

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2005



Minnesota State Retirement System
Pension Trust Funds of the State of Minnesota



Minnesota State Retirement System

Pension Trust Funds of the State of Minnesota

David Bergstrom

EXECUTIVE DIRECTOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2005

Prepared by MSRS Finance and Systems Divisions

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Introductory Section

Introductory Section

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Introductory Section



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Board Chairperson's Report

December 31, 2005

Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, MN 55103

Dear Board Members, Benefit Recipients and Employers:

Strong investment returns continued through the fiscal year that ended June 30, 2005. The 10.7% investment return, following the prior year's return of 16.5%, helped reduce the impact of the steep market declines from 1999 to 2001.

In 1999, the three largest plans the Minnesota State Retirement System administers--the State Employees Retirement Plan, Correctional Plan, and the State Patrol Plan--were all over 100% funded. While our retirement plans are still in solid financial shape, funding levels are below 100%. We are requesting the legislature approve contribution rate increases to bring our plans back to full funding. The Board is committed to having retirement plans that are properly funded in order to be able to pay the important retirement benefits promised to retirees and active employees.

Including Deferred Compensation Plan, MSRS assets grew from \$11.8 billion on June 30, 2004, to \$13.0 billion on June 30, 2005. Liabilities also increased from \$928 million to \$1.1 billion over the same period of time. It is important to remember that MSRS is not a pay-as-you-go retirement system, but a retirement plan that pre-funds monthly benefits. With this system, those currently drawing monthly benefits have already paid for their benefits. Today's active employees are helping to fund the monthly payments they will receive, and future employees covered by MSRS will be paying for their benefits and not for the previous generations. The employer contributions made on behalf of the employees are critical to maintaining a strong, cost-effective retirement plan.

Eligible retirees received an 2.5% increase on January 1, 2006, which was slightly less than the inflation rate of 2.6% for the fiscal year.

Assets in the Minnesota Deferred Compensation Plan (MNDCCP) grew to \$2.8 billion on June 30, 2005. Effective July 1, 2005, the MSRS Board lowered participant fees from .25% of assets to .18% of assets. In addition, we charged no participant fees from July 1, 2005, through December 31, 2005. These two changes saved an average participant about \$50 during the year.

Assets in the Health Care Savings Plan grew to \$91.6 million as of June 30, 2005. We also reimbursed participant medical expenses in excess of \$13.4 million.

MSRS has been in existence for over 75 years, and provides retirement security to over 121,000 former and current state employees. We are dedicated to providing financially secure, efficient plans to help employees be self-sufficient and have the peace of mind knowing that we have sufficient assets to provide monthly benefits today and forever.

Respectfully,



Mary Benner, Chair
MSRS Board of Directors

Letter of Transmittal

December 31, 2005

Board of Directors
Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, MN 55103-3000

Dear Directors

We are pleased to present the Minnesota State Retirement System's Comprehensive Annual Financial Report for the fiscal year that ended June 30, 2005. The Minnesota State Retirement System (MSRS) provides coverage for the 64,000 active employees, 28,000 benefits recipients, and 29,000 members who are no longer contributing, but are eligible for monthly benefits in the future or might apply for a lump-sum distribution.

MSRS management takes full responsibility for the financial data published in this report. The data in the report are factual and fully discloses the financial status of the funds administered by the MSRS.

MSRS is directly responsible for the following retirement plans:

:

- State Employees Fund, which includes the following plans
 - General Employees
 - Transportation Pilots
 - Fire Marshals
 - Military Affairs
- State Patrol Fund
- Correctional Fund
- Judges Fund
- Elected State Officers Fund
- Legislators Fund
- Unclassified Fund
- Health Care Savings Plan Fund

MSRS also shares oversight of the Minnesota State Deferred Compensation Plan (MNDCP) with the State Board of Investment. The plan is available to all public employees in the state, with 78,000 active participants and assets of almost \$3 billion as of June 30, 2005.

The Comprehensive Annual Financial Report is divided into five sections:

Introduction	Consists of administrative materials, such as an organizational chart, a summary of the retirement plans and a report from the board chairperson.
Financial	Consists of the independent auditor's opinion, management's discussion and analysis, financial statements and footnotes for fiscal year 2005, and the required supplemental information.
Investment	Consists of the State Board of Investment's report, rates of return on investments held and various investment portfolio information.
Actuarial	Consists of summaries of the actuarial assumptions and methods, and other information prepared by an independent actuarial firm.
Statistical	Consists of tables detailing revenue sources, expense types, employee statistics and investment performance.

Major Initiatives

In fiscal year 2005, we continued to move toward providing one-stop shopping to provide information about MSRS retirement benefits, Minnesota Deferred Compensation Plan(MNDCP), and the Health Care Savings Plan (HCSP). Retirement counselors are being trained to provide detailed information about all three plans.

The Board approved an administrative fee reduction of 28 percent to start next fiscal year. In addition, it established a six-month fee holiday where participants were not required to pay any administrative fees.

Legislatively, we were unsuccessful increasing the employee and employer contribution rates for our three largest plans, but plan to introduce the same proposal next year. In addition, legislation was introduced to cap future post retirement fund increases. Both of these initiatives are designed to keep MSRS financially sound well into the future.

Financial Information

Accounting Systems and Reports

This report is prepared in accordance with the generally accepted accounting principles of the Governmental Accounting Standards Board. These financial statements comply with reporting requirements established under Minnesota Statutes, section 356.20. Transactions of plans administered by MSRS are reported on the accrual basis of accounting.

MSRS' system of internal accounting controls has been designed to provide reasonable assurance that system assets are safeguarded and financial records are accurate and reliable. These controls are reviewed by the accounting and finance staff on an as needed basis and revised when necessary. Our independent auditors reported no material weaknesses in internal control, nor any departures from finance-related statutes for the fiscal year ended June 30, 2005.

In the opinion of MSRS management, the internal accounting control system is adequate and these financial statements, supporting schedules, and statistical tables are fairly presented in all material respects.

Revenues (Additions)

MSRS' revenue is derived primarily from three sources: 1) employee contributions; 2) employer contributions; and 3) investment returns. Income for fiscal year 2005 totaled \$1.5 billion. This fiscal year's return on investment was \$1.062 billion, a decrease of \$401 million from last fiscal year. Employee and employer contributions totaled \$457 million; appropriations and other sources provided an additional \$23.3 million.

	(In Thousands)		
	FY 2005	FY 2004 *	Increase (Decrease)
Employee Contributions	345,819	335,337	10,482
Employer Contributions	111,045	108,740	2,305
Investment Income	1,062,306	1,463,210	(400,904)
Other	23,305	10,369	12,936
Total	<u>1,542,475</u>	<u>1,917,656</u>	<u>(375,181)</u>

*Restated to include Deferred Compensation Plan

Expenses (Deductions)

Expenses in fiscal year 2005 came to \$630 million, a \$34 million increase over last year's expenses. Expenses combined with investment gains and other revenues resulted in a net increase of \$918 million.

MINNESOTA STATE RETIREMENT SYSTEM

	(In Thousands)		
	FY 2005	FY 2004 *	Increase (Decrease)
Annuity, Health Care and ongoing Benefits	\$475,927	\$445,077	\$30,850
Refunds	122,330	126,527	(4,197)
Administrative Expenses	8,021	11,227	(3,206)
Other	23,369	9,611	13,758
Total	\$629,647	\$592,442	\$37,205

*Restated to include Deferred Compensation Plan

Additional information can be found in the Management's Discussion and Analysis on pages 18 and 19.

Funding Status

On an actuarial basis, the figures below show the assets, liabilities and funding ratios of each fund as of the latest actuarial valuation, June 30, 2005.

Fund	Liabilities	Assets	Actuarial Basis Funding Ratio
State Employees	\$8,455,335,998	\$8,081,736,374	95.58%
State Patrol	\$566,763,689	\$601,220,181	106.08%
Correctional	\$546,117,680	\$503,573,272	92.21%
Judges	\$191,413,999	\$144,465,380	75.47%
Legislators	\$81,836,478	\$45,522,735	55.63%
Elective State Officers	\$4,065,308	\$204,297	5.03%
	\$9,845,533,152	\$9,376,722,239	95.24%

More information regarding the funding of MSRS' plans can be found on pages 38 through 39. The assumptions and actuarial details are in accordance with Minnesota Statutes section 356.215. The entry age normal method, with level contributions as a percent of payroll, is used as the actuarial funding method.

Investment Activities

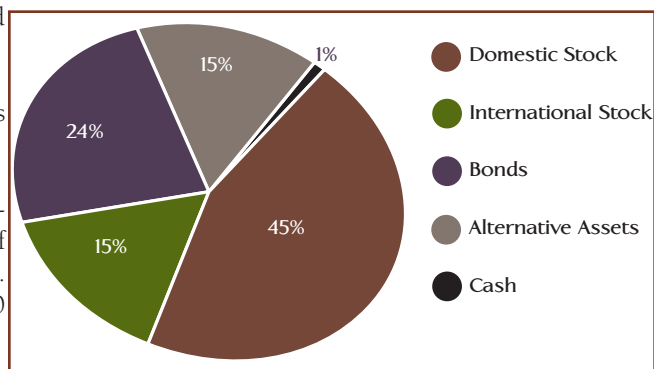
Assets of the MSRS funds are invested by the State Board of Investment (SBI). The board includes the governor, attorney general, secretary of state, and state auditor. Members of the board are subject to the Prudent Person rule, fiduciary standards detailed in Minnesota Statutes section 356A, and investment guidelines in Minnesota Statutes section 11A.

Basic Retirement Fund

Assets held in trust for active employees are maintained in the Basic Retirement Fund.

The rate of return in the Basic Retirement Fund was 10.7% in the fiscal year ending June 30, 2005.

The goal of the Basic Fund is to finance future retirement benefits. The actuarial assumed rate of return of 8.5% is set by law in Minnesota Statutes section 356. That is the expected rate of return over the ensuing 30 years.



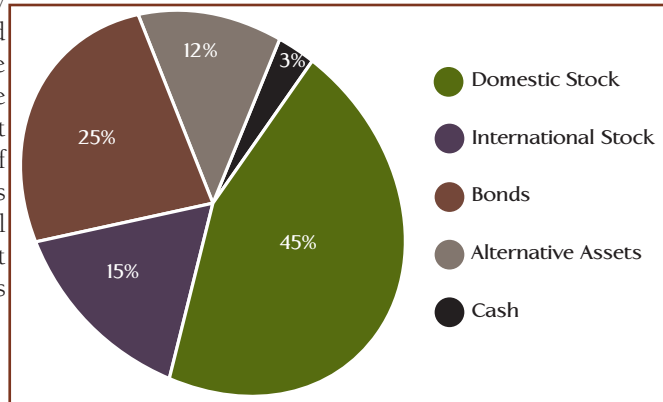
The Basic Retirement Fund's asset allocation target is displayed above.

Post Retirement Investment Fund

The rate of return for the Post-Retirement Fund was 10.5% in fiscal year 2005. A 2.5% increase was paid to eligible

retirees on January 1, 2006.

When a member retires, funds sufficient to pay monthly benefits for his or her lifetime are transferred from the Basic Retirement Fund to the Post-Retirement Fund. The assumed rate of return for the Post-Retirement Fund is 6%. The goal of the Post Fund is to provide income to pay monthly benefits, plus a cost-of-living increase based on inflation up to, but not exceeding, 2.5 percent. The inflation rate is determined by the U.S. Consumer Price Index. If investment returns from the Post-Retirement Fund are higher than the 6 percent plus the Cost of Living increase, the additional investment return is spread over a five-year period to help fund additional increases. If the Post-Fund experiences an investment loss (earns less than 6% + inflation rate) the loss is spread out over a five year period.



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

Economic Outlook

In fiscal year 2006, the economy is expected to slow nationally and in Minnesota. Employment and income are expected to continue to grow, but the rate of growth is projected to be slightly slower than realized in fiscal year 2005, and well below growth rate of the late 1990's.

In Minnesota, personal income is expected to increase by 4.2 percent, 1.8 percentage points less than fiscal year 2005. Higher interest rates, continued high energy prices, and lost production due to devastating hurricanes will slow U.S. economic growth through at least the first quarter of 2006. Payroll employment in Minnesota is projected to grow at a 1 percent rate during fiscal year 2006. U.S. Payroll employment is projected to grow at 1.6 percent annually. Private construction spending in storm damage areas along the Gulf Coast, federal disaster assistance for rebuilding and restoring damaged infrastructure, and a return to normal production levels by energy producers along the Gulf will provide a boost to the national economy, but will likely have little impact on Minnesota.

Review of Operations and Activities of Fiscal Year 2005

MSRS is managed by an 11-member board of directors. The board sets the budget, determines the projects, and provides the overall direction of the agency. Mary Benner is the Chair and Matt Hodapp is the Vice Chair.

Independent Audit

The state legislative auditor conducted an independent audit of MSRS financial statements. The auditor's comments are on pages 16 and 17.

Professional Services

The Minnesota Attorney General's Office provides legal counsel for MSRS. The 2005 actuarial valuations were completed by Segal and Company, and reviewed by Mercer Human Resources.

Acknowledgments

We recognize and give special thanks to all the board of directors, MSRS staff and our other business associates. Without your hard work and commitment, MSRS would not experience the success it has enjoyed year after year.

This report provides complete and reliable information to assist management decisions and set out legal and fiduciary compliance requirements. A summary of the CAFR will be published in the next issue of the MSRS newsletter.

Respectfully submitted,

David Bergstrom

David Bergstrom
Executive Director

Arvin Herman

Arvin Herman
Assistant Director

Administrative Organization – June 30, 2005

MSRS Board of Directors

Mary Benner, Chair

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Elected by Membership

Mathew Hodapp, Vice Chair

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Steven Amic

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Correctional Plan Representative

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John Richter

PO BOX 217
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(320) 983-3638
Retiree Representative

Roy Watson

P O Box 72
Rochester, MN 55903
(507) 282-7080
Appointed by Governor

Administrative Staff

Executive Director:

David Bergstrom

Assistant Directors:

Arvin Herman, Ernie Palmsten

Professional Consultants

Consulting Actuary:

The Segal Company

Consulting Actuary:

Mercer Human Resource Consulting

Legal Counsel:

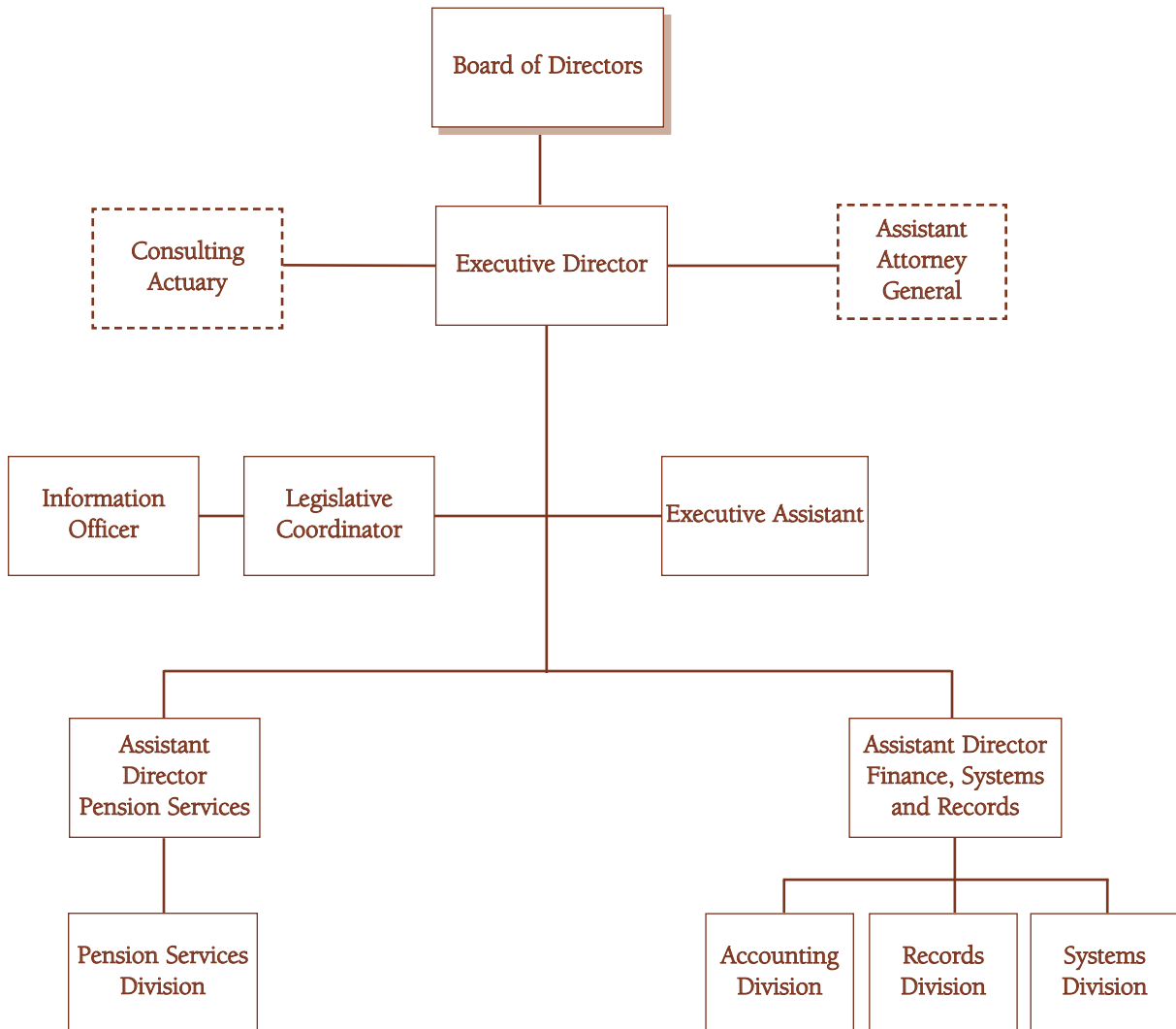
Assistant Attorney General Jon Murphy

Assistant Attorney General Rory Foley

Medical Advisor:

Minnesota Department of Health

Organization Chart - June 30, 2005



NOTE: MSRS invests its funds in various investment pools administered by the State Board of Investment (SBI). The SBI retains various investment advisors whose fees are paid by the pool participants, including MSRS. A schedule of these advisors and MSRS' share of their fees is included on page 50 of the Financial Section.

Summary of Retirement System Plans

Purpose

The Minnesota State Retirement System was established by the state legislature in 1929 to provide retirement benefits to state employees. MSRS administers seven defined benefit plans and one defined contribution plan for state employees and other selected public employees.

Administration

MSRS administration is governed by an 11-member board of directors. The board includes four elected General Plan members, one elected State Patrol Plan member, one elected Correctional Plan member, one elected retired member, one designated Metropolitan Council Transit Operations representative, and three members appointed by the governor.

MSRS Board of Directors hires the Executive Director who is responsible for administering the plans in accordance with Minnesota law and board policies. Plan descriptions follow.

Defined Benefit Plans

1. General Employees Plan

- A. Coverage: most state employees and selected metropolitan agency employees
Contributions: 4 percent, employee; 4 percent, employer
- B. Benefit formula
 - 1.2 percent of a five high year salary for first 10 years, then 1.7 percent each year beyond 10 years with subsidized early retirement adjustment
 - or 1.7 percent for all years of service with an actuarial equivalent, early retirement reduction
- C. Retirement age and service requirements
Eligibility for unreduced retirement benefits
 - age 65 for employees hired before July 1, 1989; or between 65 to 66 for employees hired on or after July 1, 1989 with one year of service.
 - age 62 for employees hired before July 1, 1989 with 30 years of service.
 - Rule of 90 for those employees hired before July 1, 1989.Eligibility for reduced retirement benefits
 - age 55 with three years of service, reduced from full retirement age.
 - any age with 30 years of service, reduced from age 62 (pre 7/1/89 only).
 - The plan also offers total and permanent disability benefits for employees with three years of service.
- D. Surviving spouse benefit
 - if employee has at least 3 years of service at death, generally, the spouse is eligible for a 100 percent survivor annuity or a refund
- E. Refunds
 - contributions with 6 percent interest
- F. Annuity and disability options
 - 100 percent, Joint and Survivor with bounce back, meaning if your survivor dies first, your benefit would bounce back to the higher single-life amount.
 - 75 percent, Joint and Survivor with bounce-back
 - 50 percent, Joint and Survivor with bounce back
 - 15 Year Certain and Life Thereafter

- 2. Military Affairs, Transportation Pilots and Fire Marshals Plans (provisions differing from General Plan)**
- A. Coverage: required retirement from federal military status at age 60, or 62 for transportation pilots, no such requirements for deputy fire marshals.
Contributions:
-Military Affairs and Transportation Pilots - 5.6 percent, employee; 5.6 percent, employer.
-Deputy Fire Marshals - 6.78 percent employee; 8.20 percent employer.
 - B. Retirement age and service years
-Military Affairs, age 60, with at least three years of service, no reduction
-Transportation Pilots, age 62
-Fire Marshals, age 55 with 2.0 percent accrual rate
 - C. Disability
-eligible for disability if unable to perform duties with five years of service
-General Plan formula, no reduction
-pilots are entitled to 75 percent of salary for maximum of five years
-deputy fire marshals receive minimum of 15 years of service, 20 years if duty related
- 3. State Patrol Retirement Plan**
- A. Coverage: state troopers, conservation officers, crime bureau and gambling enforcement agents
Contributions: 8.4 percent, employee; 12.6 percent, employer
 - B. Benefit formula: 3 percent of successive, five high year salary for each year of service
 - C. Retirement age and service years
-age 55 with three years of service, no reduction
-age 50 with three years of service, reduction from age 55
 - D. Disability
-eligible for disability if unable to perform duties with three years of service, and immediate coverage if disabled on the job.
-job related disability, benefit is equal to 60 percent of five high year average salary, plus 3 percent for each year beyond 20; minimum non-job related disability is 45 percent
 - E. Survivor benefits
-member death in service: spouse gets 50 percent of final average salary; with 10 or more years of service spouse's entitlement changes to 100 percent Joint and Survivor annuity when the employee would have reached age 55
-children get 10 percent of final average salary per child plus \$20 per month, prorated equally to the children until age 18, or 23 if a student, or until married; total benefit limited to 40 percent of final average salary
-refund with 6 percent interest if no survivor benefit payable
 - F. Refunds
-contributions with 6 percent interest

- G. Annuity and disability option
 - 100 percent Joint and Survivor with bounce back
 - 50 percent Joint and Survivor with bounce back

4. Correctional Employees Plan (provisions differing from General Plan)

- A. Coverage: employees who have direct contact with inmates at Minnesota correctional facilities
 - Contributions: 5.69 percent, employee; 7.98 percent, employer
- B. Benefit formula
 - 2.4 percent of five high year average salary for each year of service or an accelerated annuity to age 62 or 65, then an actuarially adjusted benefit thereafter
- C. Retirement age and service years
 - age 55 with three years of service
 - age 50 with three years of service, reduction from age 55
 - job related disability, benefit equals 50 percent of five high year average salary plus 2.4 percent for each year beyond 20; the minimum non-job related disability is 36 percent

5. Judges Retirement Plan

- A. Coverage: district, appellate and supreme court judges
 - Contributions: 8.0 percent, employee; 20.5 percent, employer
- B. Benefit formula
 - 2.7 percent for each year of service prior to July 1, 1980, plus 3.2 percent of same average salary for service after June 30, 1980; formula applied to five high year average salary within last decade; the formula is capped at 76.8 percent
- C. Retirement age and service years
 - age 70 with one year of service, no reduction
 - age 65 with five years of service, no reduction
 - age 60 with five years of service, reduction from age 65
- D. Disability
 - eligible for disability if unable to perform duties
 - continuation of full salary for one year, then as computed under the formula with no reduction, and subject to minimum of 25 percent of five high year salary
- E. Survivor benefits
 - spouse eligible for 60 percent of normal annuity, subject to a minimum of 25 percent of final average salary
- F. Refunds
 - contributions with 5 percent interest
- G. Annuity and disability options

- 100 percent Joint and Survivor with or without bounce back
- 50 percent Joint and Survivor with or without bounce back
- 15 Year Certain and Life Thereafter
- 10 Year Certain and Life Thereafter

General Fund Plans

6. Legislators Retirement Plan

- A. Coverage: legislators; newly elected legislators are covered by the Unclassified Plan as of Jan. 1, 1997
Contributions: 9 percent, employee; as needed from General Fund appropriation
- B. Benefit formula
-2.5 percent five high year average salary, plus a variable actuarial adjustment based on retirement age
- C. Retirement age and service years
-age 62 with six years of service, no reduction
-age 55 with six years of service, reduction from age 62
- D. Survivor benefits
-spouse gets 50 percent of benefit or 100 percent Joint and Survivor amount, if legislator is age 60 or more at death
-first child gets 25 percent, next two children get 12.5 percent for a 100 percent maximum
- E. Refunds
-contributions with 6 percent interest
- F. Annuity options
-100 percent Joint and Survivor with bounce back, discounted by value of automatic 50 percent spousal benefit applicable
-100 percent and 50 percent Joint and Survivor options for other than spouse

7. Elected State Officers Plan

- A. Coverage: elected constitutional officers; newly elected constitutional officers are covered by the Unclassified Plan as of Jan. 1, 1999.
Note: All current constitutional officers were elected since Jan. 1, 1999, therefore, this plan is closed.

Defined Contribution Plans

1. Unclassified Employees Plan

- A. Coverage: specified employees in unclassified positions
Contributions: 4 percent, employee; 6 percent, employer
- B. Benefits: account balance or annuity benefit withdrawal based on age and 6 percent interest assumption
- C. Retirement age and service years: age 55 with any length of service
- D. Refunds: account value

- E. Annuity and Disability Option
 - 100 percent Joint and Survivor with bounce back
 - 50 percent Joint and Survivor with bounce back
 - 15 Year Certain and Life Thereafter

2. Health Care Savings Plan

- A. Coverage: Negotiated by Bargaining or policy unit.
Contribution: Employee or negotiated employer funding criteria bargained per labor contract; may include severance pay.
- B. Benefits: account balance and investment experience
- C. When used: upon termination of employment, designation of disability, during medical leave beyond 6 months, or if normal leave of absence extends beyond 1 year.
- D. Refunds: none; dependents, or if none, beneficiaries use the account after the death of the member for medical reimbursements as designated in Internal Revenue Service Code
- E. Availability: All public employees of the State of Minnesota.

3. Deferred Compensation Plan (IRC Section 457)

- A. Coverage: optional for all state employees and political subdivision employees.
Contribution: tax deferred with a \$10.00 per payperiod minimum.
- B. Third Party Administrator: Great-West Life Assurance, Inc.
- C. Withdrawal Events:
 - termination of service or death
 - emergency
 - rollover
- D. Withdrawal Options:
 - lump-sum
 - ongoing withdrawals
 - various annuities

Plan descriptions are not all inclusive. Descriptions provide general information only.

Financial Section

Financial Section

Financial Section

Financial Section





OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Board of Trustees
Minnesota State Retirement System of Minnesota

Mr. David Bergstrom, Executive Director
Minnesota State Retirement System of Minnesota

We have audited the accompanying basic financial statements of the Minnesota State Retirement System of Minnesota (MSRS) as of and for the year ended June 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of MSRS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSRS as of June 30, 2005, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3. G. to the basic financial statements, MSRS adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended June 30, 2005. This standard establishes and modifies disclosure requirements for deposit and investment risks including credit risk, interest rate risk, and foreign currency risk.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2006, on our consideration of the MSRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, are not a required part of MSRS's basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MSRS's basic financial statements. The Supporting Schedules in the Financial Section and the Introductory, Investment, Actuarial, and Statistical Sections, listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. As such, the Supporting Schedules in the Financial Section, as well the Introductory, Investment, Actuarial, and Statistical Sections listed in the Table of Contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



James R. Nobles
Legislative Auditor



Cecile Ferkul, CPA, CISA
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Management's Discussion and Analysis

Our discussion and analysis of the Minnesota State Retirement System's financial performance provides an overview of the system's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter on pages 4 to 7 and the financial statements beginning on page 20.

Financial Highlights

The three largest MSRS funds remain very well funded on the actuarial basis used to determine contribution rates. The funding percentages are the State Employees Retirement Fund 95.58%, the State Patrol Retirement Fund 106.08%, and the Correctional Employees Retirement Fund 92.21%. Total net investment gains were down from the previous year, \$1.062 billion, compared to \$1.463 billion in 2004. Total monthly benefit recipients increased by over 1,800 and total monthly benefits paid increased by over \$24 million. Total contributions increased by \$41.2 million or just less than 10%. Administrative expenses, as a result of the full assimilation of the Deferred Compensation Fund, increased by \$1.9 million or 32.4%.

Overview of the Financial Statements

This comprehensive annual financial report includes two basic financial statements, the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. The purpose of these statements, along with the accompanying Notes to the Financial Statements, is to comply with Minnesota Statutes Chapter 356.20 and to provide the reader with financial information in a format that is reasonably comparable to that of other public pension trust funds. As indicated in Note 2, these statements are prepared using the accrual basis of accounting as required by generally accepted accounting principles.

The Statement of Plan Net Assets

Provides a summary of financial resources and obligations owed as of a particular point in time, June 30, 2005. The assets available and the liabilities owed are reported at fair value as of that date. The difference between the two is the net amount of assets in excess of the liabilities; this amount is available for payment of future pension benefits or other obligations. Net Assets at the June 30, 2005 compared to June 30, 2004 were as follows:

	(in millions)			
	F.Y. 2005	F.Y. 2004 *	Change	% Change
Total Assets	\$12,949	\$11,854	\$1,095	9.24%
Total Liabilities	1,110	928	182	19.61%
Net Assets	<u>\$11,839</u>	<u>\$10,926</u>	<u>\$913</u>	<u>8.36%</u>

*Restated to include Deferred Compensation Plan

The Statement of Changes in Plan Net Assets

Presents the revenues and other items that added to and the expenses and other items that deducted from the Net Assets since the last fiscal year ended June 30, 2004. Total Additions by Major Type and Total Deductions by Type for the fiscal year ended June 30, 2005 compared to fiscal year 2004 were as follows:

	(in millions)			
	F.Y. 2005	F.Y. 2004 *	Change	% Change
Total Additions (by Major Source):				
Member Contributions	\$346	\$335	\$11	3.28%
Employer Contributions	111	109	2	1.80%
Investment Income (Net)	1,062	1,463	(401)	(27.41)%
Other (includes transfers)	23	34	(11)	(32.35)%
Total Additions	<u>\$1,542</u>	<u>\$1,941</u>	<u>\$(399)</u>	<u>(25.88)%</u>
Total Deductions (by Type):				
Benefits	\$476	\$445	\$31	6.97%
Refunds	122	117	5	4.27%
Administrative Expenses	8	6	2	33.33%
Other (includes transfers)	24	38	(14)	(36.84)%
Total Deductions	<u>\$630</u>	<u>\$606</u>	<u>\$24</u>	<u>3.96%</u>
Net Increase (Decrease)	<u>\$912</u>	<u>\$1,335</u>	<u>\$(423)</u>	<u>(31.69)%</u>

*Restated to include Deferred Compensation Plan

The Notes to the Financial Statements are an integral part of the financial statements. They provide additional information relevant to what has been reported in the statements. This information can be either descriptive as in

the case of significant accounting policies or supplemental such as the debt redemption schedule. The Required Supplemental Information is additional schedules provided for the purpose of giving the statement reader some historical information that can be used to determine whether the financial condition of MSRS funds is improving or deteriorating over a longer period of time.

Financial Analysis of Individual Funds

MSRS administers six defined benefit funds and two defined contribution funds. While each of the funds has some characteristics that are different from the others, such as membership served, each also has some characteristics in common, such as the shared investment pools.

Defined Benefit Funds

The following table compares various performance measures of each of the funds to the previous fiscal year. The Legislative Retirement Fund and the Elected State Officers Retirement Fund are excluded from this analysis because they are funded mostly by state General Fund appropriations

	(in millions)			
	SERF	SPRF	CERF	JRF
Total Assets, 06/30/2005	\$8,432	\$613	\$519	\$142
Total Assets, 06/30/2004	\$7,740	\$567	\$486	\$133
Change	\$692	\$46	\$33	\$9
% Change	8.94%	8.11%	6.79%	6.77%
Total Liabilities, 06/30/2005	\$921	\$73	\$56	\$15
Total Liabilities, 06/30/2004	\$773	\$56	\$56	\$15
Change	\$148	\$17	-	-
% Change	19.15%	30.36%	-	-
Net Assets, 06/30/2005	\$7,511	\$540	\$463	\$127
Net Assets, 06/30/2004	\$6,967	\$511	\$430	\$119
Change	\$544	\$29	\$33	\$8
% Change	7.81%	5.68%	7.67%	6.72%

The overall financial position of these funds remained relatively steady from that of the previous year.

	(in millions)			
	SERF	SPRF	CERF	JRF
Total Additions, year ended 06/30/2005	\$908	\$66	\$58	\$22
Total Additions, year ended 06/30/2004	\$1,148	\$84	\$76	\$27
Change	(\$240)	(\$18)	(\$18)	(\$5)
% Change	20.91%	21.43%	23.68%	18.52%
Total Deductions, year ended 06/30/2005	\$364	\$37	\$25	\$14
Total Deductions, year ended 06/30/2004	\$346	\$36	\$23	\$14
Change	\$18	\$1	\$2	-
% Change	5.20%	2.78%	8.70%	-
Net Additions (Deductions) year ended 06/30/2005	\$544	\$29	\$33	\$8
Net Additions (Deductions) year ended 06/30/2004	\$802	\$48	\$53	\$13
Change	(\$258)	(\$19)	(\$20)	\$5
% Change	32.17%	39.58%	37.74%	38.46%

All of these funds showed a small increase in net assets and are considered to be financially healthy.

Defined Contribution Funds

The Unclassified Employees Retirement Fund, the Health Care Savings Fund and the Deferred Compensation Fund were affected by the same investment market conditions that affected the defined benefit funds. Because individual members select their own investment options for these funds, comparisons of fund investment earnings are not meaningful.

Summary

As the result of rising market conditions, MSRS experienced modest increases in net assets during the past fiscal year. All of the funds remain reasonably financially sound and with steady or improving market conditions will continue to be so. This financial report is intended to provide a general overview of MSRS' finances. Questions or comments concerning the contents of this report should be sent to Minnesota State Retirement System, 60 Empire Drive Suite 300, Saint Paul, MN 55103-3000 or to www.msrs.state.mn.us

Statement of Plan Net Assets as of June 30, 2005 (In Thousands)

	Defined Benefit Funds (In thousands)			
	State Employees	State Patrol	Correctional Employees	Judges
Assets:				
Cash & Short-Term Investments:				
Cash	\$1,211	\$111	\$35	\$111
Short-Term Investment Pools	89,222	3,332	2,985	1,208
	<u>\$90,433</u>	<u>\$3,443</u>	<u>\$3,020</u>	<u>\$1,319</u>
Receivables:				
Accounts Receivable	8,050	530	905	154
Accrued Interest	141	8	8	1
Due from Other Plans	14,675	0	0	3
Due from MPRI Fund	0	0	25,228	1,551
	<u>\$22,866</u>	<u>\$538</u>	<u>\$26,141</u>	<u>\$1,709</u>
Investment Pools (at fair value):				
Equity in Post Retirement Fund	\$2,894,867	\$297,502	\$182,620	\$79,002
Fixed Income	1,073,524	58,483	59,814	10,690
External Domestic Equity	1,575,493	85,822	87,780	15,687
Passive Domestic Equity	742,463	40,301	41,296	7,366
Alternative Investments	444,973	23,971	24,665	4,397
Global Equity	681,002	37,051	37,920	6,772
Supplemental Investment Fund	0	0	0	0
Mutual Funds	0	0	0	0
	<u>\$7,412,322</u>	<u>\$543,130</u>	<u>\$434,095</u>	<u>\$123,914</u>
Securities Lending Collateral	900,037	65,426	55,947	15,336
Capital Assets	5,932	0	0	0
Nondedicated Member Deposits	0	0	0	0
Total Assets	<u>\$8,431,590</u>	<u>\$612,537</u>	<u>\$519,203</u>	<u>\$142,278</u>
Liabilities:				
Accounts Payable	\$1,804	\$78	\$79	\$13
Accrued Compensated Absences	596	0	0	0
Securities Lending Collateral	900,037	65,426	55,947	15,336
Deferred Revenue	0	0	0	0
Due to MPRI fund	12,433	7,010	0	0
Due to other plans	149	91	294	39
Due to General Fund	0	0	0	0
Bonds Payable	5,511	0	0	0
Total Liabilities	<u>\$920,530</u>	<u>\$72,605</u>	<u>\$56,320</u>	<u>\$15,388</u>
Net Assets Held in Trust for Pension Benefits	<u>\$7,511,060</u>	<u>\$539,932</u>	<u>\$462,883</u>	<u>\$126,890</u>

(A Schedule of Funding Progress for each of the defined benefit plans are on page 38.)

MINNESOTA STATE RETIREMENT SYSTEM

(In thousands)		Defined Contribution Funds (in thousands)				
Legislators	Elected State Officers	Unclassified Employees	Health Care Savings Plan	Deferred Compensation	Totals (in thousands)	
\$0	\$0	\$246	\$609	\$0	\$2,323	
0	0	10,935	4,842	0	112,524	
<u>\$0</u>	<u>\$0</u>	<u>\$11,181</u>	<u>\$5,451</u>	<u>\$0</u>	<u>\$114,847</u>	
0	0	459	4,230	0	14,328	
0	0	0	0	0	158	
0	0	154	0	0	14,832	
0	0	0	0	0	26,779	
<u>\$0</u>	<u>\$0</u>	<u>\$613</u>	<u>\$4,230</u>	<u>\$0</u>	<u>\$56,097</u>	
\$35,803	\$0	\$0	\$0	\$0	\$3,489,794	
0	0	0	0	0	1,202,511	
0	0	0	0	0	1,764,782	
0	0	0	0	0	831,426	
0	0	0	0	0	498,006	
0	0	0	0	0	762,745	
0	0	266,850	78,624	161,757	507,231	
0	0	0	0	2,644,001	2,644,001	
<u>\$35,803</u>	<u>\$0</u>	<u>\$266,850</u>	<u>\$78,624</u>	<u>\$2,805,758</u>	<u>\$11,700,496</u>	
3,818	0	19,199	3,287	0	1,063,050	
0	0	0	0	0	5,932	
8,252	207	0	0	0	8,459	
<u>\$47,873</u>	<u>\$207</u>	<u>\$297,843</u>	<u>\$91,592</u>	<u>\$2,805,758</u>	<u>\$12,948,881</u>	
\$0	\$0	\$0	\$60	\$0	\$2,034	
0	0	0	0	0	596	
3,818	0	19,199	3,287	0	1,063,050	
0	0	0	0	0	0	
4,777	0	0	0	0	24,220	
27	3	9,745	2,156	2,328	14,832	
0	0	0	0	0	0	
0	0	0	0	0	5,511	
<u>\$8,622</u>	<u>\$3</u>	<u>\$28,944</u>	<u>\$5,503</u>	<u>\$2,328</u>	<u>\$1,110,243</u>	
<u>\$39,251</u>	<u>\$204</u>	<u>\$268,899</u>	<u>\$86,089</u>	<u>\$2,803,430</u>	<u>\$11,838,638</u>	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Plan Net Assets

Year ended June 30, 2005, (In Thousands)

	Defined Benefit Funds (in thousands)			
	State Employees	State Patrol	Correctional Employees	Judges
Additions:				
Contributions:				
Member contributions	\$83,101	\$4,517	\$7,943	\$2,662
Employer contributions	80,312	6,671	11,016	7,225
General Fund Contributions	0	0	0	0
Total Contributions	\$163,413	\$11,188	\$18,959	\$9,887
Investment income:				
Investment Income	\$739,543	\$55,555	\$39,574	\$12,473
Less Investment Expense:	9,970	720	627	162
Net Investment Income	\$729,573	\$54,835	\$38,947	\$12,311
Income from securities lending activities:				
Security Lending Income	\$21,026	\$1,531	\$1,308	\$359
Security Lending Expenses:				
Borrower Rebates	\$17,748	\$1,293	\$1,104	\$303
Management Fees	750	55	47	13
Total Security Lending Expenses	\$18,498	\$1,348	\$1,151	\$316
Net Income From Security Lending Activities	\$2,528	\$183	\$157	\$43
Total Net Investment Income	\$732,101	\$55,018	\$39,104	\$12,354
Other additions:				
Transfers From Other Plans	\$12,024	\$0	\$1	\$0
Other income	615	0	0	10
Total Other Additions	\$12,639	\$0	\$1	\$10
Total Additions	\$908,153	\$66,206	\$58,064	\$22,251
Deductions:				
Annuity benefits	\$347,959	\$36,954	\$23,816	\$13,750
Ongoing Withdrawals	0	0	0	0
Health Care Benefits	0	0	0	0
Refunds	10,707	4	649	111
Interest to MPRI Fund	195	99	277	36
Transfers to Other Plans	498	0	0	5
Recordkeeper Expenses	0	0	0	0
Administrative expenses	4,336	93	298	37
Other	0	0	0	0
Total Deductions	\$363,695	\$37,150	\$25,040	\$13,939
Net increase (decrease)	\$544,458	\$29,056	\$33,024	\$8,312
Net Assets, July 1, 2004	\$6,966,602	\$510,876	\$429,859	\$118,578
Change in Reporting Entity	\$0	\$0	\$0	\$0
Net Assets, June 30, 2005	\$7,511,060	\$539,932	\$462,883	\$126,890

The accompanying notes are an integral part of the financial statements.

MINNESOTA STATE RETIREMENT SYSTEM

(in thousands)		Defined Contribution Funds (in thousands)				Totals
Legislators	Elective State Officers	Unclassified Employees	Health Care Savings Plan	Deferred Compensation	(in thousands)	
\$384	\$0	\$4,296	\$42,519	\$200,397	\$345,819	
0	0	5,821	0	0	111,045	
1,822	395	0	0	0	2,217	
<u>\$2,206</u>	<u>\$395</u>	<u>\$10,117</u>	<u>\$42,519</u>	<u>\$200,397</u>	<u>\$459,081</u>	
\$3,555	\$0	\$19,735	\$2,801	\$197,602	\$1,070,838	
43	0	0	0	0	11,522	
<u>\$3,512</u>	<u>\$0</u>	<u>\$19,735</u>	<u>\$2,801</u>	<u>\$197,602</u>	<u>\$1,059,316</u>	
\$90	\$0	\$455	\$77	\$0	\$24,846	
\$76	\$0	\$379	\$66	\$0	\$20,969	
3	0	17	2	0	\$887	
<u>\$79</u>	<u>\$0</u>	<u>\$396</u>	<u>\$68</u>	<u>\$0</u>	<u>\$21,856</u>	
\$11	\$0	\$59	\$9	\$0	\$2,990	
<u>\$3,523</u>	<u>\$0</u>	<u>\$19,794</u>	<u>\$2,810</u>	<u>\$197,602</u>	<u>\$1,062,306</u>	
\$0	\$0	\$502	\$0	\$0	\$12,527	
3	0	33	376	7,524	8,561	
<u>\$3</u>	<u>\$0</u>	<u>\$535</u>	<u>\$376</u>	<u>\$7,524</u>	<u>\$21,088</u>	
<u>\$5,732</u>	<u>\$395</u>	<u>\$30,446</u>	<u>\$45,705</u>	<u>\$405,523</u>	<u>\$1,542,475</u>	
\$5,942	\$391	\$0	\$0	\$0	\$428,812	
0	0	0	0	33,698	33,698	
0	0	0	13,417	0	13,417	
0	0	8,947	0	101,912	122,330	
3	0	88	0	0	698	
0	0	12,024	0	0	12,527	
0	0	0	0	9,730	9,730	
27	3	183	716	2,328	8,021	
0	0	0	8	406	414	
<u>\$5,972</u>	<u>\$394</u>	<u>\$21,242</u>	<u>\$14,141</u>	<u>\$148,074</u>	<u>\$629,647</u>	
<u>\$(240)</u>	<u>\$1</u>	<u>\$9,204</u>	<u>\$31,564</u>	<u>\$257,449</u>	<u>\$912,828</u>	
<u>\$39,491</u>	<u>\$203</u>	<u>\$259,695</u>	<u>\$54,525</u>	<u>\$0</u>	<u>\$8,379,829</u>	
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,545,981</u>	<u>\$2,545,981</u>	
<u>\$39,251</u>	<u>\$204</u>	<u>\$268,899</u>	<u>\$86,089</u>	<u>\$2,803,430</u>	<u>\$11,838,638</u>	

Notes of the Financial Statements

1. Description of the System

The Minnesota State Retirement System is the administrator of a multiple employer, cost sharing public employee retirement system. It consists of six defined benefit funds and three defined contribution funds. On June 30, 2005, the number of employers contributing to the various funds was:

-State of Minnesota and branches	9
-University of Minnesota	1
-Metropolitan agencies	6
-Counties	80
-Cities	250
-School Districts	272
-Unions	6
-Other	252
	<u>876</u>

MSRS funds are pension trust funds of the state of Minnesota and as such are included with similar funds in its comprehensive annual financial report. This report includes financial information for MSRS only.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period when they become due. Benefits and refunds are recognized when due and payable as specified by statute.

B. Investment Policies

Pursuant to *Minnesota Statutes*, the assets of MSRS funds are pooled with those of other funds and invested by the State Board of Investment. Investments primarily include obligations and stocks of the United States and Canadian governments, their agencies, registered corporations and short-term obligations of specifically high quality. Various alternative investments, including international securities, are limited by statute to 35 percent of the fund pool.

C. Investment Valuations

Investments are reported at fair value. Fair value is the proportionate share of the aggregate market value of the investment portfolio of the pool in which the funds participate. Market value is the last reported sales price for securities traded on national or international exchanges. If a security is not actively traded, then the market value is its estimated fair value. Short-term securities are reported at cost, which approximates fair value.

D. Capital Assets

Capital assets consist of office equipment and fixtures, land, building, and unamortized bond issuance charges. All were capitalized at historical cost at the date of acquisition, issuance, or completion. Balances at June 30, 2005 were:

		(in 000s)	
	Cost	Accumulated Depreciation/ Amortization	Undepreciated/ Unamortized Balance
Office equipment & Fixtures	\$888	\$483	\$405
Land	87	N/A	87
Building	5,971	596	5,375
Building Equipment	1	0	1
Deferred Bond Issuance Charges	75	11	64
Totals	<u>\$7,022</u>	<u>\$1,090</u>	<u>\$5,932</u>

D. Capital Assets (continued)

The estimated useful lives and the depreciation methods used were as follows:

	<u>Useful Life</u>	<u>Depreciation Method</u>
Office equipment & Fixtures	3 - 10	Straight Line
Land	N/A	Not Depreciated
Building	30	Straight Line
Building Equipment	10	Straight Line
Deferred Bond Issuance Charges	30	Straight Line

E. Accrued Compensated Absences

MSRS employees accrue vacation, sick, and compensatory leave in accordance with various collective bargaining agreements. The obligation, \$596,205, for future payment of these balances at June 30, 2005 has been accrued to the extent that the right to receipt is vested or expected to become vested.

F. Nondedicated Member Deposits

Member contributions to the Legislators' and Elective State Officers' Funds are deposited into the general operating revenues of the state. In the event of plan termination, the state Department of Finance believes that Minnesota's General Fund is obligated to repay member contributions. Because this contingency is considered unlikely, these amounts have not been appropriated in the state's General Fund. These balances at June 30, 2005, were:

	<u>(in 000s)</u>
- Legislators Retirement Fund	\$8,252
- Elective State Officers Fund	207
	<u>\$8,459</u>

G. Reserve Accounts

-Employee reserve

For the defined benefit funds, the employee reserve is credited with the cumulative employee contributions. Upon retirement, these contributions are combined with the necessary benefit reserve moneys and transferred to the Minnesota Post-Retirement Investment Fund to provide the resources for future annuity benefits. Employees who terminate their employment prior to retirement can choose to receive a refund of their contributions plus interest or a deferred annuity benefit. For the defined contribution funds (Unclassified Employees Retirement Fund, Health Care Savings Fund and Deferred Compensation Fund), the employee reserve includes all assets that are not reserved for the payment of administrative expenses.

These balances at June 30, 2005 were:

	<u>(in 000s)</u>
State Employees Retirement Fund	\$928,590
State Patrol Retirement Fund	44,413
Correctional Employees Retirement Fund	62,665
Judges Retirement Fund	22,204
Legislators Retirement Fund	6,892
Elective State Officers Retirement Fund	36
Unclassified Employees Retirement Fund	268,515
Health Care Savings Fund	87,492
Deferred Compensation Fund	2,792,037
	<u>\$4,212,844</u>

-Benefit Reserve

For all funds except the Unclassified Employees' Retirement Fund, the Health Care Savings Fund, and the Deferred Compensation Fund the benefit reserve is credited with all investment earnings and employer contributions. For the Unclassified Employees' Retirement Fund, the Health Care Savings Fund, and the Deferred Compensation Fund they include the remaining balances of fees collected to pay administrative expenses and short-term interest earnings on contribution balances awaiting transfer to investment funds.

MINNESOTA STATE RETIREMENT SYSTEM

These balances at June 30, 2005, were:

	(in 000s)
State Employees Retirement Fund	\$3,199,675
State Patrol Retirement Fund	144,620
Correctional Employees Retirement Fund	187,002
Judges Retirement Fund	24,565
Legislators Retirement Fund	(1,861)
Elective State Officers Retirement Fund	168
Unclassified Employees Retirement Fund	384
Health Care Savings Fund	(1,403)
Deferred Compensation Fund	11,393
	<u>\$3,564,543</u>

-Minnesota Post-Retirement Investment Fund (MPRIF) reserve

The MPRI Fund reserve equals the corresponding assets invested in it. The proceeds of the MPRI Fund are used to pay the monthly pension benefits of eligible retirees. This account is adjusted annually to fund the actuarial value of benefits remaining. The Elected State Officers, the Unclassified Employees Retirement Fund, the Health Care Savings Fund and the Deferred Compensation Fund do not participate in this reserve.

These balances at June 30, 2005 were:

	(in 000s)
State Employees Retirement Fund	\$3,382,795
State Patrol Retirement Fund	350,899
Correctional Employees Retirement Fund	213,216
Judges Retirement Fund	80,121
Legislators Retirement Fund	38,997
	<u>\$4,066,028</u>

H. Actuarial Assumptions

Actuarial valuations and experience studies are performed annually at fiscal year end for all defined benefit funds, except the Legislative Retirement Fund and the Elected State Officers Retirement Fund. For this report, fiscal year end was June 30, 2005. The entry age normal actuarial cost method - a projected benefit cost method - is used to value all of the defined benefit funds. Contributions are made as a level percentage of covered salary. The actual inflation rate for all funds was 2.6%; there is no assumed inflation rate for any of the funds. The assumed investment rate of return for all funds is 8.5%. The designated period for amortizing any unfunded liabilities is an open-ended 30 years. Assumed salary scales for the State Employees Retirement Fund are increased in annual increments ranging from 6.75% at age 20 to 5.25% at age 70. The State Patrol Retirement Fund assumes similar increases ranging from 7.75% to 5.25%. The Correctional Retirement Fund assumes similar increases ranging from 7.75% to 5.25%. The Judges Retirement Fund assumes salary increases of 5% annually. The Legislative Retirement Fund and the Elected State Officers Retirement Fund, a closed plan, also assume salary increases of 5% annually. The Unclassified Retirement Fund, the Health Care Savings Fund and the Deferred Compensation Fund are defined contribution plans and therefore there are neither applicable assumptions nor actuarial valuations. These financial statements and the supplementary schedules that follow were prepared using the preceding assumptions.

I. Change in Reporting Entity

The Minnesota State Retirement System discontinued the use of contractors to perform various administrative and marketing functions for the Minnesota Deferred Compensation Plan. In January, 2004, MSRS employees began performing various day-to-day operating functions for the plan; and in June, 2004, MSRS employees assumed responsibility for the marketing of the plan. The fiduciary and oversight responsibilities of the State Board of Investment and MSRS remained unchanged. Because of the increased operational control over the plan, the financial activities of the Deferred Compensation Plan are now considered to be part of MSRS' reporting entity and accordingly are included in this report. The change resulted in the addition of \$2,545,980,710.30 in Net Assets Held in Trust as of July 1, 2004.

3. Cash and Investments

A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 2005, and throughout the year, these

accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*.

B. Credit risk

Investments are classified according to their risk level. The three categories are:

- insured and registered investments or those securities which are held by the state or its agent in the state's name.
- uninsured or unregistered investments whose securities are held by a counterparty's trust department or agent in the state's name.
- uninsured or unregistered investments whose securities are held by a counterparty's trust department or agent, in other than the state's name.

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

C. Investment Valuation

The combined funds' proportionate share in the cost and fair values of the State Board of Investment pools at June 30, 2005, were:

	(In 000s)	
	<u>Cost</u>	<u>Fair Value</u>
Post-Retirement Fund	\$4,207,842	\$3,489,794
Fixed Income	1,220,289	1,202,511
External Domestic Equity	1,824,039	1,764,782
Passive Domestic Equity	747,660	831,426
Alternative Investments	470,512	498,006
Global Equity	731,062	762,745
Supplemental Investment Fund	358,017	507,231
Mutual Funds *	<u>2,644,001</u>	<u>2,644,001</u>
Total	<u><u>\$12,203,422</u></u>	<u><u>\$11,700,496</u></u>

* Note: For individual daily invested mutual funds, cost equals fair value.

D. Securities Lending

The amounts shown on the financial statement are MSRS' proportionate share of securities loaned, collateral pledged and loan income that resulted from the lending activity of investment managers retained by the State Board of Investment. This proportionality also applies to Notes 3.E., 3.F and 3.G. as well as all income allocations made by the SBI.

E. GASB Statement 28 Disclosures

State statutes do not prohibit Minnesota from participating in securities lending transactions, and Minnesota has, by way of a Custodial Trust Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending Minnesota's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, on behalf of Minnesota, certain securities held by State Street as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to or not less than one hundred percent (100%) of the market value of loaned securities.

Minnesota did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. And State Street indemnified Minnesota by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

F. GASB Statement 31 Disclosures

During the fiscal year, Minnesota and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, in the Minnesota State Board of

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Investments Fund, a separately managed vehicle. As of June 30, 2005, such pool had an average duration of 37 days and an average weighted maturity of 403 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. On June 30, 2005 Minnesota had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for Minnesota as of June 30, 2005 was \$5,246,995,382.97 and \$5,110,997,370.22, respectively.

During the fiscal year, the SBI, has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Cash collateral received in respect of such loans was invested at the direction of SBI, in the Minnesota State Board of Investments Fund, a separately managed vehicle (the "Fund"). Please note the following:

- a. **Method for determining fair value.** The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- b. **Policy for utilizing amortized cost method.** Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investments at fair value for reporting purposes.
- c. **Regulatory oversight.** The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of SBI's position in the Fund is the same as the value of the Fund shares.
- d. **Involuntary Participation.** There was no involuntary participation in an external investment pool by SBI for the fiscal year.
- e. **Necessary Information.** Not applicable.
- f. **Income assignment.** No income from one fund was assigned to another fund by State Street during the fiscal year.

G. GASB Statement 40 Disclosures

For the fiscal year ended June 30, 2005, MSRS implemented the provisions of GASB statement No.40, *Deposit and Credit Risk Disclosures*. The information that follows complies with that pronouncement. The Minnesota State Board of Investment (SBI) is responsible for investing the various MSRS funds. The disclosures that follow apply to those investments. Cash deposit disclosures are also included in Note 3.A.

Credit Risk

Credit risk is the risk than an issuer or counterparty to an investment will be unable to fulfill its obligations. The State Board of Investment (SBI) has policies designed to minimize credit risk. They may invest funds in governmental obligations provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. They may invest funds in corporate obligations provided the issue is rated among the top four quality categories by a nationally recognized rating agency. They may also invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories provided that:

1. The aggregate value of these obligations may not exceed five percent of the fund for which the SBI is investing;
2. Participation is limited to 50 percent of a single offering; and
3. Participation is limited to 25 percent of an issuer's obligations.

SBI may also invest in bankers' acceptances, deposit notes of U.S. banks, certificates of deposit, mortgage securities, and asset-backed securities rated in the top four quality categories by a nationally recognized rating agency. Commercial paper must be rated in the top two quality categories.

MSRS's proportionate share of the SBI's exposure to credit risk, based on S&P Quality Ratings, is as follows:

Quality Rating	Fair Value (in thousands)
BBB or Better	\$1,874,462
BB or Lower	101,515
Not Rated	293,699

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, MSRS will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. All MSRS deposits and investments are either covered by depository insurance, pledged collateral, or held in external investment pools, so are not exposed to custodial credit risk in accordance with GASB 40.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The State Board of Investment does not have a stated policy to limit interest rate risk, instead they follow a general "prudent investor" rule; i.e. distribute maturities so that risk is kept to a reasonable level. Debt securities are held in external investment pools and have the following weighted average maturities:

<u>Security</u>	<u>Weighted Avg. Maturity (in years)</u>
Cash Equivalents	0.19
Mutual Funds	1.25
Asset-Backed Securities	2.40
Corporate Debt	5.02
Municipal Bonds	6.81
U.S. Treasuries	7.52
U.S. Agencies	8.89
Mortgage-Backed Securities	22.39

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect the fair value of an investment. Government obligations, including guaranteed or insured issues of the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank, must pay interest and principal in U.S. dollars. The principal and interest of obligations of corporations, including those corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof, must also be paid in U.S. dollars. SBI has less than a 15 percent exposure to currency risk. Investments at June 30, 2005 were distributed among the following currencies

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<u>Currency</u>	Investment Type (in thousands)			<u>Totals</u>
	<u>Cash & Cash Equivalents</u>	<u>Equities</u>	<u>Fixed Income</u>	
Australian Dollar	20	29,362		29,382
Canadian Dollar	18	36,276		36,294
Euro Currency	55	208,492	10,195	218,742
Hong Kong Dollar		21,839		21,839
Japanese Yen	43	132,892		132,935
New Taiwan Dollar		12,252		12,252
Pound Sterling		155,658		155,658
South Korean Won		13,163		13,163
Swedish Krone		13,225		13,225
Swiss Franc		48,080		48,080
Other	8,511	51,656	77,942	138,109
Totals	8,647	722,895	88,137	819,679

*Note: Other includes Brazilian reals, Danish krone, Egyptian pounds, Hungarian forints, Indian rupees, Indonesian rupiahs, Malaysian ringits, Mexican pesos, new Turkish lira, New Zealand dollars, Norwegian krone, Polish zloty, Singapore dollars, South African rands, and Thailand baths.

4. Interfund Receivables and Payables

The purpose of interfund receivables and payables is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30, 2005. Most of these balances are the result of our reallocation of administrative expenses which is done annually. The only such balance that may not be completely liquidated during the ensuing fiscal year is the Health Care Savings Fund payable.

	(in 000s)	
Defined Benefit Retirement Funds	Interfund Receivables	Interfund Payables
State Employees	\$14,675	\$149
State Patrol		91
Correctional Employees		294
Judges	3	39
Legislators		27
Elective State Officers		3
Defined Contribution Retirement Funds		
Unclassified Employees	154	9,745
Health Care Savings		2,156
Deferred Compensation		2,328
Totals	\$14,832	\$14,832

Interfund transfers are primarily the result of elective membership eligibility changes that have occurred during the fiscal year. These interfund transfers during fiscal year 2005 were as follows:

	(in 000s)	
	Transfers In	Transfers Out
Defined Benefit Retirement Funds		
State Employees	\$12,024	\$498
Correctional Employees	1	0
Judges	0	5
Defined Contribution Retirement Funds		
Unclassified	502	12,024
Totals	<u>\$12,527</u>	<u>\$12,527</u>

5. Leases

MSRS moved into its new offices in the Retirement Systems of Minnesota (RSM) building on September 6, 2001. The three Minnesota statewide retirement systems, MSRS, Public Employees Retirement Association, and Teachers Retirement Association, jointly own this building under the terms of an interagency agreement. MSRS also leases office space in Mankato, St. Cloud, and Duluth for branch offices and additional space in the RSM building and the HFS Golden Rule building. Future obligations under the terms of those leases are as follows:

Location	FY. 2006	FY. 2007	FY. 2008	FY. 2009	FY. 2010	Totals
Mankato	\$22,194	\$22,605	\$3,767	-	-	\$48,566
St. Cloud	16,579	16,579	8,290	-	-	41,448
Duluth	14,808	15,180	15,560	\$9,208	-	54,756
Detroit Lakes	20,338	20,747	21,164	21,584	\$16,429	100,262
RSM Bldg (400)	67,353	51,609	-	-	-	118,962
RSM Bldg (100)	29,791	22,827	-	-	-	52,618
HFS Bldg	7,176	-	-	-	-	7,176
Totals	<u>\$178,239</u>	<u>\$149,547</u>	<u>\$48,781</u>	<u>\$30,792</u>	<u>\$16,429</u>	<u>\$423,788</u>

6. Optional Retirement Annuities

In the defined benefit funds, three Joint-and-Survivor annuity options provide a 50 percent, 75 percent or a 100 percent survivor benefit to the beneficiary, with the right of reversion to the Single-Life amount if the beneficiary dies before the member. A 15-Year Period Certain and Life thereafter annuity is also available. For the Judges Plan a 10-Year Period Certain and Life Thereafter annuity is provided. By statute, the Legislators and Elected State Officers Plans provide, automatically, a 50 percent benefit continuance to a surviving spouse. Also, legislators can choose 100 percent survivor coverage with an actuarially reduced benefit.

7. Actuarial Asset Valuations

Minnesota statutes provide for a graduated recognition of the unrealized investment gains or losses. The Actuarial Basis of assets is adjusted to spread the differences between actual return (measured on a fair value basis) and expected return (8 1/2 percent of assets) over five years. The amounts shown on the "Statement of Plan Net Assets" are presented at fair value and do not include any of the preceding adjustments. The unfunded liabilities determined using both methods as of June 30, 2005 were (In Thousands):

	Actuarial Basis	Fair Value Basis
State Employees'	\$373,600	\$944,276
State Patrol	(34,456)	26,831
Correctional Employees'	42,544	83,234
Judges'	46,949	64,525
Legislators'	36,314	37,808
Elective State Officers'	3,861	3,861
Totals	\$468,812	\$1,160,535

8. Descriptions of Individual Defined Benefit Funds

A. State Employees Retirement Fund

The State Employees Retirement Fund includes the General Employees Plan, a multiple employer, cost sharing plan, and the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan, all single employer plans. Only certain employees of the Departments of Military Affairs, Transportation and the State Fire Marshals office are eligible to be members of those plans, but all state employees who are not members of another plan are covered by the General Employees Plan. Membership statistics, as of June 30, 2005, follow:

Members receiving benefits:	
-retirees	20,636
-beneficiaries	2,731
Terminated members:	
-vested, not receiving benefits	13,592
-nonvested	7,702
Active members:	
-vested	37,431
-nonvested	9,694
Total	91,786
Annual payroll (June 30, 2005):	\$1,952,322,586
Participating employers	33

Minnesota Statutes, Section 352.04 requires that eligible employees contribute 4 percent of their total compensation. The employer contributes 4 percent. Retirement benefits can be computed by two methods: the step formula and the level formula. Step formula benefits are 1.2 percent of the high five-year average salary for each of the first 10 years, plus 1.7 percent for each year thereafter. Also, it includes full benefits under the Rule of 90. In contrast, the level formula does not include the Rule of 90, benefits are 1.7 percent of the high five-year average salary for all years of service, and full benefits are available at normal retirement age.

All employees of MSRS, except the Executive Director, are members of this plan. As stated in the preceding paragraph, the authority for the 4 percent employee and 4 percent employer contributions is Minnesota Statutes, Section 352.04. MSRS employee and employer contributions were as follows:

	<u>Employee (4%)</u>	<u>Employer (4%)</u>
Fiscal Year Ended June 30, 2005	\$165,902	\$165,902
Fiscal Year Ended June 30, 2004	120,352	120,352
Fiscal Year Ended June 30, 2003	103,342	103,342
Fiscal Year Ended June 30, 2002	91,590	91,590
Fiscal Year Ended June 30, 2001	82,729	82,729

B. State Patrol Retirement Fund

The State Patrol Retirement Fund includes only the State Patrol Retirement Plan, a single employer plan. Membership is limited to those state employees who are state troopers, conservation officers, crime-bureau officers or gambling-enforcement agents. Membership statistics, as of June 30, 2005, follow:

Members receiving benefits:	
-retirees	647
-beneficiaries	178
Terminated members:	
-vested, not receiving benefits	34
-nonvested	14
Active members:	
-vested	715
-nonvested	116
Total	<u><u>1,704</u></u>
Annual payroll (June 30, 2005):	\$55,142,064

Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 8.4 percent of their total compensation. The employer contributes 12.6 percent. Members become eligible for normal retirement benefits at age 55 with a minimum of three years of service. The benefit is 3 percent of the high five-year average salary for each year of service.

C. Correctional Employees Retirement Fund

The Correctional Employees Retirement Fund includes only the Correctional Plan, a single employer plan. Membership is limited to those state employees who have direct responsibility for inmates at Minnesota correctional facilities. Membership statistics, as of June 30, 2005, follow:

Members receiving benefits:	
-retirees	1,175
-beneficiaries	104
Terminated members:	
-vested, not receiving benefits	738
-nonvested	351
Active members:	
-vested	2,464
-nonvested	1,143
Total	<u><u>5,975</u></u>
Annual payroll (June 30, 2005):	\$132,334,733

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Minnesota Statutes, Section 352.92 requires that eligible employees contribute 5.69 percent of their total compensation. The employer contributes 7.98 percent. Members become eligible for normal retirement benefits at age 55 with three years of service. The benefit is 2.4 percent per year of service credit multiplied by the high five-year average monthly salary. The monthly benefit can be received either as level lifelong payments or accelerated payments until age 62 or 65. If the payment is accelerated, upon attaining the reversion age the benefit is adjusted actuarially for the larger payment provided.

D. Judges Retirement Fund

The Judges Retirement Fund includes only the Judges Retirement Plan, a single employer plan. Active membership is limited to Minnesota district, appellate and supreme court judges. Also, retirees include municipal and county court judges. Membership statistics, as of June 30, 2005, follow:

Members receiving benefits:	
-retirees	170
-beneficiaries	85
Terminated members:	
-vested, not receiving benefits	21
-nonvested	0
Active Members:	
-vested	224
-nonvested	71
Total	<u>571</u>
Annual payroll (June 30, 2005):	\$35,940,583

Minnesota Statutes, Section 490.123 requires that eligible employees contribute 8.00 percent of the total compensation. The employer contributes 20.5 percent. Members become eligible for retirement benefits at age 65 with five years of service, age 62 with five years of service and a reduced benefit, or age 70, which is mandatory retirement, with one year of service. The benefit is 2.7 percent for each year of service prior to July 1, 1980, plus 3.2 percent of the same average salary for service after June 30, 1980. The formula is applied to the high five-year average salary.

E. General Fund Plans

The General Fund Plans include the Legislators' Retirement Plan and the Elected State Officers' Plan. Each is a single employer plan. Members of the Minnesota House of Representatives and Senate are included in the Legislators' Retirement Plan; the Elected State Officers' Plan includes only the elected constitutional officers. Both plans are closed to new members. Persons first elected to take office on January 1, 1999 are members of the Unclassified Plan; those who took office prior to January 1, 1999 were given the option of selecting membership in whichever plan they preferred. Membership statistics, as of June 30, 2005, follow:

	<u>Legislators</u>	<u>Elective State Officers</u>
Members receiving benefits:		
-retirees	251	11
-beneficiaries	70	4
Terminated members:		
-vested, not receiving benefits	118	1
-nonvested	19	0
Active members:		
-vested	76	0
-nonvested	2	0
Totals	<u>536</u>	<u>16</u>

The remaining members of the Elective State Officers Plan have either retired or elected coverage under the Unclassified Plan. This plan is now closed, there no longer is an active payroll. The annual payroll for the Legislators Plan at June 30, 2005 was \$3,014,000.

Minnesota Statutes, Sections 3A.03 and 352C.09 require that legislators contribute 9 percent of their salary including certain per diem payments, and elected officers contribute 9 percent of their salary. Both plans are funded by annual appropriations from the state's General Fund. Legislators are eligible for full retirement benefits upon reaching age 62 with six years of service or for a reduced benefit at age 60 with the same service. The benefit is 2.5 percent per year of service multiplied by the high five-year average covered compensation, but not to exceed their final annual compensation. Except for a minimum eight-year service requirement, the Elected State Officers' Plan has the same benefit eligibility.

9. Individual Descriptions of Defined Contribution Funds

A. Unclassified Employees' Retirement Fund

The Unclassified Employees' Retirement Fund is a defined contribution fund comprised entirely of a single, multiple-employer defined contribution plan, the Unclassified Employees' Retirement Plan.

Membership is limited to certain, specified employees, including the Executive Director of MSRS, of the state of Minnesota and various statutorily designated entities. Membership statistics as of June 30, 2005 were:

-	Active members	1,569	
-	Inactive members	<u>1,644</u>	
	Total	<u>3,213</u>	
-	Annual payroll (June 30, 2005)		\$94,598,000
-	Participating employers	12	
	Contribution rates		
--	Employee	4%	
--	Employer	6%	

Minnesota Statutes, Section 352D.01.12 authorized creation of this plan. It is considered a money purchase plan, i.e., members vest only to the extent of the value of their accounts (employee contributions plus employer contributions plus (minus) investment gains (losses), less administrative expenses). Retirement and disability benefits are available through conversion, at the member's option, to the General Employees' Plan provided he or she had prior service in that plan or at least 10 years of service. This reversion option is a contingent liability of the State Employees' Retirement Fund and actuarially valued as of June 30, 2005 in the amount of \$ 18,664,072.

The Executive Director of MSRS is a member of this plan. As stated in the preceding paragraph, the authority for the 4 percent employee and 6 percent employer contributions is *Minnesota Statutes*, Section 352D.04 Subdivision 2. MSRS employee and employer contributions were as follows:

	Employee (4%)	Employer (6%)
Fiscal Year Ended June 30, 2005	\$3,994	\$5,991
Fiscal Year Ended June 30, 2004	\$3,913	\$5,870
Fiscal Year Ended June 30, 2003	\$3,865	\$5,798
Fiscal Year Ended June 30, 2002	\$3,720	\$5,579
Fiscal Year Ended June 30, 2001	\$3,595	\$5,393

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B. Health Care Savings Fund

The Health Care Savings Fund is a defined contribution fund comprised entirely of the Health Care Savings Plan. It is an employer-sponsored program authorized by Minnesota Statutes Section 352.98 that allows employees to save tax-deferred contributions in an investment account to be used to reimburse the members for future medical expenses and/or medical insurance premiums after they have terminated employment. As result of various IRS rulings and regulations, benefit payments are tax exempt. Program participation is mandated by either collective bargaining agreement or personnel policy. Membership statistics as of June 30, 2005 follow.

-	Active members	10,553
-	Inactive members	5,129
-	Withdrawing members	2,028
	Total	<u>17,710</u>
-	Annual payroll (June 30, 2005)	NA
-	Participating employers	278

Contribution rates are determined by collective bargaining agreements and employer personnel policies. They are highly variable, ranging from a percentage of weekly earnings to terminal, lump sum benefits such as severance pay.

C. Deferred Compensation Fund

The Deferred Compensation Fund is a voluntary defined contribution fund offered to all state employees and political subdivisions. Pursuant to Internal Revenue Code, Section 457, contributions and investment earnings are tax sheltered until the time of withdrawal. The plan is administered by MSRS and the individual accounts are invested and maintained by a contractor, the Great West Life Assurance Corporation. Membership statistics as of June 30, 2005 follow:

-	Active members	53,179
-	Inactive members	17,128
-	Withdrawing members	9,840
	Total	<u>80,147</u>
-	Annual payroll (June 30, 2005)	NA
-	Participating employers	554

12. Long-term Debt

MSRS entered into an agreement with the Teachers Retirement Association and the Public Employees Retirement Association for the purpose of construction and ownership of an administrative office building. Each agency owns an undivided portion of the asset total equal to their relative number of employees at the time the agreement was approved. For MSRS that portion was 20.4 percent of the total; it has since been revised to 20.2 percent. In order to finance building construction, on June 1, 2000 the state Department of Finance issued \$29,000,000 in 30-year revenue bonds. The bonds are secured by the value of the land purchased and the building that was constructed and are to be repaid from the revenues of the three retirement systems. The table that follows shows the debt service amounts for which MSRS is directly responsible. In the event of default, MSRS would be liable for the entire remaining outstanding principal and interest balance of the bonds, \$52,444,437.56. Bonds Payable on the Statement of Plan Net Assets includes interest accrued for the month of June in the amount of \$26,379.83, and the outstanding principal \$5,484,300.00 for a combined total of \$5,510,679.85 (rounded to \$5,511,000)

Debt Repayment Schedule by Fiscal Year

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal & Interest</u>
2006	106,050.00	316,557.98	\$422,607.98
2007	111,100.00	310,857.80	\$421,957.80
2008	116,150.00	304,886.18	\$421,036.18
2009	121,200.00	298,643.12	\$419,843.12
2010	126,250.00	292,128.62	\$418,378.62
2011	136,350.00	285,342.68	\$421,692.68
2012	141,400.00	277,979.78	\$419,379.78
2013	151,500.00	270,273.48	\$421,773.48
2014	156,550.00	261,940.98	\$418,490.98
2015	166,650.00	253,252.46	\$419,902.46
2016	176,750.00	243,920.06	\$420,670.06
2017	186,850.00	233,933.68	\$420,783.68
2018	196,950.00	223,283.22	\$420,233.22
2019	212,100.00	211,958.60	\$424,058.60
2020	222,200.00	199,762.86	\$421,962.86
2021	237,350.00	186,875.26	\$424,225.26
2022	252,500.00	172,930.94	\$425,430.94
2023	267,650.00	158,096.56	\$425,746.56
2024	282,800.00	142,372.12	\$425,172.12
2025	303,000.00	125,757.62	\$428,757.62
2026	318,150.00	107,956.38	\$426,106.38
2027	338,350.00	89,265.06	\$427,615.06
2028	363,600.00	69,387.00	\$432,987.00
2029	383,800.00	47,571.00	\$431,371.00
2030	409,050.00	24,543.00	\$433,593.00
Totals	<u>\$5,484,300.00</u>	<u>\$5,109,476.44</u>	<u>\$10,593,776.44</u>

13. Administrative Expenses

All MSRS administrative expenses are disbursed from the State Employees Retirement Fund. At fiscal year-end, these expenses are allocated pursuant to an approved cost reallocation plan to the various funds administered. Each fund then reimburses the State Employees Retirement Fund for their allocated portion of administrative expenses. After allocation, the expenses by fund at June 30, 2005 are as follows:

Expenses by Fund:	(In 000's)
State Employees Retirement Fund	\$4,336
State Patrol Retirement Fund	93
Correctional Employees Retirement Fund	298
Judges Retirement Fund	37
Legislators Retirement Fund	27
Elected State Officers Retirement Fund	3
Unclassified Employees Retirement Fund	183
Health Care Savings Fund	716
Deferred Compensation	2,328
Total Expenses	<u>\$8,021</u>

14. Required Supplemental Information

A **Schedule of Funding Progress** and a **Schedule of Employer Contributions** for each of the defined benefit plans are presented in the pages that follow these notes.

Required Supplemental Information - Unaudited

Schedule of Funding Progress

Year Ended June 30,	(In Thousands)			Funded Ratio (A)/(B)	(In Thousands)	
	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)		Actual Covered Payroll (Previous FY)(C)	UAAL as Percent of Covered Payroll (B-A)/(C)
State Employees Retirement Fund:						
2000	6,744,165	6,105,703	(638,462)	110.46	1,733,054	-36.84
2001	7,366,673	6,573,193	(793,480)	112.07	1,834,042	-43.26
2002	7,673,028	7,340,397	(332,631)	104.53	1,915,350	-17.37
2003	7,757,292	7,830,671	73,379	99.06	2,009,975	3.65
2004	7,884,984	7,878,363	(6,621)	100.08	1,965,546	-0.34
2005	8,081,736	8,455,336	373,600	95.58	1,952,323	19.14
State Patrol Retirement Fund:						
2000	528,573	458,384	(70,189)	115.31	48,167	-145.72
2001	572,815	489,483	(83,332)	117.02	48,935	-170.29
2002	591,383	510,344	(81,039)	115.88	49,278	-164.45
2003	591,521	538,980	(52,541)	109.75	54,175	-96.98
2004	594,785	545,244	(49,541)	109.09	51,619	-95.98
2005	601,220	566,764	(34,456)	106.08	55,142	-62.49
Correctional Employees Retirement Fund:						
2000	386,964	359,885	(27,079)	107.52	112,587	-24.05
2001	431,134	398,633	(32,501)	108.15	120,947	-26.87
2002	457,416	446,426	(10,990)	102.46	124,373	-8.84
2003	470,716	484,974	14,258	97.06	131,328	10.86
2004	486,617	524,215	37,598	92.83	133,172	28.23
2005	503,573	546,118	42,545	92.21	132,335	32.15
Judges Retirement Fund:						
2000	111,113	153,660	42,547	72.31	26,315	161.68
2001	123,589	165,244	41,655	74.79	28,246	147.47
2002	131,379	171,921	40,542	76.42	31,078	130.45
2003	134,142	176,291	42,149	76.09	33,771	124.81
2004	138,948	190,338	51,390	73.00	34,683	148.17
2005	144,465	191,414	46,949	75.47	35,941	130.63
Legislators Retirement Fund:						
2000	37,265	69,364	32,099	53.72	5,808	552.67
2001	42,608	75,072	32,464	56.76	5,858	554.18
2002	45,501	78,070	32,569	58.28	5,089	639.99
2003	This fund was not actuarially valued in this fiscal year.					
2004	46,155	83,197	37,042	55.48	3,815	970.89
2005	45,523	81,836	36,313	55.63	3,014	1,204.81
Elective State Officers Retirement Fund*:						
2000	199	3,535	3,336	5.63	0	N/A
2001	201	3,775	3,574	5.32	0	N/A
2002	201	4,075	3,874	4.93	0	N/A
2003	This fund was not actuarially valued in this fiscal year.					
2004	204	4,002	3,798	5.09	0	N/A
2005	204	4,065	3,861	5.03	0	N/A

*This is a closed plan. There are no active contributing members.

Required Supplemental Information - Unaudited

Schedule of Employer Contributions

Year Ended June 30,	Actuarially Required Contribution Rate (A)	(In Thousands)					Percent Contributed
		Actual Covered Payroll (B)	Actual Member Contribution (C)	Annual Required Contribution [(A)x(B)]-(C)	Actual Employer Contribution*		
State Employees Retirement Fund:							
2000	6.12	1,733,054	70,378	35,685	69,322	194.26	
2001	7.12	1,834,042	74,364	56,220	73,362	130.49	
2002	6.79	1,915,350	79,487	50,565	76,614	151.52	
2003	8.34	2,009,975	83,850	83,782	80,399	95.96	
2004	9.43	1,965,546	82,102	103,249	78,622	76.15	
2005	9.33	1,952,323	83,101	99,051	80,312	81.08	
State Patrol Retirement Fund:							
2000	15.17	48,167	4,044	3,263	6,069	185.99	
2001	15.48	48,935	4,145	3,430	6,166	179.77	
2002	14.00	49,278	4,215	2,684	6,209	231.33	
2003	14.34	54,175	4,555	3,214	6,826	212.38	
2004	17.81	51,619	4,493	4,700	6,504	138.39	
2005	18.15	55,142	4,517	5,491	6,670	121.47	
Correctional Employees Retirement Fund:							
2000	13.66	112,587	6,526	8,853	8,984	101.48	
2001	13.72	120,947	6,996	9,598	9,652	100.56	
2002	13.81	124,373	7,207	9,969	9,925	99.56	
2003	14.73	131,328	7,610	11,735	10,480	89.31	
2004	15.83	133,172	7,748	13,333	10,627	79.71	
2005	17.48	132,335	7,943	15,189	11,016	72.52	
Judges Retirement Fund:							
2000	26.75	26,315	2,107	4,932	7,298	147.97	
2001	24.58	28,246	2,162	4,781	7,793	163.00	
2002	26.72	31,078	2,345	5,959	8,369	140.44	
2003	26.82	33,771	2,574	6,483	6,923	106.79	
2004	26.73	34,683	2,643	6,628	7,110	107.27	
2005	29.42	35,941	2,662	7,912	7,225	91.32	
Legislators Retirement Fund:							
2000	52.72	5,808	523	2,539	3,192	125.72	
2001	47.26	5,858	527	2,241	5,039	224.85	
2002	60.14	5,089	458	2,603	4,135	158.86	
2003	This fund was not actuarially valued in this fiscal year.						
2004	63.12	3,815	343	2,065	425	(0.00)	
2005	104.72	3,014	384	2,773	0	(0.00)	
Elective State Officers Retirement Fund:							
2000	321	0	0	321	306	95.33	
2001	340	0	0	340	330	97.06	
2002	371	0	0	371	354	95.42	
2003	This fund was not actuarially valued in this fiscal year.						
2004	412	-	-	412	383	92.88	
2005	437	-	-	437	395	90.37	

*This is a closed plan. There are no active contributing members.

*Shown in dollars for years after 1999.

Schedule of Administrative Expenses - Unaudited

(Year ended June 30, 2005)

(In Thousands)

Personal Services	
Staff salaries	\$4,020
Social Security & Medicare	301
Retirement	172
Insurance	637
Other personal services	98
Total	<u>\$5,228</u>
Professional services:	
actuarial	\$147
data processing	232
disability examinations	27
legal counsel	24
other professional services	15
Total	<u>\$445</u>
Communication:	
printing	\$128
telephone	122
postage	145
travel	127
subscriptions, memberships and training	27
Total	<u>\$549</u>
Rentals:	
office space	\$166
other rentals	11
Total	<u>\$177</u>
Miscellaneous:	
building services	\$255
supplies	233
repairs and maintenance agreements	41
department head and board member expense	12
statewide indirect cost	78
depreciation	274
interest expense	322
state sales taxes	27
local sales taxes	2
other services	378
Total	<u>\$1,622</u>
Total Operating Expenses	<u>\$8,021</u>
Expenses distributed by fund:	
State Employees	\$4,336
State Patrol	93
Correctional Employees	298
Judges	37
Legislators	27
Elective State Officers	3
Unclassified Employees	183
Health Care Savings	716
Deferred Compensation	2,328
Total distribution	<u>\$8,021</u>

Schedule of Changes in Plan Net Assets - Unaudited

State Employees Retirement Fund (Year ended June 30, 2005)

(In Thousands)

	<u>Member</u>	<u>Post-Retirement Investment Fund</u>	<u>Benefit</u>	<u>Totals</u>
Additions:				
Contributions:				
member contributions	\$80,662	\$0	\$2,439	\$83,101
employer contributions	0	0	80,312	80,312
Total contributions	<u>\$80,662</u>	<u>\$0</u>	<u>\$82,751</u>	<u>\$163,413</u>
Investment Income:				
investment income	\$0	\$281,670	\$457,873	\$739,543
less investment expense	0	3,988	5,982	9,970
Net Investment Income	<u>\$0</u>	<u>\$277,682</u>	<u>\$451,891</u>	<u>\$729,573</u>
Income from Securities Lending Activities:				
securities lending income	\$0	\$8,334	\$12,692	\$21,026
securities lending expenses:				
--borrower rebates	0	7,047	10,701	17,748
--management fees	0	294	456	750
Total Securities Lending Expenses	<u>\$0</u>	<u>\$7,341</u>	<u>\$11,157</u>	<u>\$18,498</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$993</u>	<u>\$1,535</u>	<u>\$2,528</u>
Total Net Investment Income	<u>\$0</u>	<u>\$278,675</u>	<u>\$453,426</u>	<u>\$732,101</u>
Other Additions:				
transfers from other plans	\$1,941	\$0	\$10,083	\$12,024
other income	0	0	615	615
Total Other Additions	<u>\$1,941</u>	<u>\$0</u>	<u>\$10,698</u>	<u>\$12,639</u>
Total Additions	<u>\$82,603</u>	<u>\$278,675</u>	<u>\$546,875</u>	<u>\$908,153</u>
Deductions:				
annuity benefits	\$0	\$347,959	\$0	\$347,959
refunds	6,996	0	3,711	10,707
interest to MPRI Fund	0	0	195	195
transfers to other plans	173	0	325	498
administrative expenses	0	0	4,336	4,336
Total Deductions	<u>\$7,169</u>	<u>\$347,959</u>	<u>\$8,567</u>	<u>\$363,695</u>
Other Changes in Reserves:				
retirements	\$(34,151)	\$260,235	\$(226,084)	\$0
mortality gains (losses)	0	12,433	(12,433)	0
other	(721)	0	721	0
Total Other Changes	<u>\$(34,872)</u>	<u>\$272,668</u>	<u>\$(237,796)</u>	<u>\$0</u>
Net Increase	<u>\$40,562</u>	<u>\$203,384</u>	<u>\$300,512</u>	<u>\$544,458</u>
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	<u>\$888,028</u>	<u>\$3,179,411</u>	<u>\$2,899,163</u>	<u>\$6,966,602</u>
End of the Year	<u>\$928,590</u>	<u>\$3,382,795</u>	<u>\$3,199,675</u>	<u>\$7,511,060</u>

Schedule of Changes in Plan Net Assets - Unaudited

State Patrol Retirement Fund (Year ended June 30, 2005)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$4,456	\$0	\$61	\$4,517
Employer contributions	0	0	6,671	6,671
Total Contributions	\$4,456	0	6,671	\$11,188
Investment Income:				
Investment Income	\$0	\$31,053	\$24,502	\$55,555
Less Investment Expense:	0	402	318	720
Net Investment Income	\$0	\$30,651	\$24,184	\$54,835
Income From Security Lending Activities:				
Security Lending Income	\$0	\$840	\$691	\$1,531
Security Lending Expenses:				
--Borrower Rebates	\$0	\$710	\$583	\$1,293
--Management Fees	0	30	25	55
Total Security Lending Expenses	\$0	\$740	\$608	\$1,348
Net Income From Security Lending Activities	\$0	\$100	\$83	\$183
Total Net Investment Income	\$0	\$30,751	\$24,267	\$55,018
Other Additions:				
Transfers From Other Plans	\$0	\$0	\$0	\$0
Other income	0	0	0	0
Total Other Additions	\$0	\$0	\$0	\$0
Total Additions	\$4,456	\$30,751	\$30,999	\$66,206
Deductions:				
Annuity benefits	\$0	\$36,901	\$53	\$36,954
Refunds	4	0	0	4
Interest to MPRI Fund	0	0	99	99
Transfers to other plans	0	0	0	0
Administrative expenses	0	0	93	93
Other expenses	0	0	0	0
Total Deductions	\$4	\$36,901	\$245	\$37,150
Other Changes in Reserves:				
Retirements	\$(2,226)	\$15,675	\$(13,449)	\$0
Mortality Gains (Losses)	0	7,008	(7,008)	0
Other	2	0	(2)	0
Total Other Changes	\$(2,224)	\$22,683	\$(20,459)	\$0
Net Increase	\$2,228	\$16,533	\$10,295	\$29,056
Net Assets Held in Trust for Pension Benefits				
Beginning of the year	\$42,185	\$334,366	\$134,325	\$510,876
End of the year	\$44,413	\$350,899	\$144,620	\$539,932

Schedule of Changes in Plan Net Assets - Unaudited

Correctional Retirement Fund (Year ended June 30, 2005)

	(In Thousands)			
	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$7,866	\$0	\$77	\$7,943
employer contributions	0	0	11,016	11,016
Total contributions	\$7,866	\$0	\$11,093	\$18,959
Investment Income:				
investment income	\$0	\$13,640	\$25,934	\$39,574
less investment expense	0	287	340	627
Net Investment Income	\$0	\$13,352	\$25,594	\$38,947
Income from Securities Lending Activities:				
securities lending income	\$0	\$601	\$707	\$1,308
securities lending expenses:				
--borrower rebates	0	508	596	1,104
--management fees	0	22	25	47
Total Securities Lending Expenses	\$0	\$530	\$621	\$1,151
Net Income from Securities Lending Activities	\$0	\$71	\$86	\$157
Total Net Investment Income	\$0	\$13,424	\$25,680	\$39,104
Other Additions:				
transfers from other plans	\$0	\$0	\$1	\$1
Total Other Additions	\$0	\$0	\$1	\$1
Total Additions	\$7,833	\$13,424	\$36,774	\$58,064
Deductions:				
annuity benefits	\$0	\$23,816	\$0	\$23,816
refunds	510	0	139	649
interest to MPRI Fund	0	0	277	277
administrative expenses	0	0	298	298
Total Deductions	\$510	\$23,816	\$714	\$25,040
Other Changes in Reserves:				
retirements	\$(3,794)	\$30,850	\$(27,056)	\$0
mortality gains (losses)	0	(25,228)	25,228	0
other	51	0	(51)	0
Total Other Changes	\$(3,743)	\$5,622	\$(1,879)	\$0
Net Increase	\$3,613	\$(4,770)	\$34,181	\$33,024
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$59,052	\$217,986	\$152,821	\$429,859
End of the Year	\$62,665	\$213,216	\$187,002	\$462,883

Schedule of Changes in Plan Net Assets - Unaudited

Judges Retirement Fund (Year ended June 30, 2005)

	(In Thousands)			
	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$2,662	\$0	\$15	\$2,662
employer contributions	0	0	7,225	7,225
Total contributions	\$2,632	\$0	\$7,225	\$9,887
Investment Income:				
investment income	\$0	\$8,391	\$4,082	\$12,473
less investment expense	0	111	51	162
Net Investment Income	\$0	\$8,280	\$4,031	\$12,311
Income from Securities Lending Activities:				
securities lending income	\$0	\$233	\$126	\$359
securities lending expenses:				
--borrower rebates	0	197	106	303
--management fees	0	8	5	13
Total Securities Lending Expenses	\$0	\$205	\$111	\$316
Net Income from Securities Lending Activities	\$0	\$28	\$15	\$43
Total Net Investment Income	\$0	\$8,308	\$4,046	\$12,354
Other Additions:				
transfers from other plans	0	0	0	0
other income	0	0	10	10
Total Other Additions	\$0	\$0	\$10	\$10
Total Additions	\$2,662	\$8,308	\$11,281	\$22,251
Deductions:				
annuity benefits	\$0	\$12,068	\$1,682	\$13,750
refunds	74	0	37	111
interest to MPRI Fund	0	0	36	36
transfers to other plans	5	0	0	5
administrative expenses	0	0	37	37
Total Deductions	\$79	\$12,068	\$1,792	\$13,939
Other Changes in Reserves:				
retirements	\$(631)	\$4,093	\$(3,462)	\$0
mortality gains (losses)	0	(1,551)	1,551	0
other	0	0	0	0
Total Other Changes	\$(631)	\$2,542	\$(1,911)	\$0
Net Increase	\$1,952	\$(1,218)	\$7,578	\$8,312
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$20,252	\$81,339	\$16,987	\$118,578
End of the Year	\$22,204	\$80,121	\$24,565	\$126,890

Schedule of Changes in Plan Net Assets - Unaudited

Legislators Retirement Fund (Year ended June 30, 2005)

(In Thousands)

	Member	Post-Retirement Investment Fund	Benefit	Totals
Additions:				
Contributions:				
member contributions	\$301	\$0	\$83	\$384
General Fund contributions	0	0	1,822	1,822
Total contributions	301	0	1,905	2,206
Investment Income:				
investment income	0	3,555	0	3,555
less investment expense	0	43	0	43
Net Investment Income	\$0	\$3,512	\$0	\$3,512
Income from Securities Lending Activities:				
securities lending income	\$0	90	0	90
securities lending expenses:				
--borrower rebates	0	76	0	76
--management fees	0	3	0	3
Total Securities Lending Expenses	\$0	\$79	\$0	\$79
Net Income from Securities Lending Activities	\$0	\$11	\$0	\$11
Total Net Investment Income	\$0	\$3,523	\$0	\$3,523
Other Additions:				
other income	\$0	\$0	\$3	\$3
Total Other Additions	\$0	\$0	\$3	\$3
Total Additions	\$301	\$3,523	\$1,908	\$5,732
Deductions:				
annuity benefits	\$0	\$5,164	\$778	\$5,942
interest to MPRI Fund	0	0	3	3
administrative expenses	0	0	27	27
Total Deductions	\$0	\$5,164	\$808	\$5,972
Other Changes in Reserves:				
retirements	\$0	\$0	\$0	\$0
mortality gains (losses)	0	4,777	(4,777)	0
other	(158)	0	158	0
Total Other Changes	\$(158)	\$4,777	\$(4,619)	\$0
Net Increase	\$143	\$3,136	\$(3,519)	\$(240)
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	\$6,749	\$35,861	\$(3,119)	\$39,491
End of the Year	\$6,892	\$38,997	\$(6,638)	\$39,251

Schedule of Changes in Plan Net Assets - Unaudited

Elected State Officers Retirement Fund (Year ended June 30, 2005)

(In Thousands)

	<u>Member</u>	<u>Post-Retirement Investment Fund</u>	<u>Benefit</u>	<u>Totals</u>
Additions:				
Contributions:				
member contributions	\$0	\$0	\$0	\$0
General Fund contributions	0	0	395	395
Total contributions	<u>\$0</u>	<u>\$0</u>	<u>\$395</u>	<u>\$395</u>
Investment Income:				
investment income	\$0	\$0	\$0	\$0
less investment expense	0	0	0	0
Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Income from Securities Lending Activities:				
securities lending income	\$0	\$0	\$0	\$0
securities lending expenses:				
--borrower rebates	0	0	0	0
--management fees	0	0	0	0
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Additions:				
transfers from other plans	\$0	\$0	\$0	\$0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$0</u>	<u>\$0</u>	<u>\$395</u>	<u>\$395</u>
Deductions:				
annuity benefits	\$0	\$0	\$391	\$391
refunds	0	0	0	0
interest to MPRI Fund	0	0	0	0
transfers to other plans	0	0	0	0
administrative expenses	0	0	3	3
Total Deductions	<u>\$0</u>	<u>\$0</u>	<u>\$394</u>	<u>\$394</u>
Other Changes in Reserves:				
retirements	\$(44)	\$0	\$44	\$0
mortality gains (losses)	0	0	0	0
Total Other Changes	<u>\$(44)</u>	<u>\$0</u>	<u>\$44</u>	<u>\$0</u>
Net Increase	<u>\$(44)</u>	<u>\$0</u>	<u>\$45</u>	<u>\$1</u>
Net Assets Held in Trust for Pension Benefits:				
Beginning of the Year	<u>\$80</u>	<u>\$0</u>	<u>\$123</u>	<u>\$203</u>
End of the Year	<u>\$36</u>	<u>\$0</u>	<u>\$168</u>	<u>\$204</u>

Schedule of Changes in Plan Net Assets - Unaudited

Health Care Savings Fund (Year ended June 30, 2005)

	(In Thousands)		
	<u>Member</u>	<u>Benefit</u>	<u>Totals</u>
Additions:			
Contributions:			
member	\$42,519	\$0	\$42,519
employer	0	0	0
Total	\$42,519	\$0	\$42,519
Investment Income:			
investment income	\$2,755	\$46	\$2,801
less investment expense:	0	0	0
Net Investment Income	\$2,755	\$46	\$2,801
Income from Securities Lending Activities:			
securities lending income	\$77	\$0	\$77
securities lending expenses:			
--borrower rebates	66	0	66
--management fees	2	0	2
Total Securities Lending Expenses	\$68	\$0	\$68
Net Income from Securities Lending Activities	\$9	\$0	\$9
Total Net Investment Income	\$2,764	\$46	\$2,810
Other Additions:			
transfers from other plans	\$0	\$0	\$0
other income	0	376	376
Total Other Additions	\$0	\$376	\$376
Total Additions	\$45,283	\$422	\$45,705
Deductions:			
health care benefits	\$13,417	\$0	\$13,417
administrative expenses	0	716	716
other expenses	0	8	8
Total Deductions	\$13,417	\$724	\$14,141
Net Increase	\$31,866	\$(302)	\$31,564
Assets Held in Trust for Pension Benefits			
Beginning of the Year	\$55,626	\$(1,101)	\$54,525
End of the Year	\$87,492	\$(1,403)	\$86,089

Schedule of Changes in Plan Net Assets - Unaudited

Deferred Compensation Fund (Year ended June 30, 2005)

	(In Thousands)		
	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$200,397	\$0	\$200,397
employer	0	0	0
Total	\$200,397	\$0	\$200,397
Investment Income:			
investment income	\$197,084	\$518	\$197,602
less investment expense:	0	0	0
Net Investment Income	\$197,084	\$518	\$197,602
Income from Securities Lending Activities:			
securities lending income	\$0	\$0	\$0
securities lending expenses:			
--borrower rebates	0	0	0
--management fees	0	0	0
Total Securities Lending Expenses	\$0	\$0	\$0
Net Income from Securities Lending Activities	\$0	\$0	\$0
Total Net Investment Income	\$197,084	\$518	\$197,602
Other Additions:			
transfers from other plans	\$0	\$0	\$0
other income	0	7,524	7,524
Total Other Additions	\$397,481	\$7,524	\$7,524
Total Additions	\$397,481	\$8,042	\$405,523
Deductions:			
ongoing withdrawals (periodic payments)	\$33,698	\$0	\$33,698
lump-sum withdrawals	101,912	0	101,912
recordkeeping expenses	5,180	4,550	9,730
administrative expenses	0	2,328	2,328
other expenses	1	405	406
Total Deductions	\$140,791	\$7,283	\$148,074
Net Increase	\$256,690	\$759)	\$257,449
Assets Held in Trust for Pension Benefits			
Change in reorting entity	\$2,535,347	\$10,634	\$2,545,981
End of the Year	\$2,792,037	\$11,393	\$2,803,430

Schedule of Changes in Plan Net Assets - Unaudited

Unclassified Employees Retirement Fund (Year ended June 30, 2005)

	(In Thousands)		
	Member	Benefit	Totals
Additions:			
Contributions:			
member	\$4,296	\$0	\$4,296
employer	5,821	0	5,821
Total	\$10,117	\$0	\$10,117
Investment Income:			
investment income	\$19,546	\$189	\$19,735
less investment expense:	0	0	0
Net Investment Income	\$19,546	\$189	\$19,735
Income from Securities Lending Activities:			
securities lending income	\$455	0	\$455
securities lending expenses:			
--borrower rebates	379	0	379
--management fees	17	0	17
Total Securities Lending Expenses	\$396	0	396
Net Income from Securities Lending Activities	59	0	59
Total Net Investment Income	\$19,605	\$189	\$19,794
Other Additions:			
transfers from other plans	\$502	\$0	\$502
other income	0	33	33
Total Other Additions	\$502	\$33	\$535
Total Additions	\$30,224	\$222	\$30,446
Deductions:			
refunds	\$8,947	\$0	\$8,947
interest to MPRI Fund	0	88	88
transfers to other funds	12,024	0	12,024
administrative expenses	0	183	183
Total Deductions	\$20,971	\$271	\$21,242
Net Increase	\$9,253	\$(49)	\$9,204
Net Assets Held in Trust for Pension Benefits			
Beginning of the Year	\$259,262	\$433	\$259,695
End of the Year	\$268,515	\$384	\$268,899

Summary Schedule of Commissions and Payments to Consultants -
Unaudited (Year Ended June 30, 2005)

Individual or Firm Name	Services Received	(In Thousands) Fees Paid
William Mercer Inc.	Consulting Actuary	\$93
Segal Company	Actuary	\$50
Milliman USA	Actuary	\$4
State of Minnesota:		
Department of Health	Medical advisor	\$27
Office of the Attorney General	Legal counsel	\$24

Schedule of Investment Expenses - Unaudited
(Year Ended June 30, 2005)

	(In Thousands)					Totals
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	
Outside Money Managers, Equities	\$8,027	\$578	\$504	\$130	\$35	\$9,274
Outside Money Managers, Bonds	1,504	109	95	25	7	1,740
Minnesota State Board of Investment	326	24	21	5	1	377
Financial Control Systems	51	4	3	1	0	59
Richards & Tierney	55	4	3	1	0	63
Pension Consultants	7	1	1	0	0	9
	<u>\$9,970</u>	<u>\$720</u>	<u>\$627</u>	<u>\$162</u>	<u>\$43</u>	<u>\$11,522</u>

Investment Section

Investment Section

Investment Section

Investment Section



**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members

**Governor
Tim Pawlenty**

**State Auditor
Patricia Anderson**

**Secretary of State
Mary Kiffmeyer**

**Attorney General
Mike Hatch**

Executive Director

Howard J. Bicker

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FAX (651) 296-9572
E-mail:
mn.sbi@state.mn.us
www.sbi.state.mn.us**

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Investment Report State Board of Investment

Investment Authority

The assets of the Minnesota State Retirement System are invested under the direction and authority of the State Board of Investment in accordance with Minnesota Statutes, Chapters 11A and 356A. The SBI includes Minnesota's governor, auditor, secretary of state and attorney general. The Legislature has established a 17-member Investment Advisory Council to advise the SBI and its staff on investment-related matters. MSRS' executive director is a member of the Council.

Investment Policy

Investment policy stipulates that the SBI "will operate within standard investment practices of the prudent person. The SBI will exercise the judgment and care — under prevailing circumstances — which persons of prudence, discretion and intelligence exercise in the management of their own affairs. This work is not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived from this activity." (Minnesota Statutes, Chapter 11A.04) The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, mutual funds, resource investments and real estate interests subject to specific boundaries. Particularly, pension-fund assets are to be invested for the exclusive benefit of the fund members.

Investment Objectives

Pension-fund assets are managed and accounted for separately in the SBI's Basic Funds and the Post Retirement Investment Fund. The SBI reviews the performance of all the assets in each fund and as two funds combined.

MSRS' pension contributions from employees and employers, are invested in the SBI's Basic Funds. Likewise, active members from seven other statewide retirement funds put their pension contributions into the SBI's Basic Funds. MSRS does not own any underlying assets, but instead owns a share of the asset class pools of the Basic Funds (stocks, bonds, etc.). Because these assets normally accumulate in the Basic Funds for 30 to 40 years, the SBI's objective is to take advantage of the long investment time horizon offered by equities and alternative assets. The Board does this to meet its actuarial return target of 8.5 percent per year and to ensure that sufficient funds are available to finance promised benefits at the time of retirement.

When a member retires, MSRS transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (MPRIF). The assets of the MPRIF — which include the eight plans that participate in the Basic Fund and the Legislative Retirement Fund — finance monthly annuity payments paid to retirees. Moneys in the MPRIF are generally invested a bit more conservatively, but still heavily in equities, to take advantage of the 15-year to 20-year time horizon associated with the length of time a typical retiree can be expected to draw benefits. The actuarial return target for the MPRIF is 6 percent.

Combined Funds

The combined funds, while not existing under statute, represent the assets of the active and retired public employees who participate in the defined benefit plans of MSRS, the Public Employees Retirement System, and the Teachers Retirement Association. The SBI looks at the combined funds for comparison purposes only, since most public pension plans do not separate the assets of their active employees and retirees. The long-term objectives of the combined funds are to:

- provide returns that are 3 to 5 percentage points greater than inflation over the latest 20-year period; and
- outperform a composite market index weighted in a manner that reflects the actual asset mix of the combined funds over the latest 10-year period;

As of June 30, 2005, the combined funds returned 7.5 percentage points above the Consumer Price Index over the last 20 years and outperformed the Composite Index by 0.3 percentage points over the past ten years.

Investment Presentation

Data reported in the investment section of this comprehensive annual financial report is presented in conformance with the presentation standards of the CFA Institute. Investment returns were prepared using a time-weighted rate of return methodology in accordance with those standards.

Respectfully submitted,



Howard Bicker
Executive Director
State Board of Investment

Investment Results

Investment Returns by Sector

Performance of Asset Pools (net of fees)

	Rates of Return (annualized)		
	<u>FY2005</u>	<u>Three-Year</u>	<u>Five-Year</u>
Domestic Equity	8.6%	9.5%	-1.8%
--Russell 3000	8.1	9.5	-1.8
Bond	7.1%	6.3%	7.8%
--Lehman Aggregate	6.8	5.8	7.4
International Equity	15.7%	12.4%	.6%
--Composite Index	16.5	13.4	.2
Alternative Investments	27.2%	14.7%	9.3%

Investment Allocation (at June 30, 2005)*

Asset allocation will have a dominant effect on returns. The State Board of Investment has given attention to the selection of the appropriate long-term asset allocation policy for the Basic and the Post-Retirement Investment funds.

Investment Type	Basic Fund		MPRI Fund	
	<u>Actual Asset Mix</u>	<u>Long-Term Policy Target</u>	<u>Actual Asset Mix</u>	<u>Long-Term Policy Target</u>
Domestic Equity	50.7%	45.0%	50.4%	45.0%
International Equity	14.9	15.0	15.0	15.0
Bond	23.4	24.0	24.8	25.0
Alternative Investments**	9.8	15.0	7.6	12.0
Cash	1.2	1.0	2.2	3.0
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

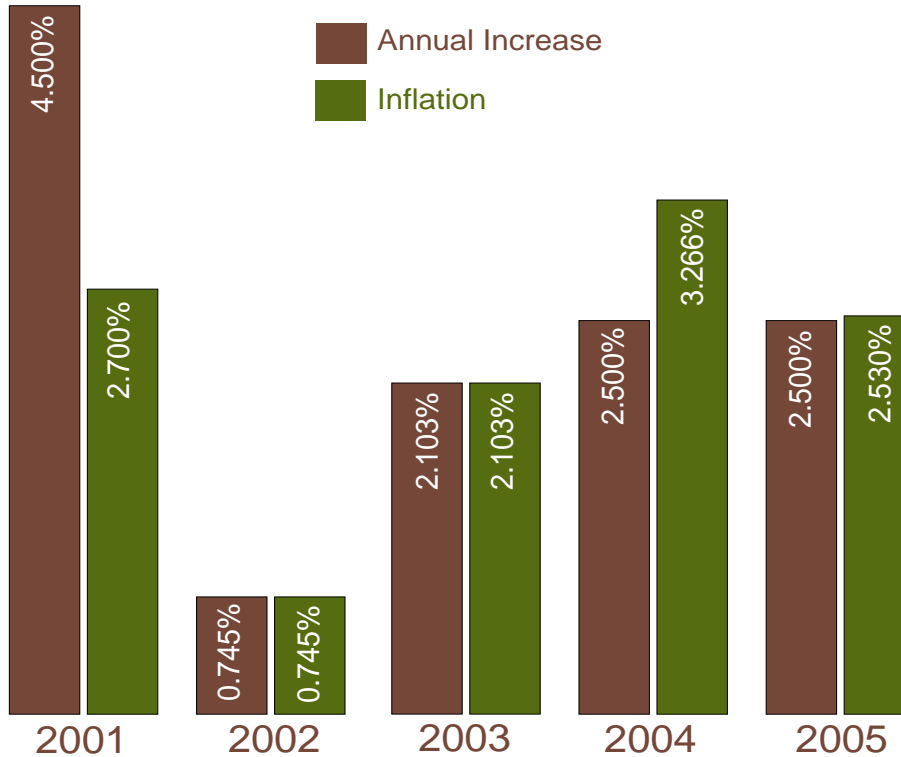
* Source: Minnesota State Board of Investment, fiscal year 2005 annual report.

** Alternative investments are real estate, venture capital and resource funds.

Investment Results

Annuity Increases vs. Inflation

Combined increases awarded to MSRS retirees under the Post-Retirement Investment Fund have in total outpaced inflation during the last five years. Increases and inflation are measured as of June 30. Increases are effective January 1 of the following year.



Investment Performance

Funds	Rates of Return (annualized)		
	<u>FY2005</u>	<u>Three-Year</u>	<u>Five-Year</u>
Basic (active accounts)	11.1%	9.7%	2.3%
Basic Composite Market Index	10.9	9.7	2.1
Post-Retirement Investment (retiree accounts)	10.5	9.7	2.5
MPRIF Composite Market Index	10.2	9.6	2.3
Combined (both) *	10.7	9.7	2.4
Combined Composite Market Index	10.5	9.6	2.2

Note: Replaced the Wilshire 5000 with the Russell 3000.

*Percentages are net of all management fees.

Note: All composite indices are composed of the following market indicators and are weighted according to asset allocation.

Domestic stocks	Russell 3000
International stocks	EAFE
Domestic bonds	Lehman Aggregate
Alternative assets	Wilshire Real Estate Index, venture capital funds, resource funds,
Unallocated cash	91-day treasury bills

Largest Assets Held (as of June 30, 2005)

Composite Holdings of 10 Largest Equities (by market value)

<u>Company</u>	<u>Percent of Portfolio</u>
Exxon Mobile Corporation	1.55%
General Electric	1.44
Citigroup Inc.	1.23
Microsoft Corporation	1.10
Johnson & Johnson	1.04
Bank America Corporation	1.03
Intel Corporation	0.87
Pfizer Inc.	0.84
Wells Fargo & Co.	0.65
Cisco Systems Inc.	0.65

Composite Holdings of 10 Largest Bonds (by market value)

<u>Security</u>	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>Percent of Portfolio</u>
FNMA	5.50%	12/01/2099	0.51%
FNMA	6.00	12/01/2099	0.41
U.S. Treasury Bonds	8.125	08/15/2019	0.37
U.S. Treasury Notes	4.25	08/15/2013	0.33
U.S. Treasury Bonds	6.00	02/15/2026	0.32
FNMA	6.50	12/01/2099	0.31
GNMA	6.00	12/01/2099	0.27
U.S. Treasury Notes	3.375	02/15/2008	0.26
U.S. Treasury Notes	8.125	01/31/2007	0.25
U.S. Treasury Notes	3.625	07/15/2009	0.21

MSRS assets are commingled in various investment accounts administered by the Minnesota State Board of Investment (SBI). MSRS owns an undivided interest proportionate to the amount provided for investment in each of the pools. The percentages shown above are the portion of each of the total pools comprised by portfolio holdings. Information on SBI investment activity and a listing of specific investments held by the various investment pools is available from the SBI.

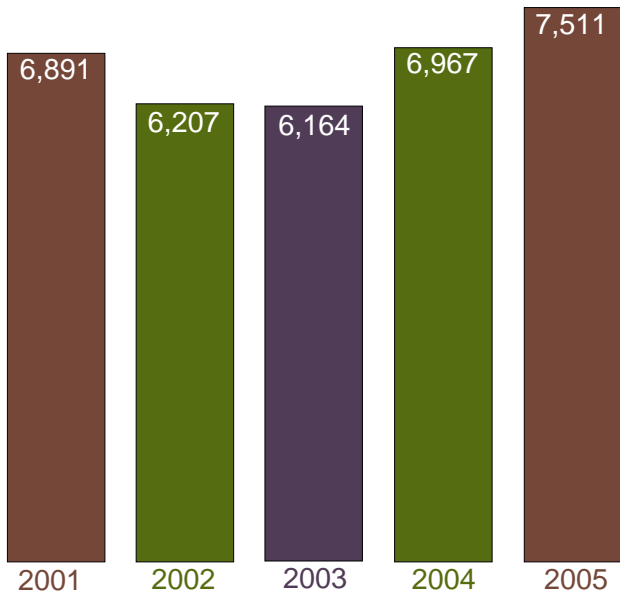
Investment Summary at Fair Value (as of June 30, 2005)

	(In Thousands)		
	Fair Value June 30, 2004	Fair Value June 30, 2005	Percent of Portfolio
State Employees Retirement Fund:			
External Domestic Equity Pool	\$1,353,367	\$1,575,493	35%
Passive Domestic Equity Pool	647,488	742,463	16
Global Equity Pool	636,416	681,002	15
Fixed Income Pool	878,164	1,073,524	24
Alternative Investments	525,653	444,973	10
Total	<u>\$4,041,088</u>	<u>\$4,517,455</u>	<u>100%</u>
State Patrol Retirement Fund:			
External Domestic Equity Pool	\$70,161	\$85,822	35%
Passive Domestic Equity Pool	33,999	40,301	16
Global Equity Pool	32,994	37,051	15
Fixed Income Pool	45,354	58,483	24
Alternative Investments	28,604	23,971	10
Total	<u>\$211,112</u>	<u>\$245,628</u>	<u>100%</u>
Correctional Employees Retirement Fund:			
External Domestic Equity Pool	\$80,272	\$87,780	35
Passive Domestic Equity Pool	38,331	41,296	16
Global Equity Pool	37,747	37,920	15
Fixed Income Pool	52,116	59,814	24
Alternative Investments	30,948	24,665	10
Total	<u>\$239,414</u>	<u>\$251,475</u>	<u>100%</u>
Judges Retirement Fund:			
External Domestic Equity Pool	\$9,987	\$15,687	35
Passive Domestic Equity Pool	4,769	7,366	16
Global Equity Pool	4,696	6,772	15
Fixed Income Pool	6,484	10,690	24
Alternative Investments	3,850	4,397	10
Total	<u>\$29,786</u>	<u>\$44,912</u>	<u>100%</u>

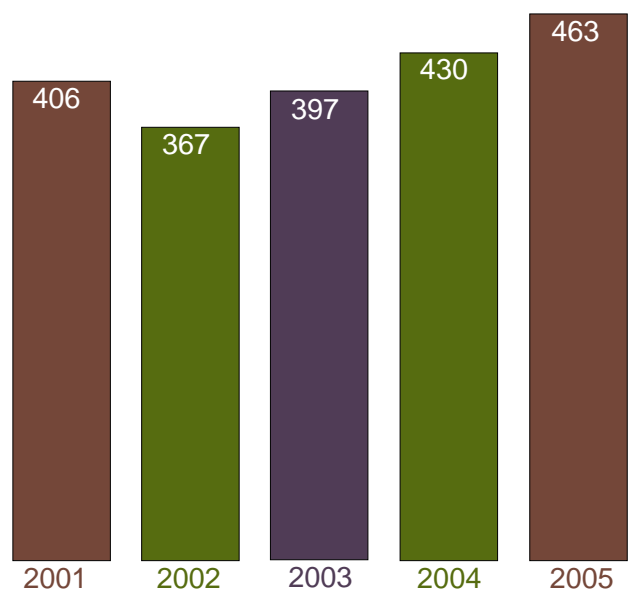
Fair Value of Net Assets

Fair Value of MSRS' Four Largest Funds (as of June 30) (In Millions)

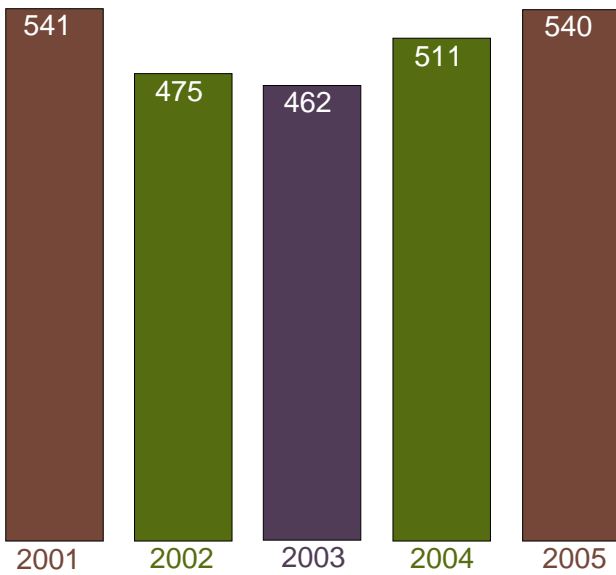
State Employees Retirement Fund



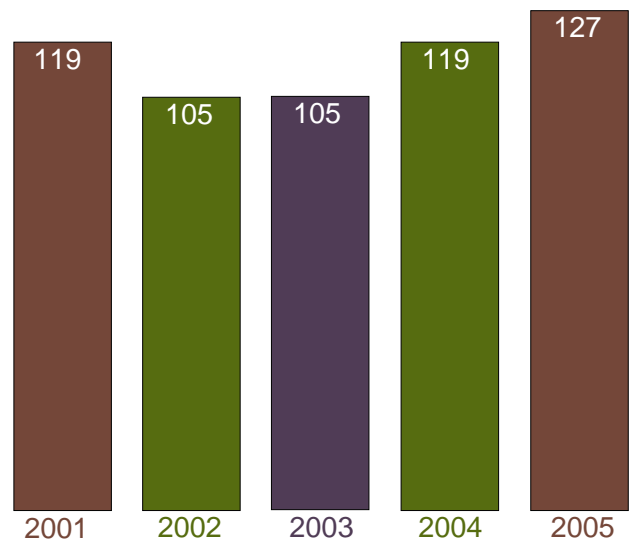
Correctional Employees Retirement Fund



State Patrol Retirement Fund



Judges Retirement Fund



Actuarial Section

Actuarial Section

Actuarial Section

Actuarial Section



Actuary's Certification Letter



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303-714-9936

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February 27, 2006

Board of Trustees
Minnesota State Retirement System
Suite 300
60 Empire Drive
St. Paul, MN 55103-1855

Dear Members of the Board:

We have completed our annual actuarial valuation of the Minnesota State Retirement System to test how well the fundamental financing objectives are being achieved and to determine the actuarial status of the State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CERF), the Judges Retirement Fund (JRF), the Legislators Retirement Fund (LRF), and the Elective State Officers Retirement Fund (ESORF) as of July 1, 2005.

The fundamental financing objectives of the funds are to establish contribution rates which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding.

The results of the valuation indicate that the SPRF is ahead of schedule to meet the required date for full funding. The valuations of the SERF, CERF, JRF, LRF, and ESORF showed that contributions are deficient to meet the target full funding dates. The deficiencies are 2.55% of payroll for SERF, 4.04% of payroll for CERF, 0.97% of payroll for JRF, 103.64% of payroll for LRF, and \$464,671 for ESORF. The ESORF no longer has any active participants (and therefore the deficiency is expressed as a dollar amount). It should be noted that with respect to the LRF and ESORF, the employer is required to fund the portion of the benefit liabilities which are not funded by the member's accumulated contribution at the time of benefit commencement.

The actuarial valuation was based upon applicable statutory provisions and the Standards of Actuarial Work in effect on July 1, 2005. The trend data schedules were based upon applicable GASB 25 parameters. In the aggregate, the basic financial and membership data provided to us by the system office appears reasonable in comparison to last year. We have relied upon the data as submitted in performing the actuarial valuation and in preparing the trend data schedules. It is our understanding that the data has subsequently been audited with no significant changes made. We are responsible for providing the numbers for each of the supporting schedules in the

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, D.C.



Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

Board of Trustees
 February 27, 2006
 Page 2

Actuarial Section of MSRS' comprehensive annual financial report. We are also responsible for preparing both of the Requirement Supplemental Information schedules found in the Financial Section of this report.

The six valuations were performed by using the actuarial cost methods and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by MSRS Board and approved by the Legislative Commission on Pensions and Retirement. All assumptions and methods used for funding purposes meet the parameters for the disclosures presented in the financial section of the MSRS comprehensive annual financial report, set by GASB Statement No. 25.

The following table shows the date for full funding for each of the plans and the accrued liability funding percentage for the 2005 valuation. The accrued liability funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

Fund	Funding Date	Accrued Liability Funded Percentage
GERP	2020	96%
SPRF	2035	106%
CERF	2020	92%
LRF	2021	56%
ESORF	2017	5%
JRF	2020	75%

We certify that to the best of our knowledge and belief, this actuarial valuation was performed in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work.

Sincerely,



Leslie L. Thompson, FSA, MAAA, EA
 Senior Vice President and Consulting Actuary

BZR/dqm
 145056/05776.001

Summary of Actuarial Assumptions and Methods

Actuarial cost method

The entry age normal actuarial cost method, based on earnings and the date the employee entered the plan, is applied to all plan benefits. Under this method, actuarial gains or losses increase or decrease the unfunded actuarial accrued liability.

Assumptions:

Retirement State Employees Plan⁽¹⁰⁾ — Graded rates from age 55 with 25 percent of those eligible for Rule of 90 retiring each year; Correctional Plan⁽⁶⁾ — age 58; State Patrol Plan⁽⁶⁾ — age 58; Judges Plan⁽⁶⁾ — age 68; Elective State Officers⁽⁶⁾ and Legislators Plans⁽⁶⁾ — age 62.

Mortality The 1983 Group Annuity Mortality Tables⁽⁹⁾ are used for all funds. These tables are set back or set forward (expressed in years) to match fund experience as follows:

Fund	Pre-retirement		Post-retirement*	
	Male	Female	Male	Female
State Employees ⁽¹¹⁾	-5	-2	-2	-1
State Patrol	-1	0	+2	+2
Correctional Employees	-1	0	+2	+2
Judges	-4	-2	0	0
Legislators	-4	-2	0	0
Elective State Officers	-4	-2	0	0

Separation Graded rates are based on actual experience.⁽⁸⁾

Expense Prior year expenses are expressed as a percentage of prior year payroll.⁽⁸⁾

Interest 8.5 percent⁽⁹⁾

Salary increases A.)State Employees Plan⁽¹⁰⁾ - 10-year select and ultimate table. During the select period, 0.2 percent x (10-T) where T is completed years of service is added to the ultimate rate. An ultimate table ranges from 6.75 percent at age 20 down to 5.25 percent at age 70. B.)State Patrol and Correctional Employees Plans- Experience adjusted rates from 7.75 percent at age 20 declining to 5.25 percent at age 55 and thereafter. C.)Judges, Legislators and Elective State Officers Plans - 5 percent annually.

*Post-retirement tables are statutorily gender neutral.

Contribution refund Employees who withdraw are assumed to take the larger of a refund or a deferred benefit.⁽⁴⁾

Social Security The Correctional Plan⁽³⁾ is based on the present law and a 6.0 percent retroactive salary scale and only state service earnings history. Future Social Security benefits replace the same proportion of salary as present. Other plans are unaffected.

Asset valuation Market value, less a percentage of the unrecognized asset return, are determined at the close of each of the four preceding fiscal years. The unrecognized asset return is the difference between the actual net return on market value of assets and the asset return expected during the fiscal year based of the assumed interest rate, 8.5 percent.⁽¹⁰⁾

Effective dates assumptions adopted:

- | | | |
|-------------------|--------------------|--------------------|
| (1) June 30, 1972 | (6) June 30, 1984 | (11) June 30, 2002 |
| (2) June 30, 1973 | (7) June 30, 1989 | |
| (3) June 30, 1974 | (8) June 30, 1994 | |
| (4) June 30, 1979 | (9) June 30, 1997 | |
| (5) June 30, 1980 | (10) June 30, 2000 | |

MINNESOTA STATE RETIREMENT SYSTEM

Required Reserves (As of July 1, 2005)

(In Thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	State Elective Officers Fund*
Active members:						
retirement annuities	\$3,561,756	\$184,860	\$246,157	\$78,661	\$13,420	\$0
disability benefits	142,045	11,540	9,695	2,915	0	0
survivor benefits	111,089	5,233	7,245	1,987	125	0
withdrawal benefits	239,669	1,641	18,180	0	(145)	0
refunds	(71,758)	(585)	(3,131)	157	0	0
Totals	\$3,982,801	\$202,689	\$278,145	\$83,720	\$13,400	\$0
Deferred retirements	956,840	5,714	43,887	3,094	19,287	215
Former members not vested	9,101	29	541	0	34	0
Annuitants in MPRIF	3,487,930	357,998	223,544	96,295	42,075	0
Annuitants not in MPRIF	0	334	0	8,305	7,040	3,850
Unclassified Plan Contingent Liability	18,664	0	0	0	0	0
Total required reserves	\$8,455,336	\$566,764	\$546,118	\$191,414	\$81,836	\$4,065

Actual Contribution Rates as Compared to Actuarially Recommended Rates

	As of Date	Actual Contribution Rates			Recommended Rate	Sufficiency (Deficiency)
		Employee	Employer	Total		
State Employees Fund	July 1, 2005	4.00%	4.00%	8.00%	10.55%	(2.55)%
State Patrol Fund	July 1, 2005	8.40	12.60	21.00	19.84	1.16%
Correctional Employees Fund	July 1, 2005	5.69	7.98	13.67	17.71	(4.04)%
Judges Fund	July 1, 2005	8.00	20.50	28.50	29.14	(0.64)%
Legislators Plan	July 1, 2005	9.00	0.00	9.00	112.64	(103.64)%
Elective State Officers Plan*	July 1, 2005	N/A	N/A	N/A	N/A	N/A

*This is a closed plan. There are no active members. The remaining obligations will be paid from state General Fund appropriations.

Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL)

(Year Ended June 30, 2005)

(In Thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	State Judges Fund	Legislators Fund	Elective State Officers Fund
A. UAAL, at the Beginning of the Year or last valuation	<u>\$(6,621)</u>	<u>\$(49,542)</u>	<u>\$37,598</u>	<u>\$51,390</u>	<u>\$37,042</u>	<u>\$3,798</u>
B. Change Due to Interest Requirements and Current Rate of Funding						
1. Normal Cost and Expenses	188,615	12,213	20,067	6,224	0	0
2. Contribution	(163,413)	(11,188)	(18,959)	(9,887)	0	0
3. Interest on A, B1, and B2	8,524	(3,648)	4,096	4,477	0	0
4. Totals (B1+B2+B3)	<u>\$33,726</u>	<u>\$(2,623)</u>	<u>\$5,204</u>	<u>\$(814)</u>	<u>0</u>	<u>0</u>
C. Expected UAAL at End of the Year (A+B)	<u>\$27,105</u>	<u>\$(52,165)</u>	<u>\$42,802</u>	<u>\$52,204</u>	<u>\$37,042</u>	<u>\$3,798</u>
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations From the Expected						
1. Salary Increases	(112,125)	(7,197)	(7,904)	(2,666)	0	0
2. Investment Return	266,052	24,407	(7,649)	450	0	0
3. MPRIF Mortality	12,433	7,008	(25,228)	(1,551)	0	0
4. Mortality of Other Benefit Recipients	0	0	0	0	0	0
5. Other Items	180,135	(6,509)	40,523	(1,488)	(728)	63
6. Totals	<u>\$346,495</u>	<u>\$17,709</u>	<u>\$(258)</u>	<u>\$(5,255)</u>	<u>\$(728)</u>	<u>\$63</u>
E. UAAL at the End of the Year	<u><u>\$373,600</u></u>	<u><u>\$(34,456)</u></u>	<u><u>\$42,544</u></u>	<u><u>\$46,949</u></u>	<u><u>\$36,314</u></u>	<u><u>\$3,861</u></u>

Schedule of Active Member Valuation Data

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Average Annual Pay</u>	<u>Percent Increase In Average Pay</u>
State Employees Retirement Fund:				
06/30/00	47,920	\$1,733,054,000	\$36,166	3.42%
06/30/01	49,229	1,834,042,000	37,255	3.01
06/30/02	49,099	1,915,350,000	39,010	4.71
06/30/03	48,136	2,009,975,000	41,756	7.04
06/30/04	46,899	1,965,546,000	41,910	0.37
06/30/05	47,125	1,952,323,000	41,429	(1.15)
State Patrol Retirement Fund:				
06/30/00	830	\$48,167,000	\$58,033	5.61%
06/30/01	823	48,935,000	59,459	2.46
06/30/02	810	49,278,000	60,837	2.32
06/30/03	805	54,175,000	67,298	10.62
06/30/04	834	51,619,135	61,893	(8.03)
06/30/05	831	55,142,000	66,356	7.21
Correctional Employees Retirement Fund:				
06/30/00	3,098	\$112,587,000	\$36,342	-1.31%
06/30/01	3,182	120,947,000	38,010	4.59
06/30/02	3,249	124,373,000	38,280	0.71
06/30/03	3,262	131,328,000	40,260	5.17
06/30/04	3,326	133,172,068	40,040	(0.55)
06/30/05	3,607	132,335,000	36,688	(8.37)
Judges Retirement Fund:				
06/30/00	282	\$26,315,000	\$93,316	-20.11%
06/30/01	292	28,246,000	96,733	3.66
06/30/02	283	31,078,000	109,816	13.52
06/30/03	288	33,771,000	117,260	6.78
06/30/04	294	34,682,561	117,968	0.60
06/30/05	295	35,941,000	121,834	3.28
Legislators Retirement Fund:				
06/30/00	173	\$5,808,000	\$33,572	-19.32%
06/30/01	139	5,858,000	42,144	25.53
06/30/02	134	5,089,000	37,978	-9.89
This fund was not actuarially valued for fiscal year 2003.				
06/30/04	87	3,815,256	43,854	15.47
06/30/05	78	3,014,000	38,641	(11.89)
Elective State Officers Retirement Fund:				
06/30/00	0	-	-	N/A
06/30/01	0	-	-	N/A
06/30/02	0	-	-	N/A
This fund was not actuarially valued for fiscal year 2003.				
06/30/04	0	-	-	N/A
06/30/05	0	-	-	N/A

*This is a closed plan. There are no active contributing members.

Schedule of Retirees and Beneficiaries

(Fiscal year end totals)

<u>Valuation Date</u>	<u>Number Added</u>	<u>Number Removed</u>	<u>Annual Number</u>	<u>Benefits</u>	<u>Percent Increase in Annual Benefits</u>	<u>Average Annual Benefit</u>
State Employees Retirement Fund:						
06/30/00	1,467	654	19,301	237,825,000	14.36	12,322
06/30/01	1,412	735	19,978	270,558,000	13.76	13,543
06/30/02	1,738	911	20,805	296,687,000	9.66	14,260
06/30/03	1,366	717	21,454	311,472,000	4.99	14,518
06/30/04	2,024	824	22,654	339,323,000	8.94	14,979
06/30/05	1,687	974	23,367	347,959,000	2.55	14,891
State Patrol Retirement Fund:						
06/30/00	55	17	710	25,789,000	16.03	36,323
06/30/01	60	25	745	29,935,000	16.08	40,181
06/30/02	48	31	762	33,031,000	10.34	43,348
06/30/03	44	21	785	34,316,000	3.90	43,715
06/30/04	42	23	804	35,518,000	3.50	44,177
06/30/05	53	32	825	36,956,000	4.04	44,795
Correctional Employees Retirement Fund:						
06/30/00	118	23	747	12,414,000	21.83	16,618
06/30/01	100	39	808	14,911,000	20.11	18,454
06/30/02	0	0	808	17,105,000	14.71	21,170
06/30/03	143	21	1,060	19,256,000	12.57	18,166
06/30/04	148	20	1,188	22,020,000	14.35	18,535
06/30/05	128	37	1,279	23,816,000	8.16	18,621
Judges Retirement Fund:						
06/30/00	14	13	239	11,083,000	10.87	46,372
06/30/01	17	9	247	12,228,000	10.33	49,506
06/30/02	0	0	247	13,202,000	7.97	53,449
06/30/03	11	14	253	13,558,000	2.70	53,589
06/30/04	13	12	254	13,520,000	(0.28)	53,228
06/30/05	11	10	255	13,750,000	1.7	53,922
Legislators Retirement Fund:						
06/30/00	22	9	280	4,213,000	12.65	15,046
06/30/01	21	8	293	4,857,000	15.29	16,577
06/30/02	0	0	293	5,243,000	7.97	17,894
06/30/03	22	9	310	5,539,000	5.65	17,868
06/30/04	12	7	315	5,766,000	4.10	18,305
06/30/05	21	15	321	5,942,000	3.05	18,511
Elective State Officers Retirement Fund:						
06/30/00	0	0	13	303,000	29.70	23,308
06/30/01	0	0	13	330,000	8.91	25,385
06/30/02	0	0	13	353,000	6.97	27,154
06/30/03	1	0	14	370,000	4.82	26,429
06/30/04	0	1	13	381,000	2.97	29,308
06/30/05	2	0	15	391,000	2.62	26,067

*This is a closed plan. There are no active contributing members.

Solvency Test – Funding Ratio

Valuation Date	(In Thousands)			Reported Assets	Portion Covered by Reported Assets			Funding Ratio
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Employer Financed Portion (3)		(1)	(2)	(3)	
	Aggregate Accrued Liabilities							
State Employees Retirement Fund:								
06/30/00	722,921	2,462,329	2,920,453	6,744,165	100	100	121.9	110.5
06/30/01	762,784	2,771,952	3,038,457	7,366,673	100	100	126.1	112.1
06/30/02	807,966	3,015,552	3,516,879	7,673,028	100	100	109.5	104.5
06/30/03	855,953	3,116,008	3,858,710	7,757,292	100	100	98.1	99.1
06/30/04	888,028	3,287,223	3,703,112	7,884,984	100	100	100.2	100.0
06/30/05	928,590	3,487,930	4,038,816	8,081,736	100	100	90.8	95.6
State Patrol Retirement Fund:								
06/30/00	36,373	265,053	156,958	528,573	100	100	144.7	115.3
06/30/01	37,145	303,600	148,738	572,815	100	100	156.0	117.0
06/30/02	38,508	324,743	147,093	591,383	100	100	155.1	115.9
06/30/03	40,619	334,069	164,292	591,521	100	100	132.0	112.9
06/30/04	42,185	344,033	159,026	594,785	100	100	131.2	109.1
06/30/05	44,413	357,998	164,353	601,220	100	100	121.0	106.1
Correctional Employees Retirement Fund:								
06/30/00	43,787	124,401	191,697	386,964	100	100	114.1	107.5
06/30/01	48,133	144,906	205,594	431,134	100	100	115.8	108.2
06/30/02	51,324	172,606	222,496	457,416	100	100	104.9	102.5
06/30/03	55,441	192,732	236,801	470,716	100	100	94.0	97.1
06/30/04	58,960	223,239	242,016	486,617	100	100	84.5	92.8
06/30/05	62,573	223,544	260,001	503,573	100	100	83.6	92.2
Judges Retirement Fund:								
06/30/00	13,740	81,323	58,597	111,113	100	100	27.4	72.3
06/30/01	15,157	89,568	54,911	123,589	100	100	34.4	77.4
06/30/02	16,243	98,109	57,569	131,379	100	100	29.6	76.4
06/30/03	18,313	106,673	51,305	134,142	100	100	17.8	76.1
06/30/04	20,252	107,846	62,240	138,948	100	95.7	17.4	73.0
06/30/05	22,205	96,295	72,914	144,465	100	100	35.6	75.5
Legislators Retirement Fund:								
06/30/00	7,042	41,593	20,729	37,265	100	72.7	0	53.7
06/30/01	6,924	36,306	31,842	42,608	100	98.3	0	56.8
06/30/02	7,093	37,816	33,161	45,501	100	0	0	58.3
Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03								
06/30/04	6,749	52,637	23,811	46,155	100	74.9	0	55.5
06/30/05	6,892	42,075	32,879	45,523	100	91.8	0	55.6
Elective State Officers Retirement Fund:								
06/30/00	194	2,963	572	199	100.0	0.2	0	5.6
06/30/01	194	3,152	623	201	100.0	0.2	0	5.3
06/30/02	194	3,196	685	201	100.0	0.2	0	4.9
Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03								
06/30/04	80	3,550	372	204	100	0.0	0	5.0
06/30/05	36	3,850	179	204	100	4.4	0	5.0

*This is a closed plan. There are no active contributing members.

Summary of Unfunded Accrued Liability (UAL) (In Thousands)

Valuation Date	Aggregate Accrued Liabilities	Actuarial Assets	Unfunded Accrued Liabilities	Member Payroll	UAL as a Percent Payroll
State Employees Retirement Fund:					
06/30/00	6,105,703	6,744,165	(638,462)	1,733,054	-36.8
06/30/01	6,573,193	7,366,673	(793,480)	1,834,042	-43.3
06/30/02	7,340,397	7,673,028	(332,631)	1,915,350	-17.4
06/30/03	7,830,671	7,757,292	73,379	2,009,975	3.6
06/30/04	7,878,363	7,884,984	(6,621)	1,965,546	-0.3
06/30/05	8,455,336	8,081,736	373,600	1,952,323	19.14
State Patrol Retirement Fund:					
06/30/00	458,384	528,573	(70,189)	48,167	-145.7
06/30/01	489,483	572,815	(83,332)	48,935	-170.3
06/30/02	510,344	591,383	(81,039)	49,278	-164.5
06/30/03	538,980	591,521	(52,541)	54,175	-97.0
06/30/04	545,244	594,785	(49,541)	51,619	-96.0
06/30/05	566,764	601,220	(34,456)	55,142	-62.49
Correctional Employees Retirement Fund:					
06/30/00	359,885	386,964	(27,079)	112,587	-24.1
06/30/01	398,633	431,134	(32,501)	120,947	-26.9
06/30/02	446,426	457,416	(10,990)	124,373	-8.8
06/30/03	484,974	470,716	14,258	131,328	10.9
06/30/04	524,215	486,617	37,598	133,172	28.2
06/30/05	546,118	503,573	42,544	132,335	32.15
Judges Retirement Fund:					
06/30/00	153,660	111,113	42,547	26,315	161.7
06/30/01	159,636	123,589	36,047	28,246	147.5
06/30/02	171,921	131,379	40,542	31,078	130.5
06/30/03	176,291	134,142	42,149	33,771	124.8
06/30/04	190,338	138,948	51,390	34,683	148.2
06/30/05	191,414	144,465	46,949	35,941	130.63
Legislators Retirement Fund:					
06/30/00	69,364	37,265	32,099	5,808	552.7
06/30/01	75,072	42,608	32,464	5,858	554.2
06/30/02	78,070	45,501	32,569	5,089	640.0
An actuarial valuation of this fund was not prepared for the fiscal year ended 06-30-03.					
06/30/04	83,197	46,155	37,042	3,815	971.0
06/30/05	81,836	45,523	36,314	3,014	1,204.84
Elective State Officers Fund:*					
06/30/00	3,535	199	3,336	0	N/A
06/30/01	3,775	201	3,574	0	N/A
06/30/02	4,075	201	0	0	N/A
An actuarial valuation of this fund was not prepared for the fiscal year ended 06-30-03.					
06/30/04	4,002	204	3,798	0	N/A
06/30/05	4,065	204	3,861	0	N/A

*This is a closed fund. There are no active contributing members.

Sample Assumed Annual Rates of Termination (as of July 1, 2005)
per 10,000 Members and Assumed Salary Increases

Age	Pre-retirement				Retirement				Salary Increases
	Death		Withdrawal		Disability		Retirement *		
	Male	Female	Male	Female	Male	Female	Male/ R90	Female/ Other	
State Employees Retirement Fund:									
20	3	2	690	855	1	1	0	0	6.75%
25	4	2	590	780	1	1	0	0	6.75
30	5	3	490	705	1	1	0	0	6.75
35	6	4	390	630	3	3	0	0	6.75
40	9	6	320	555	8	8	0	0	6.75
45	12	8	270	480	13	13	0	0	6.45
50	22	14	220	390	24	24	0	0	5.95
55	39	21	0	0	42	36	2,500	500	5.45
60	61	34	0	0	65	52	2,500	1,000	5.25
65	92	58	0	0	0	0	4,500	4,500	5.25
70	156	97	0	0	0	0	3,000	3,000	5.25
State Patrol Retirement Fund:									
20	4	2	220	220	4	4	0	0	7.75 %
25	4	3	170	170	6	6	0	0	7.00
30	6	3	120	120	8	8	0	0	7.00
35	8	5	70	70	11	11	0	0	7.00
40	11	7	60	60	18	18	0	0	6.50
45	19	10	60	60	29	29	0	0	5.75
50	35	16	0	0	50	50	200	200	5.50
55	57	25	0	0	88	88	6,000	6,000	5.25
60	84	42	0	0	141	141	2,000	2,000	5.25
65	129	71	0	0	0	0	10,000	10,000	5.25
70	248	124	0	0	0	0	0	0	5.25
Correctional Employees Retirement Fund:									
20	4	2	2,400	1,600	4	4	0	0	7.25%
25	4	3	1,470	1,420	6	6	0	0	7.00
30	6	3	910	1,350	8	8	0	0	7.00
35	8	5	600	1,290	11	11	0	0	7.00
40	11	7	440	1,040	18	18	0	0	6.50
45	19	10	340	640	29	29	0	0	5.75
50	35	16	240	470	50	50	200	200	5.50
55	57	25	140	330	88	88	6,000	6,000	5.25
60	84	42	0	0	141	141	2,000	2,000	5.25
65	130	71	0	0	0	0	10,000	10,000	5.25
70	248	124	0	0	0	0	0	0	0.00

*For the State Employees Retirement Fund, the retirement rates are for those eligible for "Rule of 90" and those who are not. All others are rates for males and females.

Sample Assumed Annual Rates of Termination
per 10,000 Members and Assumed Salary Increases

(as of July 1, 2005)

Judges Retirement Fund:

Age	Pre-retirement				Retirement				Salary Increases
	Death		Withdrawal		Disability		Retirement*		
	Male	Female	Male	Female	Male	Female	Male	Female	
20	3	2	0	0	0	0	0	0	5.00%
25	4	2	0	0	0	0	0	0	5.00
30	5	3	0	0	2	0	0	0	5.00
35	6	4	0	0	2	1	0	0	5.00
40	9	6	0	0	2	2	0	0	5.00
45	14	8	0	0	3	5	0	0	5.00
50	25	14	0	0	14	10	0	0	5.00
55	43	21	0	0	34	24	0	0	5.00
60	66	34	0	0	76	62	0	0	5.00
65	101	58	0	0	0	0	2,000	2,000	5.00
70	176	97	0	0	0	0	3,000	3,000	5.00

Legislators Retirement Fund: (termination rates by years of service)**

Year	Separation		Salary Increases
	House	Senate	
1	0%	0%	5.00%
2	30	0	5.00
3	0	0	5.00
4	20	25	5.00
5	0	0	5.00
6	10	0	5.00
7	0	0	5.00
8	5	10	5.00

Elective State Officers Retirement Fund: (termination rates by years of service)***

Year	Separation		Salary Increases
	Rate		
1	0%		5.00%
2	0		5.00
3	0		5.00
4	50		5.00
5	0		5.00
6	0		5.00
7	0		5.00
8	50		5.00

* For the Judges Retirement Fund, the retirement rates for male and female are 10,000 at age 68. By statute all judges must retire by the age of 70.

** For the Legislators Retirement Fund, the retirement rate is 100 percent at age 62.

*** For the Elective Officers Retirement Fund, the retirement rate is 100 percent at age 62. This is a closed plan. There are no active contributing members.

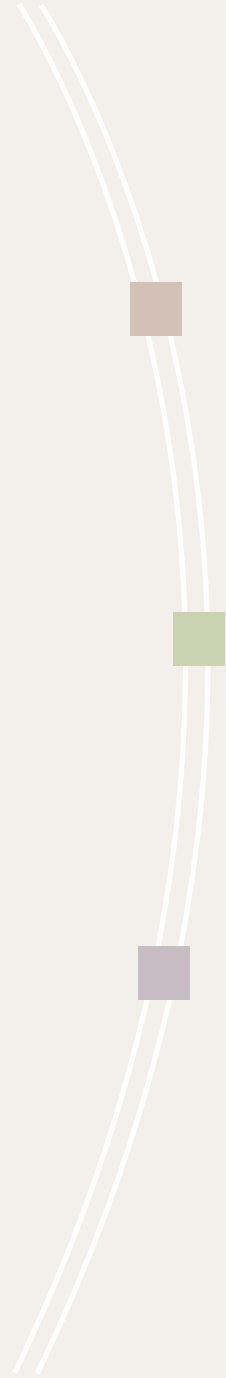
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Statistical Section

Statistical Section

Statistical Section

Statistical Section



Schedule of Revenues by Source

(In Thousands)

Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Actual Covered Payroll	Percentage Employer Contributions
State Employees Retirement Fund:							
2000	70,378	69,322	673,314	5,260	818,274	1,733,054	4.00
2001	74,364	73,362	(529,082)	7,408	(373,948)	1,834,042	4.00
2002	79,487	76,614	(284,459)	6,611	(121,747)	1,862,752	4.00
2003	83,850	80,399	116,353	9,766	290,368	2,009,975	4.00
2004	82,103	78,622	979,639	7,876	1,148,240	1,965,546	4.00
2005	83,101	80,312	732,101	12,639	908,153	1,952,323	4.00
State Patrol Retirement Fund:							
2000	4,044	6,069	53,160	10	63,283	48,167	12.60
2001	4,146	6,166	(40,928)	1	(30,615)	48,935	12.60
2002	4,215	6,209	(12,905)	0	(2,481)	42,889	12.60
2003	4,555	6,826	9,142	0	20,523	54,175	12.60
2004	4,493	6,504	73,141	59	84,197	51,619	12.60
2005	4,517	6,671	55,018	0	66,206	55,142	12.60
Correctional Employees Retirement Fund:							
2000	6,526	8,984	39,972	6,953	62,435	112,587	7.98
2001	6,996	9,651	(31,082)	1,128	(13,307)	120,947	7.98
2002	7,207	9,925	(17,578)	727	281	119,686	7.98
2003	7,611	10,480	5,390	529	24,010	131,328	7.98
2004	7,748	10,627	57,155	80	75,610	133,172	7.98
2005	7,943	11,016	39,104	1	58,064	132,335	7.98
Judges Retirement Fund:							
2000	2,107	5,398	10,203	1,910	19,618	26,315	20.51
2001	2,162	5,790	(8,384)	2,013	1,581	28,246	20.50
2002	2,345	6,371	(517)	2,008	10,207	28,648	20.50
2003	2,574	6,923	2,588	10	12,095	33,771	20.50
2004	2,643	7,110	16,922	12	26,687	34,683	20.50
2005	2,662	7,225	12,354	10	22,251	35,941	20.50
Legislators Retirement Fund:							
2000	523	N/A	2,954	3,192	6,669	5,808	N/A
2001	527	N/A	(2,414)	5,041	3,154	5,858	N/A
2002	458	N/A	664	4,135	5,257	5,032	N/A
2003	433	N/A	528	5,396	6,357	3,610	N/A
2004	343	N/A	5,578	426	6,347	3,815	N/A
2005	384	N/A	3,523	6,602	10,509	3,014	N/A
Elective State Officers Retirement Fund*:							
2000*	0	0	0	306	306	N/A*	N/A
2001*	0	0	0	333	333	N/A*	N/A
2002*	0	0	0	355	355	N/A*	N/A
2003	0	0	0	371	371	N/A*	N/A
2004	0	0	0	383	383	N/A*	N/A
2005	0	0	0	395	395	N/A*	N/A

*The Elective State Officers Plan has no active members.

Schedule of Expenses by Type

(In Thousands)

Year Ended June 30	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Other</u>	<u>Total</u>
State Employees Retirement Fund:					
2000	237,825	3,701	11,227	10,269	263,022
2001	270,558	3,738	9,750	3,197	287,243
2002	296,687	3,942	8,068	2,811	311,508
2003	311,472	4,191	8,195	2,172	326,030
2004	328,546	4,673	10,777	1,696	345,692
2005	347,959	4,336	10,707	693	363,695
State Patrol Retirement Fund:					
2000	25,789	94	90	252	26,225
2001	29,935	90	1	249	30,275
2002	33,031	102	60	171	33,364
2003	34,316	94	12	134	34,556
2004	35,501	95	17	129	35,742
2005	36,954	93	4	99	37,150
Correctional Employees Retirement Fund:					
2000	12,414	243	753	340	13,750
2001	14,911	240	660	261	16,072
2002	17,105	310	634	277	18,326
2003	19,256	286	607	327	20,476
2004	21,299	275	722	253	22,549
2005	23,816	298	649	277	25,040
Judges Retirement Fund:					
2000	11,083	42	122	217	11,464
2001	12,228	41	17	54	12,340
2002	13,202	57	0	89	13,348
2003	13,558	37	0	38	13,633
2004	13,520	31	0	35	13,586
2005	13,750	37	111	41	13,939
Legislators Retirement Fund:					
2000	4,213	34	108	99	4,454
2001	4,857	29	72	32	4,990
2002	5,243	29	39	28	5,339
2003	5,539	27	94	40	5,700
2004	5,766	23	0	0	5,789
2005	5,942	27	0	3	5,972
Elective State Officers Retirement Fund:					
2000	303	2	0	0	305
2001	330	1	6	0	331
2002	353	1	0	0	354
2003	370	1	0	0	371
2004	381	1	0	0	382
2005	391	3	0	0	394

Schedule of Benefit Expenses by Type (In Thousands)

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Totals</u>
State Employees Retirement Fund:					
2000	206,536	21,398	9,891	11,227	249,052
2001	233,734	25,467	11,357	9,750	280,308
2002	254,601	29,021	13,065	8,068	304,755
2003	266,208	31,290	13,974	8,195	319,667
2004	279,915	33,417	15,213	10,777	339,322
2005	295,463	36,198	12,298	10,707	354,666
State Patrol Retirement Fund:					
2000	21,993	3,089	707	90	25,879
2001	25,439	3,617	831	1	29,888
2002	28,125	3,927	979	60	33,091
2003	29,138	4,093	1,085	12	34,328
2004	30,201	4,123	1,177	17	35,518
2005	31,245	4,401	1,311	4	36,961
Correctional Retirement Fund:					
2000	10,658	502	1,255	753	13,168
2001	12,623	598	1,690	660	15,571
2002	14,465	709	1,931	634	17,739
2003	16,098	824	2,334	607	19,863
2004	17,837	915	2,547	722	22,021
2005	20,054	1,026	2,736	649	24,465
Judges Retirement Fund:					
2000	8,140	2,644	47	122	10,953
2001	8,942	2,848	286	17	12,093
2002	9,609	3,211	382	0	13,202
2003	9,917	3,224	417	0	13,558
2004	9,827	3,270	423	0	13,520
2005	9,998	3,303	449	111	13,861
Legislators Retirement Fund:					
2000	3,574	639	0	108	4,321
2001	4,126	591	0	72	4,789
2002	4,444	799	0	39	5,282
2003	4,737	802	0	94	5,633
2004	4,977	789	0	0	5,766
2005	5,107	834	0	0	5,941
Elected State Officers Retirement Fund:					
2000	206	97	0	0	303
2001	223	107	0	6	336
2002	239	114	0	0	353
2003	252	118	0	0	370
2004	293	88	0	0	381
2005	38	83	0	0	121

Active Employees Average Age Tables

(These statistics are not available for the Legislators Plan or Elected State Officers Plan)

Year Ended	Averages for New Members			Averages for All Members								
	Entry Age			Entry Age			Attained Age			Service Credit		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
State Employees Retirement Fund:												
06/30/00	34.5	32.7	33.4	31.5	31.1	31.3	45.3	43.1	44.1	12.8	10.5	11.6
06/30/01	34.7	33.7	34.1	31.8	31.4	31.6	45.4	43.4	44.3	12.7	10.4	11.5
06/30/02	34.2	33.7	34.2	31.9	31.5	31.8	45.8	43.9	44.8	12.9	10.7	11.7
06/30/03	34.4	33.6	33.9	32.1	31.8	31.9	46.3	44.5	45.3	13.3	11.2	12.2
06/30/04	34.8	33.2	33.8	32.2	31.7	31.9	46.6	44.7	45.5	13.5	11.4	12.4
06/30/05	35.3	34.3	34.7	32.4	31.9	32.1	46.9	45.1	45.9	13.7	11.7	12.6
State Patrol Retirement Fund:												
06/30/00	29.3	29.9	29.3	27.9	27.6	27.8	41.0	37.7	40.7	13.0	9.8	12.8
06/30/01	33.1	33.2	33.1	28.2	28.2	28.2	41.0	37.9	40.7	12.7	9.5	12.5
06/30/02	29.8	31.5	30.2	28.3	28.5	28.3	41.2	38.0	40.9	12.9	9.4	12.5
06/30/03	26.5	30.8	27.3	28.2	28.5	28.3	41.5	38.4	41.2	13.1	9.7	12.8
06/30/04	28.9	29.9	29.4	28.2	27.0	28.1	41.0	37.0	40.6	12.7	9.8	12.4
06/30/05	31.8	31.7	31.7	28.4	28.7	28.4	41.2	39.6	41.0	12.7	10.6	12.5
Correctional Employees Retirement Fund:												
06/30/00	33.6	36.1	34.9	31.0	34.2	32.1	40.5	39.7	40.2	9.1	5.1	7.7
06/30/01	33.1	34.9	33.9	31.0	34.4	32.2	40.7	40.2	40.5	9.2	5.5	7.9
06/30/02	34.2	35.7	34.9	31.2	34.5	32.3	40.8	40.3	40.6	9.2	5.5	7.9
06/30/03	34.0	37.7	35.4	31.4	34.7	32.5	41.0	41.1	41.0	9.2	6.0	8.1
06/30/04	33.0	33.9	33.4	31.4	34.5	32.5	41.0	40.8	41.0	9.2	6.0	8.1
06/30/05	32.2	33.2	32.6	31.6	34.2	32.5	40.4	40.4	40.4	8.6	5.9	7.6
Judges Retirement Fund:												
06/30/00	46.8	41.7	46.1	43.3	41.6	41.4	53.7	53.7	53.7	12.4	9.6	11.5
06/30/01	49.8	44.0	48.2	43.8	41.8	43.4	55.5	50.8	54.4	11.1	8.9	10.6
06/30/02	49.8	43.5	47.3	44.5	42.0	43.9	55.1	50.6	54.0	10.1	8.6	9.7
06/30/03	50.0	49.5	49.9	44.7	42.6	44.2	55.7	51.5	54.6	10.5	8.8	10.1
06/30/04	46.3	49.6	47.4	45.1	42.8	44.5	56.2	52.4	55.2	10.7	9.6	10.4
06/30/05	45.3	46.5	46.2	45.2	43.0	44.5	57.0	52.5	55.7	11.4	9.4	10.9

Employees Eligible for an Immediate Annuity

(As of June 30, 2005)

	Total
State Employees Retirement Fund:	
- full benefit	584
- reduced benefit due to early retirement	7,460
- proportional benefit (age equal to or more than 65 and service years fewer than 10)	94
- Rule of 90	1,593
- vested employees not eligible to immediate benefit	27,787
- employees not vested	9,605
	47,123
Total	
State Patrol Retirement Fund:	
- full benefit	25
- reduced benefit	115
- vested employees not eligible to immediate benefit	575
- employees not vested	116
	831
Total	
Correctional Employees Retirement Fund:	
- full benefit	128
- reduced benefit	454
- vested employees not eligible to immediate benefit	1,886
- employees not vested	1,139
	3,607
Total	
Judges Retirement Fund:	
- full benefit	21
- reduced benefit	15
- vested judges not eligible to immediate benefit	139
- judges not vested	109
	284
Total	
Legislators Retirement Fund:	
- full benefit	26
- reduced benefit	24
- vested members not eligible for an immediate benefit	26
- members not vested	2
	78
Total	
Elective State Officers Retirement Fund:	
- no remaining active members as of June 30, 2001	0

Schedule of Refund Statistics

(These statistics are not available for the Legislators Plan or Elected State Officers Plan)

Year Ended	Number of Refunds			Average Age		Average Years Forfeited		Number Forfeiting Vested Rights
	Male	Female	Total	Male	Female	Male	Female	
State Employees Retirement Fund*								
06/30/00	962	1,461	2,423	37.7	36.4	2.3	2.4	568
06/30/01	915	1,524	2,439	37.0	36.8	2.1	2.1	474
06/30/02	793	1,298	2,091	38.2	36.4	2.0	2.0	390
06/30/03	637	978	1,615	37.7	36.6	2.4	2.4	368
06/30/04	804	1,277	2,081	39.1	38.5	2.7	2.5	570
06/30/05	681	1,170	1,851	39.8	39.8	2.7	2.7	541
State Patrol Retirement Fund:								
06/30/00	1	1	2	33.5	30.5	8.4	0.1	1
06/30/01	1	0	1	25.9	-	0.4	-	0
06/30/02	3	0	3	34.0	-	3.4	-	1
06/30/03	1	0	1	36.3	-	0.3	-	0
06/30/04	1	0	1	28.4	0.0	1.0	0.0	0
06/30/05	2	0	2	54.6	0.0	0.4	0.0	0
Correctional Employees Retirement Fund:								
06/30/00	55	49	104	35.6	36.6	2.9	1.7	31
06/30/01	73	63	136	35.7	35.4	2.8	1.1	29
06/30/02	70	56	126	35.5	37.4	2.3	2.0	27
06/30/03	51	57	108	34.6	35.5	1.8	1.4	20
06/30/04	66	69	135	35.3	36.6	2.3	2.0	32
06/30/05	48	60	108	35.7	38.1	2.0	1.9	25
Judges Retirement Fund:								
06/30/00	0	0	0	-	-	-	-	0
06/30/01	1	0	1	64.7	-	6.0	-	1
06/30/02	0	0	0	-	-	-	-	0
06/30/03	0	0	0	-	-	-	-	0
06/30/04	0	0	0	0	0	0	0	0
06/30/05	1	0	1	55.9	0.0	13.5	0.0	1

*Does not include Unclassified Plan or Health Care Savings Plan.

Schedule of Retired Members by Type of Benefit (As of June 30, 2005)

State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type					Option Selected			
		1	2	3	4	5	Life	I	II	III
\$0-499	5,995	4,860	356	662	0	117	3,740	1,937	225	93
500-999	5,555	4,179	493	815	2	66	3,266	2,011	229	49
1,000-1,499	4,104	3,160	368	531	2	43	2,229	1,734	110	31
1,500-1,999	2,954	2,516	144	279	2	13	1,426	1,446	62	20
2,000-2,499	1,945	1,695	44	190	0	16	856	1,052	25	12
2,500-2,999	1,172	1,056	11	90	1	14	472	680	13	7
3,000-3,499	700	620	8	69	0	3	259	431	7	3
3,500-3,999	421	383	2	31	0	5	152	259	5	5
4,000-4,499	229	210	1	15	1	2	93	135	1	0
4,500-4,999	106	98	0	7	0	1	36	69	0	1
5,000+	125	115	0	6	1	3	39	86	0	0
Totals	23,316	18,898	1,427	2,698	9	284	12,571	9,846	677	222

Type:

- 1 General Plan annuitants
- 2 General Plan disabilitants
- 3 General Plan survivors
- 4 Military Affairs Plan
- 5 Unclassified Plan

Option:

- Life Single Life annuity
- I Joint and Survivor
- II Death while eligible
- III Period Certain

State Patrol Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected		
		1	2	3	Life	I	II
\$0-499	22	8	0	14	6	2	14
500-999	25	9	2	14	9	7	9
1,000-1,499	25	8	0	17	8	13	4
1,500-1,999	55	12	4	39	11	36	8
2,000-2,499	51	14	3	34	10	35	6
2,500-2,999	57	32	6	19	20	32	5
3,000-3,499	75	57	8	10	30	42	3
3,500-3,999	101	90	4	7	27	72	2
4,000-4,499	116	105	3	8	39	74	3
4,500-4,999	107	100	2	5	45	59	3
5,000+	185	177	3	5	110	75	0
Totals	819	612	35	172	315	447	57

Type:

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

Option:

- Life Single Life annuity
- I Joint and Survivor
- II Death while eligible

Schedule of Retired Members by Type of Benefit (As of June 30, 2005)

Correctional Employees' Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected			
		1	2	3	Life	I	II	III	
0-499	183	143	5	35	121	38	24	0	
500-999	210	164	14	32	136	56	17	1	
1000-1499	258	177	59	22	182	71	5	0	
1500-1999	220	168	45	7	150	63	4	3	
2000-2499	143	122	18	3	111	30	2	0	
2500-2999	125	115	8	2	88	36	1	0	
3000-3499	66	64	0	2	55	11	0	0	
3500-3999	47	46	1	0	33	14	0	0	
4000-4499	15	15	0	0	15	0	0	0	
4500-4999	2	2	0	0	2	0	0	0	
5000+	6	6	0	0	5	1	0	0	
Totals	1,275	1,022	150	103	898	320	53	4	

Type:

- 1 Retired members
2 Disabilitants
3 Survivors

Option:

- Life Single Life annuity
I Joint and Survivor
II Period Certain
III Death while eligible

Judges Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
0-499	0	0	0	0	0	0	0	0
500-999	6	1	0	5	4	0	2	0
1000-1499	11	5	0	6	4	4	2	1
1500-1999	9	4	0	5	4	5	0	0
2000-2499	20	8	0	12	9	9	1	1
2500-2999	18	8	1	9	5	12	1	0
3000-3499	21	6	0	15	9	7	5	0
3500-3999	26	15	0	11	9	15	2	0
4000-4499	23	16	1	6	8	13	2	0
4500-4999	23	17	1	5	3	16	3	1
5000+	98	83	4	11	42	50	2	4
Totals	255	163	7	85	97	131	20	7

Type:

- 1 Retired members
2 Disabilitants
3 Survivors

Option:

- Life Single Life annuity
I Joint and Survivor
II Life plus 50 percent survivors
III Period Certain

Schedule of Retired Members by Type of Benefit (As of June 30, 2005)

Monthly Benefit Amount	Retirement Type			
	Elective State Officers		Legislators	
	Member	Survivor	Member	Survivor
Legislators and Elective State Officers Retirement Funds				
0-499	2	0	16	20
500-999	3	2	63	20
1000-1499	1	0	56	14
1500-1999	0	1	37	6
2000-2499	0	0	27	3
2500-2999	1	0	16	1
3000-3499	0	0	13	0
3500-3999	1	1	12	3
4000-4499	1	0	4	0
4500-4999	0	0	4	0
5000+	2	0	3	1
Totals	11	4	251	68

Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2005)

State Employees Retirement Fund	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/99 to 6/30/00:								
Average Monthly Benefit	\$96	\$297	\$529	\$748	\$992	\$1,337	\$1,977	\$1,010
Number of Current Retirees	173	127	166	146	201	148	334	1,295
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$115	\$349	\$537	\$758	\$1,002	\$1,284	\$2,016	\$1,048
Number of Current Retirees	182	112	148	156	177	141	355	1,271
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$138	\$331	\$571	\$772	\$1,006	\$1,402	\$1,980	\$1,050
Number of Current Retirees	175	138	157	152	129	138	359	1,248
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$179	\$360	\$579	\$851	\$1,139	\$1,508	\$2,178	\$1,124
Number of Current Retirees	217	112	150	130	115	147	332	1,203
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$191	\$236	\$374	\$702	\$923	\$1,274	\$1,931	\$1,194
Number of Current Retirees	111	119	187	209	203	203	706	1,738
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$140	\$345	\$636	\$891	\$1,184	\$1,554	\$2,282	\$1,148
Number of Current Retirees	209	146	157	142	166	166	327	1,313
Period 7/1/99 to 6/30/05:								
Average Monthly Benefit	\$141	\$320	\$532	\$779	\$1,031	\$1,390	\$2,039	\$1,101
Number of Current Retirees	1,067	754	965	935	991	943	2,413	8,068
State Patrol Retirement Fund								
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/99 to 6/30/00:								
Average Monthly Benefit	\$250	\$0	\$1,432	\$2,240	\$2,892	\$3,865	\$4,085	\$3,137
Number of Current Retirees	2	0	2	15	11	14	16	60
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$517	\$776	\$878	\$2,462	\$2,935	\$3,980	\$4,169	\$3,467
Number of Current Retirees	2	2	1	1	7	13	17	43
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$642	\$0	\$1,630	\$2,256	\$3,166	\$3,887	\$4,505	\$3,526
Number of Current Retirees	1	0	3	4	4	12	11	35
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$776	\$864	\$0	\$2,635	\$3,463	\$3,618	\$4,797	\$3,419
Number of Current Retirees	1	3	0	4	5	11	8	32
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$295	\$0	\$2,267	\$2,293	\$3,653	\$4,649	\$3,876
Number of Current Retirees	0	1	0	2	4	7	19	33
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$280	\$0	\$0	\$3,081	\$3,424	\$3,814	\$4,240	\$3,467
Number of Current Retirees	2	0	0	2	6	8	6	24
Period 7/1/99 to 6/30/05:								
Average Monthly Benefit	\$439	\$740	\$1,438	\$2,369	\$3,028	\$3,821	\$4,389	\$3,442
Number of Current Retirees	8	6	6	28	37	65	77	227

Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2005)

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Correctional Employees Retirement Fund								
Period 7/1/99 to 6/30/00:								
Average Monthly Benefit	\$265	\$621	\$1,112	\$1,312	\$1,941	\$2,603	\$2,466	\$1,344
Number of Current Retirees	17	15	18	19	26	12	3	110
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$253	\$640	\$1,114	\$1,289	\$1,801	\$2,912	\$3,757	\$1,516
Number of Current Retirees	11	15	7	18	19	14	4	88
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$372	\$650	\$1,135	\$1,341	\$1,996	\$2,487	\$2,680	\$1,443
Number of Current Retirees	15	20	21	28	32	19	3	138
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$335	\$687	\$1,203	\$1,419	\$1,894	\$2,943	\$3,609	\$1,471
Number of Current Retirees	20	20	18	24	24	19	3	128
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$158	\$500	\$764	\$1,099	\$1,328	\$2,245	\$2,393	\$1,426
Number of Current Retirees	9	10	24	24	16	23	28	134
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$429	\$778	\$1,294	\$1,707	\$2,113	\$2,943	\$3,277	\$1,842
Number of Current Retirees	12	13	22	12	16	26	8	109
Period 7/1/99 to 6/30/05:								
Average Monthly Benefit	\$311	\$653	\$1,092	\$1,333	\$1,873	\$2,684	\$2,745	\$1,500
Number of Current Retirees	84	93	110	125	133	113	49	707
Judges Retirement Fund								
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/99 to 6/30/00:								
Average Monthly Benefit	\$0	\$1,362	\$1,720	\$2,976	\$3,671	\$4,557	\$0	\$3,339
Number of Current Retirees	0	1	1	2	2	3	0	9
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$0	\$0	\$2,241	\$3,373	\$4,085	\$0	\$0	\$3,388
Number of Current Retirees	0	0	3	3	5	0	0	11
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$642	\$0	\$1,630	\$2,256	\$3,166	\$3,887	\$4,505	\$3,526
Number of Current Retirees	1	0	3	4	4	12	11	35
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$1,647	\$3,207	\$0	\$4,960	\$0	\$0	\$3,986
Number of Current Retirees	0	1	2	0	4	0	0	7
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$1,496	\$0	\$4,247	\$4,516	\$4,421	\$6,073	\$4,217
Number of Current Retirees	1	1	3	1	2	3	1	7
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$0	\$0	\$3,296	\$3,346	\$5,317	\$0	\$0	\$4,184
Number of Current Retirees	0	0	1	3	3	0	0	7
Period 7/1/99 to 6/30/05:								
Average Monthly Benefit	\$642	\$1,502	\$2,304	\$3,116	\$4,263	\$4,046	\$4,635	\$3,650
Number of Current Retirees	1	3	10	14	20	16	12	76

Schedule of New Retirees and Initial Benefit Paid

(For the Six Fiscal Years Ended June 30, 2005)

Legislators Retirement Fund	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/99 to 6/30/00:								
Average Monthly Benefit	\$325	\$761	\$981	\$1,726	\$1,803	\$0	\$0	\$964
Number of Current Retirees	2	6	8	2	1	0	0	19
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$0	\$895	\$880	\$1,321	\$3,238	\$2,779	\$0	\$1,426
Number of Current Retirees	0	6	6	3	3	1	0	19
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$336	\$0	\$1,572	\$0	\$0	\$2,081	\$0	\$1,172
Number of Current Retirees	0	6	6	3	3	1	0	8
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$623	\$1,168	\$0	\$1,416	\$2,418	\$2,887	\$1,571
Number of Current Retirees	0	4	8	0	2	4	3	21
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$780	\$467	\$1,086	\$0	\$2,104	\$0	\$911
Number of Current Retirees	0	5	2	2	0	1	0	10
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$391	\$1,206	\$897	\$0	\$2,777	\$0	\$0	\$1,020
Number of Current Retirees	3	2	2	0	1	0	0	8
Period 7/1/99 to 6/30/05:								
Average Monthly Benefit	\$354	\$815	\$1,050	\$1,369	\$2,446	\$2,377	\$2,887	\$1,236
Number of Current Retirees	8	23	30	7	7	7	3	85

Elected State Officers Retirement Fund

	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/99 to 6/30/00:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/00 to 6/30/01:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/01 to 6/30/02:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/02 to 6/30/03:								
Average Monthly Benefit	\$0	\$0	\$0	\$3,757	\$0	\$0	\$0	\$3,757
Number of Current Retirees	0	0	0	1	0	0	0	1
Period 7/1/03 to 6/30/04:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	\$0	\$694	\$0	\$0	\$0	\$0	\$0	\$694
Number of Current Retirees	0	2	0	0	0	0	0	2
Period 7/1/99 to 6/30/05:								
Average Monthly Benefit	\$0	\$694	\$0	\$3,757	\$0	\$0	\$0	\$1,715
Number of Current Retirees	0	2	0	1	0	0	0	3

Participating Employers

(as of June 30, 2005)

AFSCME	City of Biwabik	City of Golden Valley
Agriculture Utilization Research Institute	City of Blackduck	City of Grand Marais
Aitkin Pub Schools	City of Blaine	City of Grand Rapids
Albert Lea/Mankato Technical	City of Bloomington	City of Ham Lake
Alexandria Lake Area Sanitary	City of Blue Earth	City of Hanover
Alexandria Light & Power	City of Bovey	City of Hector
Amalgamated Transit Union	City of Brainerd	City of Henning
Anoka County	City of Breckenridge	City of Hermantown
Appleton Regional Development Comm.	City of Breezy Pt	City of Hibbing
Area Special Education Co-Op	City of Brooklyn Center	City of Hill City
Arrowhead Library System	City of Brooklyn Park	City of Hinckley
Arrowhead Regional Computing	City of Browerville	City of Hopkins
Assoc of Sec School Principals	City of Buffalo	City of Howard Lake
Bagley Public Utilities	City of Buhl	City of Hoyt Lakes
Becker County	City of Burnsville	City of Hutchinson
Becker County - Sunnyside	City of Caledonia	City of International Falls
Becker Multi-County	City of Calumet	City of Inver Grove Heights
Becker Soil & Water Conservation	City of Cambridge	City of Jackson
Beltrami County	City of Cannon Falls	City of Jaynesville
Beltrami County Nursing	City of Carlton	City of Jordan
Beltrami Nursing Home	City of Champlin	City of Kasson,
Beltrami-Electric Cooperative	City of Chanhassen	City of Keewatin
Big Lake District Office	City of Chaska	City of Kellogg
Blue Earth County	City of Chatfield	City of La Cresent
Blue Earth Light & Water	City of Chisago City	City of Lake Shore
Blue Earth School District	City of Chisholm	City of Lakeville
Brainard Public Utilities	City of Circle Pines	City of Lester Prairie
Brainerd / Staples Technical College	City of Cohasset	City of Lindstrom
Brainerd Housing & Redevelopment	City of Cold Springs	City of Litchfield
Breitung Township	City of Coleraine	City of Little Falls
Brown County	City of Cologne	City of Littlefork
Brown County Deputy Unit	City of Columbia Heights	City of Long Lake
Brown County Soil & Water Conservation	City of Cook	City of Long Prairie
Cable CommunicationsCanby	City of Coon Rapids	City of Luverne
Carlton County	City of Corcoran	City of Mahnomon
Carlton County Coop Power Assoc.	City of Cosmos	City of Mahnomon - Lucky 7
Carlton County Soil and Water	City of Cottage Grove	City of Mahtomedi
Carver County	City of Crosby	City of Mantorville
Carver County Housing & Redevelopment Authority	City of Crosslake	City of Maple Grove
Carver Soil & Water Conservation	City of Crystal	City of Maplewood
Cass County	City of Dawson	City of Marble
CCLNS Joint Powers Board #3	City of Dawson - Liquor	City of Marietta
Central Minnesota Computing Center	City of Dayton	City of May
Chippewa Soil and Water Conservation	City of Deephaven	City of McGregor
Chippewa Co Montevideo Hospital	City of Deer River	City of Medford
Chisago County	City of Deerwood	City of Medina
Chisago County HRA-DTA	City of Detroit Lakes	City of Melrose
Chisago Soil and Water Conservation District	City of Detroit Lakes	City of Mendota Heights
Chisholm Hibbing Airport Comm	City of Dilworth	City of Minneapolis
Chisholm-Hibbing	City of Dodge Center	City of Montevideo
City of Akeley	City of Duluth	City of Monticello
City of Albert Lea	City of Dundas	City of Moorhead
City of Albertville	City of Eagan	City of Moose Lake
City of Alexandria	City of East Bethel	City of Mora
City of Andover	City of East Grand Forks	City of Mound
City of Anoka	City of East Gull Lake	City of Moundsview
City of Argyle	City of Eden Prairie	City of Mountain Iron
City of Arlington	City of Eden Valley	City of Murdock
City of Aurora	City of Edina	City of North St Paul
City of Austin	City of Elk River	City of Nashwauk
City of Babbitt	City of Ely	City of Nevis
City of Backus	City of Eveleth	City of New Hope
City of Bagley	City of Fairfax	City of New Prague
City of Balaton	City of Falcon Heights	City of New Scandia / Township
City of Barnum	City of Faribault	City of New Ulm
City of Baudette	City of Farmington	City of New York Mills
City of Baxter	City of Fayal	City of Newport
City of Bemidji	City of Fergus Falls	City of Nisswa
City of Bertha	City of Floodwood	City of North Branch
City of Big Falls	City of Forest Lake	City of North Oaks
City of Big Fork	City of Gaylord	City of Northfield
City of Big Lake	City of Gilbert	City of Oakdale
	City of Glencoe	City of Olivia

Participating Employers

(as of June 30, 2005)

City of Orono	City of Waseca	Goodhue County
City of Orr	City of Wells	Goodhue County Education District
City of Osakis	City of West St. Paul	Grand Meadow Schools
City of Owatonna	City of White	Grand Rapids-Public Utilities Comm.
City of Park Rapids	City of White Bear Lake	Grant County
City of Paynesville	City of Willmar	Great River Regional Library
City of Pelican Rapids	City of Windom	Greater Staples Hospital & Care Ctr
City of Pierz	City of Winona	Halstad Municipal Utilities
City of Pine City	City of Winton	Hancock Public School
City of Pipestone	City of Worthington	Headwaters Nutrition Project Help Helper
City of Preston	Clay County	Hennepin County
City of Prior Lake	Clay County - HRA	Hennepin County Medical Center
City of Proctor	Clearwater County	Hennepin Technical (Intermediate)
City of Ramsey	Clearwater County DHS	Heritage Living Center
City of Red Lake Falls	Clearwater County Hwy Dept.	Hibbing Public Utilities
City of Redwood Falls	Clearwater County Welfare Office	Hibbing Recreation & Park Bld
City of Richfield	Clearwater Health Services	House of Representatives
City of Robbinsdale	Clinton/Graceville I.S.D.	Housing & Redevelopment Authority of Duluth
City of Rochester	Columbia Heights HRA	Houston County
City of Rockford	Commission on Economic Status of Women	Hubbard County
City of Rogers	Community Hospital	Hubbard County Soil & Water Conservation
City of Roseville	Construction and General Laborers Local #132	District
City of Rush City	Cook County	Hutchinson / Willmar Reg Tech
City of Rushford	Cook County North Shore Hospital	Hutchinson Utilities Commission
City of Sandstone	Cook County Soil & Water Conservation	Ideal Township
City of Sartell	District	Isanti County
City of Sauk Centre	Cook Hospital	ISD 1 Minneapolis
City of Sauk Rapids	Cromwell I.S.D.	ISD 100 Wrenshall
City of Savage	Crookston ISD	ISD 108 Norwood
City of Shakopee	Crop Improvement Assoc.	ISD 11 Anoka - Hennepin School District
City of Silver Bay	Crosslake Telephone Company	ISD 110 Waconia
City of Silver Lake	Crow Wing County	ISD 111 Watertown-Mayer
City of Slayton	Crow Wing Soil and Water Conservation	ISD 112 Chaska
City of South St Paul	Disttict	ISD 113 Walker/Hackensack/Akeley
City of South International Falls	D C MN Leg Comm on Pensions	ISD 115 Cass Lake - Bena
City of Spicer	D C MN Mpls Police Dept.	ISD 116 Pillager
City of Spring Lake Park	D C MN Paynesville Com Hospital	ISD 118 Remer-Longville
City of Spring Park	Dairyland Electric Cooperative	ISD 12 Centennial
City of Spring Valley	Dakota County	ISD 126 Clara City
City of Springfield	Dakota County CDA	ISD 13 Columbia Heights
City of St Anthony	DECC	ISD 138 North Branch
City of St Cloud	Department of Military Affairs	ISD 139 Rush City
City of St James	Douglas County	ISD 14 Fridley
City of St Paul Park	Douglas County Hospital	ISD 15 St. Francis
City of St. Anthony	Duluth Housing Authority	ISD 150 Hawley
City of St. Cloud	Duluth Public Schools	ISD 152 Moorhead
City of St. Louis Park	Duluth Teachers Retirement Fund	ISD 16 Spring Lake Park
City of St. Michael	Duluth Transit Authority	ISD 161 Clearbrook
City of St. Paul	Eagle Bend I.S.D.	ISD 162 Bagley
City of St. Paul Park	Eagle Valley Public Schools	ISD 166 Cook
City of St. Peter	East Central Electric Co-op	ISD 173 Mountain Lake
City of St.Paul Port Authority	East Central Regional Development	ISD 175 Westbrook
City of Staples	Commission	ISD 178 Storden-Jeffers
City of Stephen	East Central Regional Library	ISD 181 Brainerd
City of Stewartville	East Metro Integration Dist	ISD 182 Crosby School District
City of Stillwater	East Ottertail Soil & Water Conservation	ISD 186 Pequot Lakes
City of Thief River Falls	District	ISD 191 Burnsville
City of Thomson	Eden Prairie I.S.D.	ISD 192 Farmington
City of Tonka Bay	Elginmilliville Comm Schools	ISD 194 Lakeville
City of Tower	Elk River Municipal Utilities	ISD 196 BOLD
City of Tracy	Esko Public Schools	ISD 255 Pine Island
City of Two Harbors	Evansville ISD	ISD 256 Red Wing
City of Upsala	Fairview Hospital	ISD 2580 East Central Schools
City of Vadnais Heights	Fergus Falls Public Schools	ISD 260 Zumbrota
City of Verdale	Fosston ISD	ISD 2609 WINEMAC
City of Vernon Center	Foster-Wheeler (Twin Cities)	ISD 2634 Belgrade-Brooten-Elrosa
City of Victoria	Franconia Township	ISD 270 Hopkins
City of Virginia	Freeborn County Soil & Water Conservation	ISD 271 Bloomington
City of Wabasha	District	ISD 273 Edina
City of Wadena	Freshwater Education District	ISD 2753 Long Prairie - Grey Eagle
City of Waite Park	Gaylord Community Hospital	ISD 277 Westonka
City of Warren	Gilette Children's Hospital	ISD 278 Orono Public Schools
City of Warroad	Glencoe Area Health Center	ISD 279 Osseo School District

Participating Employers

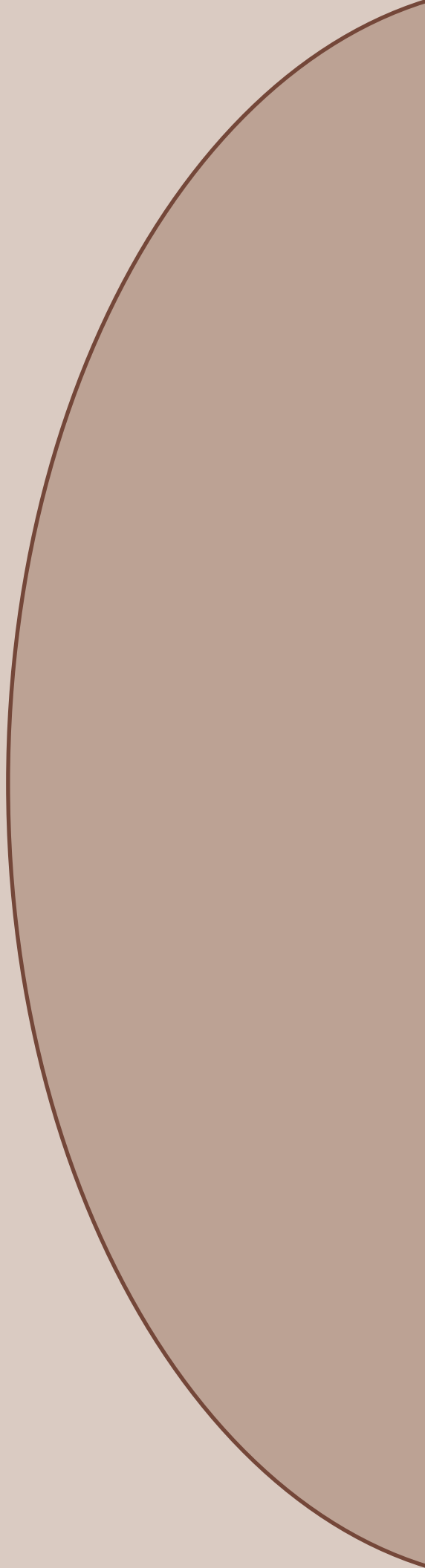
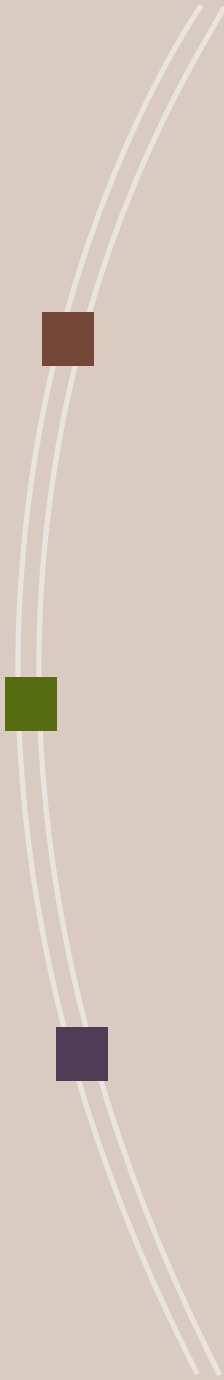
(as of June 30, 2005)

ISD 2805 Zumbrota - Mazeppa	ISD 4 McGregor	ISD 736 Belgrade Public Schools
ISD 283 St. Louis Park	ISD 403 Ivanhoe	ISD 737 Brooten Public Schools
ISD 284 Wayzata	ISD 413 Marshall	ISD 738 Holdingford
ISD 2859 Glencoe/Silver Lake	ISD 417 Tracy	ISD 739 Kimball Public Schools
ISD 286 Brooklyn Center	ISD 423 Hutchinson	ISD 740 Melrose
ISD 2860 Blue Earth	ISD 425 Silver Lake Public Schools	ISD 741 Paynesville
ISD 2884 Rosemount/ISD 197 West St. Paul	ISD 426 Stewart	ISD 742 St. Cloud
ISD 199 Inver Grove Heights	ISD 435 Mahnommen County Schools	ISD 743 Sauk Center
ISD 2 Hill City	ISD 463 Eden Valley-Watkins	ISD 745 Albany
ISD 200 Hastings	ISD 465 Litchfield	ISD 748 Sartell/St. Stephen
ISD 201 Claremont	ISD 466 Dassel-Cokato	ISD 75 St. Clair
ISD 203 Hayfield	ISD 47 Sauk Rapids Public Schools	ISD 750 Cold Spring
ISD 204 Kasson-Mantorville	ISD 473 Isle	ISD 761 Owatonna
ISD 206 Alexandria	ISD 477 Princeton Public Schools	ISD 77 Mankato
ISD 2071 Lake Crystal	ISD 480 Onamia Public Schools	ISD 786 Bertha-Hewitt
ISD 2125 Triton	ISD 484 Pierz	ISD 791 Grey Eagle
ISD 213 Osakis	ISD 485 Royalton	ISD 809 Mazeppa
ISD 2135 Maple River Schools	ISD 486 Swanville	ISD 81 Comfrey
ISD 2141 Chisago Lakes	ISD 487 Upsala Public Schools	ISD 811 Wabasha-Kellogg
ISD 2142 St. Louis County Schools	ISD 492 Austin	ISD 818 Verndale
ISD 2143 Waterville-Elysian-Morristown	ISD 507 Nicollet School District	ISD 829 Waseca
ISD 2154 Eveleth/Gilbert	ISD 508 St. Peter	ISD 831 Forest Lake
ISD 2155 Wadena Deer Creek	ISD 51 Foley	ISD 832 Mahtomedi
ISD 2169 Murray County Central	ISD 511 Adrian	ISD 833 South Washington County Schools
ISD 2170 Staples - Motley	ISD 518 Worthington	ISD 834 Stillwater
ISD 2172 Kenyon-Wanamingo	ISD 533 Dover-Eyota	ISD 840 St. James School District
ISD 2174 Pine-River Backus Schools	ISD 534 Stewartville	ISD 846 Breckenridge
ISD 2180-MacCray Public School	ISD 535 Rochester School District	ISD 85 Springfield
ISD 2184 Luverne	ISD 542 Battle Lake Public Schools	ISD 857 Lewiston - Altura
ISD 2190 Yellow Medicine East	ISD 544 Fergus Falls	ISD 861 Winona
ISD 2198 Fillmore Central Schools	ISD 548 Pelican Rapids	ISD 876 Annandale
ISD 22 Detroit Lakes	ISD 550 Underwood	ISD 877 Buffalo
ISD 227 Chatfield	ISD 553 New York Mills	ISD 879 Delano
ISD 23 Frazee	ISD 564 Thief River Falls	ISD 88 New Ulm
ISD 2310 Sibley	ISD 566 Askov	ISD 881 Maple Lake
ISD 2311 Clearbrook/Gonvick	ISD 576 Sandstone	ISD 883 Rockford
ISD 2364 Belgrade-Brooten	ISD 577 Willow River	ISD 885 St. Michael-Albertville District
ISD 2365 Gibbon/Fairfax/Winthrop	ISD 595 East Grand Forks	ISD 892 Clarkfield
ISD 2389 Pipestone / Jasper	ISD 6027 Minnesota Valley Ed. District	ISD 894 Granite Falls
ISD 239 Rushmore-Peterson	ISD 6033 NE Educational District	ISD 897 - Delano
ISD 2396 Atwater/Grove City/Cosmos	ISD 6067 East Metro Integration District	ISD 91 Barnum
ISD 241 Alberta Lea	ISD 62 Ortonville	ISD 912 Milaca
ISD 252 Cannon Falls	ISD 621 Mounds View	ISD 913 Janesville
ISD 253 Goodhue	ISD 622 North St. Paul-Maplewood	ISD 914 Ulen-Hitterdal
ISD 2534 Red Rock	ISD 623 Roseville	ISD 916 NE Metro
ISD 2895 Jackson County Central	ISD 624 White Bear Lake	ISD 917
ISD 2897 Redwood Falls	ISD 625 St. Paul	ISD 93 Carlton
ISD 294 Houston	ISD 63 Lamberton	ISD 938 Mawseco Joint Distric
ISD 297 Spring Grove	ISD 630 Red Lake Falls	ISD 94 Cloquet
ISD 299 Caledonia	ISD 637 Redwood Falls	ISD 97 Moose Lake
ISD 300 Lacrescent -Hokah	ISD 640 Wabasso	ISD 99 Esko
ISD 306 Laporte	ISD 656 Faribault School District	ISD 998 Bemidji Regional Interdistrict Council
ISD 309 Park Rapids	ISD 659 Northfield	Itasca County
ISD 31 Bemidji	ISD 682 Roseau	Itasca County Soil & Water District
ISD 314 - Braham	ISD 691 Aurora-Hoyt	Itasca Medical Center/Grand Rapids Clinic
ISD 316 Greenway of Coleraine	ISD 692 Babbitt	Itasca County Human Services
ISD 317 Deer River	ISD 695 Chisholm	Itasca County Nursing Home
ISD 318 Grand Rapids	ISD 696 Ely	Kanabec County
ISD 319 Nashwauk-Keewatin	ISD 698 Floodwood Public Schools	Kandiyohi Area Transit
ISD 330 Heron Lake - Okabena	ISD 700 Hermantown	Kandiyohi County
ISD 332 Mora	ISD 701 Hibbing	Keewatin Public Utilities
ISD 333 Ogilvie	ISD 704 Proctor	Koochiching County
ISD 347 Willmar	ISD 706 Virginia	Lake Agassiz Regional Library
ISD 361 International Falls	ISD 707 Nett Lake	Lake City ISD
ISD 362 Littlefork	ISD 709 Duluth	Lake Country Power
ISD 363 South Koochiching County	ISD 712 Buhl-Mountain Iron	Lake County
ISD 378 Dawson	ISD 716 Belle Plaine	Lake County Auditor's Office
ISD 38 Red Lake	ISD 717 Jordan	Lake of The Woods City Highway
ISD 390 Lake of the Woods	ISD 719 Prior Lake	Lake Of The Woods County
ISD 391 Cleveland	ISD 720 Shakopee	Lake Superior School District
ISD 392 LeCenter	ISD 721 New Prague	Lakes Area PoliceLeague Of Minnesota Cities
ISD 394 Cloquet Public Schools	ISD 727 Big Lake Public Schools	Leg Comm on Waste Management
ISD 395 Watertown/Mayer	ISD 728 Elk River Public Schools	Legislative Coordinating Commission

Participating Employers

(as of June 30, 2005)

Lester Prairie I.S.D.
 Light Power Commission
 Lincoln County
 Litchfield Public Utilities
 Littlefork Medical Center
 Logis
 Lyon County
 Mahnomen County
 Mahnomen Soil and Water Conservation District
 Marshall - Beltrami Soil & Water
 Marshall County
 Marshall County Soil & Water Conservation District
 McLeod County
 McLeod West ISD
 Meeker County
 Melrose Hospital
 Melsa
 Mesabi East Schools
 Metro Airport Commission
 Metro C - Driver / Office & Mechanics
 Metro C -Radio Board
 Metronet
 Metropolitan Council
 Metropolitan Sports Facilities Commission
 MGEC (MN Govt Engineers Council)
 Mid State Education District
 Middle Management Association
 Middle Mississippi River Watershed Management
 Mid-Minnesota Development Comm.
 Mille Lacs County
 Mille Lacs Soil & Water Conservation District
 Minneapolis Community Develop
 Minneapolis Employee Retirement Fund
 Minneapolis Public Housing Agency
 Minneapolis Teachers' Retirement Fund
 Minnehaha Creek Watershed District
 Minnesota Assc. Of Professional Employees
 Minnesota Association of Counties
 Minnesota Conservation Corps
 Minnesota Crop Improvement Assoc.
 Minnesota Historical Society
 Minnesota River Valley Special Ed.
 Minnesota Safety Council
 Minnesota Technology Inc.
 Minnesota Valley Regional Library
 Minnesota Valley Transit Authority
 Minnetonka Public Schools
 MN Horticultural Society
 MN Legislative Ref Library
 MN River Valley Special Ed Co-op
 Monticello - Big Lake Hospital
 Moorhead Public Housing Agency
 Moose Lake Municipal Power
 Moose Lake Water & Light
 Mower County
 Mower County Soil & Water Conservation District
 Municipal Utilities of Mora
 Nashwauk Public Utilities
 NDC4 Cable Commission
 NE Jobs & Training
 NE Metro Tech
 NE Region 3 Education Cooperative Services
 NE Service Cooperative
 New Prague Golf Course
 New Prague Municipal Utilities
 New Ulm City Public Utilities Comm
 Nicollet County
 Nicollet County Court
 Nobles County
 Noblesrock Public Health
 Norman County Hwy Department
 Norman County SWCD
 North Branch Municipal Water and Light
 North Central Service Coop
 North Itasca Electric Cooperative
 North St. Louis Soil & Water Cons. Dist.
 Northeastern Educ Dist.
 Northern Lakes Special Education
 Northwest Minnesota Service Cooperative
 Northwest Regional Development
 Northwestern Minn Joint Power Brd
 NW Minnesota ECSU #928
 Oak Park Heights
 Olmstead County
 Ottertail County
 Ottertail Water Management District
 Owatonna Public Utilities
 P.K.M. Electric Cooperative
 Paynesville Health Care System
 Pelican River Watershed District
 Pennington County
 Pennington County Soil and Water Conservation Dept
 Pine County Highway Dept.
 Pine County Soil & Water Cons. Dist.
 Pioneerland Library System
 Pipestone County
 Plum Creek Library System
 Pope/Douglas Solid Waste Mgmt
 Prairie Lakes Dentention Center
 Preston Public Utilities
 Prior Lake Spring Lake Watershed District
 Proctor Public Utilities
 Public Housing Agency-St. Paul
 Public Utilities Commission-Aitkin
 Quad Cities Cable
 Ramsey County
 Ramsey-Washington Metro Watershed District
 Red Area Schools
 Red Rock Rural Water System
 Redwood County
 Redwood County Soil & Water
 Region 1-ESV (Educational Secondary Vocational)
 Region Five Development Commission
 Region Nine Development Commission
 Regions Hospital (St. Paul Ramsey)
 Renville County
 Renville Soil & Water
 Revisor of Statutes
 Rice Creek Watershed District
 Richfield I.S.D.
 Right Step Academy
 Riverland Tech College
 Robbinsdale I.S.D.
 Rock County
 Rocknobles Comm Corrections
 Roosevelt TownshipRoseau County
 Roseau Electric Cooperative
 Rosemount Apple Valley
 Runestone Area Education District
 Sauk Centre Public Utilities
 Sauk Centre-Water, Light, & Power
 Sauk Rapids - Rice Public Schools
 Scott County
 Scott Soil & Water Conservation
 Seaway Port Authority of Duluth
 Sebekka Public School
 SenateShakopee Public Utilities Comm.
 Sherburne County
 Sibley County
 South St. Louis County Soil & Water Conservation District (SWCD)
 South Washington County Watershed District
 Southwest Regional Development Comm
 Southwest/West Central Service Cooperative
 Spring Lake Park Fire Dept.
 Spirit Mountain
 St. Charles Public Schools
 St. Cloud Area Planning
 St. Cloud HRA
 St. Cloud Metropolitan Transit Comm
 St. James - AFSCME
 St. Louis County
 St. Louis County HRA
 St. Michael's Hospital
 St. Paul Teachers Retirement
 St. Peter Community Hospital
 State Archaeology, Office ofState Fair
 State of Minnesota - SEMA4
 Stearns County Soil Water Cons District
 Steele County
 Stevens County
 Stevens County Soil & Water Conservation
 Sunrise Home - Two Harbors
 Technology & Information Educ. Svcs.
 Three Rivers Park District
 Todd County
 Todd County Soil & Water Cons.
 Town of Columbus
 Town of May
 Town of Thomson
 Town of White
 Traverse Des Sioux Library
 Truman Public Schools
 U of M Physicians
 United Hospital District
 University of Minnesota
 Upsala Area School
 Viking Library System
 Virginia County Library Co-op
 Virginia Dept of Public Utilities
 Virginia Medical Center
 Virginia Public Utilities
 Virginia School District
 W Hennepin Public Safety Dept
 W Lake Superior Sanitary Dist
 Wabasha County
 Wadena County Soc. Serv.
 Waseca-LeSueur Regional Library
 Washington County
 Washington Soil & Water Cons.
 Watonwan County Soil Water Conserv.
 Wells Public Utilities
 West Central Education Dist #6026
 West Central MN Joint Power Board
 West Concord I.S.D. #205
 West Metro Fire Rescue
 West Ottertail Soil & Water
 Western Lake Superior Sanitation
 Wild Rice Electric Coop
 Wilkin County
 Wilkin County Soil & Water Conservation
 Willmar Municipal Utilities
 Windom Area Hospitals
 Winona County
 Winona ISD
 Worthington Regional Hospital
 Wright County
 Wright County - Highway
 Wright County Soil and Water Conservation District
 Wright County Technical Center
 Yellow Medicine County



Minnesota State Retirement System
60 Empire Drive, Suite 300
Saint Paul, Minnesota 55103-3000