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STATEMENT TO EMPLOYEES JUNE 30, 1976

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RETIREMENT SYSTEM

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FOREWORD

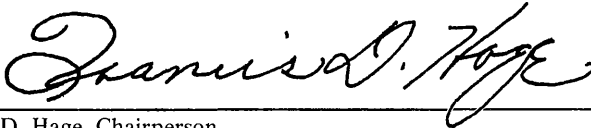
The Board of Directors of the Minnesota State Retirement System herewith submits a financial report for the fiscal year ending June 30, 1976 in accordance with the provisions of Minnesota Statutes, Section 356.20. A two year comparative statement of income and balance sheet accounts is included.

This report includes financial and statistical data on the General State Employee Retirement Plan, the Correctional Employee Retirement Plan, the Unclassified Employee Retirement Plan and the Deferred Compensation Plan. Separate reports were issued for the Highway Patrolmens 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 Harry M. Church, Actuary, Towers, Perrin, Forster & Crosby, Inc., Los Angeles, California. Exhibits in this report are presented as prescribed in Chapter 356.

The System is subject to audit by the Legislative Auditor. The last general audit conducted was through fiscal 1972 for the State Employees Retirement Fund. An audit of the various funds and plans administered by MSRS is in progress. The current audit will include fiscal 1976. It is anticipated that subsequent audits will be performed every two years.

Respectfully submitted,



Francis D. Hage, Chairperson



Paul L. Groschen, 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.

FINANCING PENSION BENEFITS

There are similarities between paying a mortgage on a home and funding a pension benefit. For both, regular payments are made to liquidate a determined debt or liability. The biggest difference is that the home mortgage is an amount fixed for all time whereas the liability for a pension is an amount that is influenced by a number of events such as deaths, terminations, retirements, salary increases, interest earnings, etc.

The home buyer goes to a lending agency and selects the schedule of payments that best fits his financial situation and that is agreeable to the lender. It may be that the buyer elects to pay cash or he may elect to make monthly payments over 15, 20, 25, or 30 years. Any funding method selected by the buyer is "sound" if it reflects his total obligation and is within the buyer's ability to meet that obligation.

In its most simplistic form, the funding of a future pension income requires the actuary to calculate the liability for such pension as of the employee's date of hire. Such liability is merely the amount of money which if invested at a specified interest rate will accumulate to the amount needed to pay the monthly pension when the employee retires. In the Minnesota State Retirement System the law provides that the employee pay 4% of his/her total earnings toward this liability.

The balance of the liability is paid by employer contributions. There are a number of acceptable ways in which the employer may fund his portion of the liability. The most commonly used method is by paying a percentage of salary over the employee's working career — the same way the employee makes his contribution. The employer (State of Minnesota) is presently paying 6% toward the MSRS plan. Thus, the pension actually paid the retired employee is financed from three sources (1) the employee contributions, (2) employer contributions, and (3) invested earnings. As with the mortgage, the funding method is sound if it accurately reflects the total obligation and is within the employer's and employee's ability to meet that obligation.

The home buyer will also be required to pay for any improvements to the home, either in cash or by an additional mortgage. Likewise, any improvement in the pension requires an increase in one or more of the three sources of financing.

1976 LAW CHANGES

- I. Employees appointed to a position in the unclassified service for a definite temporary period of 6 months or less are excluded from retirement coverage. If employed for more than 6 months in any one year period they become eligible for coverage.
- II. All persons employed as "student workers" are excluded from retirement coverage. This includes persons appointed as student worker clerical, student worker custodial/maintenance, student worker professional and student worker paraprofessional senior whether in the classified or unclassified State service.
- III. Retirement coverage is now optional for persons who are least age 65 when hired and who have no past retirement service credit. The employee will be informed that coverage is optional at time of appointment. Present employees hired under the above circumstances before the law change may request exclusion and a refund of accumulated deductions.
- IV. Coverage by the Unclassified Retirement Plan has been extended to positions established under Minnesota Statutes, Section 43.09, Subd. 2a, which are at the deputy, assistant head, or director level.
- V. Beginning July 1, 1977, there will be a restriction on salary that may be used in calculating the "5-high" year average salary. No year of salary used in the calculation may exceed the salary paid the previous year by more than 15%.

ADDED ANNUITY OPTION

An additional form of optional annuity has been authorized by the Board of Directors called a "Fifteen Year certain and life thereafter" annuity. It may be elected at time of retirement to guarantee payment of an annuity for at least 15 years. An annuitant living more than 15 years continues to receive payment for life. If death occurs before receiving payment for 15 years, then payment continues to a named beneficiary for the balance of the 15 year period. A

spouse may not be designated as the beneficiary under this option, but anyone other than a spouse, including estate, may be designated as the beneficiary. The 100% and the 50% joint and survivor optional annuities are still available to provide continuing annuity payments to a surviving spouse or other beneficiary.

ANNUITY INCREASES

The 1975 Legislature authorized a one time lump sum payment to any person receiving an annuity as of November 30, 1975 if his annuity was computed under laws in effect prior to July 1, 1973. The lump sum payment was \$50 if the annuitant was receiving Social Security benefits in addition to his retirement annuity. If he was not receiving Social Security payments the lump sum payment was \$100. Such payments were made in December, 1975 to eligible recipients and were paid from the State Employees Retirement Fund.

Employees who retired before July 1, 1973 also received a permanent increase in their annuity checks effective July 1, 1976. Those annuitants who retired before 1958 and who were not covered by Social Security as State Employees received an annual increase of \$4.50 per full year of service plus \$9.00 for each year retired. Annuitants who were covered by Social Security received an annual increase of \$1.20 per full year of service plus \$2.40 for each year retired. Survivors receiving benefit payments, and future survivors are entitled to one-half the increase. The 1976 Legislature appropriated money from the State General Fund to finance the increase.

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. An amount of money determined necessary to fully fund the retirement annuity based on an actuarially estimated life expectancy and an assumption that the monies will earn at a rate of 5%, is transferred to the MAFB Fund at time of 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

Up to 50% of the MAFB Fund may be invested in corporate stocks with the rest in fixed income securities. Any adjustment in benefits is dependent upon the investment income and the market value of the stocks. If the value of the Fund is greater than the required reserve by 2% or more, benefits will be increased in the same proportion. However, if the value of the fund goes below by 2% or more, benefits will be decreased but never below the originally authorized amount. Losses caused by this guarantee, if any should occur, will be carried until offset by future gains. Any adjustments due will take place in January of each year.

Under the provisions of the MAFB Fund, a 2% increase in the annuities was made on January 1, 1972 and a 4½% increase was effective January 1, 1973. By direct legislation a 25% increase was made in 1974 and other increases in 1975 and 1976. (See section Annuity Increases) However, because of adverse market conditions and the peculiar mechanism of the MAFB Fund explained in the following paragraphs, the MAFB Fund did not provide an increase in 1975 or 1976 nor will one be payable in 1977.

STATUTORY VALUATION ADJUSTMENT — MAFB FUND

The MAFB Fund recognizes unrealized income on the equity portion of its portfolio 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. If the resulting value exceeds the required reserve for benefits in force by two percent or more, benefit payments will be increased proportionately. The relatively poor market performance in the two year span has not permitted an increase in benefits since 1974. In each of the 4 fiscal years before 1975 the valuation adjustment was positive. In fiscal 1975 and 1976 the valuation adjustment was a negative amount, but all indications are that it will again be positive next year. 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 initially calculated by the State Board of Investment, was minus 0.511% in fiscal 1976. As stated above, 12 bi-monthly ratios, including six ratios from the previous fiscal year, are used in determining the admitted value of the fund. The difference in book value and admitted value is added to the realized income for the year and divided by average book value to provide a rate of return on average assets. The substantial downturn in the stock market in 1973-74, resulted in ratios under 100 during fiscal 1974 and 1975. The ratios again exceeded 100 in fiscal 1976 and probably will exceed 100 in fiscal 1977. The MAFB Fund calculated rates of return in the last five fiscal years are as follows:

1972 + 9.948%	1974 + 4.923%	1976 - 0.511%
1973 + 12.618%	1975 - 7.957%	

It should be noted that although the two year averaging requirement resulted in negative rates of return in fiscal 1975 and 1976, the market had recovered to the point where the market value of stocks exceeded original cost by about 4% at the end of fiscal 1975 and about 6.7% at the end of fiscal 1976. A rate of 5% must be earned to meet actuarial requirements and to maintain a fully funded status.

PARTICIPATION IN THE MAFB FUND

Participation in the MAFB Fund by the State Employees Retirement Fund, including correctional plan employees, changed as follows in the last two fiscal years:

	<u>1976</u>	<u>1975</u>
Beginning balances	\$ 93,748,248	\$ 85,027,307
Reserve requirement—new retirees	25,807,825	25,307,919
Benefits paid	(13,530,433)	(11,579,381)
Participation in realized income	5,898,013	4,666,502
Statutory valuation adjustment	(6,425,903)	(12,304,625)
Statutory mortality adjustment	see note*	2,630,526
Ending balances	\$105,497,750	\$ 93,748,248

***Note:**

Minnesota Statutes, Section 11.25, requires certain calculations be made to determine and adjust for any deviation from expected mortality. A transfer of funds is then made between the participating fund and the Minnesota Adjustable Fixed Benefit Fund for the calculated mortality adjustment. Such calculations have been made for the last three years and it is apparent the method does not correctly reflect true mortality gains and losses. The mortality gain or loss for fiscal 1976 has not been determined as of this writing.

INVESTMENTS OTHER THAN MAFB FUND

The procedure for determining and recognizing the relationship between current market value and original cost of corporate stock in the portfolio of the Minnesota Adjustable Fixed Benefit Fund has been previously detailed. A slightly different method is used in valuing the stock portfolio of the Retirement Funds themselves.

The corporate stock portfolio of a fund may be valued at a total amount other than original cost under procedures detailed in Minnesota Statutes, Section 11.16, Subdivision 13. Any such adjustment 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. Here again, as in the MAFB Fund, the adjustments were positive before fiscal year 1975 but resulted in deductions from income in fiscal 1975 and 1976. The balance in this adjustment account is shown in the balance sheet under the caption, "Recognized Unrealized Appreciation". The corporate stock account is shown at original cost.

A further adjustment to income is required if a loss in principal amount is incurred when a bond is sold prior to maturity. Such loss is written off against income over the average remaining life of the bonds sold. The unamortized balance is shown in the balance sheet under the caption, "Deferred Yield Adjustment Account".

RATE OF RETURN

For comparative purposes, the rate of return on average assets of the State Employees Retirement Fund, excluding MAFB Fund participation, was calculated on income before and after adjustments for amortization of bond losses and recognized unrealized income.

Average assets were calculated by taking the average of the beginning and ending balances of net assets and reducing this by one-half the investment income for the year.

Investment income is the total of interest on short term investments, interest on fixed income debt securities (adjusted for amortization of premiums and accumulation of discounts), dividends on corporate stock, premiums on bonds called and interest on back payments. Interest paid by employees on backpayments is included in investment income because such interest is in lieu of amounts which could have been earned if the back payments had been invested; the account receivable balance is included in the average assets denominator.

	<u>1976</u>	<u>1975</u>
Rate of Return, Excluding Adjustment For Bond Losses and Unrealized Appreciation	5.66%	5.34%
Rate of Return, Including Adjustment For Bond Losses and Unrealized Appreciation	4.79%	4.82%

AUTHORIZED INVESTMENTS

Investment guidelines applicable to all retirement funds are set forth in Minnesota Statutes, Chapter 11. Investments include debt securities of the U.S. Government, it agencies, Canadian governmental units, and United States and Canadian corporations. Up to 50% of the investments may be in common stocks. Although investment policy is the same for retirement funds, there is a different "mix" in the portfolios because of a differing flow of money and differences in funding provisions over the years. As recently as the late 1950's, three-fourths of the invested funds were in relatively low yielding, tax-exempt state, municipal and school district bonds. A combination of sales to tax paying individuals and organizations and placement of all new money in other type securities, has reduced such holdings to \$2,484,000 in the State Employees Retirement Fund as of June 30, 1976.

FUNDING RATIO — UNFUNDED ACCRUED LIABILITY

The funding ratio is determined by dividing the net assets of a fund by the total reserve requirement. A ratio of 100% indicates full funding. 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. The ratios of the State Employees Retirement Fund (including correctional employees) at the end of the last three fiscal years were as follows:

Fiscal 1974: 59.0%; Fiscal 1975: 59.2%; Fiscal 1976: 62.3%

However the MSRS actuary in his report states, "Based on the actuarial assumptions utilized for the current valuation, we estimate the present value of benefits earned to June 30, 1976 by presently active and retired persons to be \$364,346,844. Applicable assets, including \$4,511,622 due from the MAFB Fund, amount to \$293,847,775. Thus, as of June 30, 1976, 80% of the liability for benefits earned to date have been funded."

The unfunded accrued liability is calculated separately for the general plan and for the correctional plan:

<u>Fiscal Year</u>	<u>General Plan</u>	<u>Correctional Plan</u>	<u>Combined</u>
1974	\$152,206,089	\$10,887,147	\$163,093,236
1975	173,867,994	9,090,688	182,958,682
1976	168,759,165	8,663,989	177,423,154

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 rates for 1974-76 and current support rates are as follows:

	<u>Fiscal Year</u>	<u>General Plan</u>	<u>Correctional Plan</u>
Normal cost	1974	7.14%	10.86%
	1975	7.05%	10.93%
	1976	7.44%	10.92%
Current Support			
Employee contributions		4.00%	6.00%
Employer contributions		4.00%	9.00%
		8.00%	15.00%
Employer additional contribution for amortizing the actuarial deficit		2.00%	5.00%

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

<u>YEAR END TOTALS</u>	<u>June 30, 1976</u>	<u>June 30, 1975</u>
Active Employees	40,186	38,966
Inactive Accounts	3,802	3,889
New Employees and Former Employees Returned	8,708	9,107
Refunds	5,297	6,061
Deaths	105	119
Service Retirements	898	695
Disabilities	81	48
Net Increase in Active Employees	1,220	1,021

ACTIVE EMPLOYEES

The average and median ages of the new employees hired during the fiscal years ending as of the dates shown were:

<u>Date</u>	<u>Male</u>		<u>Female</u>	
	<u>Median</u>	<u>Average</u>	<u>Median</u>	<u>Average</u>
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.
6/30/76	27 yrs.	29.7 yrs.	25 yrs.	28.1 yrs.

The following averages compare all active employees as of the dates shown:

	<u>Date</u>	<u>Average Age</u>	<u>Median Age</u>	<u>Credited Service</u>	<u>Accumulated Contributions</u>
Male Employees	6/30/74	40.8 yrs.	40 yrs.	8.7 yrs.	\$1,953.99
	6/30/75	40.6 yrs.	40 yrs.	8.7 yrs.	\$2,188.46
	6/30/76	40.0 yrs.	39 yrs.	8.6 yrs.	\$2,442.95
Female Employees	6/30/74	36.2 yrs.	31 yrs.	5.5 yrs.	\$ 934.83
	6/30/75	35.8 yrs.	30 yrs.	5.3 yrs.	\$1,035.91
	6/30/76	35.4 yrs.	30 yrs.	5.3 yrs.	\$1,171.60

33.7% of the male active employees and 16.1% of the females, for a total of 9,813 of the active employees, had at least 10 years of credited service at June 30, 1976, compared to 9,408 in 1975 and 9,215 in 1974.

	<u>1976</u>	<u>1975</u>	<u>1974</u>
Total active employees age 65 or older	362	706	826
Number of those eligible to retire with full annuity benefit	219	418	535

At 6/30/76 there were 1,844 employees over age 62. Beginning 7/1/73, employees age 62 or older with 30 or more years of service could retire with full benefits. There were 134 such employees less than age 65 at 6/30/76. Reduced benefits are also 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 808 active employees eligible to retire with a reduced benefit at 6/30/76.

REFUNDS

The average age and service forfeited by those who took 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	33.2 yrs.	2.3 yrs.	29.7 yrs.	2.0 yrs.
6/30/75	32.5 yrs.	2.3 yrs.	29.7 yrs.	2.0 yrs.
6/30/76	32.4 yrs.	2.2 yrs.	29.6 yrs.	1.9 yrs.

During the 12 month period ending June 30, 1976, 1% of the 5,297 employees taking refunds forfeited 10 or more years of service compared to 1.2% in 1975 and 1.5% in 1974. During the fiscal year 197 refunds were repaid.

INACTIVES

Inactive accounts totaled 3,802 at June 30, 1976 compared to 3,889 at June 30, 1975 and 4,102 at June 30, 1974. 460 of the present inactives have sufficient service credit to be entitled to a deferred annuity. Except for those with a vested benefit, those accounts inactive over five years are not counted.

A comparison of the inactives with vested benefits during the last three years is as follows:

	<u>Year Ending</u>	<u>Number</u>	<u>Avg. Age</u>	<u>Avg. Deferred Annuity</u>
Male	6/30/74	156	54 yrs.	\$ 93.39
	6/30/75	186	53 yrs.	\$184.72
	6/30/76	239	52.7 yrs.	\$190.85
Female	6/30/74	189	57 yrs.	\$ 77.35
	6/30/75	202	57 yrs.	\$134.89
	6/30/76	221	56.4 yrs.	\$137.45

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>6/30/76</u>	<u>6/30/75</u>	<u>6/30/74</u>	<u>6/30/73</u>
Age and service annuitants	6,690	6,047	5,604	4,987
Disability benefits	348	289	273	237
Survivor benefits	24	30	30	32
Benefits authorized during period	976	743	930	519
Deaths during period	296	279	276	250

The average age, salary, service and benefit amounts of the new annuitants who retired during the last three fiscal years are given below.

	<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	6/30/74	65	4	\$727.89	24	4	\$240.05
	6/30/75	65	2	\$771.98	22	5	\$227.85
	6/30/76	64	11	\$799.44	18	2	\$184.32
Disability	6/30/74	56	7	\$605.59	18	4	\$140.97
	6/30/75	57	11	\$672.30	19	0	\$160.27
	6/30/76	58	3	\$731.28	17	2	\$159.84

The average age at entry into state service, retirement age and attained age of all the retirees receiving as of June 30, 1976 is:

	<u>Entry Age</u>	<u>Retirement Age</u>	<u>Present Age</u>
Service	39 yrs. 8 mos.	65 yrs. 8 mos.	72 yrs. 1 mo.
Disability	36 yrs. 3 mos.	58 yrs. 1 mo.	62 yrs. 8 mos.

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	6/30/74	\$144.07	\$105.63
	6/30/75	\$154.19	\$110.75
	6/30/76	\$159.11	\$112.92
Disability annuitants	6/30/74	\$110.24	\$ 92.76
	6/30/75	\$116.99	\$ 96.94
	6/30/76	\$106.09	\$102.95

In addition to the annuity from the State Retirement System, 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 and median benefit including the employees primary Social Security benefit for those entitled to a Social Security benefit is:

	<u>Average</u>	<u>Median</u>
Service	\$441.69	\$397.28
Disability	\$398.17	\$379.48

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

		<u>Male</u>		<u>Female</u>	
	<u>Year Ending</u>	<u>Age</u>	<u>Retirement</u>	<u>Age</u>	<u>Retirement</u>
Service	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.
	6/30/76	77.0 yrs.	11.2 yrs.	78.1 yrs.	12.1 yrs.
Disability	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.
	6/30/76	59.1 yrs.	4.5 yrs.	66.6 yrs.	4.5 yrs.

Of the 279 service annuitants who died in fiscal year 1976, 93.2% received annuity payments greater than their accumulated employee contributions. The average service annuitant received in annuity payments 4.7 times the amount contributed.

CORRECTIONAL EMPLOYEE RETIREMENT PLAN

ACTIVE EMPLOYEES

At June 30, 1976 there were 926 active employees covered under the Correctional Employees Retirement Plan compared to 901 at June 30, 1975 and 737 at June 30, 1974. The following data pertains to active employees as of the dates shown.

	<u>Date</u>	<u>Average Entry Age</u>	<u>Average Attained Age</u>	<u>Median Age</u>	<u>Average Service Credit</u>	<u>Average Accumulated Contributions</u>
Male	6/30/74	32.2 yrs.	44.2 yrs.	47	10.8 yrs.	\$2,496.76
	6/30/75	30.0 yrs.	38.3 yrs.	37	7.3 yrs.	2,192.15
	6/30/76	29.1 yrs.	37.1 yrs.	35	6.8 yrs.	2,491.03
Female	6/30/74	34.6 yrs.	43.8 yrs.	45	7.8 yrs.	\$1,682.19
	6/30/75	32.5 yrs.	40.3 yrs.	42	6.7 yrs.	1,785.89
	6/30/76	29.2 yrs.	35.4 yrs.	33	5.3 yrs.	1,867.84

25.9% of the male active employees and 18.8% of the females, for a total of 233 employees, had ten or more years of service credit at June 30, 1976, compared to 256 in 1975, and 309 in 1974.

	<u>1976</u>	<u>1975</u>	<u>1974</u>
Total number of employees age 55 or older	80	120	191
Number of those eligible to retire	62	87	111

There were 178 new state employees eligible to the Correctional Plan, 155 male and 23 female. They ranged in age from 20 to 45.

The median and average ages of new employees during the past three fiscal years were:

<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.
1976	27	27.0 yrs.	25	25.5 yrs.

REFUNDS

In fiscal year 1976 there were 142 Correctional Plan accounts refunded while in 1975 there were 126 and 107 in 1974. 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.
6/30/76	29.4 yrs.	1.4 yrs.	30.6 yrs.	1.6 yrs.

INACTIVES

As of June 30, 1976 there were 32 inactive accounts in the Correctional Employees Retirement Plan. Only one inactive has sufficient service credit to be entitled to a deferred annuity. One male age 57 with 10 years of service died during the fiscal year.

RETIRED EMPLOYEES

During fiscal year 1976, 60 employees retired, two of these were because of disability. 92 Correctional employees retired in 1975 and 17 in 1974. Three annuitants died during the current fiscal year. This brings the total number of Correctional Plan annuitants to 162 service annuitants and 2 disabilitants compared to 107 at June 30, 1975.

The average age, service and monthly benefit of the 58 new service retirees was 58.7 years of age, 12.5 years of service and \$362.68 average monthly benefit.

Averages pertaining to the annuitants receiving as of the dates shown 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

There were 735 participants in the Unclassified Plan as of June 30, 1976. 454 were males and 281 females compared to 315 males and 183 females as of June 30, 1975.

The active participants range in age from 20 to 75. Thirty four or 4.6% of the actives are 58 years of age or older and eligible to an annuity upon termination from state service.

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.

<u>Date</u>	<u>Male</u>		<u>Female</u>	
	<u>Attained Age</u>	<u>Service Credit</u>	<u>Attained Age</u>	<u>Service Credit</u>
6/30/74	35.5 yrs.	3.2 yrs.	37.4 yrs.	2.2 yrs.
6/30/75	35.6 yrs.	3.5 yrs.	36.5 yrs.	2.5 yrs.
6/30/76	36.6 yrs.	4.4 yrs.	35.6 yrs.	3.2 yrs.

MALE

<u>Date</u>	<u>No. Inc. Shares</u>	<u>Cost-Inc. Shares</u>	<u>No. Growth Shares</u>	<u>Cost-Growth Shares</u>	<u>Fixed Return Investment</u>
6/30/74	323.1	\$2,156.81	203.4	\$1,217.93	—
6/30/75	411.9	2,670.15	298.7	1,526.70	—
6/30/76	453.2	3,161.03	326.1	1,673.39	\$790.01

FEMALE

6/30/74	157.9	\$1,053.37	70.4	\$ 400.26	—
6/30/75	211.1	1,368.11	121.5	587.29	—
6/30/76	236.3	1,649.84	132.1	655.18	\$263.14

The percentage of actives investing in each of the five share accounts were:

100% income shares	26.8%
75% income shares, 25% growth shares	16.5%
50% income shares, 50% growth shares	39.5%
100% fixed return	11.9%
75% fixed return, 25% growth shares	5.3%

WITHDRAWALS

Upon termination, Unclassified Plan participants are entitled to withdraw the shares purchased with the employee and employer contributions and thus forfeit all service credit. There were 108 such withdrawals in fiscal year 1976 compared to 43 in fiscal 1975.

The average age and service forfeited during the last three 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.
6/30/76	38.8 yrs.	3.3 yrs.	29.7 yrs.	2.1 yrs.

Two males are receiving monthly benefits as of June 30, 1976. Their average service credit was 4 yrs. 5 months and their average monthly benefit is \$54.92.

DEFERRED COMPENSATION PLAN

All public employees and officials in the State of Minnesota are eligible to participate in a Deferred Compensation Plan administered by the Minnesota State Retirement System. State employees have been eligible since 1972 while political subdivision employees began participating in 1976. Under this plan, the individual may defer receiving a part of his salary until after retirement and thus also postpone the income tax liability on such deferred salary until after retirement.

The deferred compensation is invested in the Income Share Account, Growth Share Account, or the Fixed Return Account of the Minnesota Supplemental Retirement Fund, or in various combinations of these accounts.

On June 30, 1976, there were 973 participants in the plan compared to 603 at June 30, 1975. Investment of the deferred compensation was distributed as follows on June 30, 1976:

	<u>Number</u>	<u>Value</u>
Income Shares	346,529	\$2,772,232.00
Growth Shares	329,461	1,818,624.72
Fixed Return		347,667.50

A total of 83 former participants had reached the specified retirement age and were receiving payments over a five or ten year withdrawal period as of June 30, 1976. There were 54 receiving as of June 30, 1975.

The active participants ranged in age up to 75 years. Percentage-wise, the deferred compensation was being invested as follows:

100% Income Shares	21.8%
100% Growth Shares	16.0%
50% Income Shares, 50% Growth Shares	27.3%
100% Fixed Return	24.4%
75% Fixed Return, 25% Growth Shares	10.5%

December 13, 1976

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, 1976. As required by Minnesota Statutes, Chapter 356, the Valuation as of June 30, 1976 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, Chapter 352, are adequate to provide the benefits that will be paid from the system.

Very truly yours,


Harry M. Church

HMC:ldt

MINNESOTA STATE RETIREMENT SYSTEM
EXHIBIT REQUIRED BY MINNESOTA STATUTES CHAPTER 356
SECTION 356.20, SUBDIVISION 4(2) AND (3)
FISCAL YEAR ENDING JUNE 30, 1976

ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME

INCOME

From Employees	
Employee contributions	\$16,576,796.28
Employee accrued contributions receivable	906,421.97
Employee contributions, accounts receivable	59,075.92
From Employers	
Employers contributions	16,925,668.75
Employer additional contributions	8,503,118.66
Employer accrued contributions receivable	1,388,068.95
From Investments	
Interest on debt securities and short term interest	5,935,525.42
Dividends on corporate stock	2,797,258.64
Recognized unrealized appreciation in stock	(902,189.44)
Premium on bonds called	8,429.47
Gain on sale of stock	54,956.58
Interest on back payments by employees	172,257.01
From MAFB Fund Participation	
Participation in MAFB Fund realized income	5,898,013.52
MAFB Fund statutory valuation adjustment	(6,425,903.58)
Other Revenues	
Miscellaneous	4,591.54
TOTAL INCOME	\$51,902,089.69

DEDUCTIONS FROM INCOME

Increase in MAFBF Annuity Stabilization Account	5,077,349.00
Benefits	
Service retirement annuities	12,982,774.07
Disability retirement benefits	510,945.73
Survivor benefits (spouses)	29,149.98
Lump sum annuity payments	267,850.00
Refundments (Employee Contributions)	
Left service	2,597,723.70
Employee deaths	241,606.80
Annuitant deaths	36,780.82
Erroneous deductions	28,347.02
Interest on contributions	126,311.80
Unclassified Employee Retirement	
Transfer of employee contributions	771,012.72
Transfer of employer contributions	1,031,670.01
Transfer of interest	49,272.86
Operating Expenses	
Total Operating Expenses	676,331.14
Prior Year Adjustments	.00
Increase in Total Reserves Required	
Reserves Required 6-30-75	\$448,492,206.00
Reserves Required 6-30-76	470,431,642.00
TOTAL DEDUCTIONS FROM INCOME	\$46,366,561.65

**EXCESS OF INCOME OVER DEDUCTIONS
FROM INCOME**

5,535,528.04

REDUCTION IN UNFUNDED

SUPPLEMENTAL PRESENT VALUE:

Unfunded Supplemental Present Value 6-30-75	\$182,958,681.86	
Unfunded Supplemental Present Value 6-30-76	177,423,153.82	\$ 5,535,528.04

MINNESOTA STATE RETIREMENT SYSTEM
DETERMINATION OF RESERVES REQUIRED
AS OF
JUNE 30, 1976

	(1)	(2)	(3)
	Present Value of Benefits	Present Value of Applicable Portion of Normal Cost Contribution	Reserves Required (1) - (2)
Benefits For:			
Active Members:			
(a) Retirement Benefits	\$497,021,552	\$181,165,498	\$315,856,054
(b) Disability Benefits	28,975,817	19,140,322	9,835,495
(c) Refundments due to death or withdrawal	86,063,321	73,072,426	12,990,895
(d) Surviving Spouse Benefits	6,519,496	2,561,105	3,958,391
Deferred Annuitants	5,060,958	—	5,060,958
Former Members Without Vested Rights	425,415	—	425,415
Survivors	236,109	—	236,109
Benefits Payable from MAFB Fund	122,068,325	—	122,068,325
Total	<u>\$746,370,993</u>	<u>\$275,939,351</u>	<u>\$470,431,642</u>

MINNESOTA STATE RETIREMENT SYSTEM
EXHIBIT REQUIRED BY MINNESOTA STATUTES CHAPTER 356,
SECTION 356.20, SUBDIVISION 4(1)
AS OF JUNE 30, 1976

ASSETS AND UNFUNDED SUPPLEMENTAL PRESENT VALUE

ASSETS

Cash in Office	\$.00
Cash in State Treasury	186,147.66
Cash in Bank	200.00
Short term investments (at cost)	14,998,545.28
Accounts Receivable:	
(a) Accrued employee contributions	906,421.97
(b) Accrued employer contributions	1,388,068.95
(c) Employee back payments	150,141.35
(d) Investment maturities and sales	471,990.73
(e) Due from other plans	58,574.52
(f) Due from MAFB Fund	.00
(g) Other	19,435.66
Accrued interest in investments	1,800,327.85
Dividends declared and payable but not yet received	22,685.44
Investments in debt securities at amortized cost	79,764,356.78
Investments in equities at cost	80,227,501.82
Recognized unrealized appreciation in equities	1,244,233.33
Equipment at depreciated cost	13,035.23
Deferred yield adjustment account	2,586,736.25
Participation in the MAFB Fund	<u>105,497,750.12</u>
Total Assets	<u>\$289,336,152.94</u>

UNFUNDED SUPPLEMENTAL PRESENT VALUE

Unfunded Supplemental Present Value 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	\$ 23,839,388.00
Unfunded Supplemental Present Value to be funded by State's "Additional" contribution	<u>153,583,765.82</u>
Total Unfunded Supplemental Present Value	<u>\$177,423,153.82</u>
TOTAL ASSETS AND UNFUNDED SUPPLEMENTAL PRESENT VALUE	<u>\$466,759,306.76</u>

CURRENT LIABILITIES AND RESERVES REQUIRED

CURRENT LIABILITIES

Accounts payable:	
(a) Security purchases	\$ 432,500.50
(b) Annuities	1,381.74
(c) Due MAFB Fund	2,803.54
(d) Annuitant deposits	11,332.03
(e) Accrued expenses	47,836.50
(f) Overpaid dividends	1,785.00
(g) Transfer to unclassified employee retirement	335,341.59
Suspense item: Unredeemed 6 year old warrants	6,305.86
MAFBF Annuity Stabilization Account	<u>(4,511,622.00)</u>
Total Liabilities	\$ (3,672,335.24)

RESERVES REQUIRED

Total reserves required per attached schedule	<u>\$470,431,642.00</u>
TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED	<u>\$466,759,306.76</u>

Note: Accumulated contributions, without interest, of members not yet retired amounted to \$75,780,365.07 as of June 30, 1976.

**MINNESOTA STATE RETIREMENT SYSTEM
ACCOUNTING BALANCE SHEET
FOR TWO YEARS ENDED JUNE 30,
1976 AND 1975**

Assets	State Employees Retirement Fund	
	1976	1975
Cash	\$ 186,347.66	\$ 479,726.67
Short term investments (at cost)	14,998,545.28	12,321,955.56
Accounts Receivable:		
(a) Accrued employee contributions	906,421.97	675,633.40
(b) Accrued employer contributions	1,388,068.95	1,043,743.77
(c) Employee buybacks	150,141.35	150,185.54
(d) Investment maturities and sales	471,990.73	755,042.82
(e) Due from other plans	58,574.52	51,940.65
(f) Other receivables	19,435.66	21,630.59
Accrued interest in investments	1,800,327.85	1,450,465.37
Accrued dividends receivable	22,685.44	30,992.94
Debt securities at amortized cost	79,764,356.78	69,886,528.17
Corporate stock at cost	80,227,501.82	73,566,613.60
Recognized unrealized appreciation—		
Equities	1,244,233.33	2,146,422.77
Deferred yield adjustment account	2,586,736.25	2,886,106.43
Equipment at depreciated cost	13,035.23	11,382.04
Sub-total	<u>\$183,838,402.85</u>	<u>\$165,478,370.32</u>
Participation in MAFB Fund	105,497,750.12	93,748,248.17
Total assets	<u><u>\$289,336,152.94</u></u>	<u><u>\$259,226,618.49</u></u>
Liabilities and Reserves		
Liabilities		
Accounts payable:		
(a) Security purchases	\$ 432,500.50	\$ 378,218.25
(b) Annuities and benefits	12,713.77	11,856.02
(c) Accrued expenses	49,621.50	51,044.36
(d) Transfer to Unclass. Plan	335,341.59	205,728.32
(e) Due MAFB Fund	2,803.54	2,630,526.00
Suspense Item — Unredeemed 6 Year		
Warrants	6,305.86	4,692.40
Total liabilities	<u>\$ 839,286.76</u>	<u>\$ 3,282,065.35</u>
Reserves		
Members contribution reserve	\$ 75,780,365.07	\$65,678,306.97
Reserve for participation in the		
Minn. Adj. Fixed Ben. Fund	105,497,750.12	93,748,248.17
Reserve for benefits not participating		
in the MAFB Fund	258,321.00	296,507.00
State contribution reserve	106,960,429.99	96,221,491.00
Total reserves	<u>\$288,496,866.18</u>	<u>\$255,944,553.14</u>
Total liabilities & reserves	<u><u>\$289,336,152.94</u></u>	<u><u>\$259,226,618.49</u></u>

**MINNESOTA STATE RETIREMENT SYSTEM
STATEMENT OF REVENUES AND EXPENDITURES
FOR TWO YEARS ENDED JUNE 30, 1976 and 1975**

REVENUES	State Employees Retirement Fund	
	1976	1975
From Employees		
Employee contributions	\$16,576,796.28	\$14,225,078.85
Employee contributions rec.	906,421.97	675,633.40
Employee contributions, accounts receivable	59,075.92	58,355.06
From Employers		
Employer contributions	16,925,668.75	14,589,502.07
Employer additional contributions	8,503,118.66	7,295,707.52
Employer accrued contrib. receivable	1,388,068.95	1,043,743.77
From Investments		
Interest on securities	6,270,920.60	5,333,815.18
Loss on debt security sales, amortized	(335,395.18)	(239,226.18)
Premium on bonds called	8,429.47	8,003.41
Dividends on corporate stock	2,797,258.64	2,406,878.35
Recognized unrealized apprec.	(847,232.86)	(283,211.47)
Interest on back payments by employees	172,257.01	104,029.14
From MAFB Fund Participation		
Participation in realized income	5,898,013.52	4,666,501.82
Statutory valuation adj.	(6,425,903.58)	(12,304,624.88)
Miscellaneous Revenues	4,591.54	1,959.78
Total Revenues	<u>\$51,902,089.69</u>	<u>\$37,582,145.82</u>
EXPENDITURES		
Benefits Paid		
Service retirement annuities (1)	\$13,250,624.07	\$11,118,929.22
Disability benefits	510,945.73	400,201.26
Survivor benefits	29,149.98	33,892.32
Refundments Paid		
Left service	2,597,723.70	2,795,352.80
Employee and Annuitant Deaths	278,387.62	283,572.30
Interest on refundments	126,311.80	139,943.54
Erroneous deductions	28,347.02	30,042.14
Transfers		
To Unclassified Plan	1,851,955.59	797,804.68
Operating Expenses	676,331.14	551,891.94
Total Expenditures	<u>\$19,349,776.65</u>	<u>\$16,151,630.20</u>
Revenues in excess of expenditures	\$32,552,313.04	\$21,430,515.62
Prior year adjustments	.00	(299,388.29)
Net distribution to reserves	<u>\$32,552,313.04</u>	<u>\$21,131,127.33</u>
(1) Additional benefits paid from General Fund to SER Fund Retirees	\$ 103,724.00	\$ 115,756.00

LEGISLATIVE REFERENCE LIBRARY
STATE OF MINNESOTA

**MINNESOTA STATE RETIREMENT SYSTEM
CHANGES IN INVESTMENT PORTFOLIO
TWO YEARS ENDED JUNE 30, 1976 & 1975**

STATE EMPLOYEES RETIREMENT FUND

Corporate Stock (At Original Cost)	<u>1976</u>	<u>1975</u>
Beginning balances	\$ 73,566,613.60	\$ 66,148,913.36
Add: Purchases	<u>13,053,877.44</u>	<u>11,134,019.35</u>
	\$ 86,620,491.04	\$ 77,282,932.71
Deduct: Rights & Frac. stock dividends sold	561.57	2,368.31
Stock sold	<u>6,392,427.65</u>	<u>3,713,950.80</u>
Ending balances	<u>\$ 80,227,501.82</u>	<u>\$ 73,566,613.60</u>
Market value of stock at June 30	<u>\$ 85,591,797.00</u>	<u>\$ 72,509,441.00</u>
Debt Securities (Par Value)		
Beginning balances	\$ 70,366,805.09	\$ 66,661,334.63
Add: Purchases	<u>12,100,000.00</u>	<u>12,394,000.00</u>
	\$ 82,466,805.09	\$ 79,055,334.63
Deduct: Maturities and calls	1,947,448.70	2,625,280.50
Debt securities sold	<u>220,000.00</u>	<u>6,063,249.04</u>
Ending balances	<u>\$ 80,299,356.39</u>	<u>\$ 70,366,805.09</u>
Short Term Investments (At Cost)		
Beginning balances	\$ 12,321,955.56	\$ 8,938,731.54
Add: Purchases	<u>205,811,064.88</u>	<u>133,636,366.49</u>
	\$218,133,020.44	\$142,575,098.03
Deduct: Redemptions	<u>203,134,475.16</u>	<u>130,253,142.47</u>
Ending balances	<u>\$ 14,998,545.28</u>	<u>\$ 12,321,955.56</u>

**MINNESOTA STATE RETIREMENT SYSTEM
UNCLASSIFIED EMPLOYEES RETIREMENT PROGRAM
TRANSACTIONS IN FISCAL YEAR 1976**

RECEIPTS

Employee contributions	\$ 771,012.72	
Employer contributions	1,031,670.01	
Interest on contributions	49,272.86	
	<u>\$1,851,955.59</u>	
Less: Prior year adjustment	12,114.53	
Total contributions	<u>\$1,839,841.06</u>	
Less: 2/10% administrative costs	30,489.71	\$1,809,351.35
Add: Cash balance at 06-30-75		14,801.26
Fixed return earnings		14,886.83
Total receipts and cash		<u>\$1,839,039.44</u>

INVESTMENTS AND WITHDRAWALS

Shares purchased in the Minnesota Supplemental Retirement Fund:

	<u>No. Shares</u>	<u>Market Value</u>	
Income shares purchased	141,946	\$1,063,967.32	
Less: Shares withdrawn (cost \$249,272.85)	<u>37,092</u>	<u>271,261.50</u>	
Net purchases	<u>104,854</u>	<u>\$ 792,705.82</u>	\$ 792,705.82
Growth shares purchased	89,554	\$ 455,952.98	
Less: Shares withdrawn (cost \$99,725.56)	<u>20,273</u>	<u>104,748.91</u>	
Net purchases	<u>69,281</u>	<u>\$ 351,204.07</u>	351,204.07
Fixed return account	<u>Earnings</u>	<u>Investment</u>	
Earnings and investments	\$14,886.83	\$ 457,018.05	
Less: Withdrawals	<u>773.99</u>	<u>26,016.67</u>	
Net	<u>\$14,112.84</u>	<u>\$ 431,001.38</u>	445,114.22
Cost basis of shares withdrawn		\$ 375,015.08	
Add: Appreciation in share values		<u>27,012.00</u>	
Market value of shares withdrawn		<u>\$ 402,027.08</u>	
Add: Uninvested balances withdrawn		371.16	
Add: Earnings on fixed return withdrawals		<u>773.99</u>	
		<u>\$ 403,172.23</u>	
Less: Transfers to SER Fund		155,607.55	
Total paid in withdrawals		<u>\$ 247,564.68</u>	<u>247,564.68</u>
Total investments and withdrawals			1,836,588.79
Cash balance at June 30, 1976			<u>\$ 2,450.65</u>

MARKET VALUE AND COST OF SHARES HELD

	<u>Income</u>	<u>Growth</u>	<u>Fixed Ret.</u>
Number of shares at June 30, 1975	170,070	117,453	0
Net increase in fiscal 1976	<u>104,854</u>	<u>69,281</u>	<u>\$445,114.22</u>
Number of shares at June 30, 1976	274,924	186,734	\$445,114.22
Share values at June 30, 1976	<u>x8.00</u>	<u>x5.52</u>	
Market value at June 30, 1976	<u>\$2,199,392.00</u>	<u>\$1,030,771.68</u>	<u>\$445,114.22</u>
Original cost	1,917,269.03	952,247.96	431,001.38

**MINNESOTA STATE RETIREMENT SYSTEM
DEFERRED COMPENSATION PLAN
Fiscal Year Ended June 30, 1976**

RECEIPTS

Employee deposits	\$1,465,815.00	
Less: Deposits refunded	<u>335.00</u>	
	\$1,465,480.00	
Less: 2% Administrative costs	29,309.60	
Adjustment to administrative costs	<u>3.20</u>	
Total Net Deposits	<u>\$1,436,167.20</u>	\$1,436,167.20
Add: Uninvested balance at June 30, 1975		3,135.35
Fixed return earnings		<u>6,097.37</u>
Total available to invest		<u>\$1,445,399.92</u>

INVESTMENTS AND WITHDRAWALS

Shares purchased in the Minnesota Supplemental Retirement Fund:

	<u>No. Shares</u>	<u>Market Value</u>	
Income shares purchased	81,053	\$ 592,710.41	
Less: Shares withdrawn	<u>10,907</u>	<u>80,577.20</u>	
Net purchases	70,146	\$ 512,133.21	\$ 512,133.21
Growth shares purchased	98,857	\$ 499,439.49	
Less: Shares withdrawn	<u>4,613</u>	<u>23,539.34</u>	
Net purchases	<u>94,244</u>	<u>\$ 475,900.15</u>	475,900.15
Fixed Return Account	<u>Earnings</u>	<u>Investments</u>	
Earnings and investments	\$6,097.37	\$ 341,570.13	
Less: Withdrawals	<u>.00</u>	<u>.00</u>	
Net purchases	<u>\$6,097.37</u>	<u>\$ 341,570.13</u>	347,667.50
Market value of shares withdrawn		\$ 104,116.54	
Add: Uninvested balance withdrawn		<u>287.82</u>	
		<u>\$ 104,404.36</u>	104,404.36
Total investments and withdrawals			<u>1,440,105.22</u>
Uninvested balance at June 30, 1976			<u>\$ 5,294.70</u>

MARKET VALUE OF SHARES HELD

	<u>Income</u>	<u>Growth</u>	<u>Fixed Ret.</u>
Number of shares at June 30, 1975	276,383	235,217	\$.00
Net increase during fiscal year	<u>70,146</u>	<u>94,244</u>	347,667.50
Number of shares at June 30, 1976	346,529	329,461	\$ 347,667.50
Share values at June 30, 1976	<u>x8.00</u>	<u>x5.52</u>	
Market value at June 30, 1976	\$2,772,232.00	\$1,818,624.72	\$ 347,667.50