\$ 32 0.14%	\$ 31 0.41%	\$ 5 1.04%
Total required contributions as a percent of payroll	\$118,913 7.61%	\$ 6,388 15.67%	\$10,133 12.49%	\$6,367 27.60%	\$ 3,616 48.03%	\$ 235 51.07%
Funding surplus (deficit) as a percent of payroll	\$ 6,303 0.39%	\$ 2,721 8.13 %	\$ 3,967 -0.84%	\$ 649 0.68%	\$(3,004) -39.03%	\$ (193) -42.07%

10. Defined Contribution Fund Disclosures

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, 1998, were:

-	Active members	1,622
-	Inactive members	<u>1,220</u>
	Total	2,842
-	Annualized payroll (June 30, 1998)	\$82,238,000
-	Participating employers	12
-	Contribution rates	
--	Employee	4.00%
--	Employer	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.

11. Optional Retirement Annuities

In the defined benefit funds, two Joint-and-Survivor options are available: a 50 percent or a 100 percent option. 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. 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.

12. 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, 1998, follow:

Members receiving benefits:

-	retirees	16,133
-	beneficiaries	1,697

Terminated members:

-	vested, not receiving benefits	11,415
-	nonvested	7,168

Active members:

-	vested	36,652
-	nonvested	9,647

Totals	82,712
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Annualized payroll (June 30, 1998):	\$1,664,588,000
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Participating employers	22
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Minnesota Statutes, Section 352.04 requires that eligible employees contribute 4.00 percent of their total compensation. The employer contributes 4.00 percent. Retirement benefits can be computed by two methods: the step formula and the level formula. Step formula benefits are 1.2 percent of the high five year average salary for each of the first 10 years, plus 1.7 percent for each year thereafter. Also, it includes full benefits under the *Rule of 90*. In contrast, the level formula does not include the Rule of 90, benefits are 1.7 percent 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, crime bureau officers or gambling enforcement agents.

Membership statistics, as of June 30, 1998, follow:

Members receiving benefits:

-	retirees	483
-	beneficiaries	137

Terminated members:

-	vested, not receiving benefits	21
-	nonvested	7

Active members:

-	vested	695
-	nonvested	111

Totals	1,454
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Annualized payroll (June 30, 1997):	\$45,217,000
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Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 8.40 percent of their total compensation, The employer contributes 12.00 percent. Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 3.00 percent of the high five year average salary for each year of service.

C. Correctional Employees' Retirement Fund

The Correctional Employees' Retirement Fund includes only the Correctional Plan, a single employer plan. Membership is limited to those state employees who have direct responsibility for inmates at Minnesota correctional facilities. Membership statistics, as of June 30, 1998, follow:

Members receiving benefits:

-	retirees	552
-	beneficiaries	39

Terminated members:

-	vested, not receiving benefits	291
-	nonvested	114

Active members:

-	vested	1,963
-	nonvested	854

Totals	3,813
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Annualized payroll (June 30, 1998):	\$106,178,000
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Minnesota Statutes, Section 352.91 requires that eligible employees contribute 5.5 percent of their total compensation. The employer contributes 7.7 percent. Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 2.4 percent per year of service credit multiplied by the high five year average monthly salary. The monthly benefit can be received either as level lifelong payments or accelerated payments until age 62 or 65. If the payment is accelerated, upon attaining the reversion age, the benefit is adjusted actuarially for the larger payment provided.

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, 1998, follow:

Members receiving benefits:

-	retirees	154
-	beneficiaries	83

Terminated members:

-	vested, not receiving benefits	7
-	nonvested	2

Active Members:

-	vested	207
-	nonvested	71
		—

Totals	524
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Annualized payroll (June 30, 1998):	\$25,890,000
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Minnesota Statutes, Section 490.123 requires that eligible employees covered by Social Security contribute 8 percent of the total compensation, employees not covered by Social Security contribute 9.88 percent. The employer contributes 20.5 percent.

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 2.7 percent for each year of service prior to July 1, 1980, plus 3.2 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 Elected 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 Elected State Officers' Plan includes only the elected constitutional officers. Membership statistics, as of June 30, 1998, follow:

	Legislators'	Elected State Officers'
Members receiving benefits:		
- retirees	192	5
- beneficiaries	70	6
Terminated members:		
- vested, not receiving benefits	111	3
- nonvested	4	0
Active members:		
- vested	102	4
- nonvested	97	2
	—	—
Totals	576	20

Annualized payroll (June 30, 1998):	\$7,289,000	\$500,000
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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 Elected State Officers' Plan has the same benefit eligibility.

13. Required Supplemental Information

A *Schedule of Funding Progress* and a *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

Year Ended June 30,	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	(In Thousands) Unaudited		Actual Covered Payroll (Previous FY) (C)	UAAL as Percent of Covered Payroll (B-A)/(C)
			Unfunded AAL (UAAL) (B-A)	Funded Ratio (A)/(B)		
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
1998	5,390,526	5,005,165	(385,361)	107.70	1,557,880	-24.74
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
1998	430,011	371,369	(58,642)	115.79	43,456	-134.95
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	(11,966)	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
1998	295,291	261,869	(33,422)	112.76	105,796	-31.59

Required Supplemental Information

Schedule of Funding Progress

(In Thousands)

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)
Judges' Retirement Fund:						
1991	\$33,559	\$ 78,429	\$44,870	42.79%	\$18,410	243.73%
1992	37,768	83,969	46,201	44.98	22,765	202.95
1993	44,156	90,509	46,353	48.79	22,084	209.89
1994	50,428	98,313	47,885	51.29	22,264	215.08
1995	56,813	102,238	45,425	55.57	22,877	198.56
1996	64,851	108,150	43,299	59.96	22,421	193.12
1997	74,681	117,714	43,033	63.44	22,909	187.84
1998	86,578	130,727	44,149	66.23	24,965	176.84
Legislators' Retirement Fund:						
1991	14,694	30,403	15,709	48.33	7,078	221.94
1992	15,160	33,224	18,064	45.63	6,556	275.53
1993	17,169	36,801	19,632	46.65	7,322	268.12
1994	18,738	45,448	26,710	41.23	6,589	405.37
1995	21,213	50,255	29,042	42.21	7,056	411.59
1996	22,532	54,225	31,693	41.55	6,267	505.71
1997	25,678	60,055	34,377	42.76	7,767	442.60
1998	31,212	62,928	31,716	49.60	6,802	466.27
Elective State Officers' Retirement Fund:						
1991	308	2,249	1,941	13.69	422	459.95
1992	334	2,380	2,046	14.03	378	541.27
1993	322	2,689	2,367	11.97	500	473.40
1994	361	2,848	2,487	12.68	411	605.11
1995	378	2,948	2,570	12.82	422	609.00
1996	412	2,983	2,571	13.81	456	563.82
1997	456	3,214	2,758	14.19	467	590.58
1998	500	3,369	2,869	14.84	461	622.34

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) x (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
1998	7.13	1,557,880	62,901	48,176	62,315	129.35
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
1998	15.67	43,456	3,634	3,176	5,475	172.39
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
1998	12.49	105,796	5,954	7,260	8,146	112.20

* 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) x (B)] - (C)	Actual Employer Contribution*	Percent Contributed
Judges' Retirement Fund:						
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
1998	27.60	24,965	1,570	5,320	7,129	134.00

Legislators' Retirement Fund:

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
1998	48.03	6,802	612	2,655	5,199	195.82

Elective State Officers' Retirement Fund:

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
1998	51.07	461	42	193	175	90.67

* This includes contributions from other sources, if applicable.

Required Supplemental Information

Revenues by Sources

			(In Thousands) Unaudited				
Year Ended June 30,	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Covered Payroll	Percentage Employer Contributions
State Employees' Retirement Fund:							
1991	\$56,895	\$57,986	\$182,747	\$ 4	\$ 297,632	\$1,370,964	4.23%
1992	58,478	59,244	297,879	8	415,609	1,409,108	4.20
1993	59,130	58,980	269,405	3	387,518	1,482,005	3.98
1994	62,555	60,742	305,850	13	429,160	1,536,978	3.95
1995	61,627	63,161	269,588	2	394,378	1,514,177	4.17
1996	63,507	65,556	517,346	40	646,449	1,560,369	4.20
1997	63,848	66,568	936,759	2,455	1,069,630	1,568,747	4.24
1998	62,901	62,315	1,110,022	3,500	1,238,738	1,557,880	4.00
State Patrol Retirement Fund:							
1991	2,751	4,825	16,013	0	23,589	32,365	14.91
1992	2,795	4,893	24,569	0	32,257	32,882	14.88
1993	3,040	5,288	22,595	0	30,923	35,865	14.74
1994	3,004	5,160	25,102	0	33,266	35,341	14.60
1995	3,189	5,583	22,815	0	31,587	37,518	14.88
1996	3,484	5,742	42,458	0	51,684	41,476	13.84
1997	3,746	6,151	75,700	0	85,597	41,996	14.65
1998	3,634	5,475	90,117	0	99,226	43,546	12.60
Correctional Employees' Retirement Fund:							
1991	2,128	2,731	8,035	0	12,894	43,429	6.29
1992	2,332	2,955	14,121	0	19,408	47,592	6.21
1993	2,554	3,217	12,680	0	18,451	52,122	6.17
1994	2,679	3,355	13,767	0	19,801	54,673	6.14
1995	3,280	4,196	12,729	0	20,205	66,939	6.27
1996	3,575	4,559	25,429	0	33,563	72,959	6.25
1997	5,508	9,129	46,321	3,715	64,673	102,408	8.12
1998	5,954	8,146	58,451	6,375	78,926	105,796	7.70

Required Supplemental Information

Revenues by Sources

(In Thousands)
Unaudited

Year Ended June 30,	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Covered Payroll	Percentage Employer Contributions
Judges' Retirement Fund:							
1991	\$ 799	\$5,900	\$ 2,927	\$ 20	\$ 9,646	\$18,410	32.05%
1992	988	4,722	3,407	11	9,128	22,765	20.74
1993	1,409	4,844	3,853	1,444	11,550	22,084	21.93
1994	1,416	4,912	4,527	1,467	12,322	22,264	22.06
1995	1,455	5,161	4,305	1,469	12,390	22,877	22.56
1996	1,427	4,972	6,831	1,483	14,713	22,421	22.18
1997	1,457	5,094	16,057	1,548	24,156	22,909	22.24
1998	1,571	5,446	18,410	1,693	27,120	24,965	21.81
Legislators' Retirement Fund:							
1991	637	0	882	1,889	3,408	7,078	N/A
1992	590	0	872	601	2,063	6,556	N/A
1993	659	0	974	2,283	3,916	7,322	N/A
1994	593	0	1,278	1,618	3,489	6,589	N/A
1995	635	0	1,163	2,939	4,737	7,056	N/A
1996	563	0	1,611	1,511	3,685	6,267	N/A
1997	699	0	4,347	3,176	8,222	7,767	N/A
1998	612	0	5,635	5,199	11,446	6,802	N/A
Elective State Officers' Retirement Fund:							
1991	38	0	0	40	78	422	N/A
1992	34	0	0	111	145	378	N/A
1993	45	0	0	88	133	500	N/A
1994	37	0	0	164	201	411	N/A
1995	37	0	0	165	202	422	N/A
1996	41	0	0	151	192	456	N/A
1997	42	0	0	167	209	467	N/A
1998	42	0	0	175	217	461	N/A

Required Supplemental Information Expenses by Type

(In Thousands)
Unaudited

Year Ended June 30,	Benefits	Administrative Expenses	Refunds	Other	Total
State Employees' Retirement Fund:					
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
1998	182,562	2,365	11,659	7,932	204,518
State Patrol Retirement Fund:					
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
1998	18,354	66	23	334	18,777
Correctional Employees' Retirement Fund:					
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
1998	8,226	154	378	282	9,040

Required Supplemental Information

Expenses by Type

(In Thousands)
Unaudited

Year Ended June 30,	Benefits	Administrative Expenses	Refunds	Other	Total
Judges' Retirement Fund:					
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
1998	9,082	34	0	51	9,167
Legislators' Retirement Fund:					
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	1,919
1995	2,052	26	158	27	2,263
1996	2,318	25	6	17	2,366
1997	2,639	30	119	20	2,808
1998	3,276	29	108	41	3,454
Elective State Officers' Retirement Fund:					
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
1998	171	3	0	0	174

Combining Statement of Plan Net Assets (as of June 30, 1998)

(In Thousands)

		Defined Contribution Fund	Expendable Trust Fund	
	Defined Benefit Funds	Unclassified Retirement Fund	Deferred Compensation Fund	Total
Assets:				
- cash	\$ 39	\$ 118	\$ 122	\$ 279
- short term investments (at fair value)	64,005	6,598	5,401	76,004
- accounts receivable:				
-- member contributions	4,672	142	2,694	7,508
-- employer contributions	5,004	214	0	5,218
-- other	62	9	13	84
-- accrued interest	192	0	0	192
- due from MPRI Fund	2,790	0	0	2,790
- due from other plans	13,662	787	0	14,449
- investment pools (at fair value):				
-- fixed income	994,612	0	0	994,612
-- external domestic equity	1,579,964	0	0	1,579,964
-- passive domestic equity	736,771	0	0	736,771
-- Real Estate Fund	167,620	0	0	167,620
-- Minnesota Resources Fund	36,975	0	0	36,975
-- Minnesota venture capital	232,649	0	0	232,649
-- global equity	650,918	0	0	650,918
-- Post-Retirement Fund	2,894,780	0	0	2,894,780
-- Supplemental Investment Fund	0	228,182	544,655	772,837
- securities' lending collateral	708,210	23,408	47,076	778,694
- fixed assets	115	0	0	115
- nondedicated member deposits	7,254	0	0	7,254
	<u>\$8,100,294</u>	<u>\$259,458</u>	<u>\$ 599,961</u>	<u>\$8,959,713</u>
Liabilities:				
- accounts payable	\$ 2,054	\$ 0	\$ 568	\$ 2,622
- securities' lending collateral	708,210	23,408	47,075	778,693
- due to MPRI Fund	5,143	0	0	5,143
- due to other plans	8,722	5,138	589	14,449
	<u>724,129</u>	<u>28,546</u>	<u>48,232</u>	<u>800,907</u>
Net assets held in trust for pension benefits	<u><u>\$7,376,165</u></u>	<u><u>\$230,912</u></u>	<u><u>\$ 551,729</u></u>	<u><u>\$8,158,806</u></u>

A *Schedule of Funding Progress* and a *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, 1998)

(In Thousands)				
		Defined Contribution Fund	Expendable Trust Fund	
	Defined Benefit Totals Funds	Unclassified Retirement Fund	Deferred Compensation Fund	
Additions:				
- member contributions	\$ 74,714	\$ 3,490	\$ 38,835	\$ 117,039
- employer contributions	81,382	5,029	0	86,411
- General Fund revenues	7,057	0	0	7,057
- transfers from other plans	9,862	721	0	10,583
- transfers from other providers	0	0	13,939	13,939
- asset fees collected	0	824	1,908	2,732
- insurance company fees collected	0	0	1,117	1,117
- other income	23	0	2	25
Total	\$ 173,038	\$ 10,064	\$ 55,801	\$ 238,903
Investment income	1,286,042	41,836	92,302	1,420,180
Less investment expense	\$ 5,974	\$ 0	\$ 0	\$ 5,974
Net investment income	1,280,068	41,836	92,302	1,414,206
Income from securities' lending activities:				
- securities' lending income	45,919	1,236	2,515	49,670
- securities' lending expenses:				
-- borrower rebates	42,171	1,134	2,298	45,603
-- management fees	1,181	31	65	1,277
Total securities' lending expenses	43,352	1,165	2,363	46,880
Net income from securities' lending activities	2,567	71	152	2,790
Total additions	1,455,673	51,971	148,255	1,655,899
Deductions:				
- annuity benefits	\$ 221,671	\$ 0	\$ 9,307	\$ 230,978
- refunds	12,168	5,333	3,669	21,170
- interest to MPRI Fund	1,532	0	0	1,532
- transfers to other plans	7,108	3,474	0	10,582
- transfers to other providers	0	0	11,689	11,689
- asset fees rebated	0	765	971	1,736
- administrative expenses	2,651	116	2,222	4,989
Total deductions	\$ 245,130	\$ 9,688	\$ 27,858	\$ 282,676
Net increase	\$1,210,543	\$ 42,283	\$ 120,397	\$1,373,223
Net assets, July 1, 1997 (as reported)	\$6,165,622	\$188,629	\$ 0	\$6,354,251
Change in accounting	\$ 0	\$ 0	\$ 431,332	\$ 431,332
Net assets, June 30, 1998	\$7,376,165	\$230,912	\$ 551,729	\$8,158,806

See Notes to the Financial Statements.

Combining Statement of Plan Net Assets

Defined Benefit Funds (as of June 30, 1998)

(In Thousands)

	State Employees'	State Patrol	Correctional Employees'	Judges'	Legislators'	Elective State Officers	Total
Assets:							
- cash	\$ 85	\$ (25)	\$ 6	\$ (12)	\$ (15)	\$ 0	\$ 39
- short term investments	48,910	3,594	8,367	3,134	0	0	64,005
- accounts receivable:							
-- member contributions	4,077	210	327	55	0	3	4,672
-- employer contributions	4,081	323	459	141	0	0	5,004
-- other	55	4	1	2	0	0	62
-- accrued interest	169	12	10	1	0	0	192
- due from MPRI Fund	302	52	2,386	25	25	0	2,790
- due from other plans	5,950	0	7,712	0	0	0	13,662
- investment pools (at fair value):							
-- fixed	880,836	60,650	48,723	4,403	0	0	994,612
-- external domestic equity	1,399,233	96,340	77,398	6,993	0	0	1,579,964
-- passive domestic equity	652,491	44,927	36,092	3,261	0	0	736,771
-- Real Estate Fund	148,446	10,221	8,211	742	0	0	167,620
-- Minnesota Resources Fund	32,747	2,253	1,811	164	0	0	36,975
-- Minnesota venture capital	206,035	14,187	11,397	1,030	0	0	232,649
-- global equity fund	576,459	39,692	31,886	2,881	0	0	650,918
-- Post-Retirement Fund	2,419,218	246,527	107,246	88,852	32,937	0	2,894,780
- securities' lending collateral	611,957	50,125	31,741	11,028	3,359	0	708,210
- fixed assets	115	0	0	0	0	0	115
- nondedicated member deposits	0	0	0	0	6,754	500	7,254
	<u>\$ 6,991,166</u>	<u>\$569,092</u>	<u>\$ 373,773</u>	<u>\$122,700</u>	<u>\$ 43,060</u>	<u>\$ 503</u>	<u>\$ 8,100,294</u>
Liabilities:							
- accounts payable	\$ 1,846	\$ 103	\$ 88	\$ 11	\$ 4	\$ 2	\$ 2,054
- securities' lending collateral	611,957	50,125	31,741	11,028	3,359	0	708,210
- due to MPRI Fund	1,089	2,337	0	1,446	271	0	5,143
- due to other plans	8,438	59	170	29	25	1	8,722
	<u>\$ 623,330</u>	<u>\$ 52,624</u>	<u>\$ 31,999</u>	<u>\$ 12,514</u>	<u>\$ 3,659</u>	<u>\$ 3</u>	<u>\$ 724,129</u>
Net assets held in trust for pension benefits:	<u>\$ 6,367,836</u>	<u>\$ 516,468</u>	<u>\$341,774</u>	<u>\$110,186</u>	<u>\$ 39,401</u>	<u>\$ 500</u>	<u>\$ 7,376,165</u>

A Schedule of Funding Progress and a 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, 1998)

	(In Thousands)						
	State Employees'	State Patrol	Correctional Employees'	Judges'	Legislators'	Elective State Officers'	Total
Additions:							
- member contributions	\$ 62,901	\$ 3,634	\$ 5,954	\$ 1,571	\$ 612	\$ 42	\$ 74,714
- employer contributions	62,315	5,475	8,146	5,446	0	0	81,382
- General Fund revenues	0	0	0	1,683	5,199	175	7,057
- transfers from other plans	3,487	0	6,375	0	0	0	9,862
- other income	13	0	0	10	0	0	23
Total	\$ 128,716	\$ 9,109	\$ 20,475	\$ 8,710	\$ 5,811	\$ 217	\$ 173,038
Investment income	\$ 1,113,090	\$ 90,305	\$ 58,625	\$ 18,399	\$ 5,623	\$ 0	\$ 1,286,042
Less investment expense	\$ 5,288	\$ 369	\$ 289	\$ 28	\$ 0	\$ 0	\$ 5,974
Net investment income	1,107,802	89,936	58,336	18,371	5,623	0	1,280,068
Income from securities' lending activities:							
- securities' lending income	39,649	3,255	2,071	723	221	0	45,919
- securities' lending expenses:							
-- borrower rebates	36,408	2,991	1,903	666	203	0	42,171
-- management fees	1,021	83	53	18	6	0	1,181
Total securities' lending expenses	\$ 37,429	\$ 3,074	\$ 1,956	\$ 684	\$ 209	\$ 0	\$ 43,352
Net income securities' lending activities	2,220	181	115	39	12	0	2,567
Total additions	\$ 1,238,738	\$ 99,226	\$ 78,926	\$ 27,120	\$ 11,446	\$ 217	\$ 1,455,673
Deductions:							
- annuity benefits	\$ 182,562	\$ 18,354	\$ 8,226	\$ 9,082	\$ 3,276	\$ 171	\$ 221,671
- refunds	11,659	23	378	0	108	0	12,168
- interest to MPRI Fund	837	334	269	51	41	0	1,532
- transfers to other plans	7,095	0	13	0	0	0	7,108
- administrative expenses	2,365	66	154	34	29	3	2,651
Total deductions	\$ 204,518	\$ 18,777	\$ 9,040	\$ 9,167	\$ 3,454	\$ 174	\$ 245,130
Net increase	\$ 1,034,220	\$ 80,449	\$ 69,886	\$ 17,953	\$ 7,992	\$ 43	\$ 1,210,543
Net assets, July 1, 1997	\$ 5,333,616	\$ 436,019	\$ 271,888	\$ 92,233	\$ 31,409	\$ 457	\$ 6,165,622
Net assets, June 30, 1998	\$ 6,367,836	\$ 516,468	\$ 341,774	\$ 110,186	\$ 39,401	\$ 500	\$ 7,376,165

See Notes to the Financial Statements.

Schedule of Administrative Expenses (Year ended June 30, 1998)

(In Thousands)

	Total
Staff salaries	\$1,767
Social Security	132
Retirement	74
Insurance	161
Other personal services	<u>2</u>
Total	<u>\$2,136</u>
Professional services:	
- actuarial	\$ 130
- data processing	228
- disability examinations	37
- legal counsel	20
- other professional services	<u>1,572</u>
Total	<u>\$1,987</u>
Communication:	
- printing	\$ 146
- telephone	32
- postage	197
- travel	15
- subscriptions, memberships and training	<u>6</u>
Total	<u>\$ 396</u>
Rentals:	
- office space	<u>\$ 185</u>
Miscellaneous:	
- supplies	\$ 59
- repairs and maintenance agreements	32
- department head and board member expense	19
- statewide indirect cost	87
- depreciation	43
- other purchased services	33
- state sales taxes	11
- local sales taxes	<u>1</u>
Total	<u>\$ 285</u>
Total Operating Expenses	<u>\$4,989</u>
Expenses distributed by fund:	
- State Employees'	\$2,365
- State Patrol	66
- Correctional Employees'	154
- Judges'	34
- Legislators'	29
- Elective State Officers'	3
- Unclassified Employees'	116
- Deferred Compensation	<u>2,222</u>
Total distribution	<u>\$4,989</u>

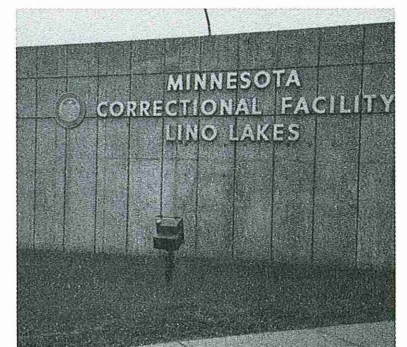
Summary Schedule of Commissions and Payments to Consultants

Individual or Firm Name	Services Received	Fees Paid
William Mercer Inc.	Actuarial	\$ 74,893
Wyatt Inc.	Deferred Compensation Plan consultant	36,683
State of Minnesota:		
- Department of Health	Medical advisor	\$ 36,871
- Office of the Attorney General	Legal	19,817
- Legislative Commission on Pensions and Retirement	Actuarial	55,003



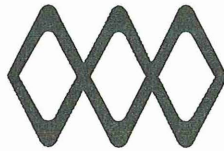
Photo: Eugénie de Rosier

Kim Schuller, special teacher, instructs inmates at the Lino Lakes correctional facility. Member: Correctional Retirement Plan.





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. 23, 1998

Board of Trustees
Minnesota State Retirement System
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, 1998.

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 38.19 percent and 42.66 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, 1998. 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 in the CERF, including some who 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 audited subsequently with no significant changes made.

Board of Trustees
Dec. 23, 1998
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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 1998 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	108%
SPRF	2020	116
CERF	2020	113
LRF	N/A	50
ESORF	N/A	15
JRF	2020	66

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,

MILLIMAN & ROBERTSON, INC.



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

TKC/bh

Summary of Actuarial Assumptions 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 increase or decrease the unfunded actuarial accrued liability.

Assumptions:

- Retirement State Employees' Plan⁽⁷⁾ — Graded rates from age 58 with 25 percent of those eligible for Rule of 90 retiring each year; Correctional Plan⁽⁶⁾ — age 58; State Patrol Plan⁽⁶⁾ — age 58, if hired after June 30, 1961, or age 63 if hired before July 1, 1961; Judges' Plan⁽⁶⁾ — age 68; State Elected Officers⁽⁶⁾ and Legislators' Plans⁽⁶⁾ — age 62.
- Mortality The 1983 Group Annuity Mortality Tables⁽⁹⁾ 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
Elective State Officers'	-4	-2	0	0
- Separation Graded rates are based on actual experiences⁽⁸⁾.
- Expense Prior year expenses are expressed as a percentage of prior year payroll⁽⁸⁾.
- Interest Rates are 8.5 percent pre-retirement⁽⁷⁾ and 6 percent post-retirement⁽⁹⁾.
- Salary increases The increase is 6.5 percent per year⁽⁶⁾ (5 percent plus graded merit and seniority assumption for State Employees' Retirement Fund⁽⁸⁾).
- Contribution refund Employees who withdraw are assumed to take the larger of a refund or a deferred benefit⁽⁴⁾.
- Social Security The Correctional Plan⁽³⁾ is based on the present law and a 6.5 percent salary scale. Only state service earnings are used.
- Asset valuation This is cost plus one-third unrealized gains or losses⁽⁶⁾.

Effective dates assumptions adopted:

- | | |
|-------------------|-------------------|
| (1) June 30, 1972 | (5) June 30, 1980 |
| (2) June 30, 1973 | (6) June 30, 1984 |
| (3) June 30, 1974 | (7) June 30, 1989 |
| (4) June 30, 1979 | (8) June 30, 1994 |
| | (9) June 30, 1997 |

* Post-retirement tables are statutorily gender neutral.

Required Reserves (as of July 1, 1998)

(In Thousands)

	State Employees' Fund	State Patrol Fund	Correctional Employees' Fund	Judges' Fund	Legislators' Fund	State Elective Officers' Fund
Active members:						
- retirement annuities	\$ 2,572,946	\$ 169,019	\$ 153,576	\$46,338	\$15,670	\$1,505
- disability benefits	112,125	8,395	8,613	2,279	0	0
- survivor benefits	65,915	4,373	3,095	1,794	176	7
- deferred retirements	218,122	1,034	11,462	0	1,709	230
- refunds	(124,436)	(535)	(4,243)	222	(400)	7
Totals	\$ 2,844,672	\$ 182,286	\$ 172,503	\$ 50,633	\$ 17,155	\$ 1,749
Deferred retirements	339,982	2,518	9,389	1,004	12,287	246
Former members not vested	4,641	220	207	14	52	0
Annuitants in MPRIF	1,813,037	185,313	79,770	66,941	24,748	0
Annuitants not in MPRIF	2,833	1,032	0	12,135	8,686	1,374
Total required reserves	\$ 5,005,165	\$ 371,369	\$ 261,869	\$ 130,727	\$ 62,928	\$3,369

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%	7.73%	0.27%
State Patrol Fund	8.40	12.60	21.00	14.14	6.86
Correctional Employees' Fund	5.50	7.70	13.20	12.99	0.21
Judges' Fund	6.28	22.00	28.28	27.32	0.96
Legislators' Plan	9.00	0.00	9.00	47.19	(38.19)
Elective Officers' Plan	9.00	0.00	9.00	51.66	(42.66)

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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State Employees' Retirement Fund:

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
06-30-98	46,299	1,664,588,000	35,953	3.20

State Patrol Retirement Fund:

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
06-30-98	806	45,217,000	56,100	3.52

Correctional Employees' Retirement Fund:

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
06-30-98	2,817	106,178,000	37,692	6.70

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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Judges' Retirement Fund:

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
06-30-98	278	25,890,000	93,129	6.40

Legislators' Retirement Fund:

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
06-30-98	199	7,289,000	36,628	-3.46

Elective State Officers' Retirement Fund:

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
06-30-98	6	500,000	83,333	3.52

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:						
06-30-89	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
06-30-98	1,316	683	17,830	182,562,000	21.16	10,239
State Patrol Retirement Fund:						
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
06-30-98	62	12	620	18,353,000	25.34	29,602
Correctional Employees' Retirement Fund:						
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
06-30-98	86	14	591	8,226,000	31.26	13,919

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
Judges' Retirement Fund:						
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
06-30-98	21	11	237	9,082,000	20.13	38,321
Legislators' Retirement Fund:						
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
06-30-98	23	8	262	3,276,000	24.14	12,504
Elective State Officers' Retirement Fund:						
06-30-89	0	0	8	105,000	7.10	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
06-30-98	2	2	11	171,000	6.88	15,545

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:								
06-30-89	\$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
06-30-98	653,884	1,815,870	2,735,211	5,390,526	100	100	106.8	107.7
State Patrol Retirement Fund:								
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
06-30-98	35,702	186,345	149,322	430,011	100	100	139.3	115.8
Correctional Employees' Retirement Fund:								
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
06-30-98	34,827	79,770	147,272	295,291	100	100	122.7	112.8

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:								
06-30-89	\$ 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
06-30-98	10,865	79,076	40,786	86,578	100	95.7	0	73.9
Legislators' Retirement Fund:								
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	15,693	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
06-30-98	6,655	33,435	22,838	31,212	100	73.4	0	49.6
Elective State Officers' Retirement Fund:								
06-30-89	313	710	1,078	315	100.0	0	0	15.0
06-30-90	349	709	1,213	351	100.0	0	0	15.5
06-30-91	306	952	991	308	100.0	0	0	13.7
06-30-92	334	982	1,064	334	100.0	0	0	14.0
06-30-93	322	1,373	994	332	100.0	0	0	12.0
06-30-94	359	1,212	1,277	361	100.0	0	0	12.7
06-30-95	379	1,384	1,185	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
06-30-98	497	1,374	1,498	500	99.4	0	0	14.8

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:					
06-30-89	\$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
06-30-98	5,005,165	5,390,526	(385,361)	1,664,588	23.2
State Patrol Retirement Fund:					
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
06-30-98	371,369	430,011	(58,642)	45,217	129.7
Correctional Employees' Retirement Fund:					
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
06-30-98	261,869	295,291	(33,422)	106,178	31.5

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:					
06-30-89	\$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
06-30-98	130,727	86,578	44,149	25,890	170.5
Legislators' Retirement Fund:					
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
06-30-98	62,928	31,212	31,716	7,289	435.1
Elective State Officers' Fund:					
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
06-30-98	3,369	500	2,869	500	573.8

Assumed 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.

Assumed 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.

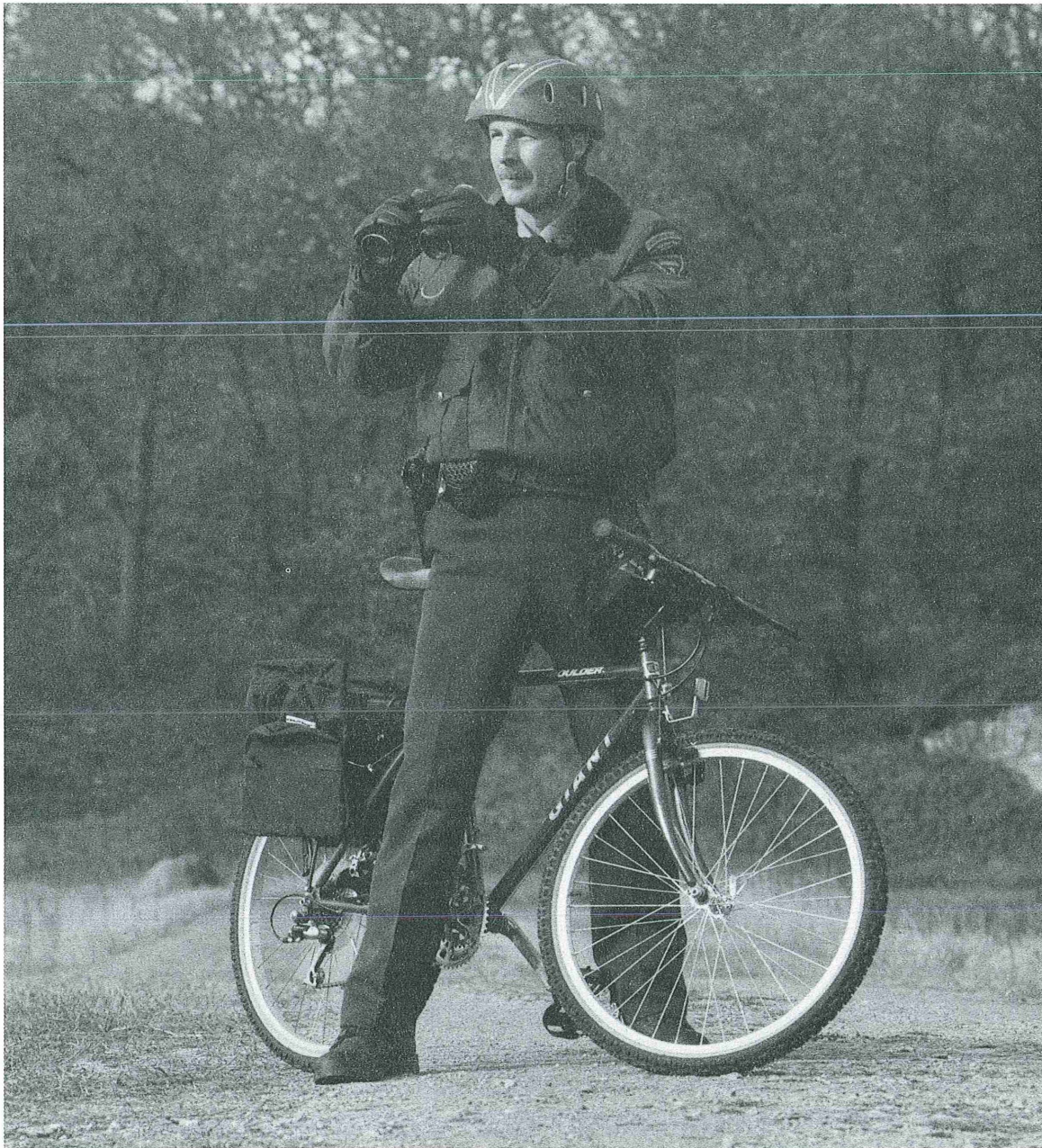
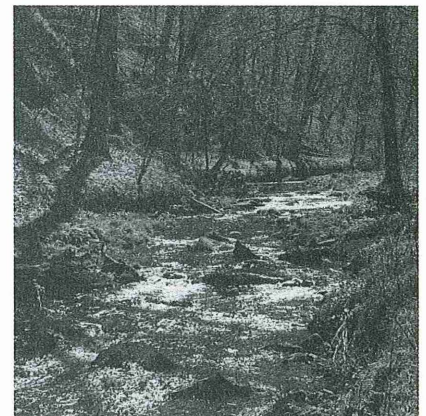


Photo: Lawrence Duke, Minnesota Department of Natural Resources

Scott Carlson, conservation officer, Prior Lake, is responsible for Minnesota's southeastern corner. He manages and sustains the state's natural resources through investigation, law enforcement, violator apprehension, audits, license inspection and land management. Member: State Patrol Retirement Plan.





Statistical Section

Investment Results Compared to Selected Performance Standards

	Fiscal Year					Annualized	
	1994	1995	1996	1997	1998	Three Year	Five Year
Combined Funds:							
- Rate of return (time weighted)							
- Total fund	1.8%	16.3%	18.1%	21.4%	20.9%	20.1%	15.4%
- Composite index *	2.1	16.9	17.4	20.0	19.0	18.8	14.9
- Combined Funds Percentile (rank in TUCS) **	67nd	48th	34th	28th	14th	17th	28th
- Inflation	2.5	3.0	2.8	2.3	1.7	2.2	2.5

* As of June 30, 1998, the composite was weighted at 50.2 percent on the Wilshire 5000, 27.3 percent on the Lehman Aggregate, 15.0 percent on the Custom International, 2.2 percent on the Wilshire Real Estate, 2.9 percent on Venture Capital, 0.5 percent on resource funds, and 1.9 percent on 91-day treasury bills. This composite is adjusted to reflect various investment restrictions.

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

Investment Allocation

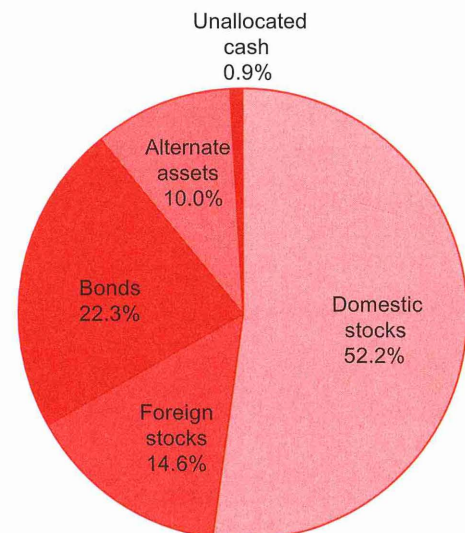


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	Actual Asset Mix	Policy Target
Basic Funds:		
Domestic stocks	52.2%	45.0%
Foreign stocks	14.6	15.0
Bonds	22.3	24.0
Alternate assets ***	10.0	15.0
Unallocated cash	0.9	1.0
Total	100.0%	100.0%

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

Actual Asset Mix



Active Employees' Average Age Tables

(These statistics are unavailable for the Legislators' and Elected 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:												
06-30-89	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
06-30-98	34.6	33.8	34.2	31.0	30.8	30.9	45.0	42.9	43.9	13.1	10.6	11.8
State Patrol Retirement Fund:												
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
06-30-98	30.8	31.7	30.9	27.5	27.5	27.5	42.6	36.9	42.1	15.0	9.3	14.6
Correctional Employees' Retirement Fund:												
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
06-30-98	36.2	40.1	38.3	30.9	34.6	32.1	40.2	39.8	40.0	8.8	4.7	7.5
Judges' Retirement Fund:												
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
06-30-98	48.1	41.4	47.0	42.9	42.0	42.7	54.5	50.8	53.6	11.1	8.5	10.5

Employees Eligible to an Immediate Annuity (as of June 30, 1998)

	Total
State Employees' Retirement Fund:	
- full benefit	780
- reduced benefit due to early retirement	6,108
- proportional benefit (age equal to or more than 65 and service years fewer than 10)	106
- Rule of 90	629
- vested employees not eligible to immediate benefit	28,022
- employees not vested	10,643
Total	46,288
State Patrol Retirement Fund:	
- full benefit	63
- vested employees not eligible to immediate benefit	632
- employees not vested	111
Total	806
Correctional Employees' Retirement Fund:	
- full benefit	90
- vested employees not eligible to immediate benefit	1,873
- employees not vested	854
Total	2,817
Judges' Retirement Fund:	
- full benefit	15
- reduced benefit	17
- vested judges not eligible to immediate benefit	175
- judges not vested	71
Total	278
Legislators' Retirement Fund:	
- full benefit	23
- reduced benefit	1
- vested members not eligible for an immediate benefit	78
- members not vested	97
Total	199
Elective State Officers' Retirement Fund:	
- full benefit	2
- vested members not eligible for an immediate benefit	2
- members not vested	2
Total	6

Refund Statistics (These statistics are not available for the Legislators' and Elected State Officers' Plans.)

Year Ended	Number of Refunds			Age		Years Forfeited		Number Forfeiting
	Male	Female	Total	Male	Female	Male	Female	Vested Rights
State Employees' Retirement Fund:								
06-30-89	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
06-30-98	998	1,732	2,730	36.4	36.2	3.6	3.3	895
State Patrol Retirement Fund:								
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
06-30-98	1	0	1	30.0	-	5.9	-	1
Correctional Employees' Retirement Fund:								
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
06-30-98	52	33	85	34.6	31.0	3.4	1.8	27
Judges' Retirement Fund:								
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
06-30-98	1	0	1	62.6	-	2.7	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	3,018	2,570	141	278	0	29	2,102	818	65	33
250 - 499	3,590	2,856	254	448	1	31	2,425	1,012	118	35
500 - 749	2,951	2,380	241	315	0	15	1,946	898	90	17
750 - 999	2,264	1,888	59	202	0	15	1,404	802	49	9
1,000 - 1,249	1,670	1,446	85	135	1	3	975	651	34	10
1,250 - 1,499	1,217	1,071	37	105	1	3	640	541	21	15
1,500 - 1,749	911	813	14	82	0	2	457	436	12	6
1,750 - 1,999	661	611	7	37	1	5	292	357	7	5
2,000 - 2,249	513	468	7	38	0	0	207	299	4	3
2,250 - 2,499	368	349	1	15	1	2	159	204	2	3
2,500 - 2,749	258	237	0	18	1	2	112	136	4	6
2,750 - 2,999	156	151	0	5	0	0	58	98	0	0
3,000 or more	287	272	1	12	1	1	94	188	4	1
Totals	17,864	15,112	947	1,690	7	108	10,871	6,440	410	143

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	8	2	0	6	1	1	6
250 - 499	10	1	0	9	2	1	7
500 - 749	19	8	1	10	5	7	7
750 - 999	37	6	0	31	11	22	4
1,000 - 1,249	26	10	2	14	9	17	0
1,250 - 1,499	15	2	0	13	1	12	2
1,500 - 1,749	31	14	1	16	9	20	2
1,750 - 1,999	27	18	1	8	5	20	2
2,000 - 2,249	43	28	5	10	22	18	3
2,250 - 2,499	40	32	2	6	11	26	3
2,500 - 2,749	60	53	3	4	16	44	0
2,750 - 2,999	54	50	1	3	18	35	1
3,000 or more	<u>251</u>	<u>238</u>	<u>5</u>	<u>8</u>	<u>148</u>	<u>100</u>	<u>3</u>
Totals	621	462	21	138	258	323	40

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	68	43	2	23	32	24	12	0
250 - 499	62	55	3	4	44	15	2	1
500 - 749	87	66	12	9	54	31	2	0
750 - 999	119	98	19	2	85	33	0	1
1,000 - 1,249	81	70	11	0	58	23	0	0
1,250 - 1,499	61	59	2	0	31	30	0	0
1,500 - 1,749	47	47	0	0	29	18	0	0
1,750 - 1,999	26	26	0	0	14	12	0	0
2,000 - 2,249	18	17	0	1	10	8	0	0
2,250 - 2,499	5	5	0	0	4	1	0	0
2,500 - 2,749	8	8	0	0	3	5	0	0
2,750 - 2,999	5	5	0	0	4	1	0	0
3,000 or more	4	4	0	0	3	1	0	0
0	—	—	—	—	—	—	—	—
Totals	591	503	49	39	371	202	16	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	0	0	0	0	0	0	0	0
500 - 749	6	1	0	5	5	0	1	0
750 - 999	8	3	0	5	5	1	1	1
1,000 - 1,249	5	3	0	2	3	2	0	0
1,250 - 1,499	8	2	0	6	7	1	0	0
1,500 - 1,749	13	6	0	7	7	5	0	1
1,750 - 1,999	5	0	0	5	1	4	0	0
2,000 - 2,249	19	5	0	14	13	2	4	0
2,250 - 2,499	19	7	0	12	7	6	6	0
2,500 - 2,749	12	6	0	6	3	8	1	0
2,750 - 2,999	12	8	0	4	5	4	3	0
3,000 or more	<u>130</u>	<u>107</u>	<u>6</u>	<u>17</u>	<u>38</u>	<u>62</u>	<u>23</u>	<u>7</u>
Totals	240	151	6	83	97	95	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	6	14
250 - 499	1	2	17	18
500 - 749	1	0	38	17
750 - 999	1	1	31	10
1,000 - 1,249	1	0	27	5
1,250 - 1,499	0	0	15	4
1,500 - 1,749	0	0	13	0
1,750 - 1,999	0	0	5	0
2,000 - 2,249	1	0	12	0
2,250 - 2,499	0	0	8	1
2,500 - 2,749	1	0	6	2
2,750 - 2,999	0	0	6	0
3,000 or more	0	1	9	0
Totals	7	4	193	66

Unclassified Employees' Retirement Plan

On June 30, 1998, there were 1,622 active participants, and 1,220 inactive participants for a total of 2,842.

	Share Value		Rate of Return	
	June 30, 1997 *	June 30, 1998	Fiscal Year 1998	Five Year Average
Investment performance:				
- Income shares	\$20.38	\$24.70	21.23%	15.54%
- Growth shares	15.97	20.87	30.70	20.83
- Common stock index	11.71	15.07	28.75	21.30
- Bond market	6.38	7.05	10.59	6.79
- International shares	3.35	3.37	0.67	11.19 **

	Average Interest Rate		
	Fiscal Year 1997	Fiscal Year 1998	Five Year Average
Accounts:			
- Money market	5.50%	5.35%	4.79%
- Fixed interest	6.60	5.88	6.12 ***

	Current Investments for June 1998		Total Investments as of June 30, 1998		
	Percent of Participants	Percent of Dollars	Percent of Participants	Percent of Dollars	Average Invested
Investment distribution:					
- Income shares	35.5	48.6	35.7	49.8	47,042
- Growth shares	22.2	21.8	20.6	21.8	35,581
- Money market	4.7	3.6	6.8	4.3	21,104
- Bond market	7.0	2.9	7.5	2.5	11,467
- Common stock index	17.3	15.9	14.7	14.8	33,761
- Fixed interest	4.2	2.7	5.7	4.1	24,145
- International shares	9.0	4.5	8.6	2.7	10,640

	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	11	9	6	1	2	8
- age 25 through 34	1	14	34	82	64	24	19	113
- age 35 through 44	3	4	15	52	69	77	52	182
- age 45 through 54	-	3	8	35	59	67	72	282
- age 55 through 64	-	-	4	24	29	25	21	104
- age 65 and over	-	-	6	4	2	1	5	12

	Fiscal Year 1998 Number	Average Dollar
Participant lump-sum withdrawals:		
- from active status	125	40,005
- survivor refund	6	64,358
- annuitants as of June 30, 1998	989	\$863/month

* Adjusted for a ratio of 4-to-1 stock split.

** 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	17,428	27,896	31,038	76,362
Inactives	6,416	3,897	10,484	20,797
Withdrawals:				
- partial	54	245	1,486	1,785
- lump sum	486	959	1,634	3,079
- ongoing	1,089	2,128	2,098	5,315
Contributions	\$ 38,835,273	\$ 45,318,373	\$ 65,617,727	\$ 149,771,374
Withdrawals	\$ 12,975,957	\$ 28,566,794	\$ 69,665,554	\$ 111,208,305

Rates of Return by Investment Option (Periods ended June 30, 1998)

Fund Name	Current	Five Year	Seven Year
Fixed Options:			
- Supplemental Fund fixed interest	5.88%	6.12%	6.53%
- Great-West 36-month certificate	4.40	4.40	6.23
- Great-West 84-month certificate	5.00	5.49	8.30
- Minnesota Mutual general account	5.25	6.13	6.82

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
Variable options:				
- Supplemental Fund money market	5.35%	5.29%	4.79%	0.41%
- Great-West money market	4.31	4.25	3.78	1.41
- Minnesota Mutual Advantus money market	4.11	4.04	3.54	1.59
Bond options:				
- Minnesota Mutual Vanguard corporate portfolio	16.14	9.25	7.61	1.32
- Supplemental Fund bond market	10.59	8.11	6.79	0.49
- Great-West max corp. bond - Loomis Sayles	9.44	11.34	N/A	1.85
Balanced options:				
- Great-West maxim Invesco balanced portfolio	17.90	N/A	N/A	1.95
- Supplemental Fund income share	21.23	19.75	15.54	0.41
- Minnesota Mutual Vanguard Wellington	17.88	19.50	15.49	1.29
Domestic stock options:				
- Minnesota Mutual Advantus index	27.92	27.85	20.91	1.45
- Supplemental Fund common stock index	28.75	27.70	21.30	0.42
- Supplemental Fund growth share	30.70	27.88	20.83	0.58
- Great-West max Vista growth and income	23.79	22.90	N/A	1.95
- Great-West max midcap-Janus growth fund	28.96	17.23	N/A	2.05
- Great-West Amcent: twencentury ultra fund	29.92	24.51	18.67	1.95
- Minnesota Mutual Fidelity Contrafund	28.42	24.51	19.16	1.70
- Minnesota Mutual Janus twenty	45.76	34.50	22.37	1.93
International stock options:				
- Supplemental Fund International	0.67	11.36	11.19	0.63
- Great-West Templeton International	-1.35	9.37	N/A	2.45
- Minnesota Mutual Scudder International	13.53	15.59	13.24	1.90

Participating Employers

Accountancy Board	Beltrami Courthouse	Chanhasen, City of
Ada ISD, No. 521	Beltrami Electric Cooperative	Chatfield ISD, No. 227
Administration, Department of	Beltrami Highway Department	Chaska, City of
Administrative Hearings Office	Beltrami Human Services	Chaska ISD, No. 112
American Federation of State, County and Municipal Employees	Beltrami Nursing Home	Chippewa County
Adrian ISD, No. 511	Beltrami Sheriff Department	Chisago, City of
Agriculture, Department of	Bemidji, City of	Chisago County
Agriculture Utilization Research Institute	Bemidji ISD, No. 31	Chisago Lakes ISD, No. 141
Aitkin County	Bemidji Regional Interdistrict Council, No. 998	Chisago Lakes ISD, No. 2144
Aitkin ISD, No. 001	Benson ISD, No. 777	Chisholm, City of
Aitkin Public Utilities Commission	Bertha/Hewitt ISD, No. 786	Chisholm/Hibbing Airport Commission
Aitkin Public Works	Big Falls, City of	Chisholm ISD, No. 695
Akeley, City of	Bigfork, City of	Circle Pines, City of
Albany ISD, No. 745	Big Lake, City of	Chokio/Alberta ISD, No. 771
Albert Lea ISD, No. 241	Big Lake ISD, No. 727	Clarksfield ISD, No. 892
Alexandria, City of	Big Lake Hospital	Clay County
Alexandria ISD, No. 206	Big Stone County	Clinton/Graceville/Beardsley ISD, No. 5288
Alexandria Light and Power	Biwabik, City of	Clara City/Maynard/Raymond ISD, No. 2180
Amalgamated Transit Union	Blackduck ISD, No. 32	Clearbrook ISD, No. 161
American Legion Auxiliary	Blackduck, City of	Clearbrook/Gonvick ISD, No. 2311
Animal Health, Board of	Black Minnesotans, Council on	Clearwater County
Annandale ISD, No. 876	Bloomington, City of	Cleveland ISD, No. 391
Anoka, City of	Bloomington ISD, No. 271	Cohasset, City of
Anoka County	Blue Earth, City of	Cold Spring ISD, No. 750
Anoka/Hennepin ISD, No. 11	Blue Earth ISD, No. 2148	Cold Springs, City of
Appleton ISD, No. 784	Bird Island/Olivia/Lake Lillian ISD, No. 2534	Coleraine, City of
Appleton Regional Development Commission	Blue Earth Light and Water	Columbia Heights, City of
Archaeology, Office of	Blue Earth United Hospital District	Columbia Heights Housing and Redevelopment Association
Architecture and Engineering, Board of	Borup ISD, No. 522	Columbia Heights ISD, No. 13
Area Special Education Cooperative ISD, No. 997	Bovey, City of	Columbus, City of
Argyle ISD, No. 437	Boxing, Board of	Commerce, Department of
Arlington, City of	Braham ISD, No. 314	Cook, City of
Arrowhead Library System	Brainerd, City of	Cook County
Arrowhead Regional Computing Consortium	Brainerd Housing and Redevelopment Authority	Cook County Hospitals
Arrowhead Regional Development Commission	Brainerd ISD, No. 181	Cook County ISD, No. 166
Askov ISD, No. 566	Brainerd Public Utilities	Corcoran, City of
Asian Pacific Minnesotans, Council on	Breckenridge ISD, No. 846	Corrections, Department of
Assessors, Board of	Breitung Township	Cottage Grove, City of
Association of Minnesota Counties	Brooklyn Center ISD, No. 286	Cromwell ISD, No. 95
Atwater/Cosmos/Grove City ISD, No. 2396	Brooklyn Park, City of	Crookston ISD, No. 721
Audubon ISD, No. 021	Brooten ISD, No. 737	Crosby, City of
Aurora, City of	Browns Valley ISD, No. 801	Crosby ISD, No. 182
Aurora/Hoyt Lakes ISD, No. 691	Buffalo, City of	Crosslake, City of
Austin, City of	Buffalo ISD, No. 877	Crosslake Telephone Company
Austin ISD, No. 492	Buhl, City of	Crow Wing County
Babbitt, City of	Buhl/Mountain Iron ISD, No. 712	Crystal, City of
Badger ISD, No. 676	Burnsville, City of	Cuyuna Range District Hospital
Bagley ISD, No. 162	Burnsville ISD, No. 191	Cyrus ISD, No. 611
Bagley Public Utilities	Caledonia, City of	Dairyland Electric Cooperative
Barber Examiners, Board of	Caledonia ISD, No. 299	Dakota County
Barnum, City of	Calumet, City of	Dassel/Cokato ISD, No. 466
Barnum ISD, No. 91	Cambridge, City of	Data Processing Joint Board
Battle Lake ISD, No. 542	Cambridge/Tintah/Isanti ISD, No. 852	Dawson, City of
Baudette, City of	Canby ISD, No. 891	Dawson ISD, No. 378
Becker County	Cannon Falls ISD, No. 252	Dayton, City of
Becker Courthouse	Capitol Child Care Center	Deephaven, City of
Becker Highway Department	Carlton, City of	Deer River, City of
Becker Human Services	Carlton County	Deer River ISD, No. 317
Becker ISD, No. 726	Carlton Cooperative Power Association	Deerwood, City of
Becker Sheriff Department	Carlton ISD, No. 93	Delano ISD, No. 879
Becker Sunny Side Nursing Home	Carlton Soil and Water Conservation District	Delavan ISD, No. 218
Becker Soil and Water Conservation District	Carver County	Department of Military Affairs
Belgrade/Brooten/Elrosa ISD, No. 2634	Carver Soil and Water Conservation District	Detroit Lakes, City of
Belgrade/Elrosa ISD, No. 736	Cass County	Detroit Lakes ISD, No. 22
Belle Plaine ISD, No. 716	Cass Lake ISD, No. 115	Dilworth, City of
Bellingham ISD, No. 371	Centennial ISD, No. 12	Disability, Council on
Beltrami, City of	Central Lakes College	Dodge Center, City of
Beltrami County	Central Minnesota Computing Center	Douglas County Hospital
	Champlin, City of	

Participating Employers

Duluth Transit Authority	Halstad Municipal Utilities	Lake of the Woods ISD, No. 390
Eagan, City of	Ham Lake, City of	Lake Park ISD, No. 24
Eagle Bend ISD, No. 790	Hancock ISD, No. 768	Lake Superior ISD, No. 381
East Bethel, City of	Hanover, City of	Lakefield Municipal Hospital
East Central ISD, No. 2580	Harmful Substances Compensation, Board of	Lamberton ISD, No. 63
East Central Regional Library	Hastings ISD, No. 200	Lancaster ISD, No. 356
Eden Prairie, City of	Headwaters Nutrition Program	Laporte ISD, No. 306
Eden Prairie ISD, No. 272	Henning, City of	Lawyers' Professional Responsibility Board
Eden Valley/Watkins ISD, No. 463	Henning ISD, No. 545	League of Minnesota Cities
Edina, City of	Hermantown, City of	Lecenter ISD, No. 392
Edina ISD, No. 273	Hibbing, City of	Legislative Auditor
Electricity, Board of	Higher Education Facilities Authority	Legislative Joint Subcommittee on
Elk River, City of	Highway Federal Credit Union	Employee Relations
Elk River ISD, No. 728	Hill, City of	Legislative Commissions
Elk River Municipal Utilities	Hinckley, City of	Legislative Coordinating Commission
Elmore ISD, No. 219	Hinckley/Finlayson ISD, No. 2165	Legislative Reference Library
Ely, City of	Housing Finance Agency	Lester Prairie ISD, No. 424
Employee Relations, Department of	Housing and Redevelopment Authority	Le Sueur County
Environmental Assistance, Office of	Howard Lake, City of	Le Sueur/Henderson ISD, No. 2397
Esko ISD, No. 99	Howard Lake ISD, No. 880	Lewiston ISD, No. 857
Eveleth, City of	Hoyt Lakes, City of	Lindstrom, City of
Eveleth/Gilbert ISD, No. 2154	Hubbard County	Litchfield, City of
Eveleth ISD, No. 697	Human Services, Department of	Litchfield ISD, No. 465
Fairfax ISD, No. 649	Hutchinson, City of	Litchfield Public Utilities
Faribault, City of	Hutchinson Community Hospital	Little Falls, City of
Faribault County	Ideal Township	Little Falls ISD, No. 482
Faribault ISD, No. 656	International Falls, City of	Littlefork Medical Center
Farmington ISD, No. 192	Inver Grove Heights ISD, No. 199	Littlefork ISD, No. 362
Fayal, City of	Iron Range Resources and Rehabilitation Board	LOGIS, Local Government
Fergus Falls ISD, No. 544	Isanti County	Information Systems
Floodwood ISD, No. 698	Itasca County	Long Prairie ISD, No. 792
Foley ISD, No. 51	Itasca County Soil and Water District	Madison/Marietta/Nassau ISD, No. 2153
Forest Lake, City of	Itasca Electric Cooperative	Mahnomen, City of
Forest Lake ISD, No. 831	Itasca Medical Center	Mahnomen County
Foster Wheeler Inc.	Jackson, City of	Mahnomen Soil and Water
Franconia ISD, No. 323	Janesville, City of	Conservation District
Frazee ISD, No. 23	Janesville/Waldorf/Pemberton ISD, No. 913	Mahtomedi ISD, No. 832
Fridley ISD, No. 14	Jordan, City of	Mankato ISD, No. 77
Gaylord Community Hospital	Jordan ISD, No. 717	Mantorville, City of
Gibbon/Fairfax/Winthrop ISD, No. 2365	Judicial Standards, Board of	Maple Grove, City of
Gibbon ISD, No. 733	Kandiyohi County	Maple Lake ISD, No. 881
Gilbert, City of	Kasson, City of	Maplewood, City of
Gilbert ISD, No. 699	Keewatin, City of	Marble, City of
Gillette Hospital	Keewatin Public Utilities	Marshall County/Central ISD, No. 441
Glencoe Area Health Center	La Cresent, City of	Marshall ISD, No. 413
Glencoe, City of	Lester Prairie, City of	Mazeppa ISD, No. 809
Glencoe/Silver Lake ISD, No. 2859	Lieutenant Governor, Office of	McGregor, City of
Gonvick ISD, No. 158	Litchfield, City of	McGregor ISD, No. 4
Goodhue County	Littlefork, City of	McLeod County
Goodhue County Education District	Long Lake, City of	McLeod West ISD, No. 2887
Goodhue ISD, No. 253	Long Prairie, City of	Medford, City of
Government Innovative and Cooperation,	Kanabec County	Mediation Services, Bureau of
Board of	Kasson/Mantorville ISD, No. 204	Medina, City of
Governor's Appointments Committee	Kelliher ISD, No. 36	Meeker County
Governor's Office	Kenyon ISD, No. 2172	Meeker/Wright Special Education
Governor's Residence Council	Kerkoven/Murdock/Sunburg ISD, No. 775	Cooperative, No. 938
Grand Marais, City of	Kimball ISD, No. 739	Melrose, City of
Grand Rapids, City of	Kittson/Central ISD, No. 2171	Melrose Hospital
Grand Rapids ISD, No. 318	Kittson County	Melrose ISD, No. 740
Grand Rapids Public Utilities Commission	Koochiching County	Mendota Heights, City of
Granite Falls ISD, No. 894	Labor and Industry, Department of	Mesabi ISD, No. 2711
Granite Falls Municipal Hospital	Lac Qui Parle County	Metropolitan Airport Commission
Great River Regional Library	Lac Qui Parle Valley ISD, No. 6011	Metropolitan Cooperative Service Unit
Greater Staples Hospital and Care Center	Lake City ISD, No. 813	Metropolitan Council
Greenbush/Middle River ISD, No. 2683	Lake County	Metropolitan Council Environmental Services
Greenway/Coleraine, ISD, No. 316	Lake Agassiz Regional Library	Metropolitan Council Transit Operations
Grey Eagle ISD, No. 791	Lake Crystal ISD, No. 70	Middle Management Association
Grygla ISD, No. 447	Lake of the Woods, City of	Mid-Minnesota Development Commission
Halstad/Hendrum ISD, No. 2527	Lake of the Woods County	Mid-State Education District

Participating Employers

Minnesota Association of Professional Employees	Nicollet Soil and Water Conservation District	Prior Lake, City of
Minnesota Business Finance Inc.	Nisswa, City of	Prior Lake ISD, No. 719
Minnesota Center for Arts Education	Nobles County	Private Detective and Protective Agent Services Board
Minnesota Court of Appeals	Norman County	Proctor, City of
Minnesota Crop Improvement Association	Norman County East ISD, No. 2215	Proctor ISD, No. 704
Minnesota District Courts	North Branch, City of	Proctor Public Utilities
Minnesota Education Computing Cooperative	North Branch ISD, No. 138	Public Defense Board
Minnesota Historical Society	North Branch Municipal Water and Light	Public Employees' Retirement Association
Minnesota Horticultural Society	Northeast Educational District, No. 6033	Public Safety, Department of
Minnesota House of Representatives	Northeast Metropolitan ISD, No. 916	Quad Cities Cable
Minnesota Humanities Commission	Northeast Jobs and Training	Ramsey, City of
Minnesota Law Library	Northeast Region 3, Education Cooperative Services Unit	Ramsey County
Minnesota Legislature	Northern County Library Cooperative	Range Technical College
Minnesota Municipal Board	Northern Electric Cooperative Association	Red Lake County
Minnesota Planning	Northern Lakes Special Education Cooperative	Red Lake Falls, City of
Minnesota River Valley Special Education Cooperative	Northfield, City of	Red Lake Falls ISD, No. 630
Minnesota Safety Council	Northfield Hospital	Red Lake ISD, No. 38
Minnesota Senate	Northfield ISD, No. 659	Redrock Central ISD, No. 2884
Minnesota State Fair	North St. Louis Soil and Water Conservation District	Red Wing ISD, No. 256
Minnesota State Lottery	North St. Paul/Maplewood ISD, No. 622	Redwood County
Minnesota State Colleges and Universities	Northwest Regional Development Commission	Redwood Falls, City of
Minnesota State Retirement System	Norwood ISD, No. 108	Redwood Falls ISD, No. 637
Minnesota Supreme Court	Oakdale, City of	Redwood Soil and Water Conservation District
Minnesota Tax Court	Oak Park Heights, City of	Region Nine Development Commission
Minnesota Technology Inc.	Ogilvie, ISD, No. 333	Regional Transit Board
Minnesota Valley Education District, No. 6027	Oklee ISD, No. 627	Regions Hospital
Minnesota Valley Regional Library	Onamia, ISD, No. 480	Remer ISD, No. 118
Minnesota Veterans' Homes, Board of	Orono, City of	Revisor of Statutes, Office of
Minnesota Zoological Garden	Orono ISD, No. 278	Richfield ISD, No. 280
Minnetonka ISD, No. 276	Orr, City of	Right Step Academy
Minnewaska ISD, No. 2149	Ortonville ISD, No. 062	Robbinsdale, City of
Montevideo ISD, No. 129	Osakis, City of	Robbinsdale ISD, No. 281
Montgomery ISD, No. 394	Osakis ISD, No. 213	Rochester ISD, No. 535
Monticello/Big Lake Community Hospital	Osseo ISD, No. 279	Rockford, City of
Monticello ISD, No. 882	Ottertail County	Rockford ISD, No. 883
Moorhead ISD, No. 152	Ottertail Water Management District	Rogers, City of
Moose Lake, City of	Owatonna, City of	Roosevelt, City of
Moose Lake ISD, No. 097	Owatonna ISD, No. 761	Roosevelt Township
Moose Lake Municipal Power	Owatonna Public Utilities	Roseau County
Mora, City of	Parkers Prairie ISD, No. 547	Roseau Electric Cooperative
Mora ISD, No. 332	Park Rapids, City of	Roseau ISD, No. 682
Mora Municipal Utilities	Park Rapids ISD, No. 309	Rosemount ISD, No. 196
Morris ISD, No. 769	Paynesville, City of	Roseville, City of
Morrison County	Paynesville Health Care System	Roseville ISD, No. 623
Mound, City of	Paynesville ISD, No. 741	Rothsay ISD, No. 850
Mounds View, City of	Peace Officers' Standards and Training, Board of	Runestone Area Education District
Mounds View ISD, No. 621	Perham ISD, No. 549	Rush, City of
Mountain Iron, City of	Pelican Rapids ISD, No. 548	Rush City ISD, No. 139
Mountain Lake ISD, No. 173	Pennington County	Sandstone, City of
Murray County Central ISD, No. 2169	Pierz ISD, No. 484	Sandstone ISD, No. 576
Nashwauk, City of	Pillager ISD, No. 116	Sartell, City of
Nashwauk/Keewatin ISD, No. 319	Pine, City of	Sartell/St. Stephen ISD, No. 748
Nett Lake ISD, No. 707	Pine City ISD, No. 578	Sauk Centre, City of
Nevis, City of	Pine County	Sauk Centre ISD, No. 743
Nevis ISD, No. 308	Pine County Soil and Water Conservation District	Sauk Centre Water, Light and Power Commissions
New Hope, City of	Pine Island ISD, No. 255	Sauk Centre's St. Michael's Hospital
New London/Spicer ISD, No. 345	Pine Point ISD, No. 25	Sauk Rapids ISD, No. 47
New Prague, City of	Pine River/Backus ISD, No. 2174	Scott Soil and Water Conservation District
New Prague ISD, No. 721	Pioneerland Library Systems	Sebeka ISD, No. 820
New Prague Municipal Utilities	Pipestone, City of	Shakopee ISD, No. 720
New Scandia, City of	Pipestone ISD, No. 583	Shakopee Public Utilities Commission
New Scandia Township	Pipestone/Jasper ISD, No. 2689	Sherburne County
New Ulm, City of	PKM Electric Cooperative Inc.	Sibley County
New Ulm ISD, No. 88	Plum Creek Library System	Sibley ISD, No. 2310
New York Mills, City of	Plummer ISD, No. 628	Silver Lake, City of
New York Mills ISD, No. 553	Pope County	Slayton, City of
Nicollet County	Prinsburg ISD, No. 815	
Nicollet ISD, No. 507		

Participating Employers

South International Falls, City of
South Koochiching ISD, No. 363
South St. Paul ISD, No. 6
South Washington County ISD, No. 833
Southwest Regional Development Commission
Spanish Speaking Affairs Council
Springfield, City of
Springfield ISD, No. 085
Spring Lake Park, City of
Spring Lake Park ISD, No. 16
Spring Valley, City of
St. Anthony, City of
St. Clair ISD, No. 75
St. Cloud Area Planning Organization
St. Cloud, City of
St. Cloud Housing and Redevelopment Association
St. Cloud ISD, No. 742
St. Cloud Metropolitan Transit Commission
St. Francis ISD, No. 15
St. James ISD, No. 840
St. Louis County
St. Louis County Housing and
Redevelopment Association
St. Louis County ISD, No. 2142
St. Louis Park, City of
St. Louis Park ISD, No. 283
St. Michael/Alvertville ISD, No. 885
St. Michael, City of
St. Michael's Hospital
St. Paul, City of
St. Paul ISD, No. 625
St. Paul Park, City of
St. Paul Teachers' Retirement Association
St. Peter, City of
St. Peter Community Hospital
St. Peter ISD, No. 508
State Capitol Credit Union
State of Minnesota
Staples, City of
Staples/Motley ISD, No. 2170
Stearns County
Steele County
Stephen ISD, No. 443
Stevens County
Stevens Soil and Water Conservation District
Stewart ISD, No. 426
Stewartville ISD, No. 534
Stewartville, City of
Stillwater ISD, No. 834
Storden/Jeffers ISD, No. 178
Swanville ISD, No. 486
Swift County
Teachers' Retirement Association
Technology and Information Education Service
Thief River Falls ISD, No. 564
Thomson, City of
Todd County Soil and Water Conservation District
Tower, City of
Tracy, City of
Tracy ISD, No. 417
Trade and Economic Development,
Department of
Traverse County
Traverse Des Sioux Library
Tri-County ISD, No. 2358
Triton ISD, No. 2125
Two Harbors, City of
Two Harbors Courthouse
Two Harbors Police Department

Two Harbors Street Maintenance
Two Harbors Water
Two Harbors Sunrise Home
Ulen/Hitterdal ISD, No. 914
Underwood ISD, No. 550
United Hospital District
United South Central ISD, No. 2134
University of Minnesota
Upper Minnesota Valley Regional Development
Commission
Upsala, City of
Upsala ISD, No. 487
Verndale, City of
Verndale ISD, No. 818
Vernon Center, City of
Veterans Affairs, Department of
Veterans of Foreign Wars
Victoria, City of
Viking Library System
Virginia Medical Center
Virginia ISD, No.
Wabasha/Kellogg ISD, No. 811
Waconia ISD, No. 110
Wadena, City of
Wadena County
Wadena/Deer Creek ISD, No. 2155
Walker/Hackensack/Akeley ISD, No. 113
Warren, City of
Warren/Alvarado/Oslo ISD, No. 2176
Warroad, City of
Warroad ISD, No. 690
Waseca, City of
Waseca ISD, No. 829
Washington County
Washington Soil and Water Conservation District
Water and Soil Resources, Board of
Watertown/Mayer ISD, No. 395
Watter/Elysian/Morristown ISD, No. 2143
Wauban ISD, No. 435
Wayzata ISD, No. 284
Wells, City of
Westbrook ISD, No. 175
West Central Education District, No. 6026
West Concord ISD, No. 205
West St. Paul, City of
West St. Paul ISD, No. 197
Western Lake Superior Sanitation
Westonka ISD, No. 277
Wheaton ISD, No. 803
White Bear Lake, City of
White Bear Lake ISD, No. 624
White Bear Lake ISD, No. 916
White, City of
Wild Rice Electric Cooperative
Wilkin County
Wilkin Soil and Water Conservation District
Willernie, City of
Willmar, City of
Willmar ISD, No. 347
Willmar Utilities
Willow River ISD, No. 577
Windom Area Hospitals
Windom, City of
Winona, City of
Winona County
Winona ISD, No.
Worthington, City of
Worthington ISD, No. 518
Workers' Compensation Court of Appeals

Worthington Regional Hospital
Wrenshall ISD, No. 100
Wright County
Wright Highway Department
Wright Technical Center
Yellow Medicine East ISD, No. 2190
Zumbrota ISD, No. 260



Photo: Eugénie de Rosier

Myron Greenberg, 4th Judicial District, decides cases from the Hennepin County Government Center, Minneapolis. Member: Judges' Retirement Plan.

