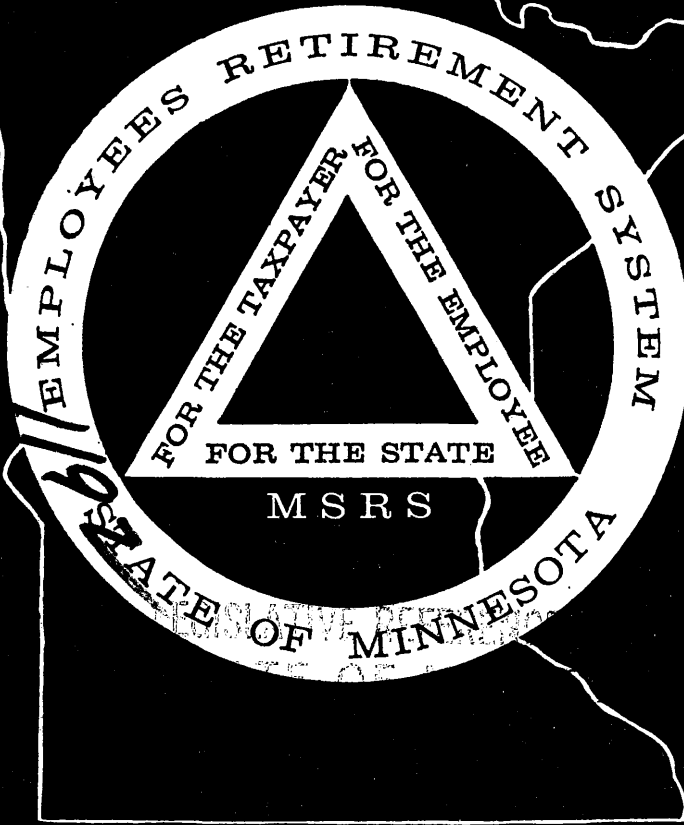


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STATEMENT TO EMPLOYEES JUNE 30, 1974

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MINNESOTA STATE RETIREMENT SYSTEM

MINNESOTA STATE RETIREMENT SYSTEM

529 Jackson at 10th Street
St. Paul, Minnesota 55101
296-2761

BOARD OF DIRECTORS

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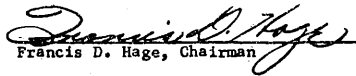
FOREWORD

The Board of Directors of the Minnesota State Retirement System herewith submits a financial report for the fiscal year ending June 30, 1974 in accordance with the provisions of Minnesota Statutes, Section 356.20. A three year comparative statement of income and balance sheet accounts is included.

This report includes financial and statistical data on the General State Employee Retirement Plan, the Correctional Employee Retirement Plan and the Unclassified Employee Retirement Plan. Separate reports were issued for the Highway Patrolmen's Retirement Plan and the statewide Judicial Retirement Plan, both of which are administered by the Minnesota State Retirement System.

An actuarial valuation of the System was made as required by Minnesota Statutes, Chapter 356, by Coates and Crawford, Consulting Actuaries, Pasadena, California. Exhibits in this report are presented as prescribed in Chapter 356.

Respectfully submitted,


Francis D. Hage, Chairman


Executive Director

EQUAL OPPORTUNITY

It is the policy of the Minnesota State Retirement System to provide equal employment opportunity to all employees and job applicants without regard to age, color, creed, national origin, physical health, political affiliation, race, religion or sex.

LEGISLATIVE REFERENCE LIBRARY
STATE OF MINNESOTA

NEW PLANS ADMINISTERED

The administration of six additional retirement programs was transferred to MSRS as of July 1, 1974. These programs, formerly administered by the State Auditor and the Department of Finance, cover:

- Retired Supreme & District Court Judges
- Supreme & District Court Judges' Survivors
- County & Probate Court Judges' Survivors
- Constitutional Officers
- Clerk of the Supreme Court
- Legislators & their Survivors

In addition to the above, MSRS administers separate retirement programs for regular State employees, correctional employees, certain unclassified employees, the Highway Patrolmen's Retirement Plan covering state troopers, conservation officers and Crime Bureau personnel, a statewide judicial retirement plan and a deferred compensation program.

The assumption of all these programs, together with the adoption of a records retention and disposal program and a general increase in workload, has been handled with a minimal increase in the staff of only four positions.

CORRECTIONAL EMPLOYEE PLAN

MSRS administers a special retirement program for certain correctional employees who, because of the nature of their employment, must retire at a younger age. Mandatory retirement age for such employees is 55. The step-down from the previous mandatory age of 70 to age 55 will be completed July 1, 1976. The earlier retirement is financed by increased employee and employer contributions; the employee paying 6% of salary and the employer paying 9% plus an additional 5% for the past service liability. Correctional employees are also covered by Social Security. The financial data in this report includes correctional employee contributions and payments.

The number of participants in the Correctional Plan was increased by approximately 20% due to the inclusion of special teachers, tradesmen and maintenance personnel engaged in custody or supervision of inmates at the three adult institutions.

UNCLASSIFIED PLAN

A separate retirement plan is available to certain employees in the unclassified state service. This plan may be chosen as an alternative to the regular employee plan and is best suited for the short term employee. Contribution rates are the same as for the regular employee plan but the contributions are used to purchase shares in the Minnesota Supplemental Retirement Fund. A summary of transactions in the Unclassified Program is included in this report. The statement of revenues and expenditures in this report shows the amounts transferred to the Unclassified Plan.

TRANSFERS TO MINNESOTA ADJUSTABLE FIXED BENEFIT FUND

Mandatory retirement age for state employees was lowered from age 70 to age 68 in fiscal 1974 and will be down to age 65 as of July 1, 1975. For covered correctional employees it is being reduced in steps to age 55. An amount of money equal to the reserve required to fully fund the retirement annuity according to actuarial tables based on an assumed interest rate of 5% is transferred from the State Employees Retirement Fund to the MAFB Fund upon retirement. The transfers to cover the reserve requirement for fiscal 1974 were \$25,233,790 compared to only \$5,596,501 the previous year. This dramatic increase was due to a combination of higher benefits payable under the "High 5" plan and increased retirements as a result of the lowering of the mandatory retirement age. Although income increased substantially in fiscal 1974 due to increased contributions, funds available for investment for the State Employees Retirement Fund were nominal

because of the required transfers to the Minnesota Adjustable Fixed Benefit Fund. This situation will prevail through fiscal 1975 with some carry over into fiscal 1976.

INVESTMENTS

The fixed income debt security portfolio of the State Employees Retirement Fund totaled \$66,347,746 at June 30, 1974 compared to \$68,725,300 at June 30, 1973. Corporate stocks were \$66,148,913 at June 30, 1974 compared to \$61,565,762 at June 30, 1973. The market values of the stocks were \$56,088,800 and \$66,993,132, respectively.

The yield on fixed income debt securities was 6.55% as of June 30, 1974 compared to 6.19% a year earlier. The yield on \$5,875,000 of fixed income debt securities purchased in fiscal 1974 was 8.17%. Sale of \$3.7 million in fixed income debt securities having an average yield of 4.93% resulted in a principal loss of \$918,656. The losses were capitalized as required by statute and will be written off against investment income over the remaining life of the bonds sold, which ranged from 9 to 19 years. Assuming the sales proceeds were used to purchase securities yielding 8.17% (the yield on 1974 purchases), the principal loss will be recovered in a relatively short time through increased income.

The net decrease of approximately \$2.4 million in the fixed income debt security portion of the portfolio is offset by an increase of \$4.6 million in corporate stock, bringing the stock portion of the portfolio close to the 50% maximum position permitted by statute. Although the market value of stocks at June 30, 1974 was only 85% of original cost it should be kept in mind that this is not a trading account and there is no need to sell the stock in the current depressed market. The State, as an entity, should, without question, outlast the relatively short term ups and downs of the stock market. Over a long period of time the trend should be upward.

REVENUES

Employee and employer contributions were \$12,561,892 and \$19,240,903, respectively, in fiscal 1974 compared to \$8,722,024 and \$11,595,293 in fiscal year 1973. The increase is partly attributable to an increased payroll and number of participants, but the principal cause was an increase of 1% in the employee contribution rate and 2% increase in the employer contribution rates.

Income on invested assets in the SER Fund was \$6,846,430, an increase of \$719,940 from the previous year. Recognized unrealized appreciation from previous years allocated to fiscal 1974 was \$1,110,263. Income of the Minnesota Adjustable Fixed Benefit Fund, attributable to SER Fund participation, was \$3,656,632 in fiscal 1974 compared to \$7,031,648 the previous year. It should be noted that market values of stocks are reflected in the MAFB Fund income.

EXPENDITURES

Service retirement annuities, disability benefits and interest payments totaled \$9,080,120 in fiscal 1974 compared to \$6,190,873 the year before:

	1974	1973
Service Retirement Annuities	\$8,618,029	\$5,872,322
Disability benefits	312,080	222,041
Survivor benefits — spouses	31,145	28,968
Interest, covered employee deaths	69,462	64,630
Interest, compulsory retirees	5,192	2,912
Interest, over 3 years service	44,212	0
	<u>\$9,080,120</u>	<u>\$6,190,873</u>

Supplemental benefits, payable from the State General Fund, totaled \$126,586 in fiscal 1974 compared to \$139,206 the previous year. For purposes of economy, supplemental benefits are included in the check issued by MSRS with monthly reimbursement from the State General Fund. The supplemental benefits are in addition to the amounts tabulated above. The near 50% increase in benefit payments is due to accelerated retirements because of age, substantially improved benefits for new retirees since July 1973 and a 25% increase to all who had retired prior to July 1, 1973. Refundments of employee contributions totaled \$2,793,105 in fiscal 1974 compared to \$2,469,715 in fiscal 1973. Operating expenses were \$401,848 in fiscal 1974 amounting to 14 hundredths percent of covered payroll and 1.5% of contributions. Administration of several different plans requires an allocation of indirect costs to each plan. Certain direct charges such as computer charges, actuarial costs and printing costs are readily identifiable. Indirect administrative expenses were distributed according to the ratio of each plan's receipts, disbursements and number of covered employees and retired employees.

FUNDING RATIO — UNFUNDED ACCRUED LIABILITY

The funding ratio is determined by dividing the net assets of the fund by the total reserve requirement. A ratio of 100% indicates full funding. The correctional plan deficit increased from \$7,313,186 at June 30, 1973 to \$10,887,147 and the general employee plan deficit increased from \$151,740,280 at June 30, 1973 to \$152,206,089. The combined correctional plan and general employee plan deficit increased by \$4,039,770 to \$163,093,236 as of June 30, 1974. This increase is mainly the result of salary increases at a rate greater than anticipated and inclusion of more employees in the correctional plan. Nevertheless the financial position of the fund improved as evidenced by a funding ratio of 59% as of June 30, 1974 compared to 56.2% a year ago.

NORMAL COST

The entry age normal cost method of funding is required by statute. Under this method, a level contribution rate is determined, which, if contributed on behalf of all employees from date of entry into service to date of separation, will be adequate to provide the full funding of prospective benefits. Factors of great importance in such determination are the projected rate of earnings of the Fund, the rates of separation from active service, salary progression scales and mortality rates.

The normal cost, expressed as a percentage of payroll as of June 30, 1973 was 7.04% of salary for the general employee plan and 12.11% for the correctional employee plan. The normal cost of the plans as of June 30, 1974 is 7.14% and 10.86% respectively.

MAFB FUND — BENEFIT PAYMENTS

The State Investment Department advises that the computed rate of return on the assets in the Adjustable Fixed Benefit Fund was 4.922%, or .018% less than the 5% return required to support the benefits payable according to the actuarial tables used.

The MSRS share of the "admitted" or determined value of the MAFB Fund attributable to retirees from the regular, correctional and unclassified plans was \$85,363,981 and, after adjusting for mortality gain of \$336,674 which amount was transferred back to the SER Fund, was \$85,027,307. This is \$44,564 less than the determined required reserve for the benefits computed on the basis of a 5% earnings assumption. This means that there will be no increases in retirement benefits this year and the prognosis for the following year is the same. The interest loss of \$44,564, according to law, must be recovered from the present annuitants by the withholding of future increases in their benefits until the deficiency is satisfied.

STATISTICAL DATA

Active Employees	<u>June 30, 1974</u>	<u>June 30, 1973</u>
Active employees at year end		
Regular Plan	37,945	36,792
Unclassified Plan	369	170
Correctional Plan	737	677
Inactive accounts at year end	4,102	4,592
New Employees and former employees returned	9,355	7,717
Refundments	6,239	6,182
Deaths	140	128
Service Retirements	855	457
Disabilities	61	39
Net change in active employees	1,412	507

The statistics provided herein are based on employees in the regular retirement plan only.

"Average" as used in this report is defined as the arithmetic mean. "Median" is the mid-point; that is, one-half of the total is below and one-half is above the median point.

The following is a comparison of the "average" employee as of the dates shown:

	<u>Date</u>	<u>Age</u>	<u>Credited Service</u>	<u>Accumulated Contributions</u>
Male Employees	6/30/72	41.7 yrs.	8.9 yrs.	\$1,681.57
	6/30/73	41.5 yrs.	9.0 yrs.	\$1,816.84
	6/30/74	40.8 yrs.	8.7 yrs.	\$1,953.99
Female Employees	6/30/72	37.0 yrs.	5.5 yrs.	\$ 807.35
	6/30/73	36.8 yrs.	5.7 yrs.	\$ 870.47
	6/30/74	36.2 yrs.	5.5 yrs.	\$ 934.83

The average and median ages of employees as of the dates shown were:

		<u>Male</u>		<u>Female</u>	
	<u>Date</u>	<u>Median</u>	<u>Average</u>	<u>Median</u>	<u>Average</u>
New Employees	6/30/72	26.0 yrs.	30.8 yrs.	24.0 yrs.	27.8 yrs.
	6/30/73	26.0 yrs.	30.3 yrs.	24.0 yrs.	27.6 yrs.
	6/30/74	26.0 yrs.	29.8 yrs.	24.0 yrs.	27.8 yrs.
All Active Employees	6/30/72	42.0 yrs.	41.7 yrs.	32.0 yrs.	37.0 yrs.
	6/30/73	41.0 yrs.	41.5 yrs.	32.0 yrs.	36.8 yrs.
	6/30/74	40.0 yrs.	40.8 yrs.	31.0 yrs.	36.2 yrs.

32.5% of the male active employees and 16.6% of the females, for a total of 9,215 of the active employees, had at least 10 years of credited service at June 30, 1974, compared to 9,308 in 1973 and 9,333 in 1972.

	<u>1974</u>	<u>1973</u>	<u>1972</u>
Total active employees age 65 or older	826	1,060	1,072
Age 65 or older with at least 10 years service	535	750	750

At 6/30/74 there were 2,341 employees over age 62. As of 7/1/73, employees age 62 or older with 30 or more years of service may retire with full benefits. There were 153 such employees less than age 65 at 6/30/74. Reduced benefits are now available at age 62 to employees with at least 10 years of service or at age 58 with at least 20 years service. There were 1,384 active employees eligible to retire with a reduced benefit at 6/30/74.

Refunds

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

Year Ending	Male		Female	
	Age	Service	Age	Service
6/30/72	34.4 yrs.	2.2 yrs.	29.6 yrs.	1.8 yrs.
6/30/73	33.5 yrs.	2.3 yrs.	29.8 yrs.	2.0 yrs.
6/30/74	33.2 yrs.	2.3 yrs.	29.7 yrs.	2.0 yrs.

During the 12 month period ending June 30, 1974, 1.5% of the 6,239 people taking refunds forfeited 10 or more years of service compared to 1.6% in 1973 and 1.8% in 1972.

Inactives

Inactive accounts totaled 4,102 at June 30, 1974 compared to 4,592 at June 30, 1973 and 5,465 at June 30, 1972. 345 of the present inactive accounts have sufficient service credit to be entitled to a deferred annuity.

Comparison of the inactives with vested rights during the last three years is as follows:

	Year Ending	Number	Avg. Age	Avg. Deferred
				Annuity
Male	6/30/72	166	57	\$79.12
	6/30/73	158	56	\$84.65
	6/30/74	156	54	\$93.39
Female	6/30/72	195	57	\$72.08
	6/30/73	203	58	\$73.94
	6/30/74	189	57	\$77.35

Retired Employees

	6/30/74	6/30/73	6/30/72	6/30/71
Age and service annuitants	5,621	4,987	4,734	4,442
Disability benefits	273	237	222	198
Survivor benefits	30	32	32	33
Benefits authorized during period	947	519	552	430
Deaths during period	276	250	254	214

The average age, salary, service and benefit amounts of annuities authorized during the last three fiscal years are given below. The average monthly salary for fiscal year '74 retirees is based on the five high years of salary while for '72 and '73 retirees it is based on all covered salary after 7/1/52.

	Date	Age at Retirement		Average Monthly Salary	Service		Average Benefit
		Yrs.	Mos.		Yrs.	Mos.	
Service	6/30/72	66	2	\$477.68	23	2	\$120.13
	6/30/73	65	11	\$472.58	21	7	\$109.81
	6/30/74	65	4	\$727.89	24	4	\$240.05
Disability	6/30/72	58	3	\$440.35	19	0	\$ 88.11
	6/30/73	58	9	\$439.72	18	2	\$ 87.98
	6/30/74	56	7	\$605.59	18	4	\$140.97

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

	<u>Date</u>	<u>Average</u>	<u>Median</u>
Service annuitants	6/30/72	\$ 97.49	\$ 75.99
	6/30/73	\$101.83	\$ 78.70
	6/30/74	\$144.07	\$105.63
Disability annuitants	6/30/72	\$ 76.16	\$ 61.94
	6/30/73	\$ 81.80	\$ 65.49
	6/30/74	\$110.24	\$ 92.76

In addition to the MSRS benefits listed above, employees who have retired since 1957 are entitled to Social Security benefits as a result of State employment. Also, since 1967, certain retired employees have received a supplemental retirement benefit payable from the State General Revenue Fund.

The average age at death and the average length of retirement for service and disability annuitants who died during the last three fiscal years follow.

	<u>Year Ending</u>	<u>Male</u>		<u>Female</u>	
		<u>Age</u>	<u>Retirement</u>	<u>Age</u>	<u>Retirement</u>
Service	6/30/72	76.3 yrs.	9.8 yrs.	76.4 yrs.	10.6 yrs.
	6/30/73	76.0 yrs.	10.0 yrs.	77.4 yrs.	10.8 yrs.
	6/30/74	76.9 yrs.	10.3 yrs.	77.6 yrs.	11.3 yrs.
Disability	6/30/72	63.3 yrs.	4.2 yrs.	55.7 yrs.	.9 yrs.
	6/30/73	63.0 yrs.	3.7 yrs.	63.3 yrs.	6.3 yrs.
	6/30/74	58.1 yrs.	2.6 yrs.	62.2 yrs.	4.8 yrs.

Of the 252 service annuitants who died in fiscal year 1974, 84.9% received annuity payments greater than their accumulated employee contributions. The average service annuitant received in annuity payments 4.4 times the amount he had contributed.

COATES AND CRAWFORD

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

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

PASADENA
SAN FRANCISCO

December 5, 1974

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

Gentlemen:

We hereby certify that we made an Actuarial Valuation of your Retirement System as of June 30, 1974. As required by Minnesota Statutes 1971, Chapter 356, as amended, the Valuation as of June 30, 1974 was made on the following basis:

1. Interest assumption - 5%.
2. Salary scale assumption - 3-1/2% per annum.
3. Other actuarial assumptions as determined during the course of our investigation into the experience of the System for the three and one-half year period ending June 30, 1971, and
4. Use of the entry age normal cost method of funding to determine unfunded accrued liability.

We further certify that the results of the valuation referred to in the foregoing paragraph indicate that the contributions required from the employees and from the State under Minnesota Statutes 1971, Chapter 352, as amended, are adequate to provide the benefits that will be paid from the System.

Very truly yours,

COATES AND CRAWFORD
Consulting Actuaries

By 

Robert H. Little, F.S.A.

RHL:th

MINNESOTA STATE RETIREMENT SYSTEM
EXHIBIT REQUIRED BY MINNESOTA STATUTES 1971,
CHAPTER 356, SECTION 356.20, SUBDIVISION 4(1)
AS OF JUNE 30, 1974

ASSETS AND UNFUNDED ACCRUED LIABILITY

Assets

Cash in office	\$ 25.00
Cash in State Treasury	583,407.13
Short term investments (at cost)	8,938,731.54
Accounts receivable:	
(a) Accrued employee contributions	516,177.85
(b) Accrued employer contributions	795,508.60
(c) Employee back payments	154,514.23
(d) Investment maturities and sales	121,624.74
(e) Due from other plans	32,355.70
(f) Due from MAFB Fund	336,674.00
(g) Other	13,550.34
Accrued interest on investments	1,208,300.53
Dividends declared and payable, but not yet received	20,090.47
Investments in debt securities at amortized cost	66,347,745.66
Investments in equities at cost	66,148,913.36
Recognized unrealized appreciation in equities	2,766,766.36
Equipment at depreciated cost	11,639.24
Deferred yield adjustment account	2,289,402.01
Participation in the MAFB Fund	85,027,306.73
TOTAL ASSETS	<u>\$235,312,733.49</u>

Unfunded Accrued Liability

Unfunded Accrued Liability to be funded by portion of State's "Matching Contribution" in excess of State's share of entry age normal cost contribution and Operating Expenses	\$ 25,837,619.00
Unfunded Accrued Liability to be funded by State's "Additional" contribution	137,255,617.19
Total Unfunded Accrued Liability	\$163,093,236.19
TOTAL ASSETS AND UNFUNDED ACCRUED LIABILITY	<u>\$398,405,969.68</u>

CURRENT LIABILITIES AND RESERVES REQUIRED

Current Liabilities

Accounts payable:	
(a) Security purchases	\$ 384,957.42
(b) Annuities	1,843.35
(c) Survivor benefits	65.00
(d) Annuitant deposits	10,981.83
(e) Accrued expenses	48,366.39
(f) Overpaid dividends	1,385.00
(g) Transfer to unclassified employee retirement	46,848.13
Suspense item: Unredeemed 6 year old warrants	4,860.56
MAFBF Annuity Stabilization Account	(44,564.00)
Total Liabilities	<u>\$ 454,743.68</u>

Reserves Required

Total Reserves Required per attached schedule	\$397,951,226.00
TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED	<u>\$398,405,969.68</u>

Note: Accumulated contributions, without interest, of members not yet retired amounted to \$57,523,936.52 as of June 30, 1974.

MINNESOTA STATE RETIREMENT SYSTEM
DETERMINATION OF RESERVES REQUIRED
AS OF JUNE 30, 1974

<u>Benefits For:</u>	(1) <u>Present Value of Benefits</u>	(2) <u>Present Value of Applicable Portion of Normal Cost Contribution</u>	(3) <u>Reserves Required (1) - (2)</u>
Active Members:			
(a) Retirement Benefits	\$416,688,934	\$122,046,374	\$294,642,560
(b) Disability Benefits	21,819,454	11,857,287	9,962,167
(c) Refundments due to death or withdrawal	61,177,883	61,394,624	(216,741)
(d) Surviving Spouse Benefits	11,203,992	5,615,182	5,588,810
Deferred Annuitants	2,312,217	—	2,312,217
Former Members Without Vested Rights	283,868	—	283,868
Survivors	306,474	—	306,474
Benefits Payable from MAFB Fund	<u>85,071,871</u>	<u>—</u>	<u>85,071,871</u>
Total	\$598,864,693	\$200,913,467	\$397,951,226

MINNESOTA STATE RETIREMENT SYSTEM

EXHIBIT REQUIRED BY MINNESOTA STATUTES 1971, CHAPTER 356,
SECTION 356.20, SUBDIVISION 4(2) and (3)
FISCAL YEAR ENDING JUNE 30, 1974

ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME

Income

From Employees	
Employee contributions	\$12,004,061.13
Employee accrued contributions receivable	516,127.85
Employee contributions, accounts receivable	41,702.85
From Employers	
Employer contributions	12,302,766.02
Employer additional contributions	6,142,628.60
Employer accrued contributions receivable	795,508.60
From Investments	
Interest on debt securities and short term investments	4,643,958.27
Dividends on corporate stock	2,122,259.99
Recognized unrealized appreciation in stock	1,110,262.59
Premium on bonds called	3,354.66
Participation in MAFB Fund income	3,656,632.56
Gain on sale of stock	191,074.50
Other Revenues	
Interest on back payments by employees	76,856.74
Miscellaneous	1,011.94
TOTAL INCOME	\$43,608,206.30

Deductions from Income

Increase in MAFBF Annuity Stabilization Account	\$	(44,564.00)
Benefits		
Service retirement benefits	8,618,029.22	
Disability retirement benefits	312,079.64	
Survivor benefits (spouses)	31,145.08	
Interest paid — deceased employees	69,461.95	
Interest paid — compulsory retirees	5,192.37	
Refundments (Employee Contributions)		
Left service and coverage by other systems	2,502,190.95	
Employee deaths	217,810.54	
Annuitant deaths	60,832.37	
Erroneous deductions	12,270.93	
Interest paid — over three years' service	44,212.19	
Unclassified Employee Retirement		
Transfer of employee contributions	283,009.98	
Transfer of employer contributions	376,518.96	
Transfer of interest	13,165.36	
Operating Expenses	461,848.06	
Prior Year Adjustments	18,006.23	
Increase in Total Reserves Required		
Reserves Required 6-30-73	\$363,284,460.00	
Reserves Required 6-30-74	397,951,226.00	34,666,766.00
TOTAL DEDUCTIONS FROM INCOME	\$47,647,975.83	
EXCESS OF INCOME OVER DEDUCTIONS FROM INCOME		(4,039,769.53)
REDUCTION IN UNFUNDED ACCRUED LIABILITY:		
Unfunded Accrued Liability 6-30-73	\$159,053,466.66	
Unfunded Accrued Liability 6-30-74	163,093,236.19	\$(4,039,769.53)

COMPARATIVE STATEMENT — 3 FISCAL YEARS

Revenues	<u>6/30/74</u>	<u>6/30/73</u>	<u>6/30/72</u>
Employee contributions	\$ 12,561,892	\$ 8,722,024	\$ 7,874,179
Employer contributions	19,240,903	11,595,293	10,410,817
Net interest, dividends, premiums	6,846,430	6,126,490	5,431,832
Recognized unrealized appreciation (RUA)	1,110,263	1,110,263	564,021
Participation in MAFB Fund income	3,656,632	7,031,648	4,737,298
Gain on sale of stock	191,074	108,314	21,307
Miscellaneous revenue	1,012	20,288	3,020
Total	<u>\$ 43,608,206</u>	<u>\$ 34,714,320</u>	<u>\$ 29,042,474</u>
Distribution of Revenues			
Benefits paid	\$ 9,080,120	\$ 6,190,873	\$ 5,588,357
Refundments paid	2,793,105	2,469,715	2,209,588
Operating expenses	461,848	451,727	446,124
Transfer to Unclassified Plan	672,694	146,930	319,744
Increase in reserves	30,600,439	25,455,075	20,478,661
Total	<u>\$ 43,608,206</u>	<u>\$ 34,714,320</u>	<u>\$ 29,042,474</u>
Assets			
Cash and temporary investments	\$ 9,522,164	\$ 6,792,069	\$ 6,404,020
Accounts receivable			
Accrued contributions	1,311,686	864,240	729,399
Accrued investment transactions	1,350,016	1,553,018	1,389,393
Other accruals	537,094	178,060	53,752
Investments at amortized cost	132,496,659	130,291,062	116,969,768
Deferred yield adjustment account	2,289,402	1,610,262	394,395
Recognized unrealized appreciation	2,766,766	1,674,284	564,021
Annuity stabilization/Deferred Charges	—	—	819,554
Participation in MAFB Fund	85,027,307	61,723,910	52,732,563
Other assets	11,639	7,504	11,082
Total	<u>\$235,312,733</u>	<u>\$204,694,409</u>	<u>\$180,067,947</u>
Liabilities and Reserves			
Current liabilities	\$ 499,308	\$ 463,416	\$ 1,292,028
Reserve for employee contributions	57,523,936	51,746,933	47,240,336
Reserve for survivor benefits	306,474	264,855	300,561
Reserve for participation in the MAFB Fund	85,027,307	61,723,910	52,732,563
Annuity stabilization reserve	—	—	819,554
State contribution reserve	91,955,708	90,495,295	77,682,905
Total	<u>\$235,312,733</u>	<u>\$204,694,409</u>	<u>\$180,067,947</u>
Rate of return (excluding RUA)	4.81%	4.63%	4.67%
Rate of return (including RUA)	5.59%	5.47%	5.15%
Avg. yield to maturity (or call) of fixed income securities	6.55%	6.19%	5.67%

CORPORATE STOCK PORTFOLIO
FISCAL YEAR ENDED JUNE 30, 1974

	<u>At Cost</u>	<u>At Market</u>
Balance as of June 30, 1973	\$61,565,762.27	\$66,993,132.00
Add: Purchases	7,342,815.93	
	<u>\$68,908,578.20</u>	
Deduct: Stock rights sold	635.83	
Frac. shares stock dividends sold	176.33	
Stock sold	<u>2,758,852.68</u>	2,949,927.00
Balance as of June 30, 1974	\$66,148,913.36	56,088,800.00
Recognized unrealized appreciation	<u>2,766,766.36</u>	
	<u><u>\$68,915,679.72</u></u>	

FIXED INCOME, DEBT SECURITY PORTFOLIO
FISCAL YEAR ENDED JUNE 30, 1974

	<u>Book Value</u>	<u>Par Value</u>	<u>Yield</u>
Balances as of June 30, 1973	\$68,725,299.66	\$68,862,657.06	6.19%
Deduct: Securities matured and called	4,510,192.49	4,322,322.43	
Securities sold	3,748,098.82	3,754,000.00	4.93%
Add: Securities purchased	5,875,000.00	5,875,000.00	8.17%
Net amortization	<u>5,737.31</u>		
Balances of June 30, 1974	<u><u>\$66,347,745.66</u></u>	<u><u>\$66,661,334.63</u></u>	6.55%

Distribution of investment portfolio, excluding short term investments (fixed income debt securities at amortized cost and corporate stock at original cost):

	<u>Book Values</u>		<u>Distribution</u>	
	<u>6/30/74</u>	<u>6/30/73</u>	<u>6/30/74</u>	<u>6/30/73</u>
Federal, State, Municipals	\$ 4,293,626.14	\$ 6,934,560.28	3.24%	5.32%
Merchant Marine, 100% Gov. Guar.	547,000.00	547,000.00	.41%	.42%
Canadian and Canadian Government	9,049,900.34	6,745,526.00	6.83%	5.18%
U.S. Corporate	<u>52,457,219.18</u>	<u>54,498,213.38</u>	<u>39.59%</u>	<u>41.83%</u>
Total debt securities	\$66,347,745.66	\$ 68,725,299.66	50.07%	52.75%
Corporate stocks	<u>66,148,913.36</u>	<u>61,565,762.27</u>	<u>49.93%</u>	<u>47.25%</u>
Total portfolio	\$132,496,659.02	\$130,291,061.93	100.00%	100.00%

The average rate of return on invested assets and cash was 4.81% before recognition of unrealized appreciation in stock. The rate increased to 5.59% after inclusion of a portion of the unrealized appreciation in investment income.

**MINNESOTA STATE RETIREMENT SYSTEM
UNCLASSIFIED EMPLOYEES RETIREMENT PROGRAM**

TRANSACTIONS IN FISCAL YEAR 1974

RECEIPTS

Employee contributions	\$283,009.98	
Employer contributions	376,518.96	
Interest on contributions	<u>13,165.36</u>	
Total contributions	\$672,694.30	
Less: 2/10% administrative charges	<u>9,332.83</u>	\$663,361.47
Temporary investments:		
Treasury bills sold (cost basis)	\$ 24,100.11	
Interest earned	<u>354.71</u>	<u>24,454.82</u>
Uninvested balance at June 30, 1973		\$687,816.29
		<u>4,907.72</u>
Total receipts and uninvested balance		\$692,724.01

INVESTMENTS AND WITHDRAWALS

Shares purchased in the Minnesota Supplemental Retirement Fund:

	<u>No. of Shares</u>	<u>Market Value</u>	
Income shares purchased	70,095	\$469,301.18	
Less: Shares withdrawn (cost \$47,601.79)	<u>7,012</u>	<u>46,209.08</u>	
Net purchases	63,083	\$423,092.10	\$423,092.10
Growth shares purchased	39,918	\$220,062.77	
Less: Shares withdrawn (cost \$23,661.23)	<u>3,649</u>	<u>19,598.38</u>	
Net purchases	36,269	\$200,464.39	200,464.39
Cost basis of shares withdrawn		\$ 71,263.02	
Less: Depreciation in share values		<u>5,455.56</u>	
Market value of shares withdrawn		\$ 65,807.46	
Add: Uninvested balances refunded		<u>2,278.97</u>	
		\$68,086.43	
Adjustments and corrections		<u>726.53</u>	
Total paid in withdrawals		\$ 67,359.90	67,359.90
Uninvested balance at June 30, 1974		<u>1,807.62</u>	
Total investments, withdrawals and uninvested balance			<u>\$692,724.01</u>

MARKET VALUE AND COST OF SHARES HELD

	<u>Income</u>	<u>Growth</u>
Number of shares at June 30, 1973	37,003	23,163
Net increase in fiscal 1974	<u>63,083</u>	<u>36,269</u>
Number of shares at June 30, 1974	100,086	59,432
Share values @ 6-30-74	<u>x\$6.06</u>	<u>x\$4.46</u>
Market value as of June 30, 1974	\$606,521.16	\$265,066.72
Original cost	667,929.12	354,013.22