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STATEMENT TO EMPLOYEES JUNE 30, 1977

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MINNESOTA STATE
RETIREMENT SYSTEM

MINNESOTA STATE RETIREMENT SYSTEM

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FOREWORD

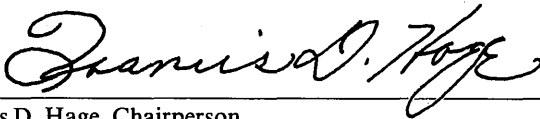
The Board of Directors of the Minnesota State Retirement System herewith submits a financial report for the fiscal year ending June 30, 1977 in accordance with the provisions of Minnesota Statutes, Section 356.20. A two year comparative statement of income and balance sheet accounts is included.

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 the firm of Towers, Perrin, Forster & Crosby, Inc., Los Angeles, California, Harry M. Church, actuary. Exhibits in this report are presented as prescribed in Chapter 356.

The Legislative Auditor recently completed an audit of all funds and plans administered by the Minnesota State Retirement System. The audit covered the period from July 1, 1972 through June 30, 1976.

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.

1977 LAW CHANGES

ADVANCE PAYMENT OF ANNUITIES

Annuities were previously paid at the end of the month for the month. Starting December 1, 1977, annuities are to be paid on the first day of the month for that calendar month. As a result of the advance payment, annuitants who were receiving the entire year received 13 checks in calendar year 1977.

1978 ADJUSTMENT IN ANNUITY PAYMENTS

The procedure for determining any adjustment (increase or decrease) in the amount of annuity payments is provided in Minnesota Statutes, Section 11.25, Subdivision 12. Although the actuarially determined reserve requirements (the liabilities) exceeded the assets on hand in the MAFB Fund, the statutory procedure resulted in a rate of return that mandated the maximum permitted increase of four percent. Annuitants who retired prior to July 1, 1976 therefore received a four percent increase in their annuity payments beginning in January 1978. The monthly increase for MSRS general plan annuitants amounted to \$45,342.22. Our actuary reports that the actuarial present value, that is, the one-time payment required to fully fund the increase is \$4,705,602.

PRE-1973 RETIREE LUMP SUM PAYMENTS

All persons receiving a benefit as of November 30, 1977 from the State Employees Retirement Fund and whose benefit was computed under laws in effect prior to July 1, 1973, received a one time lump sum payment in December. If covered by Social Security as a State employee, the lump sum payment was \$225.00; if not covered by Social Security, the lump sum payment was \$250.00.

OTHER LAW CHANGES

Former State employees employed by an exclusive bargaining agent representing State employees were permitted to elect coverage by the Minnesota State Retirement System. Written election was required before July 1, 1977. A buyback of service before July 1977 was also provided.

Tradesmen employed by the Metropolitan Waste Control Commission were allowed to elect exemption from MSRS coverage and to receive a refund of contributions plus interest. Employer contributions were also refunded to the employee because he actually was paying the employer share in addition to his contribution through a reduction in his negotiated wage rate in relation to other tradesmen. All 37 tradesmen involved elected to withdraw from MSRS coverage.

A permanent legislative employee was allowed to buy back time in MSRS for prior employment with an organization contracted for by the Legislative Coordinating Commission.

Permanent employees of the legislature were permitted to purchase credit for previously ineligible intermittent service under a 1975 amendment, provided payment was arranged for on or before July 1, 1976. The deadline for payment was extended to July 1, 1978.

The Unclassified Retirement Plan was amended to allow participation by the Executive Director and Assistant Director of the Higher Education Coordinating Board and nine other division or director level positions.

The provision of law limiting the salary used in computing the "high-5" to no more than 15% of the salary paid in the previous year and which was to take effect for those retiring after July 1, 1977 was amended to be effective July 1, 1978 to allow more time for study.

A ninth member was added to the MSRS Board of Directors to be elected from and by retired employees. The term of the first retired member will commence January 1, 1978 and terminate on the first Monday in March 1980. Thereafter, the retired member's term will be for two years.

The Board was authorized to consider review and make recommendations regarding the financial and other needs of retired employees and to disseminate appropriate retirement information to retired employees.

MINNESOTA ADJUSTABLE FIXED BENEFIT FUND

The Minnesota Adjustable Fixed Benefit Fund (MAFB Fund) is the investment medium for the reserves set aside to pay benefits to 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
- Legislators' Retirement Plan
- State Teachers Retirement Fund
- Public Employees Retirement Fund (including police and fire)
- Minneapolis Municipal Employees Retirement Fund

OWNERSHIP OF MAFB FUND

The organizations authorized to participate in the Minnesota Adjustable Fixed Benefit Fund own an undivided participation in all the assets of the fund. The extent of annual participation is determined by the ratio of each organization's contribution to total contributions of all participating organizations.

MORTALITY ADJUSTMENT

The actuarial tables used to determine amounts of money transferred to the Minnesota Adjustable Fixed Benefit Fund for a retired employee are based on a five percent interest assumption and average life expectancy. If a retired employee lives longer than expected, there is an actuarial loss; if death occurs sooner than anticipated in the tables, there is an actuarial gain.

Since the assets of the Minnesota Adjustable Fixed Benefit Fund are owned by several retirement funds, it is necessary that the actuarially determined reserves be adjusted annually to reflect the actual mortality experienced during the year. The statutory provision for calculation of mortality gains or losses in prior years did not provide an accurate measure so the law was amended in 1977. The 1977 amendment also provided for a recalculation of mortality gains or losses for fiscal 1975 and 1976.

MAFB FUND INCOME

Up to 50 percent of the Minnesota Adjustable Fixed Benefit Fund may be invested in common stock and an additional ten percent in convertible debentures. The balance is invested in fixed income debt securities. Income on stocks includes cash dividends and partial recognition of appreciation (or depreciation) in the market value of stocks. Normally, market value changes are "unrealized" until a stock is sold unless a method is developed to recognize such changes in investment income. The method used in the MAFB Fund is to include in income an average of the market-to-cost relationships of stock taken bi-monthly over a two year period.

CHANGES IN MAFB FUND PARTICIPATION

A change in the method of calculating income and determining participation of funds by the State Board of Investment resulted in increased participation values as of June 30, 1976. Also, as required by Laws 1977, Chapter 274, a re-determination of true mortality gains or losses in fiscal 1975 and 1976 resulted in a transfer back to the parent 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>1977</u>	<u>1976</u>
Beginning balances	\$105,497,750	\$ 93,748,248
Prior year adjustments:		
Legislative auditor's correction	9,374	
Income recalculation	6,306,389	
Recalculation of 1975 & 1976 mortality (gains) or losses	(1,628,612)	
Balances as adjusted, beginning of year	\$110,184,901	\$ 93,748,248
MAFB Fund income or (loss)	13,162,689	(527,890)
Reserve requirement — new retirees	20,351,607	25,807,825
Reserve requirement — July 1976 ann. increases	2,173,837	
Benefit payments	(15,184,512)	(13,530,433)
Mortality (gain) or loss	(499,589)	
Participation at year end	\$130,188,933	\$105,497,750

The actuarially determined reserve requirement for annuities in force as of June 30, 1977, including the four percent annuity increase in January 1978, was \$140,731,018, or \$10,542,085 more than the fund's share of the MAFB Fund assets at year end.

INVESTMENTS OTHER THAN MAFB FUND

DISTRIBUTION OF INVESTMENTS

Minnesota Statutes, Section 11.16, Subdivision 13, provides that the aggregate of common and preferred stock investments may not exceed 50 percent of the total assets of a fund at any time. As of June 30, 1977, corporate stocks amounted to 49.02% of invested assets in the State Employees Retirement Fund.

INVESTMENT INCOME

Income on investments is accounted for on an accrual basis and includes interest on debt securities (adjusted for amortization of premiums and accumulation of discounts), interest on short term investments, dividends on corporate stock, premiums on bonds called and the sum of these adjusted for amortization of the deferred yield adjustment account and recognized unrealized appreciation or depreciation in stock. The deferred yield ad-

justment account represents the capitalized losses on bond sales to be written off against income over the remaining life of the bonds sold. Unrealized appreciation or depreciation in stock values is calculated according to Minnesota Statutes, Section 11.16, Subdivision 13, and income is adjusted for the amount of "recognized" appreciation or depreciation spread over a five year period. This calculation has resulted in a reduction in investment income for the last three years.

Note: Accrual of dividends on corporate stock this year was based on date declared instead of date payable as in prior years. This change in the basis for accrual resulted in increased dividends of \$329,657 for the State Employees Retirement Fund. Investment income is reduced by this amount when comparing 1977 rates of return with 1976 rates of return.

RATE OF RETURN

Rate of return is calculated by dividing investment income by average assets. Average assets are the average of the beginning and ending balances of net assets (excluding MAFB Fund participation) minus one-half the investment income for the year. Investment income is as calculated above, plus the interest paid by employees on accounts receivable. Such interest is included in investment income because the account receivable balances are also included in average net assets.

Rates of Return, including Negative Unrealized Appreciation in Stocks	<u>State Employees Retirement Fund</u>
Fiscal Year 1976	4.79%
Fiscal Year 1977	5.24%
Rates of Return, excluding Negative Unrealized Appreciation in Stocks	
Fiscal Year 1976	5.36%
Fiscal Year 1977	5.69%

INVESTMENT ACCOUNTS

A statewide deferred compensation plan, available to public employees in the State of Minnesota, and an unclassified employee retirement plan are also administered by M.S.R.S. Only certain unclassified employees covered by the general employee plan are eligible to participate in the unclassified plan. Payroll contributions of those who elect to participate are transferred monthly from the State Employees Retirement Fund to the unclassified retirement plan and the contributions, less a two percent administrative charge, are invested in shares of the Minnesota supplemental retirement account. Public employees who elect to participate in the Deferred Compensation Plan specify a fixed dollar amount to be withheld from pay checks (before income tax). The withheld or deferred amount, less a two percent administrative charge, is invested in shares of the Minnesota supplemental retirement account. Individual share account records are maintained in both accounts.

ACTUARIAL VALUATIONS

An actuarial valuation of the State Employees Retirement Fund is conducted annually to determine if the contribution rates of the fund will adequately finance the benefits provided. The actuarial valuations are carried out on the basis of a 5% interest rate assumption, a 3-1/2% salary scale and other assumptions deemed appropriate by the System's actuary based upon the experience of the System. The assumptions necessary to a valuation include the rates of separation from active service because of termination with refund, retirement and death and mortality rates before and after retirement. An experience study is conducted every four years to determine if the assumptions being used in valuations are still valid. The last such experience study was performed as of June 30, 1975.

FUNDING RATIO

The usual funding ratio is determined by dividing the assets on hand by the total reserve requirement. A ratio of 100 percent indicates full funding. The funding ratios of the State Employees Retirement Fund for 1974-77 were as follows:

Fiscal:	1974	59.0%
	1975	59.2%
	1976	62.3%
	1977	68.6%

In the above ratios, assets on hand include MAFB Fund assets as adjusted to reflect 100 percent funding of MAFB annuities and the total reserve requirement includes the actuarial present value of MAFB Fund annuities in force.

Another recognized funding ratio measures the degree of the funding of the benefits earned to date. The MSRS actuary estimates the present value of benefits earned to June 30, 1977 by presently active and retired persons in the State Employees Fund to be \$407,419,863. Applicable assets on hand, including the \$12,670,285, due from the MAFB Fund, amount to \$357,965,620. Thus, as of June 30, 1977, 87.9 percent of the liability for benefits **earned to date** have been funded. This compares to a ratio of 80.7 percent for the same calculation last year.

UNFUNDED ACCRUED LIABILITY

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 the assets on hand, less the present value of future employee contributions and less the present value of future state entry age normal cost contributions. The unfunded liability of the State Employees Retirement Fund is calculated separately for the General Plan and the Correctional Plan. Comparative figures for 1974-77 are shown below (in thousands):

State Employees Retirement Fund

<u>Fiscal Year</u>	<u>General Plan</u>	<u>Correctional Plan</u>	<u>Combined</u>
1974	\$152,206	\$10,887	\$163,093
1975	173,868	9,091	182,959
1976	168,759	8,664	177,423
1977	156,063	7,540	163,603

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, including administrative expense, and support rates in 1974-1977 are as follows:

State Emp. Retirement Fund			
	<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%
	1977	7.23%	11.18%
Current Support			
Employee contribution		4.00%	6.00%
Employer N. cost contribution		4.00%	9.00%
		8.00%	15.00%
Employer contribution for amortizing actuarial deficit		2.00%	5.00%

REVENUES

Employee and employer contributions for the State Employees Retirement Fund were \$48,305,245 in fiscal 1977 compared to \$44,359,150 in 1976. The increased contributions are primarily due to increased salaries as contribution rates were unchanged and there was little change in total membership. Employee and employer contributions are based on total payroll.

Investment income on the investment portfolio of the State Employees Retirement Fund was \$10,339,714 in fiscal 1977 compared to \$7,893,981 in fiscal 1976.

EXPENDITURES

Benefit payments and refundments were as follows in 1976 and 1977:

	<u>1977</u>	<u>1976</u>
Service Retirement Annuities	\$14,493,689	\$13,250,624
Disability Benefits	642,792	510,946
Survivor Benefits	29,380	29,150
Refundments	4,149,466	3,030,770

Total operating expenses were \$864,603 in fiscal 1977 compared to \$775,856 in fiscal 1976. Supplemental benefits amounting to \$94,560 in fiscal 1977 and \$103,724 in fiscal 1976 were paid to certain SER Fund retirees from the State General Fund; such payments were in addition to the amounts shown above.

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	<u>June 30, 1977</u>	<u>June 30, 1976</u>
Active Employees	40,462	40,186
Inactive Accounts	3,664	3,802
New Employees and Former Employees Returned	8,326	8,708
Refunds	6,411	5,297
Deaths	97	105
Service Retirements	621	898
Disabilities	87	81
Net Increase in Active Employees	276	1,220

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>
6/30/75	27 yrs.	30.2 yrs.	25 yrs.	28.1 yrs.
6/30/76	27 yrs.	39.7 yrs.	25 yrs.	28.1 yrs.
6/30/77	28 yrs.	28.2 yrs.	26 yrs.	26.3 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	6/30/75	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
	6/30/77	40.1 yrs.	38 yrs.	8.9 yrs.	\$2,773.65
Female Employees	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
	6/30/77	35.6 yrs.	30 yrs.	5.6 yrs.	\$1,350.43

31.3% of the male active employees and 10.2% of the females, for a total of 8,155 of the active employees, had at least 10 years of credited service at June 30, 1977, compared to 9,813 in 1976 and 9,408 in 1975.

	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Total active employees age 65 or older	374	362	706	826
Number of those eligible to retire with full annuity benefit	358	219	418	535

At 6/30/77 there were 1,806 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 245 such employees less than age 65 at 6/30/77. 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 1,583 active employees eligible to retire with a reduced benefit at 6/30/77.

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>
6/30/75	32.5 yrs.	2.3 yrs.	29.7 yrs.	2.0 yrs.
6/30/76	32.4 yrs.	2.2 yrs.	29.6 yrs.	1.7 yrs.
6/30/77	31.7 yrs.	2.0 yrs.	30.7 yrs.	1.8 yrs.

During the 12 month period ending June 30, 1977, 1.4% of the 5,719 employees taking refunds forfeited 10 or more years of service compared to 1% in 1976 and 1.2% in 1975. During the fiscal year 169 refunds were repaid.

INACTIVES

Inactive accounts totaled 3,664 at June 30, 1977 compared to 3,802 at June 30, 1976 and 3,889 at June 30, 1975. 519 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	6/30/75	186	53 yrs.	\$184.72
	6/30/76	239	52.7 yrs.	\$190.85
	6/30/77	273	52.6 yrs.	\$197.87
Female	6/30/75	202	57 yrs.	\$134.89
	6/30/76	221	56.4 yrs.	\$137.45
	6/30/77	246	55.2 yrs.	\$158.51

RETIRED EMPLOYEES

	<u>6/30/77</u>	<u>6/30/76</u>	<u>6/30/75</u>	<u>6/30/74</u>
Age and service annuitants	7,084	6,690	6,047	5,604
Disability benefits	401	348	289	273
Survivor benefits	24	24	30	30
Benefits authorized during period	711	976	743	930
Deaths during period	291	296	279	276

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	6/30/75	65	2	\$771.98	22	5	\$227.85
	6/30/76	64	11	\$799.44	18	2	\$184.32
	6/30/77	64	1	\$862.44	18	4	\$195.05
Disability	6/30/75	57	11	\$672.30	19	0	\$160.27
	6/30/76	58	3	\$731.28	17	2	\$159.84
	6/30/77	57	8	\$782.59	15	10	\$154.97

The average age at entry into state service, retirement age and attained age of all the retirees receiving as of June 30, 1977 is:

	<u>Entry Age</u>	<u>Retirement Age</u>	<u>Present Age</u>
Service	39 yrs. 11 mos.	65 yrs. 6 mos.	72 yrs. 2 mos.
Disability	36 yrs. 8 mos.	57 yrs. 11 mos.	62 yrs. 6 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	6/30/75	\$154.19	\$110.75
	6/30/76	\$159.11	\$112.92
	6/30/77	\$166.26	\$118.33
Disability annuitants	6/30/75	\$116.99	\$ 96.94
	6/30/76	\$126.09	\$102.95
	6/30/77	\$133.20	\$107.58

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	\$463.20	\$418.01
Disability	\$421.17	\$389.48

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>Year Ending</u>	<u>Male</u>		<u>Female</u>	
		<u>Age</u>	<u>Retirement</u>	<u>Age</u>	<u>Retirement</u>
Service	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.
	6/30/77	76.8 yrs.	10.7 yrs.	77.5 yrs.	11.0 yrs.
Disability	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.
	6/30/77	63.4 yrs.	4.4 yrs.	60.5 yrs.	3.7 yrs.

Of the 255 service annuitants who died in fiscal year 1977, 91.4% received annuity payments greater than their accumulated employee contributions. The average service annuitant received in annuity payments 4.3 times the amount contributed.

CORRECTIONAL EMPLOYEE RETIREMENT PLAN

ACTIVE EMPLOYEES

At June 30, 1977 there were 932 active employees covered under the Correctional Employees Retirement Plan compared to 926 at June 30, 1976 and 901 at June 30, 1975. 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	6/30/75	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
	6/30/77	28.8 yrs.	36.5 yrs.	33	6.7 yrs.	2,876.80
Female	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
	6/30/77	28.8 yrs.	34.7 yrs.	31	5.2 yrs.	2,116.99

25.3% of the male active employees and 16.2% of the females, for a total of 226 employees had ten or more years of service credit at June 30, 1977, compared to 233 in 1976, and 256 in 1975.

	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Total number of employees age 55 or older	57	80	120	191
Number of those eligible to retire	45	62	87	111

There were 166 new state employees eligible to the Correctional Plan. 143 male and 23 female. The average age of new entrants was 28.9 years.

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>
1975	27	29.4 yrs.	28	29.6 yrs.
1976	27	27.0 yrs.	25	25.5 yrs.
1977	28	29.8 yrs.	26	28.8 yrs.

REFUNDS

In fiscal year 1977 there were 151 Correctional Plan accounts refunded while in 1976 there were 142 and 126 in 1975. 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>
6/30/75	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.
6/30/77	31.2 yrs.	1.8 yrs.	31.4 yrs.	1.9 yrs.

INACTIVES

As of June 30, 1977 there were 39 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 23 with 1 year of service died during the fiscal year.

RETIRED EMPLOYEES

During fiscal year 1977, 39 employees retired, one of these was because of disability. 60 Correctional employees retired in 1976 and 92 in 1975. Three annuitants died during the current fiscal year. This brings the total number of Correctional Plan annuitants to 197 service annuitants and 3 disabilitants compared to 162 and 2 at June 30, 1976.

The average age, service and monthly benefit of the 38 new service retirees was 57.2 years of age, 19.0 years of service and \$436.15 average monthly benefit.

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

<u>Date</u>	<u>Age at</u>	<u>Years of</u>	<u>Attained</u>	<u>Average Monthly Benefit</u>	
	<u>Retirement</u>	<u>Service</u>	<u>Age</u>	<u>Incl. Soc. Sec.</u>	<u>Excl. Soc. Sec.</u>
6/30/75	60.7 yrs.	21.8 yrs.	61.1 yrs.		\$419.45
6/30/76	59.9 yrs.	19.8 yrs.	60.9 yrs.	\$613.34	\$380.47
6/30/77	59.6 yrs.	19.5 yrs.	61.1 yrs.	\$627.09	\$381.78

EARLY RETIREMENT AND OPTIONAL ANNUITIES

Since passage of the "high-5" law in 1973 providing higher retirement benefits, there has been an increase in the number of employees electing to receive a reduced benefit either by retirement before age 65 and/or by selection of a joint and survivor annuity. Benefits for early retirees are reduced from the full amount to adjust for the longer period the benefit will be paid. The joint and survivor benefit is actuarially reduced to provide continuing payments to a spouse or other beneficiary after death of the retiree. The following figures reflect the trend:

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Early retirement	66	89	314	272	282	323
Joint and survivor	31	28	100	83	92	78

**MINNESOTA STATE RETIREMENT SYSTEM
UNCLASSIFIED EMPLOYEES RETIREMENT PLAN
FISCAL YEAR 1977**

Certain employees in the Unclassified State service who are eligible to coverage under the General Employees Retirement Plan participate in the Unclassified Employees Retirement Plan. Both the employee and employer contributions are used to purchase shares in the Supplemental Retirement Fund. They may elect coverage under the General Plan if they so desire. The following provides information on the activity within this plan during the fiscal year ending June 30, 1977.

CURRENT PARTICIPANTS

On June 30, 1977, there were 951 participants in the Unclassified Employees Retirement Plan with shares to their credit. Of the 951 participants, 824 were active on June 30, 1977, and 127 were inactive. Following is a breakdown of the shares owned by the participants at June 30, 1977.

	<u>Number</u>	<u>Cost</u>	<u>Value</u>
Income shares	371,457	\$2,777,829.84	\$3,283,679.88
Growth shares	251,641	1,304,555.42	1,348,795.76
Fixed return		656,700.65	713,900.46

The average cost of the income shares and growth shares at June 30, 1977 were \$7.48 and \$5.18 respectively. The market value of the income and growth shares at June 30, 1977 were \$8.84 and \$5.36 respectively.

WITHDRAWALS

During fiscal year 1977, there were 153 participants who withdrew employee and employer shares to their credit in the Unclassified Employees Retirement Plan. Following is a breakdown of the shares withdrawn by the participants during the year.

	<u>Number</u>	<u>Cost</u>	<u>Value</u>
Income shares	38,730	\$283,320.80	\$330,152.65
Growth shares	20,227	105,163.91	108,901.66
Fixed return		108,065.82	111,292.73

The average cost of the income and growth shares withdrawn during the year were \$7.32 and \$5.20 respectively. The average market value of the income and growth shares withdrawn were \$8.52 and \$5.38 respectively.

ANNUITANTS

Two former participants are receiving monthly benefits from the Unclassified Employees Retirement Plan as of June 30, 1977. One retired in fiscal 1975 and the other in 1976. Their average service credit at retirement was 4 years, 5 months and the average monthly benefit is \$54.92.

**MINNESOTA STATE RETIREMENT SYSTEM
DEFERRED COMPENSATION PLAN
FISCAL YEAR 1977**

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 first 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. Another advantage is that investment of deferred salary is made before tax dollars are deducted.

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, 1977, there were 1,708 participants in the plan compared to 973 at June 30, 1976. Investment of the deferred compensation was distributed as follows on June 30, 1977:

	<u>Number</u>	<u>Value</u>
Income Shares	431,258	\$3,812,320.72
Growth Shares	440,839	2,362,897.04
Fixed Return		1,928,260.90

A total of 124 former participants had reached the specified retirement age and were receiving payments over a five or ten year withdrawal period as of June 30, 1977. There were 83 receiving as of June 30, 1976.

Percentage-wise, the deferred compensation was being invested as follows:

100% Income Shares	18.4%
100% Growth Shares	10.5%
50% Income Shares, 50% Growth Shares	20.3%
100% Fixed Return	35.8%
75% Fixed Return, 25% Growth Shares	15.0%

TOWERS, PERRIN, FORSTER & CROSBY
ONE CENTURY PLAZA
LOS ANGELES, CALIFORNIA 90067
(213)553-3470

January 11, 1978

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, 1977. As required by Minnesota Statutes, Chapter 356, the Valuation as of June 30, 1977 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,

H. M. Church

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, 1977

ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME

INCOME

From Employees	
Employee contributions	\$ 18,027,082.72
Employee accrued contributions receivable	1,025,724.37
Employee contributions, accounts receivable	61,926.59
From Employers	
Employer contributions	18,384,886.04
Employer additional contributions	9,234,395.92
Employer accrued contributions receivable	1,571,228.75
From Investments	
Interest on securities	7,381,479.92
Dividends on corporate stock	4,140,831.96
Recognized unrealized appreciation in stock	(847,232.88)
Gain on sale of securities	(335,364.56)
Interest on back payments by employees	150,733.46
From MAFB Fund Participation	
Participation in MAFB Fund income	13,162,689.08
MAFB Fund Prior Year Adjustments	6,315,763.84
Other Revenues	
Miscellaneous	1,428.83
General Fund Appropriation — Benefits	2,216,377.00
TOTAL INCOME	<u>\$ 80,491,951.04</u>

DEDUCTIONS FROM INCOME

Increase in MAFBF Annuity Stabilization Account		\$ (6,030,462.00)
Benefits		
Service retirement annuities		14,493,689.18
Disability retirement benefits		642,791.68
Survivor benefits (spouses)		29,380.20
Refundments (Employee Contributions)		
Left service		3,654,452.66
Employee deaths and annuitant deaths		303,877.91
Erroneous deductions		27,364.40
Interest on contributions		163,771.16
Transfer to Unclassified Employee Retirement		1,936,253.77
Operating Expenses		721,493.26
Prior Year Adjustments		1,519.28
Increase in Total Reserves Required		
Reserves Required 6-30-76	\$470,431,642.00	
Reserves Required 6-30-77	521,158,855.00	50,727,213.00

TOTAL DEDUCTIONS FROM INCOME

\$ 66,671,344.50

EXCESS OF INCOME OVER DEDUCTIONS FROM INCOME

\$13,820,606.54

REDUCTION IN UNFUNDED

SUPPLEMENTAL PRESENT VALUE:

Unfunded Supplemental Present Value 6-30-76	\$177,423,153.82	
Unfunded Supplemental Present Value 6-30-77	<u>163,602,547.28</u>	\$ 13,820,606.54

MINNESOTA STATE RETIREMENT SYSTEM
EXHIBIT REQUIRED BY MINNESOTA STATUTES CHAPTER 356,
SECTION 356.20, SUBDIVISION 4(1)
AS OF JUNE 30, 1977

ASSETS AND UNFUNDED SUPPLEMENTAL PRESENT VALUE

ASSETS

Cash	\$ 55,019.39
Short term investments (at cost)	6,264,295.47
Accounts Receivable:	
(a) Accrued employee contributions	1,025,724.37
(b) Accrued employer contributions	1,571,228.75
(c) Employee back payments	178,406.71
(d) Due from other plans	54,526.57
(e) Other	5,820.82
Receivable from MAFB Fund for 1975, 1976 and 1977 Mortality Adjustment	2,128,201.00
Accrued interest in investments	2,168,420.37
Dividends declared and payable but not yet received	354,831.47
Investments in debt securities at amortized cost	98,824,845.96
Investment in equities at cost	101,040,866.37
Recognized unrealized appreciation in equities	289,409.37
Equipment at depreciated cost	14,565.03
Deferred yield adjustment account	3,258,440.29
Participation in the MAFB Fund	130,188,933.96
Total Assets	<u>\$347,423,535.90</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	\$ 33,226,629.00
Unfunded Supplemental Present Value to be funded by State's "Additional" contribution	130,375,918.28
Total Unfunded Supplemental Present Value	<u>\$163,602,547.28</u>

TOTAL ASSETS AND UNFUNDED SUPPLEMENTAL PRESENT VALUE	<u><u>\$511,026,083.18</u></u>
---	--------------------------------

CURRENT LIABILITIES AND RESERVES REQUIRED

CURRENT LIABILITIES

Accounts payable:	
(a) Security purchases	\$ 188,448.17
(b) Annuities	12,612.98
(c) Accrued expenses	65,775.42
(d) Transfer to unclassified employee retirement	135,858.45
Suspense item: Unredeemed 6 year old warrants	6,617.16
MAFBF Annuity Stabilization Account	(10,542,084.00)
Total Liabilities	<u>\$ (10,132,771.82)</u>

RESERVES REQUIRED

Total reserves required per attached schedule	\$521,158,855.00
---	------------------

TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED	<u><u>\$511,026,083.18</u></u>
--	--------------------------------

Note: Accumulated contributions, without interest, of members
not yet retired amounted to \$87,098,476.17 as of June 30, 1977.

MINNESOTA STATE RETIREMENT SYSTEM
DETERMINATION OF RESERVES REQUIRED
AS OF
JUNE 30, 1977

	(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	\$526,003,120	\$184,813,233	\$341,189,887
(b) Disability Benefits	30,467,818	19,150,809	11,317,009
(c) Refundments due to death or withdrawal	95,061,375	77,891,531	17,169,844
(d) Surviving Spouse Benefits	6,938,380	2,713,057	4,225,323
Deferred Annuitants	5,814,560	—	5,814,560
Former Members Without Vested Rights	461,419	—	461,419
Survivors	249,795	—	249,795
Benefits Payable from MAFB Fund	140,731,018	—	140,731,018
Total	<u><u>\$805,727,485</u></u>	<u><u>\$284,568,630</u></u>	<u><u>\$521,158,855</u></u>

**MINNESOTA STATE RETIREMENT SYSTEM
ACCOUNTING BALANCE SHEET
FOR TWO YEARS ENDED JUNE 30, 1977 & 1976**

ASSETS	State Employees Retirement Fund	
	1977	1976
Cash	\$ 55,019.39	\$ 186,347.66
Short term investments	6,264,295.47	14,998,545.28
Accounts Receivable:		
(a) Accrued employee contributions	1,025,724.37	906,421.97
(b) Accrued employer contributions	1,571,228.75	1,388,068.95
(c) Employee buybacks	178,406.71	150,141.35
(d) Investment maturities and sales	.00	471,990.73
(e) Due from other plans	54,526.57	58,574.52
(f) Other receivables	5,820.82	19,435.66
(g) Due from MAFB Fund	2,128,201.00	.00
Accrued interest in investments	2,168,420.37	1,800,327.85
Accrued dividends receivable	354,831.47	22,685.44
Debt securities at amortized cost	98,824,845.96	79,764,356.78
Corporate stock at cost (1)	101,040,866.37	80,227,501.82
Recognized unrealized appreciation —		
Equities	289,409.37	1,244,233.33
Deferred yield adjustment account	3,258,440.29	2,586,736.25
Equipment at depreciated cost	14,565.03	13,035.23
Sub-total	\$217,234,601.94	\$183,838,402.82
Participation in MAFB Fund	130,188,933.96	105,497,750.12
Total Assets	<u>\$347,423,535.90</u>	<u>\$289,336,152.94</u>
LIABILITIES AND RESERVES		
Liabilities		
Accounts Payable:		
(a) Security purchases	\$ 188,448.17	\$ 432,500.50
(b) Annuities, benefits and refunds	12,612.98	12,713.77
(c) Accrued expenses	65,775.42	49,621.50
(d) Transfer to Unclass. Plan	135,858.45	335,341.59
(e) Due MAFB Fund	.00	2,803.54
Suspense item — Unredeemed 6 year Warrants	6,617.16	6,305.86
Total Liabilities	<u>\$ 409,312.18</u>	<u>\$ 839,286.76</u>
Reserves		
MAFB Fund:		
Actuarial reserve requirement	\$140,731,018.00	\$122,068,325.00
Annuity stabilization res. (2)	(10,542,084.04)	(16,570,574.88)
Reserve for MAFBF benefits	\$130,188,933.96	\$105,497,750.12
Reserve for non-MAFBF benefits	249,795.00	258,321.00
Members contribution reserve	87,098,476.17	75,780,365.07
State contribution reserve	129,477,018.59	106,960,429.99
Total Reserves	<u>\$347,014,223.72</u>	<u>\$288,496,866.18</u>
Total Liabilities and Reserves	<u>\$347,423,535.90</u>	<u>\$289,336,152.94</u>
(1) Market Values, June 30	\$104,133,709	\$ 85,591,797
(2) A reserve attached to the Minnesota Adjustable Fixed Benefit Fund for the purpose of eliminating any surplus or deficiency so that assets of the fund will equal the reserves supporting benefits being paid. Fiscal 1976 is restated to conform with 1977 changes.		

**MINNESOTA STATE RETIREMENT SYSTEM
STATEMENT OF REVENUES AND EXPENDITURES
FOR TWO YEARS ENDED JUNE 30, 1977 AND 1976**

REVENUES	State Employees Retirement Fund	
	1977	1976
From Employees		
Employee contributions	\$18,027,082.72	\$16,576,796.28
Employee contributions receivable	1,025,724.37	906,421.97
Employee contributions, accounts receivable	61,926.59	59,075.92
From Employers		
Employer contributions	18,384,886.04	16,925,668.75
Employer additional contributions	9,234,395.92	8,503,118.66
Employer accrued contrib. receivable	1,571,228.75	1,388,068.95
From Investments		
Interest on securities	7,381,479.92	6,270,920.60
Gain (Loss) on debt security sales, amortized	(335,364.56)	(335,395.18)
Premium on bonds called	.00	8,429.47
Dividends on corporate stock	4,140,831.96	2,797,258.64
Recognized unrealized appreciation	(847,232.88)	(847,232.86)
Interest on back payments by employees	150,733.46	172,257.01
From MAFB Fund Participation		
Participation in MAFB Fund income	13,162,689.08	(527,890.06)
Miscellaneous Revenues		
General Fund appropriation for benefit increases	2,216,377.00	.00
Other	1,428.83	4,591.54
Total Revenues	\$74,176,187.20	\$51,902,089.69
EXPENDITURES		
Benefits Paid		
Service retirement annuities (1)	\$14,493,689.18	\$13,250,624.07
Disability benefits	642,791.68	510,945.73
Survivor benefits	29,380.20	29,149.98
Refundments Paid		
Left service	3,654,452.66	2,597,723.70
Employee and annuitant deaths	303,877.91	278,387.62
Interest on refundments	163,771.16	126,311.80
Erroneous deductions	27,364.40	28,347.02
Transfers		
To Unclassified Plan	1,936,253.77	1,851,955.59
Operating Expenses	721,493.26	676,331.14
Total Expenditures	\$21,973,074.22	\$19,349,776.65
Revenues in excess of expenditures	\$52,203,112.98	\$32,552,313.04
Prior year adjustment	6,314,244.56	.00
Net distribution to reserves	<u>\$58,517,357.54</u>	<u>\$32,552,313.04</u>
(1) Additional benefits paid from General Fund to SER Fund Retirees	\$ 94,560.00	\$ 103,724.00

**MINNESOTA STATE RETIREMENT SYSTEM
CHANGES IN INVESTMENT PORTFOLIO
TWO YEARS ENDED JUNE 30, 1977 & 1976**

STATE EMPLOYEES RETIREMENT FUND

	1977	1976
Corporate Stock (At Original Cost)		
Beginning balances	\$ 80,227,501.82	\$ 73,566,613.60
Add: Purchases	22,504,390.38	13,053,877.44
	<u>\$102,731,892.20</u>	<u>\$ 86,620,491.04</u>
Deduct: Frac. stock dividends sold	41.13	561.57
Stock sold	1,690,984.70	6,392,427.65
Balances as of June 30	<u>\$101,040,866.37</u>	<u>\$ 80,227,501.82</u>
Current Yield	4.2%	3.6%
Market value, June 30	\$104,133,708.68	\$ 85,591,797.00
Debt Securities (Par Value)		
Beginning balances	\$ 80,299,356.39	\$ 70,366,805.09
Add: Purchases	24,561,742.03	12,100,000.00
	<u>\$104,861,098.42</u>	<u>\$ 82,466,805.09</u>
Deduct: Maturities and calls	1,497,554.12	1,947,448.70
Debt securities sold	3,940,000.00	220,000.00
Balances as of June 30*	<u>\$ 99,423,544.30</u>	<u>\$ 80,299,356.39</u>
Avg. Yield to Maturity	8.121%	8.901%
Book value of debt securities	\$ 98,824,846	\$ 79,764,357
Estimated Current Value	\$ 96,395,163	\$ 69,143,741
Short Term Investments (At Cost)		
Beginning balances	\$ 14,998,545.28	\$ 12,321,955.56
Add: Purchases	221,847,131.47	205,811,064.88
	<u>\$236,845,676.75</u>	<u>\$218,133,020.44</u>
Deduct: Redemptions	230,581,381.28	203,134,475.16
Balances as of June 30	<u>\$ 6,264,295.47</u>	<u>\$ 14,998,545.28</u>
* Distribution of debt securities:		
Municipals	\$ 2,119,000.00	\$ 2,484,000.00
U.S. Government Agency and Government Guaranteed (GNMA & Merchant Marine)	5,483,188.28	547,000.00
Canadian Govt. & Govt. Guar.	14,925,000.00	9,925,000.00
Corporate obligations	76,896,356.02	67,343,356.39
	<u>\$ 99,423,544.30</u>	<u>\$ 80,299,356.39</u>

MINNESOTA STATE RETIREMENT SYSTEM
UNCLASSIFIED EMPLOYEES RETIREMENT PLAN
TRANSACTIONS IN FISCAL YEAR 1977

RECEIPTS

Employee contributions	\$ 798,617.08	
Employer contributions	1,110,301.99	
Interest on contributions	27,334.70	
Total contributions	<u>\$1,936,253.77</u>	
Less: 2/10% administrative costs	33,393.77	\$1,902,860.00
Add: Cash balance at 06-30-76		2,450.65
Fixed return earnings		46,313.88
Total receipts and cash		<u>\$1,951,624.53</u>

INVESTMENTS AND WITHDRAWALS

Shares purchased in the Minnesota Supplemental Retirement Fund:

	<u>No. Shares</u>	<u>Market Value</u>	
Income shares purchased	135,263	\$1,143,881.70	
Less: Shares withdrawn (cost \$283,320.80)	38,730	330,152.65	
Net purchases	<u>96,533</u>	<u>\$ 813,729.05</u>	\$ 813,729.05
Growth shares purchased	85,134	\$ 457,471.37	
Less: Shares withdrawn (cost \$105,163.91)	20,227	108,901.66	
Net purchases	<u>64,907</u>	<u>\$ 348,569.71</u>	348,569.71
Fixed return account	<u>Earnings</u>	<u>Investments</u>	
Earnings and investments	\$46,313.88	\$ 333,765.09	
Less: Withdrawals	3,226.91	108,065.82	
Net	<u>\$43,086.97</u>	<u>\$ 225,699.27</u>	268,786.24
Cost basis of shares withdrawn		\$ 496,550.53	
Add: Appreciation in share values		50,569.60	
Market value of shares withdrawn		\$ 547,120.13	
Add: Uninvested balances withdrawn		396.16	
Earnings on fixed return withdrawals		3,226.91	
		<u>\$ 550,743.20</u>	
Less: Transfers to SER Fund		32,763.33	
Total paid in withdrawals		<u>\$ 517,979.87</u>	517,979.87
Total investments and withdrawals			1,949,064.87
Cash balance at June 30, 1977			<u>\$ 2,559.66</u>

MARKET VALUE AND COST OF SHARES HELD

	<u>Income</u>	<u>Growth</u>	<u>Fixed Return</u>
Number of shares at June 30, 1976	274,924	186,734	\$ 445,114.22
Net increase in fiscal 1977	96,533	64,907	268,786.24
Number of shares at June 30, 1977	371,457	251,641	\$ 713,900.46
Share values at June 30, 1977	x8.84	x5.36	
Market value at June 30, 1977	\$3,283,679.88	\$1,348,795.76	\$ 713,900.46
Original cost	\$2,777,829.84	\$1,304,555.42	\$ 656,700.65

**MINNESOTA STATE RETIREMENT SYSTEM
DEFERRED COMPENSATION PLAN
FISCAL YEAR ENDED JUNE 30, 1977**

RECEIPTS

Participant deposits	\$3,080,160.00	
Less: Deposits refunded	<u>1,912.00</u>	
	\$3,078,248.00	
Less: 2% Administrative costs	<u>61,564.96</u>	
Total Net Deposits	<u>\$3,016,683.04</u>	\$3,016,683.04
Add: Uninvested balance at June 30, 1976		5,294.70
Fixed return earnings		<u>75,228.04</u>
Total available to invest		<u>\$3,097,205.78</u>

INVESTMENTS AND WITHDRAWALS

Shares purchased in the Minnesota Supplemental Retirement Fund.

	<u>No. Shares</u>	<u>Market Value</u>	
Income shares purchased	98,969	\$ 844,398.05	
Less: Shares withdrawn	<u>14,240</u>	<u>121,510.26</u>	
Net purchases	<u>84,729</u>	<u>\$ 722,887.79</u>	\$ 722,887.79
Growth shares purchased	122,557	\$ 655,978.00	
Less: Shares withdrawn	<u>11,179</u>	<u>59,782.48</u>	
Net purchases	<u>111,378</u>	<u>\$ 596,195.52</u>	596,195.52
Fixed Return Account	<u>Earnings</u>	<u>Investments</u>	
Earnings and investments	\$75,228.04	\$1,515,941.29	
Less: Withdrawals	<u>187.20</u>	<u>10,388.73</u>	
Net purchases	<u>\$75,040.84</u>	<u>\$1,505,552.56</u>	1,580,593.40
Market value of shares withdrawn		\$ 191,681.47	
Add: Uninvested balances withdrawn		148.15	
Earnings on fixed return withdrawals		<u>187.20</u>	
		<u>\$ 192,016.82</u>	
Less: Adjustment on withdrawals		<u>13.04</u>	
		<u>\$192,003.78</u>	<u>192,003.78</u>
Total investments and withdrawals			<u>3,091,680.49</u>
Uninvested balance at June 30, 1977			\$ 5,525.29
Undistributed income on short term investments			<u>4,874.49</u>
Total cash balance at June 30, 1977			<u>\$ 10,399.78</u>

MARKET VALUE OF SHARES HELD

	<u>Income</u>	<u>Growth</u>	<u>Fixed Return</u>
Number of shares at June 30, 1976	346,529	329,461	\$ 347,667.50
Net increase during fiscal year	<u>84,729</u>	<u>111,378</u>	<u>1,580,593.40</u>
Number of shares at June 30, 1977	431,258	440,839	\$1,928,260.90
Share values at June 30, 1977	<u>x8.84</u>	<u>x5.36</u>	
Market value at June 30, 1977	\$3,812,320.72	\$2,362,897.04	<u>\$1,928,260.90</u>