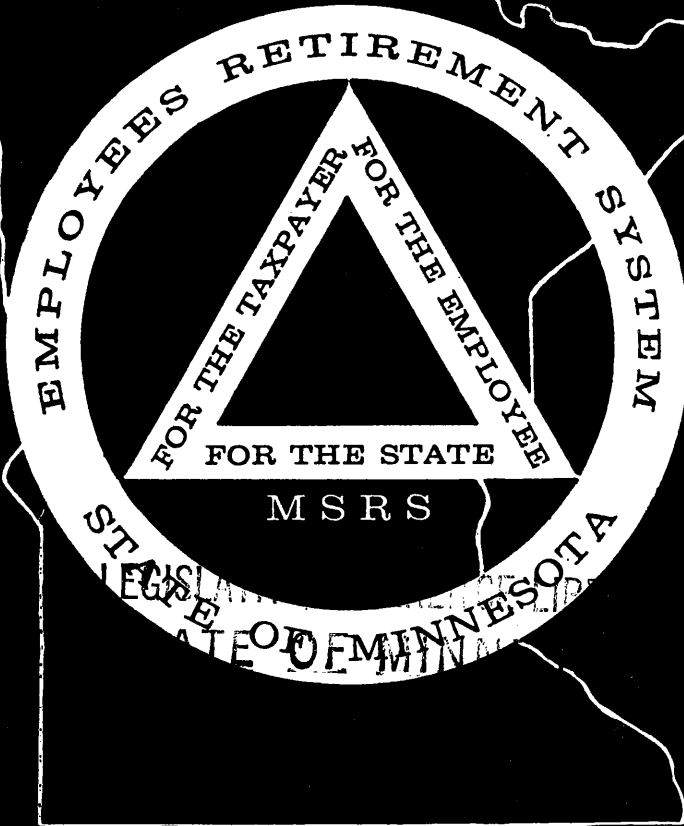




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# STATEMENT TO EMPLOYEES JUNE 30, 1975

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## MINNESOTA STATE IREMENT SYSTEM



# MINNESOTA STATE RETIREMENT SYSTEM

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

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## 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, 1975 in accordance with the provisions of Minnesota Statutes, Section 356.20. A two 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 Little, Church & Chapin, Inc., Consulting Actuaries, Pasadena, California. Exhibits in this report are presented as prescribed in Chapter 356.

Respectfully submitted,

  
\_\_\_\_\_  
Francis D. Hage, Chairperson

  
\_\_\_\_\_  
Paul L. Grosschen  
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.

## LAW CHANGES

### COMBINED SERVICE ANNUITY

A significant change in 1975 substantially improved the retirement annuity of a public employee who may have worked for the State, a local unit of Minnesota State Government or as a teacher or employee in a school system in Minnesota. It is called the "Combined Service Annuity". A Minnesota public employee is entitled to receive an annuity from each retirement plan in which he has credited service, provided he has a total combined service of at least 10 years. If the employee's service was covered by plans with similar formulas, his total annuity would be the same as if his entire service was under one retirement plan. The Combined Service Annuity feature will provide a retirement annuity for a career in public service even though an employee may transfer among variable annuity plans, formula plans, money purchase plans or plans with differing formulas. In a graduated formula plan, the covered employee is entitled to the formula percentages at his then combined length of service and each fund applies its formula to the same average salary, which salary is the average for the 5 highest successive salary years under a covered fund.

The following retirement plans in Minnesota are included in the Combined Service Annuity provision:

The Minnesota State Retirement System: general, correctional and unclassified employee plans, legislator and elective officers plan, highway patrolmen's plan.

The Public Employees Retirement Association including the PERA police and fire fund.

The Minneapolis, St. Paul, Duluth and the State Teachers Retirement Association.

The Minneapolis Municipal Employees Retirement Association.

### OTHER LAW CHANGES

An employee working to mandatory retirement age of 65 is now eligible for monthly retirement benefits with as little as three years service credit. This provision of law applies only to employees of departments where mandatory retirement is at age 65 or earlier.

The length of service for disability eligibility was reduced to 5 years for an employee age 50 or more. For those under age 50 the service requirement remains at 10 years.

The deferred annuity augmentation rate was increased from 2½% to 5% per annum, compounded annually.

The new law specifies the order of priority for any payments due upon the death of a covered employee:

First, to any beneficiary designated in writing on retirement records, then  
to a surviving spouse, or if none, then  
to surviving children in equal shares, or if none, then  
to surviving parents in equal shares, or if none, then  
to the representative of the estate.

The purpose of this change was to obviate the need to designate a beneficiary and keep it up to date. Any employee who so desires, however, may still designate a beneficiary.

The law now permits the mailing of annuity checks directly to a bank or financial institution for deposit in a retired employee's account.

The State Deferred Compensation Plan was made available to all public employees in Minnesota beginning in 1976.

### **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.

### **MINNESOTA ADJUSTABLE FIXED BENEFIT FUND**

The Minnesota Adjustable Fixed Benefit Fund (MAFB Fund) is the investment medium for the fully funded reserves of retired public employees. The intended purpose of the MAFB Fund is to provide increases in benefits after retirement. An amount of money equal to the reserve required to fully fund the annuity according to actuarial tables based on an assumed interest rate of 5% is transferred to the MAFB Fund at retirement by the participating retirement plan. The public retirement plans participating in the Minnesota Adjustable Fixed Benefit Fund are the following:

- State Employees Retirement Fund (including correctional employees)
- Highway Patrolmen's Retirement Fund
- Judges Retirement Fund
- Legislator's Retirement Plan
- State Teachers Retirement Fund
- Public Employees Retirement Fund (including police and fire)
- Minneapolis Municipal Employees Retirement Fund

#### **Statutory Valuation Adjustment — MAFB Fund**

Unrealized income on the equity portion of the portfolio is recognized in the MAFB Fund in addition to realized income from interest, dividends, etc. A "recognized" value is determined bi-monthly for the total portfolio, including corporate stock holdings at market value and debt securities at amortized cost. The recognized value is divided by the book value to determine the ratio for that particular period. An average of the six ratios from the current fiscal year and the six ratios from the previous fiscal year is determined by adding the ratios and dividing by 12. Such average ratio is then applied to the book value plus realized income to determine the "admitted" value of the MAFB Fund. The difference between the admitted value and book value plus realized income is the statutory valuation adjustment for the year. The valuation adjustment may be positive or negative depending on market values of stocks during the past two years. In each of the 4 preceding fiscal years the valuation adjustment was positive. In fiscal 1975 the valuation adjustment is a negative amount. As a result there will be no increase in the benefits of the retired employees. The realized income for the year and the statutory valuation adjustment is distributed to each participating fund according to its percentage participation in the total fund.

#### **Rate of return — MAFB Fund**

The rate of return for the MAFB Fund, as computed by the State Board of Investment, was minus 7.9570% for fiscal year 1975. This compares to a plus 4.99227% rate of return for fiscal year 1974. It should be noted that although the 2 year averaging requirement resulted in a negative rate of

return for fiscal 1975, the market had recovered to the point where the market value of stock exceeded cost by about 4% at the end of the year. A rate of 5% must be earned to meet actuarial requirements and to maintain a fully funded status.

#### Statutory Mortality Adjustment — MAFB Fund

M.S. 11.25 requires certain calculations be made to determine and adjust any deviation from expected mortality. Funds covering the amount of the deviation are then transferred to the MAFB Fund from the parent fund or vice versa. After adjustment it should be possible to measure and compare the actual rate of return for the purpose of adjusting the annuities paid. Fiscal 1975 is the second year in which the statutory formula has been applied and it is apparent that the procedure does not provide a reliable or proper measure of either mortality deviation or income return.

#### Participation in the MAFB Fund

Participation in the MAFB fund changed as follows during the last two fiscal years:

	1975	1974
Beginning balances	\$85,027,307	\$61,723,910
Reserve requirement — new retirees	25,307,919	23,974,069
Benefits paid	(11,579,381)	( 8,990,630)
Participation in realized income	4,666,502	3,390,133
Statutory valuation adjustment	(12,304,625)	266,499
	<u>\$91,117,722</u>	<u>\$85,363,981</u>
Statutory mortality adjustment	2,630,526	( 336,674)
Ending balances	<u>\$93,748,248</u>	<u>\$85,027,307</u>

#### FUNDING RATIO — UNFUNDED ACCRUED LIABILITY

The funding ratio is determined by dividing the net assets of a fund by the total reserve requirement. The ratio for the State Employees Retirement Fund was 59.2% as of June 30, 1975 compared to 59.0% at the end of the previous fiscal year. The unfunded accrued liability is the total liability of a fund for benefits earned in the past as well as those earnable in the future, less assets on hand, less the present value of future employee contributions and less the present value of future entry age normal cost contributions. Comparative figures for the State Employees Retirement Fund are as follows:

	General Plan	Correctional Plan	Total
1974	\$152,206,089	\$10,887,147	\$163,093,236
1975	173,867,994	9,090,688	182,958,682

The most significant factor causing the increase in the unfunded liability was an increase in salaries at a rate higher than anticipated in the valuation. Notwithstanding this, the System's actuary states that the plan will be fully funded by the target date of 1997.

#### 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.

Comparative normal cost figures and support rates in fiscal 1974 and 1975 are as follows:

	<u>General Plan</u>	<u>Correctional Plan</u>
Normal cost: fiscal 1974	7.14%	10.86%
fiscal 1975	7.05%	10.93%
<b>Current Support</b>		
Employee contribution	4.00%	6.00%
Employer normal cost contribution	4.00%	9.00%
	<u>8.00%</u>	<u>15.00%</u>
Employer contribution for amortizing the actuarial deficit	2.00%	5.00%

## VALUATION OF CORPORATE STOCK PORTFOLIO

Comparatively low yielding common stocks are included in the investment portfolio, because of possible growth potential as well as dividend income. With up to 50% of a portfolio in stocks, a procedure was established whereby a small portion of increased (or decreased) stock values would be added to or subtracted from income for accounting and actuarial purposes. If market valuation exceeds cost by 10 percent for six consecutive bi-monthly periods, the value of the portfolio is increased by three percent; if the market values decrease by 10 percent for six consecutive bi-monthly periods, the value of the portfolio is decreased by three percent. The stocks are shown in the balance sheet at cost and the valuation adjustment is shown as a separate item labeled "Recognized Unrealized Appreciation".

Minnesota Statutes, Section 11.16, provides that any adjustment in valuation is to be used as an addition or subtraction to income and distributed over a period of not less than three nor more than five years. The adjustments permitted in Section 11.16 resulted in increases to income of \$546,241 in 1972, \$1,110,263 in 1973-4 and \$564,021 in 1975. The more recent downturn in the market, hitting lows in September and December 1974, will result in a decrease of \$847,233 a year averaged over the five year period 1975-79. The net result for fiscal 1975 is a decrease to income of \$283,212.

## INVESTMENT RETURN

The liabilities of a fund are computed according to an assumed rate of return to be earned for many years into the future. Presently, the assumed rate is five percent, which means the average rate of return should be at least five percent over a long period of time. Because the rate of return is such a critical factor in the valuation of a fund and because of the tendency to compare rates of return, it is important to know the asset items and income items used in computing such rates. The rate of return for the State Employees Retirement Fund was determined by dividing the average assets, excluding MAFB Fund participation, into the investment income. Investment income includes debt security interest adjusted for amortization of premiums and accumulation of discounts and decreased by amortization of capitalized bond losses; interest on past due payments by employees; short term interest income; premiums on bonds called; and stock dividends; plus or minus recognized unrealized appreciation in corporate stocks. On this basis, the rate of return is 4.82% in 1975 compared to 5.50% in 1974. If the recognized unrealized appreciation in stocks is omitted in the calculations, the rate of return in 1975 is 5.08% compared to 4.87% in 1974.

## STATISTICAL DATA

"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.



## GENERAL EMPLOYEES RETIREMENT PLAN

YEAR END TOTALS	June 30, 1975	June 30, 1974
Active Employees	38,966	37,945
Inactive Accounts	3,889	4,102
New Employees and Former Employees Returned	9,107	9,355
Refunds	6,061	5,995
Deaths	119	135
Service Retirements	695	838
Disabilities	48	61
Net Change in Active Employees	1,021	1,153

### ACTIVE EMPLOYEES

The average age, service and contributions of the active employees were:

	Date	Age	Service Credited	Accumulated Contributions
Male Employees	6/30/73	41.5 yrs.	9.0 yrs.	\$1,816.84
	6/30/74	40.8 yrs.	8.7 yrs.	\$1,953.99
	6/30/75	40.6 yrs.	8.7 yrs.	\$2,188.46
Female Employees	6/30/73	36.8 yrs.	5.7 yrs.	\$ 870.47
	6/30/74	36.2 yrs.	5.5 yrs.	\$ 934.83
	6/30/75	35.8 yrs.	5.3 yrs.	\$1,035.91

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

	Date	Male		Female	
		Median	Average	Median	Average
New Employees	6/30/73	26 yrs.	30.3 yrs.	24 yrs.	27.6 yrs.
	6/30/74	26 yrs.	29.8 yrs.	24 yrs.	27.8 yrs.
	6/30/75	27 yrs.	30.2 yrs.	25 yrs.	28.1 yrs.
All Active Employees	6/30/73	41 yrs.	41.5 yrs.	32 yrs.	36.8 yrs.
	6/30/74	40 yrs.	40.8 yrs.	31 yrs.	36.2 yrs.
	6/30/75	40 yrs.	40.6 yrs.	30 yrs.	35.8 yrs.

33.1% of the male active employees and 16.0% of the females, for a total of 9,408 of the active employees, had at least 10 years of credited service at June 30, 1975, compared to 9,215 in 1974 and 9,308 in 1973.

	1975	1974	1973
Total active employees age 65 or older	706	826	1,060
Number of those eligible to retire with full annuity benefit	418	535	750

At 6/30/75 there were 2,199 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 114 such employees less than age 65 at 6/30/75. 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 1,426 active employees eligible to retire with a reduced benefit at 6/30/75.

### REFUNDS

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

Year Ending	Age	Male		Female	
		Service	Age	Service	Age
6/30/73	33.5 yrs.	2.3 yrs.	29.8 yrs.	2.0 yrs.	29.8 yrs.
6/30/74	33.2 yrs.	2.3 yrs.	29.7 yrs.	2.0 yrs.	29.7 yrs.
6/30/75	32.5 yrs.	2.3 yrs.	29.7 yrs.	2.0 yrs.	29.7 yrs.

During the 12 month period ending June 30, 1975, 1.2% of the 6,061 people taking refunds forfeited 10 or more years of service compared to 1.5% in 1974 and 1.6% in 1973.

## INACTIVES

Inactive accounts totaled 3,889 at June 30, 1975 compared to 4,102 at June 30, 1974 and 4,592 at June 30, 1973. 388 of the present inactives have sufficient service credit to be entitled to a deferred annuity.

Comparison of the inactives with vested benefits during the last three years follows:

	<u>Year Ending</u>	<u>Number</u>	<u>Avg. Age</u>	<u>Avg. Deferred Annuity</u>
Male	6/30/73	158	56	\$ 84.65
	6/30/74	156	54	\$ 93.39
	6/30/75	186	53	\$184.72
Female	6/30/73	203	58	\$ 73.94
	6/30/74	189	57	\$ 77.35
	6/30/75	202	57	\$134.89

The increase in the average deferred benefit at 6/30/75 is due primarily to an increase in the rate of augmentation from 2½% to 5%.

## RETIRED EMPLOYEES

	<u>6/30/75</u>	<u>6/30/74</u>	<u>6/30/73</u>	<u>6/30/72</u>
Age and service annuitants	6,047	5,604	4,987	4,734
Disability benefits	289	273	237	222
Survivor benefits	30	30	32	32
Benefits authorized during period	743	930	519	552
Deaths during period	279	276	250	254

The average age, salary, service and benefit amounts of new annuitants who retired during the last three fiscal years are given below. The average monthly salary for fiscal year '74 and '75 retirees is based on the five high years of salary while for '73 retirees it is based on all covered salary after 7/1/57.

	<u>Date</u>	<u>Age at Retirement</u>		<u>Average Monthly Salary</u>	<u>Service</u>		<u>Average Benefit</u>
		<u>Yrs.</u>	<u>Mos.</u>		<u>Yrs.</u>	<u>Mos.</u>	
Service	6/30/73	65	11	\$472.58	21	7	\$109.81
	6/30/74	65	4	\$727.89	24	4	\$240.05
	6/30/75	65	2	\$771.98	22	5	\$227.85
Disability	6/30/73	58	9	\$439.72	18	2	\$ 87.98
	6/30/74	56	7	\$605.59	18	4	\$140.97
	6/30/75	57	11	\$672.30	19	0	\$160.27

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	6/30/73	\$101.83	\$ 78.70
	6/30/74	\$144.07	\$105.63
	6/30/75	\$154.19	\$110.75
Disability annuitants	6/30/73	\$ 81.80	\$ 65.49
	6/30/74	\$110.24	\$ 92.76
	6/30/75	\$116.99	\$ 96.94

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 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	6/30/73	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.
	6/30/75	77.2 yrs.	10.5 yrs.	77.7 yrs.	11.4 yrs.
Disability	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.
	6/30/75	63.3 yrs.	4.2 yrs.	64.5 yrs.	4.7 yrs.

Of the 249 service annuitants who died in fiscal year 1975, 89.2% received annuity payments greater than their accumulated employee contributions. The average service annuitant received in annuity payments 4.0 times the amount he had contributed.

### CORRECTIONAL EMPLOYEES RETIREMENT PLAN

#### ACTIVE EMPLOYEES

At June 30, 1975 there were 901 active employees covered under the Correctional Employees Retirement Plan compared to 737 at June 30, 1974. The following data pertains to active employees as of the date shown.

	<u>Date</u>	<u>Average Age</u>	<u>Median Age</u>	<u>Average Service Credit</u>	<u>Average Accumulated Contributions</u>
Male	6/30/74	44.2 yrs.	47	10.8 yrs.	\$2,496.76
	6/30/75	38.3 yrs.	37	7.3 yrs.	2,192.15
Female	6/30/74	43.8 yrs.	45	7.8 yrs.	\$1,682.19
	6/30/75	40.3 yrs.	42	6.7 yrs.	1,785.89

28.6% of the male active employees and 26.7% of the females, for a total of 256 employees, had ten or more years of service credit at June 30, 1975, compared to 309 in 1974.

	<u>1975</u>	<u>1974</u>
Total number of employees age 55 or older	120	191
Number of those eligible to retire	87	111

The median and average ages of new employees during the past two fiscal years follow.

<u>Fiscal Year</u>	<u>Male</u>		<u>Female</u>	
	<u>Median</u>	<u>Average</u>	<u>Median</u>	<u>Average</u>
1974	30	29.3 yrs.	24	25.2 yrs.
1975	27	29.4 yrs.	28	29.6 yrs.

#### REFUNDS

In fiscal year 1975 there were 126 Correctional Plan accounts refunded while in 1974 there were 107. The average age and service forfeited by those taking refunds were:

<u>Year Ending</u>	<u>Male</u>		<u>Female</u>	
	<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>
6/30/74	33.7 yrs.	2.3 yrs.	30.0 yrs.	2.0 yrs.
6/30/75	30.3 yrs.	1.5 yrs.	30.3 yrs.	2.6 yrs.

#### INACTIVES

As of June 30, 1975 there were 26 inactive accounts in the Correctional Employees Retirement Plan. Only one inactive has sufficient service credit to be entitled to a deferred annuity.

## RETIRED EMPLOYEES

During fiscal year 1975, 92 Correctional employees retired compared to 17 who retired in 1974. Two annuitants died during the current fiscal year. This brings the total number of Correctional Plan annuitants to 107 at June 30, 1975. All are service annuitants.

Averages pertaining to the annuitants receiving as of the dates shown below follow.

<u>Date</u>	<u>Age at Retirement</u>	<u>Years of Service</u>	<u>Attained Age</u>	<u>Monthly Benefit</u>
6/30/74	62.2 yrs.	26.5 yrs.	63.5 yrs.	\$454.24
6/30/75	60.7 yrs.	21.8 yrs.	61.1 yrs.	419.45

## UNCLASSIFIED EMPLOYEES RETIREMENT PLAN

### ACTIVE PARTICIPANTS

The following averages pertain to participants who have not withdrawn the shares purchased with either the employees' or employers' contributions as of the dates shown. (315 male, 183 female)

#### MALE

<u>Date</u>	<u>Attained Age</u>	<u>Service Credit</u>	<u>No.Inc. Shares</u>	<u>Cost-Inc. Shares</u>	<u>No. Growth Shares</u>	<u>Cost-Growth Shares</u>
6/30/74	35.5 yrs.	3.2 yrs.	323.1	\$2,156.81	203.4	\$1,217.93
6/30/75	35.6 yrs.	3.5 yrs.	411.9	2,670.15	298.7	1,526.70

#### FEMALE

6/30/74	37.4 yrs.	2.2 yrs.	157.9	\$1,053.37	70.4	\$ 400.26
6/30/75	36.5 yrs.	2.5 yrs.	211.1	1,368.11	121.5	587.29

The active participants range in age from 19 to 70. Twenty-six, or 5.2%, are 58 years of age or older and eligible to an annuity upon termination from State service.

### WITHDRAWALS

Upon termination Unclassified Plan participants are now entitled to withdraw the shares purchased with the employee and employer contributions and thus forfeit all service credit. There were 43 such withdrawals in fiscal year 1975.

The average age and service forfeited during the last two years were:

<u>Year Ending</u>	<u>Male</u>		<u>Female</u>	
	<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>
6/30/74	32.1 yrs.	2.0 yrs.	30.8 yrs.	2.8 yrs.
6/30/75	31.2 yrs.	2.4 yrs.	30.7 yrs.	1.9 yrs.

LITTLE, CHURCH & CHAPIN, INC.  
CONSULTING ACTUARIES

EDWARD L. CHAPIN  
HARRY M. CHURCH  
ROBERT H. LITTLE

December 12, 1975

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

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, 1975. As required by Minnesota Statutes 1974, Chapter 356 as amended by Laws 1975, the Valuation as of June 30, 1975 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 four year period ending June 30, 1975, and
4. Use of the entry age normal cost method of funding to determine the 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 1974, Chapter 352, are adequate to provide the benefits that will be paid from the System.

Very truly yours,

LITTLE, CHURCH & CHAPIN, INC.  
Consulting Actuaries

By

Robert H. Little, F.S.A.

RHL:th

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STATE OF MINNESOTA

**MINNESOTA STATE RETIREMENT SYSTEM  
EXHIBIT REQUIRED BY MINNESOTA STATUTES 1974,  
CHAPTER 356, SECTION 356.20, SUBDIVISION 4(1)  
AS AMENDED BY LAWS 1975  
AS OF JUNE 30, 1975**

**ASSETS AND UNFUNDED ACCRUED LIABILITY**

**ASSETS**

Cash in State Treasury	\$ 479,526.67
Cash in Bank	200.00
Short term investments (at cost)	12,321,955.56
Accounts Receivable:	
(a) Accrued employee contributions	675,633.40
(b) Accrued employer contributions	1,043,743.77
(c) Employee back payments	150,185.54
(d) Investment maturities and sales	755,042.82
(e) Due from other plans	51,940.65
(f) Other	21,630.59
Accrued interest in investments	1,450,465.37
Dividends declared and payable but not yet received	30,992.94
Investments in debt securities at amortized cost	69,886,528.17
Investment in equities at cost	73,566,613.60
Recognized unrealized appreciation in equities	2,146,422.77
Equipment at depreciated cost	11,382.04
Deferred yield adjustment account	2,886,106.43
Participation in the MAFB Fund	91,117,722.17
<b>Total Assets</b>	<b><u>\$256,596,092.49</u></b>

**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	\$ 33,404,723.00
Unfunded Accrued Liability to be funded by State's "Additional" contribution	149,553,958.86
<b>Total Unfunded Accrued Liability</b>	<b><u>\$182,958,681.86</u></b>
<b>TOTAL ASSETS AND UNFUNDED ACCRUED LIABILITY</b>	<b><u>\$439,554,774.35</u></b>

**CURRENT LIABILITIES AND RESERVES REQUIRED**

**CURRENT LIABILITIES**

Accounts payable:	
(a) Security purchases	\$ 378,218.25
(b) Annuities	1,206.92
(c) Annuitant deposits	10,649.10
(d) Accrued expenses	49,259.36
(e) Overpaid dividends	1,735.00
(f) Transfer to unclassified employee retirement	205,728.32
Suspense item: Unredeemed 6 year old warrants	4,692.40
MAFBF Annuity Stabilization Account	(9,588,971.00)
<b>Total Liabilities</b>	<b><u>\$ (8,937,431.65)</u></b>

**RESERVES REQUIRED**

<b>Total Reserves Required per attached schedule</b>	<b><u>\$448,492,206.00</u></b>
<b>TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED</b>	<b><u>\$439,554,774.35</u></b>

**Note:** Accumulated contributions, without interest, of members not yet retired amounted to \$65,678,306.97 as of June 30, 1975.

**MINNESOTA STATE RETIREMENT SYSTEM  
DETERMINATION OF RESERVES REQUIRED  
AS OF  
JUNE 30, 1975**

	(1)	(2)	(3)
<b><u>Benefits For:</u></b>	<b><u>Present Value of Benefits</u></b>	<b><u>Present Value of Applicable Portion of Normal Cost Contribution</u></b>	<b><u>Reserves Required (1) - (2)</u></b>
<b>Active Members:</b>			
(a) Retirement Benefits	\$460,589,496	\$138,650,382	\$321,939,114
(b) Disability Benefits	24,506,758	13,027,765	11,478,993
(c) Refundments due to death or withdrawal	73,186,655	72,998,006	188,649
(d) Surviving Spouse Benefits	12,501,692	5,817,713	6,683,979
Deferred Annuitants	4,208,634	—	4,208,634
Former Members Without Vested Rights	359,111	—	359,111
Survivors	296,507	—	296,507
Benefits Payable from MAFB Fund	103,337,219	—	103,337,219
<b>Total</b>	<b>\$678,986,072</b>	<b>\$230,493,866</b>	<b>\$448,492,206</b>

**MINNESOTA STATE RETIREMENT SYSTEM**  
**EXHIBIT REQUIRED BY MINNESOTA STATUTES 1975, CHAPTER 356,**  
**SECTION 356.20, SUBDIVISION 4(2) AND (3) AS AMENDED**  
**BY LAWS 1975**

**FISCAL YEAR ENDING JUNE 30, 1975**

<b>ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME</b>			
<b>INCOME</b>			
From Employees			
Employee contributions		\$14,225,078.85	
Employee accrued contributions receivable		675,633.40	
Employee contributions, accounts receivable		58,355.06	
From Employers			
Employers contributions		14,589,502.07	
Employer additional contributions		7,295,707.52	
Employer accrued contributions receivable		1,043,743.77	
From Investments			
Interest on debt securities and short term interest		5,094,589.00	
Dividends on corporate stock		2,406,878.35	
Recognized unrealized appreciation in stock		(320,955.30)	
Premium on bonds called		8,003.41	
Gain on sale of stock		37,743.83	
Interest on back payments by employees		104,029.14	
From MAFB Fund Participation			
Participation in MAFB Fund realized income		4,666,501.82	
MAFB Fund statutory valuation adjustment		(12,304,624.88)	
Other Revenues			
Miscellaneous		1,959.78	
<b>TOTAL INCOME</b>		<u>\$37,582,145.82</u>	
<b>DEDUCTIONS FROM INCOME</b>			
Increase in MAFBF Annuity Stabilization Account			\$ (9,544,407.00)
Benefits			
Service retirement annuities		\$11,118,929.22	
Disability retirement benefits		400,201.26	
Survivor benefits (spouses)		33,892.32	
Refundments (Employee Contributions)			
Left service and coverage by other systems		2,795,352.80	
Employee deaths		222,846.35	
Annuitant deaths		60,725.95	
Erroneous deductions		30,042.14	
Interest on contributions		139,943.54	
Unclassified Employee Retirement			
Transfer of employee contributions		324,850.27	
Transfer of employer contributions		468,919.75	
Transfer of interest		4,034.66	
Operating Expenses			
Total Operating Expenses		551,891.94	
Prior Year Adjustments		299,388.29	
Increase in Total Reserves Required			
Reserves Required 6-30-74	\$397,951,226.00		
Reserves Required 6-30-75	<u>448,492,206.00</u>	50,540,980.00	
<b>TOTAL DEDUCTIONS FROM INCOME</b>		<u>\$57,447,591.49</u>	
<b>EXCESS OF INCOME OVER DEDUCTIONS</b>			
<b>FROM INCOME</b>			(19,865,445.67)
<b>REDUCTION IN UNFUNDED</b>			
<b>ACCRUED LIABILITY:</b>			
Unfunded Accrued Liability 6-30-74	\$163,093,236.19		
Unfunded Accrued Liability 6-30-75	<u>182,958,681.86</u>		\$ (19,865,445.67)



**MINNESOTA STATE RETIREMENT SYSTEM  
ACCOUNTING BALANCE SHEET  
FOR TWO YEARS ENDED JUNE 30, 1974 AND 1975**

<u>Assets</u>	<u>State Employees Retirement Fund</u>	
	<u>1975</u>	<u>1974</u>
Cash	\$ 479,726.67	\$ 583,432.13
Short term investments (at cost)	12,321,955.56	8,938,731.54
Accounts Receivable:		
(a) Accrued Employee Contributions	675,633.40	516,177.85
(b) Accrued Employer Contributions	1,043,743.77	795,508.60
(c) Employee Buybacks	150,185.54	154,514.23
(d) Invest. maturities & sales	755,042.82	121,624.74
(e) Due from other plans	51,940.65	32,355.70
(f) Other receivables	21,630.59	350,224.34
Accrued interest in investments	1,450,465.37	1,208,300.53
Accrued dividends receivable	30,992.94	20,090.47
Debt securities at amortized cost	69,886,528.17	66,347,745.66
Corporate stock at cost	73,566,613.60	66,148,913.36
Recognized Unrealized Appreciation—		
Equities	2,146,422.77	2,575,691.86
Deferred Yield Adjustment Account	2,886,106.43	2,289,402.01
Equipment at Depreciated Cost	11,382.04	11,639.24
Sub-total	\$165,478,370.32	\$150,094,352.26
Participation in MAFB Fund	93,748,248.17	85,027,306.73
Total assets	<u>\$259,226,618.49</u>	<u>\$235,121,658.99</u>
 <u>Liabilities and Reserves</u>		
<u>Liabilities</u>		
Accounts Payable:		
(a) Security purchases	\$ 378,218.25	\$ 384,957.42
(b) Annuities and benefits	11,856.02	12,890.18
(c) Accrued expenses	51,044.36	49,751.39
(d) Transfer to Unclass. Plan	205,728.32	46,848.13
(e) Due MAFB Fund	2,630,526.00	.00
Suspense Item — Unredeemed 6 year Warrants	4,692.40	4,860.56
Total liabilities	<u>\$ 3,282,065.35</u>	<u>\$ 499,307.68</u>
 <u>Reserves</u>		
Employees Contribution Reserve	\$ 65,678,306.97	\$ 57,523,936.52
Reserve for Participation in the Minn. Adjustable Fixed Ben. Fund	93,748,248.17	85,027,306.73
Reserve for benefits not participating in the MAFB Fund	296,507.00	306,474.00
State Contribution Reserve	96,221,491.00	91,764,634.06
Total reserves	<u>\$255,944,553.14</u>	<u>\$234,622,351.31</u>
Total liabilities & reserves	<u>\$259,226,618.49</u>	<u>\$235,121,658.99</u>

**MINNESOTA STATE RETIREMENT SYSTEM  
STATEMENT OF REVENUES AND EXPENDITURES  
FOR TWO YEARS ENDED JUNE 30, 1974 AND 1975**

<u>REVENUES</u>	<u>State Employees Retirement Fund</u>	
	<u>1975</u>	<u>1974</u>
<b>From Employees</b>		
Employee contributions	\$14,225,078.85	\$12,004,061.13
Employee contributions rec.	675,633.40	516,127.85
Employee contributions, accounts receivable	58,355.06	41,702.85
<b>From Employers</b>		
Employer contributions	14,589,502.07	12,302,766.02
Employer additional contrib.	7,295,707.52	6,142,628.60
Employer accrued contrib. receivable	1,043,743.77	795,508.60
<b>From Investments</b>		
Interest on securities	5,333,815.18	4,883,474.63
Loss on debt security sales, amortized	(239,226.18)	(239,516.36)
Premium on bonds called	8,003.41	3,354.66
Dividends on corporate stock	2,406,878.35	2,122,259.99
Recognized unrealized appreciation	(283,211.47)	1,110,262.59
Interest on past due payments by employees	104,029.14	76,856.74
<b>From MAFB Fund Participation</b>		
Participation in realized income	4,666,501.82	3,390,133.08
Statutory valuation adjustment	(12,304,624.88)	266,499.48
<b>Miscellaneous Revenues</b>	<u>1,959.78</u>	<u>1,011.94</u>
<b>Total Revenues</b>	<u><b>\$37,582,145.82</b></u>	<u><b>\$43,417,131.80</b></u>
 <u><b>EXPENDITURES</b></u>		
<b>Benefits Paid</b>		
Service retirement annuities (1)	\$11,118,929.22	\$ 8,618,029.22
Disability benefits	400,201.26	312,079.64
Survivor benefits	33,892.32	31,145.08
<b>Refundments Paid</b>		
Left service	2,795,352.80	2,502,190.95
Employee and annuitant deaths	283,572.30	278,642.91
Interest on refundments	139,943.54	118,866.51
Erroneous deductions	30,042.14	12,270.93
<b>Transfers</b>		
To unclassified plan	797,804.68	672,694.30
<b>Operating Expenses</b>	<u>551,891.94</u>	<u>461,848.06</u>
<b>Total Expenditures</b>	<u><b>\$16,151,630.20</b></u>	<u><b>\$13,007,767.60</b></u>
<b>Revenues in Excess of Expenditures</b>	<u><b>\$21,430,515.62</b></u>	<u><b>\$30,409,364.20</b></u>
Prior year adjustments	(299,388.29)	(126,320.02)
<b>Net Distribution to Reserves</b>	<u><b>\$21,131,127.33</b></u>	<u><b>\$30,283,044.18</b></u>

(1) Additional benefits paid from the  
General Fund to SER Fund Retirees \$ 115,756 \$ 126,586

**MINNESOTA STATE RETIREMENT SYSTEM  
STATE EMPLOYEES RETIREMENT FUND  
CHANGES IN INVESTMENT PORTFOLIO**

**Fiscal Years 1974 and 1975**

<b><u>Corporate Stock (at original cost)</u></b>		<b><u>1975</u></b>		<b><u>1974</u></b>	
Beginning balances		\$66,148,913.36		\$61,565,762.27	
Add: Purchases		11,134,019.35		7,342,815.93	
		<u>\$77,282,932.71</u>		<u>\$68,908,578.20</u>	
Deduct: Rights & Frac. Stock Dividends Sold		2,368.31		812.16	
Stock sold		3,713,950.80		2,758,852.68	
Ending Balances		<u>\$73,566,613.60</u>		<u>\$66,148,913.36</u>	
Market value at June 30		<u>\$72,509,441.00</u>		<u>\$56,088,800.00</u>	

<b><u>Fixed Income Debt Securities</u></b>	<b><u>Par Value</u></b>		<b><u>Yield to Maturity</u></b>	
	<b><u>1975</u></b>	<b><u>1974</u></b>	<b><u>1975</u></b>	<b><u>1974</u></b>
Beginning balances	\$66,661,335	\$68,862,657	6.55%	6.19%
Add: Purchases	12,394,000	5,875,000	9.08%	8.17%
	<u>\$79,055,335</u>	<u>\$74,737,657</u>		
Deduct: Maturities and calls	2,625,280	4,322,322		
Debt securities sold	6,063,250	3,754,000	5.71%	4.93%
Ending Balances	<u>\$70,366,805</u>	<u>\$66,661,335</u>	7.12%	6.55%

<b><u>Short Term Securities (at cost)</u></b>		<b><u>1975</u></b>		<b><u>1974</u></b>	
Beginning balances		\$ 8,938,731.54		\$ 6,555,099.19	
Add: Purchases		133,636,366.49		77,602,737.73	
Deduct: Redemptions		130,253,142.47		75,219,105.38	
Ending Balances		<u>\$ 12,321,955.56</u>		<u>\$ 8,938,731.54</u>	

**MINNESOTA STATE RETIREMENT SYSTEM  
UNCLASSIFIED EMPLOYEES RETIREMENT PROGRAM  
TRANSACTIONS IN FISCAL YEAR 1975**

**RECEIPTS**

Employee contributions	\$329,631.83	
Employer contributions	476,252.72	
Interest on contributions	4,034.66	
Total contributions	<u>\$809,919.21</u>	
Less 2/10% administrative costs	14,642.34	\$795,276.87
Add: Cash balance @ 06-30-74		1,807.62
Total receipts and cash		<u>\$797,084.49</u>

**INVESTMENTS AND WITHDRAWALS**

Shares purchased in the Minnesota Supplemental Retirement Fund:

	<u>No. Shares</u>	<u>Market Value</u>	
Income Shares Purchased	83,919	\$524,924.00	
Less: Shares withdrawn (cost \$90,278.56)	13,935	86,969.36	
Net purchases	69,984	\$437,954.64	\$437,954.64
Growth shares purchased	63,818	\$271,983.28	
Less: Shares withdrawn (cost \$29,975.96)	5,797	24,494.13	
Net purchases	58,021	\$247,489.15	247,489.15
Cost basis of shares withdrawn		\$120,254.52	
Less: Depreciation in share values		8,791.03	
Market value of shares withdrawn		\$111,463.49	
Add: Uninvested balance refunded		2,534.62	
		\$113,998.11	
Less: Adjustments and corrections		17,158.67	
Total paid in withdrawals		<u>\$ 96,839.44</u>	96,839.44
Total investments and withdrawals			782,283.23
Cash balance as of June 30, 1975			<u>\$ 14,801.26</u>

**MARKET VALUE AND COST OF SHARES HELD**

	<u>Income</u>	<u>Growth</u>
Number of shares at June 30, 1974	100,086	59,432
Net increase in fiscal 1975	69,984	58,021
Number of shares at June 30, 1975	170,070	117,453
Share values at June 30, 1975	x \$7.05	x \$5.17
Market value at June 30, 1975	<u>\$1,198,993.50</u>	<u>\$607,232.01</u>
Original cost	1,102,574.56	596,020.54

**MINNESOTA STATE RETIREMENT SYSTEM  
DEFERRED COMPENSATION PLAN**

**Fiscal Year Ended June 30, 1975**

**RECEIPTS**

Employee deposits	\$1,116,469.00	
Less: deposits refunded	660.00	
	<u>\$1,115,809.00</u>	
Less: 2% administrative charges (.02 x \$1,115,809.00)	22,316.18	
Adjustments for administrative charges	114.13	
Total Net Deposits	\$1,093,378.69	\$1,093,378.69
Uninvested balance at June 30, 1974		89,832.91
Total available to invest		<u>\$1,183,211.60</u>

**INVESTMENTS AND WITHDRAWALS**

Shares purchased in the Minnesota Supplemental Retirement Fund:

	<u>No. Shares</u>	<u>Market Value</u>	
Income shares purchased	112,132	\$682,260.24	
Less: Shares withdrawn	6,941	44,018.61	
Net purchases	<u>105,191</u>	<u>\$638,241.63</u>	\$638,241.63
Growth shares purchased	121,655	\$497,788.86	
Less: Shares withdrawn	2,246	9,593.82	
Net purchases	<u>119,409</u>	<u>\$488,195.04</u>	488,195.04
Market value of shares withdrawn		\$ 53,612.43	
Adjustments and uninvested balance		27.15	
		<u>\$ 53,639.58</u>	53,639.58
Total Investments and Withdrawals			1,180,076.25
Uninvested balance at June 30, 1975			<u>\$ 3,135.35</u>

**MARKET VALUE OF SHARES HELD**

	<u>Income</u>	<u>Growth</u>
Number of shares at June 30, 1974	171,192	115,808
Net increase in fiscal 1975	105,191	119,409
Number of shares at June 30, 1975	276,383	235,217
Share values at 06-30-75	x \$7.05	x \$5.17
Market value at June 30, 1975	<u>\$1,948,500.15</u>	<u>\$1,216,071.89</u>