

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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



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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, 2009

Prepared by MSRS Finance, Records, Information Systems and Executive Division Staff

Retirement Systems of Minnesota Building

60 Empire Drive, Suite 300 | St. Paul, Minnesota 55103-3000

1-800-657-5757 | 651-296-2761 | www.msrs.state.mn.us

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Introductory Section

Pension Trust Funds of the State of Minnesota



Public Pension Coordinating Council Award



Public Pension Coordinating Council

Recognition Award for Administration 2009

Presented to

Minnesota State Retirement System

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Board Chairperson's Report



Minnesota State Retirement System
MNDCP Minnesota Deferred Compensation Plan
HCSP Health Care Savings Plan

January 29, 2010

Dear Members, Benefit Recipients, and Employers:

I have been on the Minnesota State Retirement System Board of Directors for 17 years, and, without a doubt, fiscal year 2009 (July 1, 2008 through June 30, 2009) was the most tumultuous. The stock market plummeted in September, October, and November of 2008, and just when we thought things couldn't get much worse, the markets took another dive in January, February and March. At one point, our investment return for the year was a negative 30 percent. Strong returns during the last three months of the fiscal year (April, May and June 2009) reduced our investment loss to 18.8 percent. The market rebound has continued through November 2009, but we still have a long way to go before we fully recover from this deep recession.

The MSRS Board is committed to focusing on the long-term sustainability of the retirement funds. We were fortunate to go into the recession with retirement plans that were well funded. On June 30, 2007, the General Employees Retirement Plan was very close to reaching full funding. Now, we must again begin the process of moving back toward full funding to ensure that your retirement plan stays secure.

The Board has taken proactive steps to keep our plans well funded. Employee and employer contribution increases have been phased in over the last three years to increase the revenue in the plans.

The last increases will be implemented on July 1, 2010. Following a year of analysis and planning, the Minnesota Legislature enacted our recommendation to combine the fund for retirees, the Minnesota Post Retirement Investment Fund, with the funds for active employees to provide a more financially secure fund structure for both current and future retirees.

The Minnesota State Board of Investment (SBI) remains focused on investing MSRS' assets in a methodical, proven method that has worked well for many years. From July 1, 1980, through June 30, 2009, the SBI has realized an annual, average return of over 9.5 percent.

The Board will remain diligent to maintain the viability of the System. We will make deliberate, thoughtful decisions to make sure that your pensions are secure. We appreciate your support of the Board and staff.

Sincerely,

Mary Benner, Chair
Board of Directors

Letter of Transmittal



January 29, 2010

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 Comprehensive Annual Financial Report (CAFR) for the Minnesota State Retirement System (MSRS) for the fiscal year ended June 30, 2009, our 80th year of service to our membership. Throughout this report, you will find affirmations of our efforts to fulfill our mission to administer secure retirement plans, assure timely benefit payments, be proactive in public pension policies, and provide exemplary customer service. We do this by carefully monitoring funding progress and evaluating our operations to ensure they are carried out effectively and in compliance with Minnesota Statutes.

This CAFR is designed to meet the reporting requirements of Minnesota Statutes 356.20. MSRS management takes full responsibility for the content of this report and ensuring that sufficient internal controls exist to provide reasonable assurance that the information in the financial statements, supporting schedules, and statistical tables is reliable.

CAFR Contents

The Comprehensive Annual Financial Report is divided into five sections:

Introductory Section

This section consists of the board chairperson's report, our mission statement, organization chart, and a summary of the retirement provisions for all defined benefit and defined contribution plans that MSRS administers.

Financial Section

This section consists of the independent auditor's report, management's discussion and analysis, financial statements and notes thereto, and required supplementary information.

Investment Section

This section consists of the Minnesota State Board of Investment's report, rates of return on investments held, and investment portfolio information.

Actuarial Section

This section consists of the actuary's certification letter, summaries of actuarial assumptions and methods, and various schedules of actuarial assets, liabilities, and member data.

Statistical Section

This section consists of tables detailing revenue sources, expense types, employee statistics, and investment performance.

Readers of this transmittal letter are encouraged to refer to *Management's Discussion and Analysis* on pages 26-29 for financial highlights and an overview of MSRS's financial statements for fiscal year 2009. MSRS' financial activities are also reflected in pension trust fund financial statements included in the *Fiduciary Funds* section of the *State of Minnesota's Comprehensive Annual Financial Report*.

About MSRS Plans

MSRS administers six defined benefit and four defined contribution plans, which are identified on the next page. The net assets of these plans totaled \$11.6 billion as of June 30, 2009.

Defined Benefit Plans:

- State Employees Retirement Fund (which includes General Plan employees and three special groups: Minnesota Department of Transportation pilots, deputy state fire marshals, and Military Affairs personnel).
- State Patrol Retirement Fund.
- Correctional Employees Retirement Fund.
- Judges Retirement Fund.
- Legislators Retirement Fund.
- Elective State Officers Retirement Fund.

Defined Contribution Plans:

- Minnesota Deferred Compensation Plan (MNDCP).
- Unclassified Employees Retirement Fund.
- Health Care Savings Plan.
- Supplemental Retirement Plan for Hennepin County.

For the defined benefit plans and the Unclassified Employees Retirement Fund, MSRS serves approximately 56,100 active employees from over 30 reporting employer units, 30,600 benefit recipients, and 25,600 members who are no longer contributing, but are eligible for either future monthly benefits or a lump-sum distribution. Net assets for these plans were slightly less than \$8.2 billion at June 30, 2009.

MSRS also serves over 87,700 participants in the MNDCP with net assets totaling \$3.1 billion at June 30, 2009. Over 58,000 members participate in the Health Care Savings Plan with net assets at fiscal year end exceeding \$255 million. Over 2,000 members participate in the Supplemental Retirement Plan for Hennepin County with net assets at June 30, 2009, totaling nearly \$102 million.

Major Initiatives

Our primary focus during fiscal year 2009 was preparing for a smooth transition to a new record keeper, ING, for all of our defined contribution plans. We changed many of our business processes, forms, and communications materials. We trained employers participating in these plans and MSRS staff on the new systems that ING provided for reporting contributions and participant transaction data. By July 1, we successfully transferred over 120,000 members' accounts with assets totaling over \$3.7 billion. All defined contribution plan members are now enjoying the benefits of daily valued investments, online transaction capability, enhanced web tools, and lower administrative fees. In February, 2010, MNDCP participants will also have the benefit of online and personal investment advisory services.

In conjunction with the Minnesota Teachers Retirement Association, Public Employees Retirement Association, and the Minnesota State Board of Investment, we completed the dissolution of the Minnesota Post Retirement Investment Fund (MPRIF) on June 30, 2009. By law, since the MPRIF's composite funding ratio fell below 80 percent as of June 30, 2008, its assets were merged with the assets of the active member funds at the close of business on June 30, 2009. The merger was necessary to help sustain the long-term financial stability of the defined benefit retirement plans. With this change, eligible benefit recipients receiving benefits on or before January 1, 2009 received a 2.5 percent annual cost-of-living adjustment, effective January 1, 2010. Benefit recipients who received their first benefit after January 1, 2009 but before December 2, 2009 received a prorated portion of the January 1, 2010 increase.

As a result of the 2009 legislative session, the period in which employees can apply for disability benefits was extended from 180 days to 18 months. Legislation was also enacted that tightened the definition of duty-related disability for both the State Patrol and Correctional Plans and established that MSRS' determination for duty-related disability determines eligibility for paid health insurance for members of the State Patrol Plan.

We were successful also in getting federal legislation enacted that reinstated the original death benefit for participants in the Health Care Savings Plan who die without a spouse or legal dependent. This death benefit is unique to our plan and a similar plan available to public employees in Michigan.

For the third consecutive year, we took in more revenue than necessary to administer the MNDCP. As a result, the MSRS Board approved another six-month fee holiday for participants in the MNDCP which will take effect January 1, 2010 through June 30, 2010. The previous fee holiday covered the six month period beginning October 1, 2008, and ending March 31, 2009. Throughout fiscal year 2009, generally plan participants would have paid an annual administrative fee of ten basis points (1/10th of one percent) on the first \$100,000 account balance. With the new record keeper change taking effect July 1, 2009, we reduced the administrative fee to seven basis points (7/100th of one percent) on the first \$100,000 account balance.

During fiscal year 2009 we initiated our investment in technology and stepped up our efforts to improve the security of our data and computer systems. We upgraded our five-year VoIP (Voice over Internet Protocol) phone

Letter of Transmittal

system to improve call transferring capabilities and expand coverage to our Detroit Lakes satellite office. We also replaced a significant number of the desktop and laptop personal computers, printers, and servers. We deployed a vulnerability management system to scan over 300 of our devices daily to ensure that exploitable threats against our system are detected and remediated to protect the confidentiality, integrity and availability of our data and systems. In fiscal year 2010, we are redesigning our network architecture with enhanced security controls.

Financial Information

Accounting System and Reports

MSRS prepares its financial statements in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). Transactions are reported on the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is made. Most financial transactions are processed through the Minnesota Accounting and Procurement System under the oversight of the department of Minnesota Management and Budget.

Independent Audit

The Office of the Legislative Auditor, a professional, nonpartisan office in the legislative branch of Minnesota state government, audited the financial statements and related note disclosures contained in this report, and reviewed the adequacy of our internal controls over financial reporting and compliance with certain legal provisions. The Legislative Auditor's opinion letter is presented in the *Financial Section* of this CAFR, beginning on page 24.

Financial Summary

The following schedule is a comparative summary of the additions and deductions for MSRS' defined benefit and defined contribution plans for the fiscal years ended June 30, 2009 and 2008. Additions represent employee and employer contributions and net investment earnings/losses. Deductions include annuity payments, health care reimbursements, ongoing deferred compensation withdrawals, refunds, and administrative expenses. With a negative 18.8 percent investment return for fiscal year (FY) 2009, MSRS sustained a decrease in net assets for its defined benefit plans of \$2.2 billion. Net assets for the defined contribution plans also decreased \$516 million for fiscal year 2009.

Summary Statement of Changes in Plan Net Assets – All MSRS Pension Trust Funds For the Fiscal Years Ended June 30, 2009 and 2008

(Dollars in thousands)

Source	Defined Benefit Funds		Defined Contribution Funds	
	FY 2009	FY 2008	FY 2009	FY 2008
Total Additions	\$(1,629,468)	\$(275,904)	\$(310,607)	\$215,405
Total Deductions	566,214	536,574	204,962	260,673
Change in Net Assets	<u>\$(2,195,682)</u>	<u>\$(812,478)</u>	<u>\$(515,569)</u>	<u>\$(45,268)</u>

Actuarial Funding Status

MSRS contracted with Mercer Consulting of Minneapolis, Minnesota to perform the annual actuarial valuation for all of the MSRS defined benefit plans and to provide other actuarial consulting services during fiscal year 2009. The actuarial valuations measure current costs and contribution requirements to determine how much employers and members should contribute to maintain appropriate funding progress to pay future benefits. Actuarial valuations also measure assets and liabilities to

determine the level of funding for each defined benefit plan that MSRS administers. The better the level of funding, the larger the ratio of assets to accrued liabilities, and the greater the level of investment income potential. A high funding ratio gives members more assurance that their pensions are secure, and that present assets and projected investment earnings on those assets are sufficient to cover the liabilities for present and future annuities, survivor and disability benefits, refunds, and administrative expenses.

The schedule below highlights the actuarial value of assets, actuarial accrued liabilities, funding ratios and contribution information for each defined benefit fund as of the latest actuarial valuation date, June 30, 2009. The

State Employees Retirement Fund, with an 85.90 percent funding ratio, is the best funded governmental pension plan in Minnesota. Its funding ratio surpasses the 2008 national median of 82.50 percent by over three percent.

Highlights of the 2009 Actuarial Valuations

(Dollars in thousands)

Defined Benefit Funds	Actuarial Value of Assets	Actuarial Accrued Liability	Funding Ratio	Contribution Deficiency
State Employees	\$9,030,401	\$10,512,760	85.90%	5.35%
State Patrol	\$584,501	\$725,334	80.58%	12.16%
Correctional Employees	\$590,339	\$821,250	71.88%	6.05%
Judges	\$147,120	\$241,815	60.84%	3.73%
Legislators	\$28,663	\$90,431	31.70%	329.22%
Elective State Officers	\$213	\$3,886	5.49%	\$601,274*

* Amount reported is stated in actual dollars.

Results of the 2009 actuarial valuations also revealed increased contribution deficiencies for all plans. The primary reasons for this are the less than expected return on assets and the impact of insufficient contributions. For the State Employees, the State Patrol and the Correctional Employees Retirement Funds, member and employer contribution rate increases took effect on July 1, 2009 and another increase is scheduled for July 1, 2010. Even with these scheduled increases, if the recent turmoil in the financial marketplace is not reversed, the funded status of the plans will continue to deteriorate and losses will further increase the contribution deficiencies. However, absent any additional losses, the funds have sufficient assets to pay projected future benefits for many years. No contribution rate increases are planned for the Judges Retirement Fund. The Legislators and Elective State Officers Funds are funded on a pay-as-you-go basis.

The Minnesota Legislature annually reviews reports of the actuarial funding status of the retirement systems. The Legislature has the authority to set contribution rates to ensure that the retirement systems are adequately funded over the long term. Historically, legislators have increased contribution rates only if a long-term trend of weak investment returns and declining funding levels necessitate higher contribution rates.

The assumptions and actuarial methods used in the valuation are in accordance with *Minnesota Statutes*, Section 356.215. Beginning with the July 1, 2009 actuarial valuation, the MPRIF asset loss for the fiscal year ended

June 30, 2009 will be recognized incrementally or smoothed over five years at 20 percent per year. This change in actuarial asset method impacted the State Employees Retirement Fund, the State Patrol Fund, the Correctional Employees Retirement Fund, and the Judges Retirement Fund. The combined effects of this change resulted in decreases to the unfunded liabilities and can be found on page 87. Additional information regarding the funding of MSRS' plans is presented in the *Actuarial Section* found on pages 79 through 98. The entry age normal method, with level contributions as a percent of payroll, is used as the actuarial funding method.

Investment Results

In accordance with the Minnesota Constitution, the Minnesota State Board of Investment (SBI) invests the assets of MSRS' funds. The Board is comprised of Governor Tim Pawlenty, Attorney General Lori Swanson, Secretary of State Mark Ritchie, and State Auditor Rebecca Otto. For all investments under SBI's management, the Board, the 17-member Investment Advisory Council (IAC) to the board (which includes the MSRS executive director), and the SBI staff are governed by the prudent persons rule, and fiduciary standards detailed in *Minnesota Statutes*, Chapters 11A and 356A. The Board, in conjunction with the IAC and SBI staff, establishes asset allocation and other investment policies and guidelines and conducts detailed investment analyses of each of the funds under its control.

During fiscal year 2009, U.S. capital markets experienced

Letter of Transmittal

one of the most difficult and volatile periods in recent history. Domestic stocks returned a -26.9 percent return for the 2009 fiscal year, slightly underperforming the Russell 3000 index, used for performance measurement purposes, by a -.3 percent. Yet the last quarter of the 2009 fiscal year was one of the strongest on record due to the federal government's unprecedented efforts to revive the economy. Starting at a market low in March, the market rallied through most of the quarter and tapered off in June. During the last quarter, domestic stocks posted a 17 percent return, outperforming the Russell 3000 index by .4 percent.

International stocks posted a -31 percent return for the 2009 fiscal year, slightly underperforming the Morgan Stanley Capital International All Country World Index excluding the United States (which represents the developed and emerging international markets outside the U.S.) by .1 percent for the fiscal year. International stocks also rallied in the last quarter of the 2009 fiscal year, posting a positive return of 27 percent.

The U.S. bond market posted a positive 2.5 percent return during the 2009 fiscal year, yet underperformed the Barclays Capital Aggregate Bond Index by 3.5 percent. With the economy showing signs of stabilization in the fourth quarter of the fiscal year, the bond market posted a 5.3 percent return for the last quarter, outperforming the index by 3.5 percent which eliminated an otherwise negative return for the 2009 fiscal year.

Within this investment environment, the retirement assets under SBI's control performed as follows:

Basic Retirement Funds

Throughout fiscal year 2009, the Basic Retirement Funds were comprised of employee and employer pension contributions held in trust during the employee's years of active service. The investment objective of the Basic Retirement Funds was to ensure that sufficient funds are available to finance promised benefits at retirement. To achieve this objective, the Basic Retirement Funds were expected to generate investment returns of at least 8.5 percent on an annualized basis over time. For fiscal year 2009, the Basic Retirement Funds returned a -19.6 percent. Over the last ten-year period, the Basic Retirement Funds experienced an annualized return of 2.4 percent.

Minnesota Post Retirement Investment Fund

Consistent with legislation enacted in 2008, the Minnesota Post Retirement Investment Fund (MPRIF) was dissolved

on June 30, 2009. Throughout most of 2009, the MPRIF was comprised of assets transferred from the Basic Retirement Funds when a member retires. Up until the day of its dissolution, the MPRIF returned a -17.5 percent, with an annualized return of 2.5 percent for the last ten-year period. To achieve the dissolution, the MPRIF assets were transferred to the Basic Funds, using a value as of the close of business on June 29, 2009. The merger of the Basic and the MPRIF assets established the Combined Funds, which represents all defined benefit pension plan assets going forward.

The Combined Funds

The Combined Funds reported a -18.8 percent return (net of fees) for the 2009 fiscal year. Annualized over the latest ten-year period, it generated a 2.4 percent return. Over the latest 20-year period, the Combined Funds achieved their long-term investment objective and provided a 7.8 percent return that was 5.0 percentage points greater than inflation, as measured by the Consumer Price Index, over the same period. With the dissolution of the MPRIF, the Combined Funds have a new distinct asset allocation mix that differs from the historic asset allocation policies for the Basic Funds or the MPRIF. The new asset allocation policy is as follows:

Domestic Equity	45%
International Equity	15%
Alternatives	20%
Fixed Income	18%
Cash	2%

Please refer to the *Investment Section*, beginning on page 69, for additional details on the investment results of MSRS' largest defined benefit retirement plans for fiscal year 2009.

Awards

MSRS received the Public Pension Coordinating Council's (PPCC) *Public Pension Standards 2009 Award*, in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards. These standards were developed by a coalition of three associations that represent public pension funds who cover the vast majority of public employees in the U.S. They are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. The PPCC has offered this awards program to public retirement systems for the past seven years. MSRS is proud to be a recipient of this award.

We will be submitting this report to the Government

Finance Officers Association (GFOA) to determine its eligibility for a Certificate of Achievement for Excellence in Financial Reporting. To receive this prestigious award, we must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies generally accepted accounting principles and applicable legal requirements. We believe that this report conforms to the GFOA Certificate of Achievement program requirements and are hopeful that we will earn this award as we have in years past.

Membership Report

This report provides complete and reliable information on which management decisions may be based and through which compliance with statutory requirements may be assessed. It is reproduced, in its entirety, on MSRS' website, www.msrs.state.mn.us. A summary of the CAFR will be published in the next issue of the *Messenger*, MSRS' newsletter.

This report is also complemented by information on the MSRS website addressing many questions about the financial impact of the volatile markets on Minnesota's public pension systems. On the MSRS website, we provide assurance to our members and retirees that

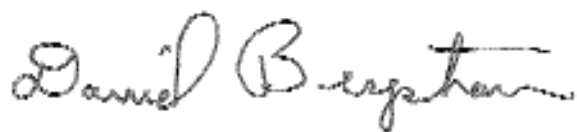
the Minnesota public pension systems and SBI are monitoring the economic conditions and market activities closely, and that members' benefits and pensions are safe and will be paid.

Acknowledgements

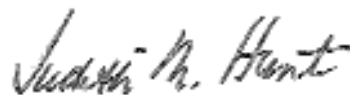
Two key MSRS staff persons deserve significant recognition and our special thanks for preparation of this report: Dennis E. Jensen, accounting director, for his financial management and reporting expertise, and Deb Otto, communications officer, for her artistic creativity and publishing talents. This report would not be possible without their cooperative enthusiasm and tremendous dedication.

We would also like to express our utmost gratitude to the MSRS Board of Directors, all of our outstanding staff, advisors, and our business associates for your outstanding hard work, professionalism, and commitment to MSRS. Because of your remarkable contributions, MSRS continues to experience the success it has enjoyed year after year.

Respectfully submitted,



David Bergstrom
Executive Director



Judith M. Hunt
Assistant Executive Director

MSRS Board of Directors, Administrative Staff and Professional Consultants

As of June 30, 2009

Mary Benner, Chair

Elected by General Plan Membership

Term expires : May 7, 2012

Allen E. Hoppe

Elected by General Plan Membership

Term expires: May 7, 2012

Mathew Hodapp, Vice Chair

Elected State Patrol Representative

Term expires: May 3, 2010

Susan O'Connell

Elected by General Plan Membership

Term expires: May 3, 2010

Steven Amic

Elected Correctional Plan Representative

Term expires: May 7, 2012

Sally (R.W.) Olsen

Appointed by Governor

Term expires: January 5, 2013

Robert J. Mayer

Elected by General Plan Membership

Term expires: May 3, 2010

John Richter

Elected Retiree Representative

Term expires: May 7, 2012

Michelle Sommers

Appointed Metropolitan Transit Commission

(MTC) Representative

Term expires: at the discretion of MTC

Peggy Ingison

Appointed by Governor

Term expires: January 3, 2011

Tom Hanson, Commissioner

Minnesota Management and Budget

Appointed by Governor

Term expires: January 3, 2011

Key Administrative Staff

Executive Director:

David Bergstrom

Assistant Executive Director -

Finance, Information Systems, and Records:

Judith M. Hunt

Assistant Executive Director -

Retirement Services:

Erin M. Leonard

Professional Consultants

Actuary:

Mercer Human Resource Consulting

Legal Counsel:

Assistant Attorney General Jon Murphy

Assistant Attorney General Rory Foley

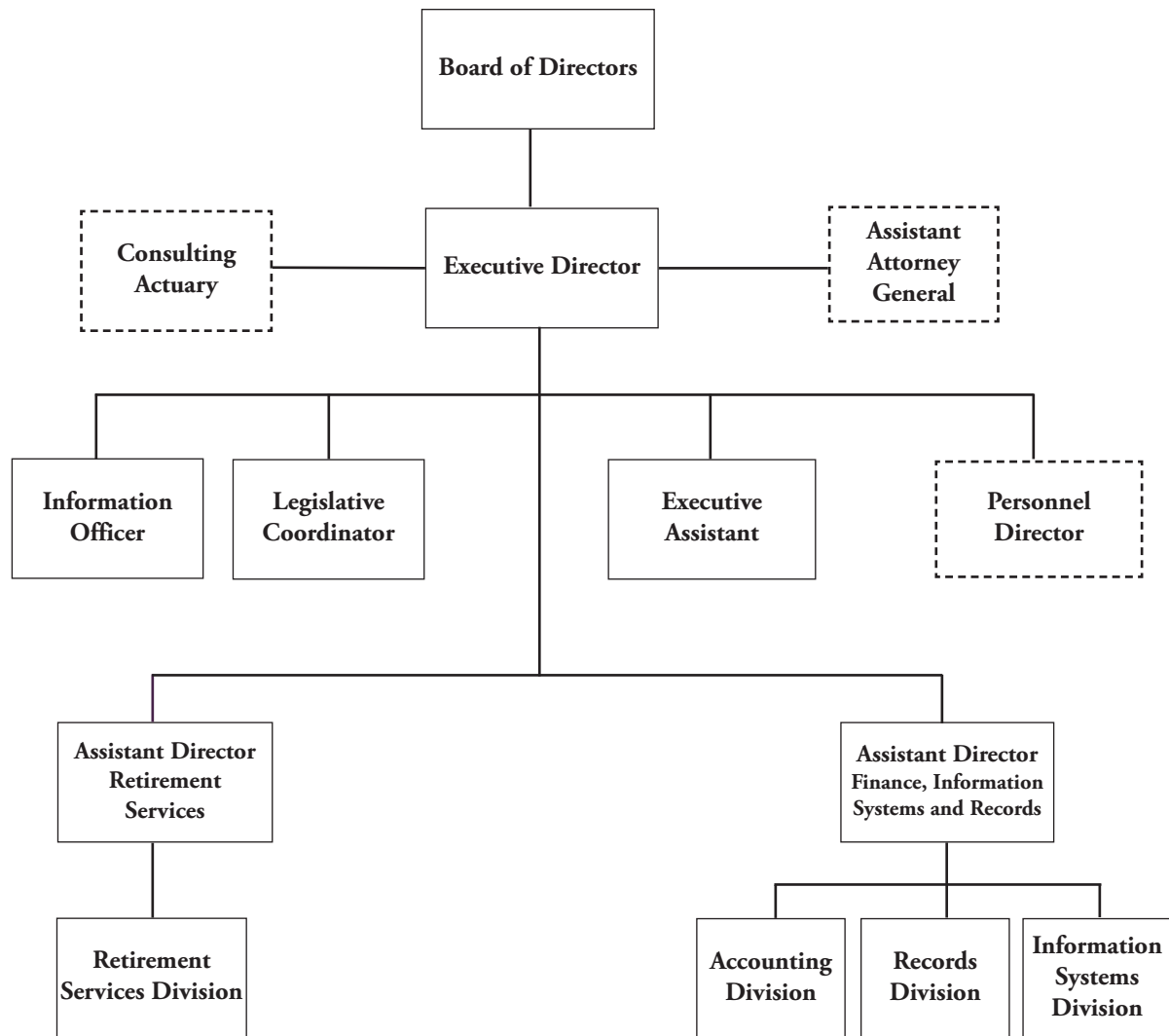
Medical Advisor:

Minnesota Department of Health

NOTE: MSRS invests its funds in various investment pools administered by the Minnesota 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 67 of the *Financial Section*.

Organization Chart

As of June 30, 2009



Mission Statement

To administer secure retirement plans, a tax-free health care savings plan, and a low cost deferred compensation plan; assure timely benefit payments; be proactive in public pension policies; and provide exemplary customer service through a one-stop shopping source.

Summary of Retirement System Plans

Purpose

The Minnesota State Retirement System (MSRS) was established by the State Legislature in 1929 to provide retirement benefits to state employees. MSRS administers six defined benefit funds and four defined contribution funds 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/Unclassified Plan members, one elected State Patrol Plan member, one elected Correctional Plan member, one elected retired member, one designated Metropolitan Transit Commission 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, University of Minnesota non-faculty employees, and selected metropolitan agency employees

B. Contribution Rates

- 4.50 percent, employee; 4.5 percent, employer; increased to 4.75 percent for both the employee and employer effective July 1, 2009, and increased to 5.00 percent for both employee and employer effective July 1, 2010.

C. Benefit Formula

- 1.2 percent of a high-five year salary for first 10 years of allowable service, then 1.7 percent each year beyond 10 years with subsidized early retirement adjustment (only available to employees hired before July 1, 1989), or

- 1.7 percent for all years of allowable service with an actuarial equivalent, early retirement reduction

D. 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-July 1, 1989 hires only)
- The plan also offers total and permanent disability benefits for employees with at least three years of service

E. Surviving Spouse Benefit

- If employee has at least three years of service at death, generally, the spouse is eligible for a 100 percent survivor annuity or a refund

F. Refunds

- Employee contributions plus 6 percent interest compounded annually

G. Retirement and Disability Options

- Single-Life annuity
- 100 percent Joint and Survivor with bounce back, meaning if your survivor dies first, your benefit would increase 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 (hired before June 1, 2008) 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

B. Contribution Rates

- Military Affairs and Transportation Pilots: 6.10 percent, employee; 6.10 percent, employer; increased to 6.35 percent for both employee and employer effective July 1, 2009
- Deputy Fire Marshals: 7.28 percent employee; 8.70 percent employer; increased to 7.53 percent and 8.95 percent, respectively, effective July 1, 2009

C. Retirement Age and Service Years

- Military Affairs, age 60, with at least three years of service, no reduction
- Transportation Pilots, age 62, with at least three years of service, no reduction
- Fire Marshals, age 55 with 2.0 percent accrual rate, with at least three years of service, no reduction

D. Disability

- Eligible for disability with at least three years of service and unable to perform duties
- 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

B. Contribution Rates

- 9.8 percent, employee; 14.6 percent, employer; increased to 10.4 percent and 15.6 percent, respectively, effective July 1, 2009

C. Benefit Formula

- 3 percent of successive, high-five year salary for each year of allowable service

D. Retirement Age and Service Years

- Age 55 with three years of allowable service, no reduction
- Age 50 with three years of allowable service, reduction from age 55

E. Disability

- Eligible for disability if unable to perform duties (with one year of service), and immediate coverage if disabled on the job
- Job-related disability, benefit is equal to 60 percent of high-five year average salary, plus 3 percent for each year beyond 20 years of allowable service; minimum non-job related disability is 45 percent

F. 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 of employee contribution plus 6 percent interest if no survivor benefit payable and if unpaid funds are available

G. Refunds

- Employee contributions plus 6 percent interest compounded annually

Summary of Retirement System Plans

H. Annuity and Disability Options

- Single-Life annuity
- 100 percent Joint and Survivor with bounce back
- 75 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

B. Contribution Rates

- 7 percent, employee; 10.10 percent, employer; increased to 7.7 percent and 11.10 percent, respectively, effective January 1, 2009

C. Benefit Formula

- 2.4 percent of high five year average salary for each year of allowable service or an accelerated annuity to age 62 or 65, then an actuarially adjusted benefit thereafter

D. Retirement Age and Service Years

- Age 55 with at least three years of allowable service
- Age 50 with at least three years of allowable service, reduction from age 55

E. Disability

- Job-related disability, benefit equals 50 percent of high five year average salary plus 2.4 percent for each year beyond 20 years of allowable service; the minimum non-job related disability is 36 percent (there is no minimum non-job related disability benefit for those hired after July 1, 2009)
- Member is reclassified from disabled to retired at age 55 (age 65 if disabled prior to July 1, 2009)
- Regular disability requirement is one year of covered correctional service for employees hired before July 1, 2009 or three years of covered correctional service for employees hired after June 30, 2009.

5. Judges Retirement Plan

A. Coverage

- District, appellate and supreme court judges

B. Contribution Rates

- 8.0 percent, employee; 20.5 percent, employer

C. Benefit Formula

- 2.7 percent for each year of allowable service prior to July 1, 1980, plus 3.2 percent of same average salary for allowable service after June 30, 1980; formula applied to high five year average salary within last decade; the formula is capped at 76.8 percent

D. 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

E. 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 high five year salary

F. Survivor Benefits

- Spouse eligible for 60 percent of Normal annuity, or 100 percent Joint and Survivor option, if higher, subject to a minimum of 25 percent of final average salary

G. Refunds

- Employee contributions with 6 percent interest compounded annually.

H. Annuity and Disability Options

- Single-Life annuity
- 100 percent Joint and Survivor with or without bounce back
- 75 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 July 1, 1997

B. Contribution Rates

- 9 percent, employee; employers' share is funded by annual appropriation, as needed, from the state's General Fund

C. Benefit Formula

- 2.5 percent high five year average salary for each year of allowable service, plus a variable actuarial adjustment based on retirement age

D. 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

E. Survivor Benefits

- Spouse gets 50 percent of benefit or 100 percent Joint and Survivor amount, if legislator is age 55 or more at death
- First child gets 25 percent, next two children get 12.5 percent for a 100 percent maximum

F. Refunds

- Employee contributions with 6 percent interest

G. Annuity Options

- Single-Life annuity
- 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. Elective State Officers Retirement Plan

A. Coverage

- Elected constitutional officers; newly elected constitutional officers are covered by the Unclassified Plan as of July 1, 1997
- Note: All current constitutional officers were elected after July 1, 1997, therefore, this plan is closed.

B. Contribution Rates

- Plan is funded by annual appropriations from the State's General Fund

Defined Contribution Plans

1. Unclassified Employees Retirement Plan (IRC Section 401(a) Plan)

A. Coverage

- Specified employees in unclassified positions

B. Contribution Rates

- 4 percent, employee; 6 percent, employer

C. Benefits

- Account balance or annuity benefit withdrawal based on age and 6 percent interest assumption

D. Retirement Age and Service Years

- Age 55 with any length of service

E. Refunds

- Account value

Summary of Retirement System Plans

F. Annuity and Disability Options

- Single-Life annuity
- 100 percent Joint and Survivor with bounce back
- 75 percent Joint and Survivor with bounce back
- 50 percent Joint and Survivor with bounce back
- 15 Year Certain and Life Thereafter

G. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants. Prior to that date, MSRS internally administered this plan.

2. Health Care Savings Plan

(Approved Plan through Private Letter Ruling)

A. Coverage

- Negotiated by bargaining unit or personnel department

B. Contribution Rate

- Employee or negotiated employer funding criteria bargained per labor contract; may include severance pay

C. Benefits

- Account balance and investment gains/losses

D. 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

E. Refunds

- None; dependents, or if none, beneficiaries use the account after the death of the member for eligible healthcare reimbursements as designated in Internal Revenue Service Code

F. Availability

- All public employees in the State of Minnesota

G. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants. Prior to that date, MSRS internally administered this plan.

3. Minnesota State Deferred Compensation Plan (IRC Section 457 Plan)

A. Coverage

- Optional for all state employees and political subdivision employees

B. Contribution Rate

- Tax deferred with a \$10 per payperiod minimum

C. Third-party Administrator

- Great-West Life and Annuity Insurance Company prior to June 29, 2009; thereafter, ING provides recordkeeping services and MSRS counsels plan participants

D. Withdrawal Events

- Termination of service or death
- Unforeseeable emergency

E. Withdrawal Options:

- Lump-sum
- Periodic withdrawals distributions
- Various annuities

4. Supplemental Retirement Plan for Hennepin County (Non-qualified plan)

A. Coverage

- Optional for employees of Hennepin County, Minnesota, who began employment prior to April 14, 1982

B. Contribution Rates

- 1 percent, employee; 1 percent, employer

C. Benefits

- Account balance including investment earnings/losses

D. Withdrawal Events

- Termination of service or death
- Retirement

E. Withdrawal Options:

- Lump-sum
- Monthly withdrawals for five years
- Annual withdrawals for five years

F. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants.
- From December 1, 2005 through June 30, 2009 MSRS internally administered this plan.

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

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Financial Section

Pension Trust Funds of the State of Minnesota



Independent Auditor's Report



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

Mr. David Bergstrom, Executive Director
Minnesota State Retirement System

We have audited the accompanying basic financial statements of the Minnesota State Retirement System as of and for the year ended June 30, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the Minnesota State Retirement System'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Retirement System as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

On January 5, 2010, the Minnesota State Retirement System revised Exhibit 8: Foreign Currency Risk, on page 39, to reallocate its holdings of foreign cash and fixed income investments among the types of foreign currency, as require by Governmental Accounting Standards Board Statement 40.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2010, on our consideration of the Minnesota State Retirement System's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Tel: 651-296-4708 • Fax: 651-296-4712
E-mail: auditor@state.mn.us • Web Site: www.auditor.leg.state.mn.us • Through Minnesota Relay: 1-800-627-3529 or 7-1-1

Members of the Board of Trustees
Mr. David Bergstrom, Executive Director
Page 2

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of the Minnesota State Retirement System'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 the Minnesota State Retirement System's basic financial statements. The Introductory, Investment, Actuarial, and Statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules in the Financial Section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial, and Statistical Sections 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 M. Ferkul, CPA
Deputy Legislative Auditor

December 18, 2009, except for Exhibit 8: Foreign Currency Risk on page 39, as to which the date is January 5, 2010.

Management's Discussion and Analysis

We, the management of the Minnesota State Retirement System (MSRS), present this discussion and analysis of MSRS' financial activities for the fiscal year ended June 30, 2009. We encourage you to read the information contained in this narrative in conjunction with the transmittal letter which begins on page 8, and the financial statements and required supplementary information contained in this section of the CAFR.

Financial Highlights

Fiscal year 2009 brought historic economic challenges and events. Although the state's pension trust funds are well diversified, they were not immune to the significant investment declines they endured for the past two fiscal years. Investments generated a negative 18.8 percent return in fiscal year 2009 due to the credit crisis and collapse of the residential real estate market. Additional information about investment activity can be found in the *Investment Section* of this report.

The four largest MSRS defined benefit funds remain adequately funded with sufficient assets to pay projected future benefits for many years. As of July 1, 2009, the most recent actuarial valuation date, the State Employees Retirement Fund was 85.90 percent funded, the State Patrol Retirement Fund was 80.58 percent funded, the Correctional Employees Retirement Fund was 71.88 percent funded, and the Judges Retirement Fund was 60.84 percent funded. Additional information about the financial condition of each defined benefit plan can be found in the *Actuarial Section* of this report.

On a market value of assets basis, the contribution deficiencies for all of MSRS' defined benefit plans increased during fiscal year 2009 due to less than expected rates of return on investments and the impact of insufficient contributions. Even when taking into consideration scheduled increases in member and employer contribution rates for State Employees Retirement Fund and the Correctional Employees Retirement Fund, the deficiencies remain. Without additional changes in contribution rates or favorable actuarial experience, the funded status for all of the defined benefit plans will continue to deteriorate.

Overall, the financial condition of MSRS' pension trust funds deteriorated during fiscal year 2009. Net assets decreased over \$2.7 billion or 18.9 percent throughout fiscal year 2009 from \$14.3 billion as of July 1, 2008 to \$11.6 billion as of June 30, 2009. This reduction was due in large part to significantly lower asset values for investments at fiscal year end.

Although member and employer contributions increased slightly from \$570 million in fiscal year 2008 to \$590 million in fiscal year 2009, net investment losses were significantly greater in 2009, totaling \$2.6 billion, and were the primary factor in generating a negative \$1.9 billion in total additions to plan net assets for the fiscal year.

Deductions from plan net assets totaled \$771 million for fiscal year 2009, decreasing 3.3 percent primarily due to our processing fewer refunds of members accounts balances throughout the year. The reduction in refunds may result partially from less defined benefit member turnover, especially with high unemployment during fiscal year 2009, and from delayed withdrawals of defined contribution members awaiting market recovery.

Overview of the Financial Statements

This comprehensive annual financial report includes two basic financial statements, the Statement of Plan Net Assets found on pages 30-31, and the Statement of Changes in Plan Net Assets, found on pages 32-33. The purpose of these statements, along with the accompanying Notes to the Financial Statements, beginning on page 34, 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 1C, 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 snapshot of the financial resources and obligations for all of MSRS' pension trust funds at a particular point in time, June 30, the last day of each fiscal year. The assets available and the liabilities owed are reported at fair value as of that date. The difference between total assets and total liabilities is net assets held in trust; this amount is available for payment of future pension benefits or other obligations. Comparisons of total net assets as of June 30, 2009 and 2008 are depicted in the table below.

Summary Statement of Plan Net Assets – All MSRS Pension Trust Funds

As of June 30, 2009 and 2008
(Dollars in millions)

	FY 2009	FY 2008	Change	% Change
Total Assets	\$13,019	\$15,449	\$(2,430)	(15.7)%
Total Liabilities	1,374	1,093	281	25.7%
Total Net Assets	<u>\$11,645</u>	<u>\$14,356</u>	<u>\$(2,711)</u>	<u>(18.9)%</u>

Total assets as of June 30, 2009 were \$13.019 billion, a decrease of \$2.430 billion or 15.7 percent from the prior year. This decrease was due primarily to a substantial decline in the fair value of investments resulting from the economic downturn.

Total liabilities as of June 30, 2009 were \$1.374 billion, an increase of \$281 million or 25.7 percent from the prior fiscal year. This increase was due primarily to increases in the amount of securities lending collateral held at fiscal year end.

The **Statement of Changes in Plan Net Assets** summarizes the financial transactions that occurred during a fiscal year. Additions include contributions, net investment income, and other revenue sources. Deductions include benefit payments, refunds, and other expenses. For the second consecutive fiscal year, additions and deductions reduced net assets. Total additions by major source and total deductions by type for the fiscal years ended June 30, 2009 and 2008 are depicted below.

Summary Statement of Changes in Plan Net Assets – All MSRS Pension Trust Funds

For the fiscal years ended June 30, 2009 and 2008
(Dollars in millions)

	FY 2009	FY 2008	Change	% Change
Additions (by Major Source):				
Member Contributions	\$438	\$431	\$7	1.6%
Employer Contributions	152	139	13	9.4%
Investment Income (Net)	(2,552)	(655)	(1,897)	(289.6)%
Other (includes transfers)	22	24	(2)	(8.3)%
Total Additions	<u>\$(1,940)</u>	<u>\$(61)</u>	<u>\$(1,879)</u>	<u>(3080.3)%</u>
Deductions (by Type):				
Benefits	\$618	\$585	\$33	5.6%
Refunds	123	181	(58)	(32.0)%
Administrative Expenses	11	10	1	10.0%
Other (includes transfers)	19	21	(2)	(9.5)%
Total Deductions	<u>\$771</u>	<u>\$797</u>	<u>\$(26)</u>	<u>(3.3)%</u>
Net Increase (Decrease) in Plan Net Assets	<u>\$(2,711)</u>	<u>\$(858)</u>	<u>\$(1,853)</u>	<u>(216.0)%</u>

Total additions to plan net assets were a negative \$1.940 billion, a decrease of 3080.3 percent for fiscal year 2009. This decrease was due to net investment losses of \$2.552 billion that exceeded total member and employer contributions of \$590 million and other income of \$22 million. Although MSRS experienced strong investment returns during the last quarter of fiscal year 2009, it wasn't sufficient to offset the losses incurred earlier in the year. Overall, investment losses totaled a negative 18.8 percent for fiscal year 2009.

Total contributions paid by members and their employers increased by \$20 million, or 11 percent, for fiscal year 2009. This change was primarily due to contribution rate increases that took effect July 1, 2008. The increases in

contribution rates for the General Employees, Military Affairs, Transportation Pilots, Fire Marshals, State Patrol, and Correctional Employees Plans are found on pages 16-18. No contribution rate increases took effect in the fiscal year for the remaining defined benefit plans.

Total deductions to plan net assets were \$711 million, a decrease of \$26 million or 3.3 percent for fiscal year 2009. This change was substantially due to a decrease of \$58 million (32 percent reduction) in total refunds from \$181 million reported in fiscal year 2008 to \$123 million reported in fiscal year 2009. Fewer refunds of member account balances were processed during the year, partially due to less defined benefit member turnover in an economy with significantly high unemployment rates, and

Management's Discussion and Analysis

also due to delayed withdrawals by defined contribution members awaiting market recovery. Total benefits increased \$33 million or 5.6 percent to \$618 million due to an increase in the number of benefit recipients by more than 1,030 and a 2.5 percent cost-of-living increase for most retirees on January 1, 2009.

The *Notes to the Financial Statements* are an integral part of the financial statements. They provide additional information relevant to obtain a full understanding of the financial statements. *Required Supplementary Information* presents additional schedules which provide historic funding 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 MSRS' Individual Funds

MSRS administers six defined benefit funds and four 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 two tables compare various performance measures of each of the following defined benefit funds to the previous fiscal year: The State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CERF) and the Judges Retirement Fund (JRF). The Legislative Retirement Fund and the Elective State Officers Retirement Fund are excluded from this analysis because they are funded mostly by state of Minnesota General Fund appropriations.

Summary Statement of Plan Net Assets – MSRS' Four Largest Defined Benefit Funds

For the Fiscal Years Ended June 30, 2009 and 2008
(Dollars in millions)

	SERF	SPRF	CERF	JRF
Total Assets, 06/30/2009	\$8,036	\$525	\$532	\$134
Total Assets, 06/30/2008	9,709	650	623	161
Change in Total Assets	<u>\$(1,673)</u>	<u>\$(125)</u>	<u>\$(91)</u>	<u>\$(27)</u>
% Change	<u>(17.23)%</u>	<u>(19.23)%</u>	<u>(14.61)%</u>	<u>(16.77)%</u>
Total Liabilities, 06/30/2009	\$1,139	\$75	\$75	\$19
Total Liabilities, 06/30/2008	906	61	58	15
Change in Total Liabilities	<u>\$233</u>	<u>\$14</u>	<u>\$17</u>	<u>\$4</u>
% Change	<u>25.72%</u>	<u>22.95%</u>	<u>29.31%</u>	<u>26.67%</u>
Total Net Assets, 06/30/2009	\$6,897	\$450	\$457	\$115
Total Net Assets, 06/30/2008	8,803	589	565	146
Change in Total Plan Net Assets	<u>\$(1,906)</u>	<u>\$(139)</u>	<u>\$(108)</u>	<u>\$(31)</u>
% Change	<u>(21.65)%</u>	<u>(23.60)%</u>	<u>(19.12)%</u>	<u>(21.23)%</u>

Summary Statement of Changes in Plan Net Assets – MSRS' Four Largest Defined Benefit Funds

For the Fiscal Years Ended June 30, 2009 and 2008
(Dollars in millions)

	SERF	SPRF	CERF	JRF
Total Additions, year ended 06/30/2009	\$ (1,443)	\$ (95)	\$ (73)	\$ (15)
Total Additions, year ended 06/30/2008	(265)	(17)	2	2
Change in Total Additions	<u>\$ (1,178)</u>	<u>\$ (78)</u>	<u>\$ (75)</u>	<u>\$ (17)</u>
% Change	<u>(444.53)%</u>	<u>(458.82)%</u>	<u>(3,750.00)%</u>	<u>(850.00)%</u>
Total Deductions, year ended 06/30/2009	\$ 463	\$ 44	\$ 35	\$ 16
Total Deductions, year ended 06/30/2008	439	43	32	15
Change in Total Deductions	<u>\$ 24</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 1</u>
% Change	<u>5.47%</u>	<u>2.3%</u>	<u>9.38%</u>	<u>6.67%</u>
Net Increase (Decrease)				
For the fiscal year ended 06/30/2009	\$ (1,906)	\$ (139)	\$ (108)	\$ (31)
Net Increase (Decrease)				
For the fiscal year ended 06/30/2008	(704)	(60)	(30)	(13)
Change in Total Plan Net Assets	<u>\$ (1,202)</u>	<u>\$ (79)</u>	<u>\$ (78)</u>	<u>\$ (18)</u>
% Change	<u>(170.74)%</u>	<u>(131.67)%</u>	<u>(260.00)%</u>	<u>(138.46)%</u>

All of the defined benefit funds showed substantial decreases in net assets, yet are considered to be financially healthy to pay promised benefits during fiscal year 2010 and beyond. Even though members and employers contribution rates increased on July 1, 2009 for the State Employees Retirement Fund and Correctional Employees Retirement Fund, additional investment losses may trigger the need for higher contribution rates beyond 2009 or other legislative initiatives that are designed to minimize contribution deficiencies and improve each plan's funding ratio overall.

Defined Contribution Funds

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

Summary

As the result of negative investment returns for the second consecutive fiscal year, MSRS experienced significant reductions in total plan net assets. Yet, all of the funds remain reasonably healthy, and with steady or improving market conditions, MSRS' funds will continue to be financially sound for 2010 and beyond. If the economic forecast for a slow recovery of jobs and wages does not hold true in the long run, the funded status of the retirement funds will continue to deteriorate and losses will further increase contribution deficiencies. MSRS management will continue to closely monitor economic conditions, changes in funding ratios and contribution deficiency percentages, and the impact on the security and financial stability of our funds.

Request for Information

This financial report is intended to provide a general overview of MSRS' financial position as of June 30, 2009 and the results of financial activities for fiscal year 2009. If you have any questions or comments concerning the contents of this report, please contact Minnesota State Retirement System by mail at 60 Empire Drive Suite 300, Saint Paul, MN 55103-3000, or by telephone toll-free at 1-800-657-5757, or via e-mail at mrsr@state.mn.us.

Statement of Plan Net Assets

As of June 30, 2009
(Dollars in thousands)

	Defined Benefit Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
Assets					
Cash and Cash Equivalents	<u>\$129,901</u>	<u>\$10,321</u>	<u>\$9,025</u>	<u>\$2,654</u>	<u>\$666</u>
Receivables					
Accounts Receivable	\$12,620	\$904	\$1,973	\$303	\$0
Accrued Interest	150	10	10	3	0
Due from Other Plans	3,580	0	0	0	0
Due from State General Fund	0	0	0	0	7,360
Total Receivables	<u>\$16,350</u>	<u>\$914</u>	<u>\$1,983</u>	<u>\$306</u>	<u>\$7,360</u>
Investments (at fair value)					
Fixed Income	\$1,498,590	\$102,979	\$101,162	\$26,325	\$5,346
External Domestic Equity	1,886,708	123,194	124,876	31,380	5,849
Passive Domestic Equity	1,180,268	77,067	78,119	19,630	3,659
Alternative Investments	1,066,960	62,487	67,855	15,783	2,328
Global Equity	1,122,822	73,315	74,317	18,674	3,481
Supplemental Investment Fund	0	0	0	0	0
Mutual Funds	0	0	0	0	0
Total Investments	<u>\$6,755,348</u>	<u>\$439,042</u>	<u>\$446,329</u>	<u>\$111,792</u>	<u>\$20,663</u>
Securities Lending Collateral	<u>\$1,128,374</u>	<u>\$74,400</u>	<u>\$74,961</u>	<u>\$18,964</u>	<u>\$3,597</u>
Capital Assets:					
Land	\$88	\$0	\$0	\$0	\$0
Building and Equipment (Net of Depreciation)	5,914	0	0	0	0
Deferred Bond Charge (Net of Amortization)	54	0	0	0	0
Computer Software (Net of Amortization)	34	0	0	0	0
Total Capital Assets	<u>\$6,090</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Assets	<u>\$8,036,063</u>	<u>\$524,677</u>	<u>\$532,298</u>	<u>\$133,716</u>	<u>\$32,286</u>
Liabilities					
Accounts Payable	\$3,713	\$116	\$156	\$29	\$0
Accrued Compensated Absences	703	0	0	0	0
Securities Lending Collateral	1,128,374	74,400	74,961	18,964	3,597
Due Other Plans	0	101	398	33	26
Bonds Payable	6,155	0	0	0	0
Total Liabilities	<u>\$1,138,945</u>	<u>\$74,617</u>	<u>\$75,515</u>	<u>\$19,026</u>	<u>\$3,623</u>
Net Assets Held in Trust for					
Pension Benefits	<u>\$6,897,118</u>	<u>\$450,060</u>	<u>\$456,783</u>	<u>\$114,690</u>	<u>\$28,663</u>

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

Elective State Officers	Defined Contribution Funds				Totals
	Unclassified Employees	Health Care Savings Plan	Deferred Compensation	Hennepin County Supplemental	
<u>\$0</u>	<u>\$1,168</u>	<u>\$7,260</u>	<u>\$11,130</u>	<u>\$33</u>	<u>\$172,158</u>
\$0	\$437	\$7,047	\$442	\$45	\$23,771
0	0	0	0	0	173
0	0	0	0	0	3,580
214	0	0	0	0	7,574
<u>\$214</u>	<u>\$437</u>	<u>\$7,047</u>	<u>\$442</u>	<u>\$45</u>	<u>\$35,098</u>
\$0	\$0	\$0	\$0	\$0	\$1,734,402
0	0	0	0	0	2,172,007
0	0	0	0	0	1,358,743
0	0	0	0	0	1,215,413
0	0	0	0	0	1,292,609
0	232,590	242,365	1,160,911	101,918	1,737,784
0	0	0	1,936,012	0	1,936,012
<u>\$0</u>	<u>\$232,590</u>	<u>\$242,365</u>	<u>\$3,096,923</u>	<u>\$101,918</u>	<u>\$11,446,970</u>
<u>\$0</u>	<u>\$32,757</u>	<u>\$12,167</u>	<u>\$0</u>	<u>\$13,882</u>	<u>\$1,359,102</u>
\$0	\$0	\$0	\$0	\$0	\$88
0	0	0	0	0	5,914
0	0	0	0	0	54
0	0	0	0	0	34
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,090</u>
<u>\$214</u>	<u>\$266,952</u>	<u>\$268,839</u>	<u>\$3,108,495</u>	<u>\$115,878</u>	<u>\$13,019,418</u>
\$0	\$0	\$0	\$522	\$0	\$4,536
0	0	0	0	0	703
0	32,757	12,167	0	13,882	1,359,102
1	224	1,290	1,504	3	3,580
0	0	0	0	0	6,155
<u>\$1</u>	<u>\$32,981</u>	<u>\$13,457</u>	<u>\$2,026</u>	<u>\$13,885</u>	<u>\$1,374,076</u>
<u>\$213</u>	<u>\$233,971</u>	<u>\$255,382</u>	<u>\$3,106,469</u>	<u>\$101,993</u>	<u>\$11,645,342</u>

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

Statement of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
Additions				
Contributions				
Plan Member Contributions	\$108,866	\$6,216	\$14,031	\$2,978
Employer Contributions	107,211	9,178	20,126	8,219
General Fund Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Contributions	<u>\$216,077</u>	<u>\$15,394</u>	<u>\$34,157</u>	<u>\$11,197</u>
Investment Income				
Investment Income	\$(1,675,504)	\$(110,138)	\$(107,871)	\$(26,305)
Less Investment Expenses	<u>9,656</u>	<u>646</u>	<u>632</u>	<u>159</u>
Net Investment Income	<u>\$(1,685,160)</u>	<u>\$(110,784)</u>	<u>\$(108,503)</u>	<u>\$(26,464)</u>
Income from Securities Lending Activities				
Security Lending Income	<u>\$19,518</u>	<u>\$1,291</u>	<u>\$1,298</u>	<u>\$329</u>
Security Lending Expenses				
Borrower Rebates	\$6,843	\$455	\$456	\$116
Management Fees	<u>1,902</u>	<u>125</u>	<u>126</u>	<u>32</u>
Total Security Lending Expenses	<u>\$8,745</u>	<u>\$580</u>	<u>\$582</u>	<u>\$148</u>
Net Income From Securities Lending Activities	<u>\$10,773</u>	<u>\$711</u>	<u>\$716</u>	<u>\$181</u>
Total Net Investment Income	<u>\$(1,674,387)</u>	<u>\$(110,073)</u>	<u>\$(107,787)</u>	<u>\$(26,283)</u>
Other Additions				
Transfers From Other Plans	\$14,854	\$0	\$38	\$0
Other Income	<u>392</u>	<u>13</u>	<u>2</u>	<u>0</u>
Total Other Additions	<u>\$15,246</u>	<u>\$13</u>	<u>\$40</u>	<u>\$0</u>
Total Additions	<u>\$(1,443,064)</u>	<u>\$(94,666)</u>	<u>\$(73,590)</u>	<u>\$(15,086)</u>
Deductions				
Annuity Benefits	\$445,792	\$44,480	\$33,239	\$16,261
Ongoing Withdrawals	0	0	0	0
Health Care Reimbursements	0	0	0	0
Refunds	10,907	0	1,016	0
Interest to MPRIF	510	69	140	15
Transfers to Other Plans	429	0	10	1
Recordkeeper Expenses	0	0	0	0
Administrative Expenses	5,320	104	402	36
Other Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>\$462,958</u>	<u>\$44,653</u>	<u>\$34,807</u>	<u>\$16,313</u>
Net Increase (Decrease)	<u>\$(1,906,022)</u>	<u>\$(139,319)</u>	<u>\$(108,397)</u>	<u>\$(31,399)</u>
Net Assets Held in Trust for Pension Benefits				
July 1, 2008	<u>\$8,803,140</u>	<u>\$589,379</u>	<u>\$565,180</u>	<u>\$146,089</u>
June 30, 2009	<u>\$6,897,118</u>	<u>\$450,060</u>	<u>\$456,783</u>	<u>\$114,690</u>

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

Legislators	Elective State Officers	Defined Contribution Funds				Totals
		Unclassified Employees	Health Care Savings Plan	Deferred Compensation	Hennepin County Supplemental	
\$248	\$0	\$4,660	\$82,920	\$217,415	\$570	\$437,904
0	0	6,514	0	0	570	151,818
<u>1,269</u>	<u>442</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,711</u>
<u>\$1,517</u>	<u>\$442</u>	<u>\$11,174</u>	<u>\$82,920</u>	<u>\$217,415</u>	<u>\$1,140</u>	<u>\$591,433</u>
\$ (5,024)	\$0	\$ (47,054)	\$ (14,059)	\$ (547,303)	\$ (21,080)	\$ (2,554,338)
<u>32</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>11,126</u>
<u>\$ (5,056)</u>	<u>0</u>	<u>\$ (47,054)</u>	<u>\$ (14,060)</u>	<u>\$ (547,303)</u>	<u>\$ (21,080)</u>	<u>\$ (2,565,464)</u>
\$63	\$0	\$534	\$208	\$0	\$226	\$23,467
\$22	\$0	\$172	\$69	\$0	\$75	\$8,208
<u>6</u>	<u>0</u>	<u>54</u>	<u>21</u>	<u>0</u>	<u>22</u>	<u>2,288</u>
<u>\$28</u>	<u>\$0</u>	<u>\$226</u>	<u>\$90</u>	<u>\$0</u>	<u>\$97</u>	<u>\$10,496</u>
\$35	\$0	\$308	\$118	\$0	\$129	\$12,971
<u>\$ (5,021)</u>	<u>\$0</u>	<u>\$ (46,746)</u>	<u>\$ (13,942)</u>	<u>\$ (547,303)</u>	<u>\$ (20,951)</u>	<u>\$ (2,552,493)</u>
\$0	\$0	\$391	\$0	\$0	\$0	\$15,283
<u>0</u>	<u>0</u>	<u>35</u>	<u>1,438</u>	<u>3,788</u>	<u>34</u>	<u>5,702</u>
<u>\$0</u>	<u>\$0</u>	<u>\$426</u>	<u>\$1,438</u>	<u>\$3,788</u>	<u>\$34</u>	<u>\$20,985</u>
<u>\$ (3,504)</u>	<u>\$442</u>	<u>\$ (35,146)</u>	<u>\$70,416</u>	<u>\$ (326,100)</u>	<u>\$ (19,777)</u>	<u>\$ (1,940,075)</u>
\$7,016	\$440	\$0	\$0	\$0	\$0	\$547,228
0	0	0	0	35,222	4,260	39,482
0	0	0	31,088	0	0	31,088
0	0	5,009	0	106,009	322	123,263
0	0	7	0	0	0	741
0	0	14,843	0	0	0	15,283
0	0	0	0	3,397	0	3,397
26	1	229	1,523	3,004	5	10,650
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>	<u>32</u>	<u>44</u>
<u>\$7,042</u>	<u>\$441</u>	<u>\$20,088</u>	<u>\$32,611</u>	<u>\$147,644</u>	<u>\$4,619</u>	<u>\$771,176</u>
<u>\$ (10,546)</u>	<u>\$1</u>	<u>\$ (55,234)</u>	<u>\$37,805</u>	<u>\$ (473,744)</u>	<u>\$ (24,396)</u>	<u>\$ (2,711,251)</u>
\$39,209	\$212	\$289,205	\$217,577	\$3,580,213	\$126,389	\$14,356,593
<u>\$28,663</u>	<u>\$213</u>	<u>\$233,971</u>	<u>\$255,382</u>	<u>\$3,106,469</u>	<u>\$101,993</u>	<u>\$11,645,342</u>

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

Notes to the Financial Statements and the Required Supplementary Information

1. Summary of Significant Accounting Policies

A. Funds Administered

The Minnesota State Retirement System (MSRS) is the administrator of a multiple employer, cost sharing public employee retirement system. It consists of six defined benefit funds: the State Employees Retirement Fund; the State Patrol Retirement Fund; the Correctional Employees Retirement Fund; the Judges Retirement Fund; the Legislators Retirement Fund; and the Elected State Officers Retirement Fund, and four defined contribution funds: the Unclassified Employees Retirement Fund; the Health Care Savings Fund; the Deferred Compensation Fund; and the Hennepin County Supplemental Retirement Fund. 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.

B. Participating Employers

MSRS members are employed by the State of Minnesota, the University of Minnesota (non-instructional), various quasi-state and metropolitan agencies, and approximately 69 counties, 278 cities, 300 school districts and 226 additional miscellaneous governmental entities.

C. Basis of Accounting

These financial statements were 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.

D. Investment Policies

Pursuant to *Minnesota Statutes*, the assets of MSRS funds are pooled with those of other funds and invested by the Minnesota State Board of Investment (SBI). 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.

E. Investment Valuations

All investments are reported at fair value. Fair value is the proportionate share of the combined market value of the investment portfolios of the SBI investment pool in which the funds participate. All securities within the pools are valued at market value except for U.S. Government short-term securities and commercial paper, which are valued at market less accrued interest. Accrued interest is recognized as short-term income. SBI values long-term fixed income securities by using the Financial Times Interactive Data Services valuation system. This service provides prices for both actively traded and privately placed bonds. For equity securities, SBI uses a valuation service provided by Reuters and 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 fair value is based on the analysis of financial statements, analysis of future cash flows and independent appraisals.

Assumptions made in valuing securities are as follows:

1. Values of actively traded securities determined by recognized exchanges are objectively negotiated purchase prices between willing buyers and sellers and are not subject to either undue influence or market manipulation.
2. Values of securities not actively traded are determined by objective appraisals by qualified professional analysts whose results would not vary materially from those of other similarly qualified professionals.

F. Capital Assets

Capital assets consist of office equipment and fixtures, land, building, unamortized bond issuance charges, and capitalized software development or purchase costs. All were capitalized at historical cost at the date of acquisition, issuance, or completion. Balances at June 30, 2009 are reported in Exhibit 1 on the next page.

EXHIBIT 1: CAPITAL ASSETS

(Dollars in thousands)

Capital Asset Types	Cost	Accumulated Depreciation/Amortization	Undepreciated/Unamortized Balance As of June 30, 2009
Office Equipment & Fixtures	\$939	\$927	\$12
Land	88	N/A	88
Building	7,269	1,453	5,816
Building Improvements	95	10	85
Building Equipment	2	1	1
Deferred Bond Issuance Charges	75	21	54
Computer Software	34	0	34
Totals	<u>\$8,502</u>	<u>\$2,412</u>	<u>\$6,090</u>

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

Capital Asset Types	Useful Life (In Years)	Depreciation/Amortization Method
Office Equipment & Fixtures	3-10	Straight Line
Land	N/A	Not Depreciated
Building	30	Straight Line
Building Improvements	10	Straight Line
Building Equipment	10	Straight Line
Deferred Bond Issuance Charges	30	Straight Line
Computer Software	3-10	Straight Line

G. Accrued Compensated Absences

MSRS employees accrue vacation, sick, and compensatory leave in accordance with various collective bargaining agreements. The obligation, \$702,685, for future payment of these balances at June 30, 2009 has been accrued to the extent that the right to receipt is vested or expected to become vested.

H. Due From the State's General Fund

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 department of Minnesota Management and Budget believes that state'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, 2009 are scheduled below.

EXHIBIT 2: DUE FROM THE STATE'S GENERAL FUND

(Dollars in thousands)

	Amount As of June 30, 2009
Legislators Retirement Fund	\$7,360
Elective State Officers Fund	214
Total	<u>\$7,574</u>

I. Reserve Accounts**A. Member Reserve**

For the defined benefit funds, the member reserve is credited with the cumulative employee contributions. Upon retirement, these contributions are transferred to the Benefit Reserve for payment of future annuity benefits. Employees who terminate their covered 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, the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund, the member reserve includes all assets that are not reserved for the payment of administrative expenses. The member reserve balances at June 30, 2009 are scheduled in Exhibit 3 on the next page.

Notes to the Financial Statements and the Required Supplementary Information

EXHIBIT 3: MEMBER RESERVE

(Dollars in thousands)

Fund	Member Reserve Balance As of June 30, 2009
State Employees Retirement Fund	\$ 1,102,082
State Patrol Retirement Fund	52,557
Correctional Employees Retirement Fund	90,572
Judges Retirement Fund	27,419
Legislators Retirement Fund	6,059
Elective State Officers Retirement Fund	36
Unclassified Employees Retirement Fund	233,535
Health Care Savings Fund	256,077
Deferred Compensation Fund	3,096,923
Hennepin County Supplemental Retirement Fund	101,965
Total	<u>\$4,967,225</u>

B. Benefit Reserve

For all funds except the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund the benefit reserve is credited with all investment earnings and employer contributions. For the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund the benefit reserves

include only the remaining balances of fees collected to pay administrative expenses and short-term interest earnings on benefit reserve assets.

The deficit balance in the Health Care Savings Fund benefit reserve resulted from the accrual of the year end reallocation of administrative expenses and will be paid from future administrative fee collections.

The benefit reserve balances at June 30, 2009 are reported in Exhibit 4.

EXHIBIT 4: BENEFIT RESERVE

(Dollars in thousands)

Fund	Benefit Reserve Balance As of June 30, 2009
State Employees Retirement Fund	\$5,795,036
State Patrol Retirement Fund	397,503
Correctional Employees Retirement Fund	366,211
Judges Retirement Fund	87,271
Legislators Retirement Fund	22,604
Elective State Officers Retirement Fund	177
Unclassified Employees Retirement Fund	436
Health Care Savings Fund	(695)
Deferred Compensation Fund	9,546
Hennepin County Supplemental Retirement Fund	28
Total	<u>\$6,678,117</u>

C. Minnesota Post Retirement Investment Fund (MPRIF) Reserve

The MPRIF reserve was equal to the corresponding assets invested in it. The proceeds of the MPRIF were used to pay the monthly pension benefits of eligible retirees. Effective January 1, 2009, no additional assets were transferred to this reserve. Subsequently, this account was discontinued on June 30, 2009 and all unexpendable assets were released from the reserve and

by default became part of the Benefit Reserve. The Elected State Officers, the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund and the Hennepin County Supplemental Retirement Fund did not participate in this reserve.

2. Cash and Investments

A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 2009 and throughout the year, these accounts were secured by pledged collateral and deposit insurance to the extent required by *Minnesota Statutes*.

B. Investment Valuation

The combined funds' proportionate share in the cost and fair values of the Minnesota State Board of Investment (SBI) pools at June 30, 2009, is scheduled in Exhibit 5.

EXHIBIT 5: INVESTMENTS

(Dollars in thousands)

Type	Amount As of June 30, 2009	
	Cost	Fair Value
Fixed Income	\$1,762,881	\$1,734,402
External Domestic Equity	2,905,636	2,172,007
Passive Domestic Equity	1,536,636	1,358,743
Alternative Investments	1,323,061	1,215,413
Global Equity	1,505,669	1,292,610
Supplemental Investment Fund	1,560,980	1,737,784
Mutual Funds *	1,936,012	1,936,012
Total	<u>\$12,530,875</u>	<u>\$11,446,971</u>

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

C. Securities Lending

The amounts shown on the financial statements are MSRS' proportionate share of securities loaned, collateral pledged and loan income that resulted from the lending activity of investment managers retained by SBI.

D. Accounting and Financial Reporting for Securities Lending Transactions (GASB Statement 28 Required Disclosures)

State statutes do not prohibit SBI from participating in securities lending transactions, and SBI 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, at the direction of SBI, 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 State government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 102 percent of the market value of loaned securities.

SBI did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. State Street indemnified SBI 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.

During the fiscal year, SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, in a separate investment pool. As of June 30, 2009 such investment pool had an average maturity of 37 days and an average final maturity of 201 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, 2009 SBI had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan from SBI as of June 30, 2009 was \$1,470,993,041 and \$1,418,558,853, respectively.

Notes to the Financial Statements and the Required Supplementary Information

E. Accounting and Financial Reporting for Certain Investments and for External Investment Pools (GASB Statement 31 Required Disclosures)

During fiscal year 2009, SBI invested cash collateral received on each securities lending loan agreement, with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Fund). Assumptions and methods used to determine the Fund's value are as follows:

1. Method for determining fair value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.

2. 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 Bank has valued the Fund's investments at fair value for reporting purposes.

3. 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 the SBI's position in the Fund is the same as the value of the Fund shares.

4. Involuntary Participation. There was no involuntary participation in an external investment pool by SBI for the fiscal year.

5. Income assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

F. Deposit and Investment Risk (GASB Statement 40 Required Disclosures)

SBI is responsible for investing various MSRS funds. The disclosures that follow apply to those investments. Cash deposit disclosures are also included in Note 2.A.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. 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.

As of June 30, 2009 MSRS' proportionate share of the SBI's exposure to credit risk, based on S&P Quality Ratings, is shown in Exhibit 6.

EXHIBIT 6: CREDIT RISK EXPOSURE

(Dollars in thousands)

Quality Rating	Fair Value As of June 30, 2009
AA or Better	\$1,206,642
BBB to A	535,331
BB or Lower	145,402
Not Rated	338,816

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 they are not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments which could adversely affect the fair value of an investment. SBI 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 as of June 30, 2009 had the following weighted-average maturities as shown in Exhibit 7.

Security	Weighted Average Maturity (in years)
Cash Equivalents	0.18
Mutual Funds	2.79
Asset-Backed Securities	10.80
Corporate Debt	6.83
Municipal Bonds	7.28
U.S. Treasuries	10.49
U.S. Agencies	5.09
Mortgage-Backed Securities	19.90

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies which 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, 2009 were distributed among the following currencies shown in Exhibit 8.

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

EXHIBIT 8: FOREIGN CURRENCY RISK

(Dollars in thousands)

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Investment Totals
Australian Dollar	\$1,132	\$58,846	\$0	\$59,978
Canadian Dollar	1,429	79,409	277	81,115
Euro Currency	5,441	305,912	1,715	313,068
Hong Kong Dollar	447	81,738	0	82,185
Japanese Yen	3,946	228,467	0	232,413
New Taiwan Dollar	575	22,790	0	23,365
Pound Sterling	2,905	191,714	4,018	198,637
South Korean Won	11	29,713	0	29,724
Swedish Krona	335	18,132	0	18,467
Swiss Franc	1,330	69,863	0	71,193
Other	2,124	134,006	0	136,130
Totals	<u>\$19,675</u>	<u>\$1,220,590</u>	<u>\$6,010</u>	<u>\$1,246,275</u>

Notes to the Financial Statements and the Required Supplementary Information

3. Interfund Receivables, Payables, and Transfers

The purpose of interfund receivables and payables, as shown in Exhibit 9, is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30, 2009. 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. Interfund transfers are primarily the result of elective membership eligibility changes that have occurred during the fiscal year. These interfund transfers during the fiscal year ended June 30, 2009 are shown in Exhibit 10.

EXHIBIT 9: INTERFUND RECEIVABLES AND PAYABLES AS OF JUNE 30, 2009

(Dollars in thousands)

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Defined Benefit Retirement Funds</u>		
State Employees	\$3,580	
State Patrol		101
Correctional Employees		398
Judges		33
Legislators		26
Elective State Officers		1
<u>Defined Contribution Retirement Funds</u>		
Unclassified Employees		224
Health Care Savings		1,290
Deferred Compensation		1,504
Hennepin County Supplemental Retirement		3
Totals	<u><u>\$3,580</u></u>	<u><u>\$3,580</u></u>

EXHIBIT 10: FISCAL YEAR 2009 INTERFUND TRANSFERS

(Dollars in thousands)

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Defined Benefit Retirement Funds</u>		
State Employees	\$14,854	\$429
State Patrol		
Correctional Employees	38	10
Judges		1
Legislators		
Elective State Officers		
<u>Defined Contribution Retirement Funds</u>		
Unclassified Employees	391	14,843
Health Care Savings		
Deferred Compensation		
Hennepin County Supplemental Retirement		
Totals	<u><u>\$15,283</u></u>	<u><u>\$15,283</u></u>

4. Leases

MSRS leases office space for branch offices in Mankato, St. Cloud, Detroit Lakes and Duluth. As of June 30, 2009

future obligations under the terms of those leases are scheduled in Exhibit 11.

EXHIBIT 11: LEASES						
Location	F.Y. 2010	F.Y. 2011	F.Y. 2012	F.Y. 2013	F.Y. 2014	Totals
Mankato	\$22,879	\$23,427	\$23,427	\$3,905	\$0	\$73,638
St. Cloud	17,129	8,565	0	0	0	25,694
Duluth	24,825	25,446	26,083	26,731	15,819	118,904
Detroit Lakes	16,429	0	0	0	0	16,429
Hennepin County						
Govt. Center	5,200	2,600	0	0	0	7,800
Totals	<u>\$86,462</u>	<u>\$60,038</u>	<u>\$49,510</u>	<u>\$30,636</u>	<u>\$15,819</u>	<u>\$242,465</u>

5. Actuarial Methods, Assumptions and Changes in Assumptions

The following disclosures apply to the defined benefit funds and are as of July 1, 2009, the most recent actuarial valuation date. Actuarial valuations and experience studies are performed annually at fiscal year end for all defined benefit funds, except the Legislative Retirement Fund and the Elective State Officers Retirement Fund, which were not valued in fiscal year 2003. The entry age normal actuarial cost method – a projected benefit cost method – is used to value all of the defined benefit funds. This method is used to amortize actuarial liabilities by applying a level percentage to projected payroll for a single, closed amortization period. The actuarial projection of benefits for financial reporting purposes does not incorporate the potential, but unknown, effects of legal or contractual funding limitations.

Contributions are made as a level percentage of covered salary; these rates are specified in statute as fixed percentages with no minimums or maximums. The assumed inflation rate is 3.0 percent. The actual inflation rate for all funds was -1.4 percent. However, annuity benefits are annually increased by 2.5 percent to cover the effects of inflation, with amounts prorated for those retiring within the past year. No additional benefit increases are assumed. The assumed investment rate of return is 8.5 percent pre-retirement and 6 percent post-retirement.

For actuarial purposes, investments are valued by reducing the market value by 80 percent, 60 percent, 40 percent and 20 percent, respectively, of the unrecognized difference between the cost and market value at the current and preceding three fiscal year ends. In prior fiscal years, this reduction was not applied to the investments of the Minnesota Post Retirement Investment Fund (pool). This pool was dissolved on June 30, 2009 and the reduction was applied to the combined fund investments. This change resulted in reductions of unfunded accrued actuarial liabilities scheduled in Exhibit 12.

EXHIBIT 12: REDUCTIONS OF ACTUARIAL ACCRUED LIABILITIES

(Dollars in thousands)

Fund	Amount
State Employees	\$224,743
State Patrol	23,380
Correctional Employees	18,018
Judges	6,332

Notes to the Financial Statements and the Required Supplementary Information

Statutorily specified fiscal year end completion dates for amortization of unfunded actuarial liabilities are listed in Exhibit 13.

Fund	Date
State Employees	06/30/2020
State Patrol	06/30/2036
Correctional Employees	06/30/2038
Judges	06/30/2038
Legislators	06/30/2021
Elective State Officers	06/30/2017

The Unclassified Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund, and the Hennepin County Supplemental Retirement Fund are defined contribution plans and therefore there are neither applicable assumptions nor actuarial valuations.

Vesting Assumption:

The State Employees, State Patrol, and the Correctional Retirement Funds require a minimum of three years of covered service, the Judges Retirement Fund requires five years of covered service, the Legislators Retirement Fund requires either six years or four legislative sessions and Elective State Officers Retirement Fund required eight years but no longer has any active members.

Mortality Assumptions:

For projecting retiree mortality, all funds except the Judges Retirement Fund, use the 1983 Group Annuity

Mortality Tables. These tables are set back or set forward to match fund experience as shown in the *Actuarial Section* on page 84. The Judges Retirement Fund uses the RP 2000 Combined Annuity Morality Table projected eight years, with no collar adjustment.

Payroll Growth Assumptions:

The payroll growth assumption is 4.50 percent per annum for the General, Correctional, State Patrol, and Legislators plans and 4.00 percent per annum for the Judges plan.

Salary Increase Assumptions:

For the State Employees Retirement Fund, during the first five years of employment, referred to as the select period, an amount equal to 0.60 percent times (5 – T), where T is completed years of service, is added to the ultimate rate.

For the State Employees, State Patrol and Correctional Employees Retirement Funds, salaries are assumed to increase according to the rates shown in Exhibit 14.

For the Judges Retirement Fund and the Legislators Retirement Fund, salaries are assumed to increase 4.00 percent and 5.00 percent per annum, respectively. The Elective State Officers Fund has no active members therefore it has no salaries or assumed increases.

Withdrawal Rate Assumptions:

For all funds, assumed withdrawal rates are based on actual fund experience and adjusted periodically to reflect the most recent experience study completed.

Age (in years)	Retirement Funds		
	State Employees	State Patrol	Correctional Employees
20	5.75%	7.75%	6.75%
25	5.75	7.00	6.50
30	5.75	7.00	6.50
35	5.75	7.00	6.50
40	5.75	6.50	6.00
45	5.45	5.75	5.25
50	4.95	5.50	5.00
55	4.45	5.25	4.75
60	4.25	5.25	4.75
65	4.25	5.25	4.75
70	4.25	5.25	0.00

Disability Rate Assumptions:

The Legislators and Elective State Officers Funds do not provide disability benefits. For the other defined benefit

retirement funds, sample assumed disability rates are scheduled in Exhibit 15.

EXHIBIT 15: ASSUMED DISABILITY RATES							
Retirement Fund							
	State Employees		State Patrol	Correctional Employees		Judges	
Age	Male	Female		Male	Female	Male	Female
20	0.010%	0.010%	0.04%	0.05%	0.08%	0.00%	0.00%
25	0.010	0.010	0.06	0.08	0.12	0.00	0.00
30	0.010	0.010	0.08	0.11	0.16	0.02	0.00
35	0.030	0.030	0.11	0.15	0.22	0.02	0.01
40	0.080	0.080	0.18	0.24	0.36	0.02	0.02
45	0.130	0.130	0.29	0.39	0.58	0.03	0.05
50	0.288	0.288	0.50	0.67	1.00	0.14	0.10
55	0.504	0.432	0.88	1.17	1.76	0.34	0.24
60	0.780	0.624	1.41	1.88	2.82	0.76	0.62
65	0.000	0.000	0.00	0.00	0.00	0.00	0.00
70	0.000	0.000	0.00	0.00	0.00	0.00	0.00

Retirement Assumptions:

Because of the differing plan provisions, each retirement fund has different assumed rates of retirement that are periodically adjusted to match recent historical trends. The rates at which eligible members of the State Employees, State Patrol, Correctional Employees, and Judges Retirement Funds are assumed to retire at each age are depicted in Exhibit 16. All legislators and former elected state officers are assumed to retire at age 62, or if over, within one year of the valuation date.

Benefit Increases After Retirement:

Post retirement benefit increases are limited to 2.5 percent annually.

Funded Status:

The funding status schedule, as shown in Exhibit 17 on the following page, was prepared using the preceding actuarial methods and assumptions.

EXHIBIT 16: RATES ELIGIBLE MEMBERS ARE ASSUMED TO RETIRE								
State Employees			State Patrol		Correctional		Judges	
Age	Rule of 90	Others	Age	Percentage	Age	Percentage	Age	Percentage
55	25%	5%	50-54	7%	50-54	5%	62-63	10%
56-59	20	5	55	60	55	60	64	5
60	20	10	56	40	56-61	10	65-67	20
61	25	10	57-59	20	62-64	25	68-69	30
62	50	25	60 and over	100	65 and over	100	70 and over	100
63-64	40	20						
65	45	45						
66 and over	30	30						

Notes to the Financial Statements and the Required Supplementary Information

EXHIBIT 17: SCHEDULE OF FUNDING PROGRESS

(Dollars in thousands)

	Defined Benefit Retirement Fund					
	SERF	SPRF	CERF	JRF	LRF	ESORF
A. Most Recent Actuarial Valuation Date	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009
B. Actuarial Value of Assets	\$9,030,401	\$584,501	\$590,339	\$147,120	\$28,663	\$213
C. Actuarial Accrued Liability	10,512,760	725,334	821,250	241,815	90,431	3,886
D. Total Unfunded Actuarial Accrued Liability (C-B)	\$1,482,359	\$140,833	\$230,911	\$94,695	\$61,768	\$3,673
E. Funded Ratio (B/C)	85.90%	80.58%	71.88%	60.84%	31.70%	5.48%
F. Annual Covered Payroll	\$2,329,499	\$61,511	\$193,445	\$39,444	\$1,963	N/A
G. Ratio of the Unfunded Actuarial Accrued Liability to Annual Covered Payroll (D/F)	63.63%	228.96%	119.37 %	240.07%	3,146.61%	N/A

The required Schedule of Funding Progress immediately following these notes to the financial statements present multi-year trend information about whether the actuarial values of fund assets are increasing or decreasing over the ten years presented relative to the actuarial accrued liability for benefits. Other actuarial information is presented later in this report in the *Actuarial Section*.

6. 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 June 30, 2009 current asset values, funded ratio, and contribution deficiency as a percent of payroll for MSRS' four largest defined benefit plans, determined using both methods, are detailed in Exhibit 18.

7. Optional Retirement Annuities

In the defined benefit funds, three Joint-and-Survivor annuity options are available. One provides a 50 percent survivor benefit, another 75 percent survivor benefit and another 100 percent survivor benefit to the beneficiary, each 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 Elective 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.

EXHIBIT 18: COMPARISON OF ACTUARIAL VALUATION RESULTS GIVEN DIFFERENT BASES FOR ASSET VALUES

(Dollars in thousands)

	Actuarial Basis			Fair Value Basis		
	Current Assets	Funded Ratio	Contribution Deficiency	Current Assets	Funded Ratio	Contribution Deficiency
State Employees	\$9,030,401	85.90%	5.35%	\$6,897,118	65.61%	15.08%
State Patrol	584,501	80.58	12.16	450,060	62.05	24.21
Correctional Employees	590,339	71.88	6.05	456,783	55.62	9.77
Judges	147,120	60.84	3.73	114,690	47.43	8.50

8. Membership Statistics, Fund Descriptions, and Contribution Information of Defined Benefit Funds

EXHIBIT 19: MEMBERSHIP STATISTICS - DEFINED BENEFIT FUNDS						
As of June 30, 2009	Defined Benefit Retirement Fund					
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers*
Members Receiving Benefits						
Retirees	22,457	673	1,381	162	284	11
Disabilitants	1,656	44	194	27	N/A	N/A
Beneficiaries	3,230	191	134	96	74	4
Terminated Members						
Vested, Not Receiving	15,210	41	949	45	95	1
Nonvested	6,912	11	626	0	2	0
Active Members						
Vested	37,158	743	3,075	202	48	0
Nonvested	11,831	133	1,328	85	0	0
Total Members	<u>98,454</u>	<u>1,836</u>	<u>7,687</u>	<u>617</u>	<u>503</u>	<u>16</u>
Participating Employers	27	1	1	1	1	1

* The remaining members have either retired or elected coverage under the Unclassified Plan. Since this plan is now closed, there no longer is an active payroll.

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.

Minnesota Statutes, Section 352.04 required that eligible employees contribute 4.50 percent of their total compensation. The employer contributes 4.50 percent. Effective July 1, 2009, these rates increased to 4.75 percent and 4.75 percent respectively. 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* (age plus years of allowable service equals 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.

As of June 30, 2009, all employees of MSRS are members of this plan. As stated in the preceding paragraph, the authority for the 4.50 percent employee and 4.50 percent employer contributions is *Minnesota Statutes*, Section 352.04. MSRS employee and employer contributions are shown in Exhibit 20. Employer pension contributions for MSRS employees, as reported in Exhibit 20, were funded at 100 percent of the required contributions set by statute.

EXHIBIT 20: MSRS CONTRIBUTIONS TO THE STATE EMPLOYEES RETIREMENT FUND		
For Fiscal Year Ended	Employee	Employer
June 30, 2009	\$231,528	\$231,528
June 30, 2008	205,729	205,729
June 30, 2007	180,286	180,286
June 30, 2006	170,116	170,116
June 30, 2005	165,902	165,902

Notes to the Financial Statements and the Required Supplementary Information

Total covered payroll for MSRS employees was approximately \$4.9 million for fiscal year 2009.

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, gambling-enforcement agents or fugitive apprehension officers.

Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 9.80 percent of their total compensation, the employer contributes 14.60 percent. Effective July 1, 2009, these rates increased to 10.40 percent and 15.60 percent, respectively. 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.

Minnesota Statutes, Section 352.92 requires that eligible employees contribute 7.00 percent of their total compensation. The employer contributes 10.10 percent. Effective July 1, 2009, these rates increased to 7.70 percent and 11.10 percent, respectively. Members become eligible for normal retirement benefits at age 62 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 at reversion age of 62 or 65. 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.

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 Elective 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 Elective 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 or thereafter 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.

Minnesota Statutes, Sections 3A.03 requires that legislators contribute 9 percent of their salary including certain per diem payments. The Elective State Officers Plan is closed and there are no active contributing participants. 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 55 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 Elective State Officers Plan has the same benefit eligibility.

9. Membership Statistics, Fund Descriptions and Contribution Information for Defined Contribution Funds

EXHIBIT 21: MEMBERSHIP STATISTICS - DEFINED CONTRIBUTION FUNDS				
(Dollars in thousands)				
	Defined Contribution Retirement Fund			
As of June 30, 2009	Unclassified Employees	Health Care Savings	Deferred Compensation	Hennepin County Supplemental
Active Members	1,549	42,258	54,620	843
Inactive Members	1,712	7,907	27,986	990
Withdrawing Members	<u>N/A</u>	<u>7,885</u>	<u>4,397</u>	<u>221</u>
Total Members	<u>3,261</u>	<u>58,050</u>	<u>87,003</u>	<u>2,054</u>
Annual Payroll	\$108,556	N/A	N/A	\$56,988
Participating Employers	12	215	507	1

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 of the state of Minnesota, including the Executive Director of MSRS, and various statutorily designated entities. *Minnesota Statutes*, Section 352D.01 through 352D.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), but functions as a hybrid between a defined contribution and a defined benefit plan. Retirement and disability benefits are available to some members 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 not available to judges, legislators and elected state officers. It is a contingent liability of the State Employees Retirement Fund and actuarially valued as of June 30, 2009 in the amount of \$38,682,000.

Until February, 2009, the Executive Director of MSRS was 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 for the past five years are scheduled in Exhibit 22. Employer pension contributions for employees, as reported in Exhibit 22, were funded at 100 percent of the required contributions set by statute.

EXHIBIT 22: MSRS CONTRIBUTIONS TO UNCLASSIFIED EMPLOYEES RETIREMENT FUND

Fiscal Year Ended	Employee	Employer
	(4%)	(6%)
June 30, 2009	\$3,215	\$4,822
June 30, 2008	4,168	6,252
June 30, 2007	4,107	6,160
June 30, 2006	4,075	6,112
June 30, 2005	3,994	5,991

Total covered payroll for MSRS employees was approximately \$80,000 for fiscal year 2009.

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

Notes to the Financial Statements and the Required Supplementary Information

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 record keeping contractor, the Great West Life Assurance Corporation until June 29, 2009, then the ING Corporation.

D. Hennepin County Supplemental Retirement Fund

MSRS is the record keeper for the Hennepin County Supplemental Retirement Fund, a defined contribution fund. Only employees of Hennepin County who began employment prior to April 14, 1982 are eligible to participate in this tax sheltered nonqualified plan created in accordance with *Minnesota Statutes* Section 383B.46-52 and Section 6064(d) (2) and (3) of the Technical and Miscellaneous Revenue Act of 1988. Employee contributions of 1 percent of salary are matched by equal employer contributions of one percent of salary.

10. 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 owned 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 originally 20.4 percent of the total; it was later revised to 20.2 percent, and subsequently in July, 2007 to 24.6 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. Exhibit 23 shows the debt service amounts for which MSRS is directly responsible. Pursuant to the joint and several liability clause in the bond sale official statement, in the event of default, MSRS could be liable for the entire remaining outstanding principal and interest balance of the bonds, \$44,100,650. Bonds Payable on the Statement of Plan Net Assets is the MSRS share of the outstanding debt at the current ownership interest, 24.6 percent. Bonds Payable includes the principal balance as of June 30, 2009, \$6,125,400, and interest accrued for the month of June in the amount of \$29,512.

EXHIBIT 23: DEBT REPAYMENT SCHEDULE BY FISCAL YEAR

Fiscal Year	Principal	Interest	Total Principal & Interest
2010	\$153,750	\$355,760	\$509,510
2011	166,050	347,497	513,547
2012	172,200	338,530	510,730
2013	184,500	329,145	513,645
2014	190,650	318,997	509,647
2015	202,950	308,416	511,366
2016	215,250	297,051	512,301
2017	227,550	284,890	512,440
2018	239,850	271,919	511,769
2019	258,300	258,128	516,428
2020	270,600	243,276	513,876
2021	289,050	227,581	516,631
2022	307,500	210,599	518,099
2023	325,950	192,533	518,483
2024	344,400	173,384	517,784
2025	369,000	153,150	522,150
2026	387,450	131,472	518,922
2027	412,050	108,709	520,759
2028	442,800	84,501	527,301
2029	467,400	57,933	525,333
2030	498,150	29,889	528,039
Totals	<u>\$6,125,400</u>	<u>\$4,723,360</u>	<u>\$10,848,760</u>
Total Unpaid Principal, 06/30/09		\$6,125,400	
Accrued Interest		29,512	
Total, per Statement of Plan Net Assets		<u>\$6,154,912</u>	<u>\$6,155</u> (rounded to nearest thousand dollars)

Notes to the Financial Statements and the Required Supplementary Information

11. Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB Statement 45 Required Disclosures)

All MSRS employees are covered by the State Employees Group Insurance Plan (SEGIP) administered by the Minnesota Department of Management and Budget. At present, this plan subsidizes the cost of retiree insurance by charging a single premium rate for active employees and retirees, regardless of underwriting experience. At June 30, 2009 the SEGIP had an actuarially determined unfunded net obligation for future benefits of \$15,056,000, to be funded on a pay-as-you-go basis. MSRS' allocated portion of this liability is \$43,000.

12. Administrative Expenses

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. Administrative expenses by fund, after allocation, are detailed on page 56.

13. Required Supplementary Information

A *Schedule of Funding Progress* and a *Schedule of Employer Contributions* for each of the defined benefit plans are presented on pages 52-55.

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Schedule of Funding Progress

Required Supplementary Information

Last Ten Years -- Unaudited

(Dollars in thousands)

Fiscal Year Ended June 30	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A)/(B)	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
2006	8,486,756	8,819,161	332,405	96.23	2,016,588	16.48
2007	8,904,517	9,627,305	722,788	92.49	2,095,310	34.50
2008	9,013,456	9,994,602	981,146	90.18	2,256,528	43.48
2009	9,030,401	10,512,760	1,482,359	85.90	2,329,499	63.63
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)
2006	618,990	641,479	22,489	96.49	57,765	38.93
2007	617,901	673,444	55,543	91.75	61,498	90.32
2008	595,082	693,686	98,604	85.79	60,029	164.26
2009	584,501	725,334	140,833	80.58	61,511	228.96
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
2006	535,357	647,480	112,123	82.68	145,879	76.86
2007	559,852	708,292	148,440	79.04	167,727	88.50
2008	572,719	760,363	187,644	75.32	194,391	96.53
2009	590,399	821,250	230,851	71.88	193,445	119.34

Fiscal Year Ended June 30	Actuarial Value Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A)/(B)	Actual Covered Payroll (Previous FY)(C)	UAAL as Percent of Covered Payroll (B-A)/(C)
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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
2006	151,850	202,301	50,451	75.06	36,529	138.11
2007	153,562	214,297	60,735	71.66	36,195	167.80
2008	147,542	231,623	84,081	63.74	38,296	219.56
2009	147,120	241,815	94,695	60.84	39,444	240.07

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	5,0895	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
2006	48,504	81,361	32,857	59.62	2,894	1,135.35
2007	44,869	86,449	41,580	51.90	2,380	1,747.06
2008	39,209	86,131	46,922	45.52	1,993	2,354.34
2009	28,663	90,431	61,768	31.70	1,963	3,146.61

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
2006	207	3,969	3,762	5.23	0	N/A
2007	211	3,969	3,758	5.33	0	N/A
2008	212	3,908	3,696	5.43	0	N/A
2009	213	3,886	3,673	5.49	0	N/A

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

Schedule of Contributions from the Employer(s) and Other Contributing Entities

Required Supplementary Information

Last Ten Years -- Unaudited

(Dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contributions [(A)x(B)]-(C)	Actual Employer Contributions	Percent Contributed
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
2006	10.55	2,016,588	85,379	127,371	82,645	64.88
2007	10.11	2,095,310	89,447	122,389	86,492	70.67
2008	11.76	2,256,528	99,280	166,088	96,746	58.25
2009	12.39	2,329,499	108,866	179,759	107,211	59.64
State Patrol Retirement Fund						
2000	15.17%	\$48,167	\$4,044	\$3,263	\$6,069	186.00%
2001	15.48	48,935	4,145	3,430	6,166	179.76
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
2006	19.84	57,765	4,719	6,741	7,055	104.66
2007	26.69	61,498	4,987	11,427	7,461	65.30
2008	29.90	60,029	5,595	12,354	8,279	67.02
2009	34.49	61,511	6,216	14,999	9,178	61.19
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
2006	17.71	145,879	8,964	16,871	12,152	72.03
2007	23.34	167,727	10,032	29,115	13,927	47.83
2008	24.44	194,391	12,775	34,734	18,623	53.62
2009	23.66	193,445	14,031	31,738	20,126	63.44

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contributions [(A)x(B)]-(C)	Actual Employer Contributions**	Percent Contributed
Judges Retirement Fund						
2000	26.75%	\$26,315	\$2,107	\$4,932	\$7,298	147.96%
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
2006	29.14	36,529	2,866	7,779	7,336	94.30
2007	30.73	36,195	2,792	8,331	7,572	90.88
2008	33.70	38,296	2,859	10,047	7,935	78.98
2009	30.33	39,444	2,978	8,985	8,219	91.47

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	20.58
2005	104.72	3,014	384	2,773	1,822	65.71
2006	112.64	2,894	264	2,995	5,684	189.78
2007	111.24	2,380	239	2,408	1,772	73.59
2008	171.10	1,993	180	3,230	2,217	68.64
2009	243.21	1,963	248	4,526	1,269	28.04

Elective State Officers Retirement Fund*

2000	\$321	-	-	\$321	\$306	95.33%
2001	340	-	-	340	330	97.06
2002	371	-	-	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
2006	465	-	-	465	417	89.66
2007	477	-	-	477	427	89.57
2008	506	-	-	506	435	85.97
2009	558	-	-	558	442	79.21

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

**For the Legislators and Elective State Officers Retirement Funds, actual employer contributions include contributions from other sources (e.g. contributions from the state's General Fund).

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Personal Services	
Staff Salaries	\$5,014
Social Security & Medicare	367
Retirement	236
Insurance	990
Other Personal Services	260
Total	<u>\$6,867</u>
Professional Services	
Actuarial	\$207
Data Processing	562
Disability Examinations	39
Legal Counsel	19
Other Professional Services	321
Total	<u>\$1,148</u>
Communication	
Printing	\$225
Telephone	139
Postage	356
Travel	116
Subscriptions, Memberships and Training	57
Total	<u>\$893</u>
Rentals	
Office Space	\$84
Other Rentals	6
Total	<u>\$90</u>
Miscellaneous	
Building Services	\$296
Supplies	108
Repairs and Maintenance Agreements	18
Department Head and Board Member Expense	22
Statewide Indirect Cost	160
Depreciation	226
Interest Expense	366
State Sales Taxes	40
Local Sales Taxes	4
Other Services	412
Total	<u>\$1,652</u>
Total Administrative Expenses	<u><u>\$10,650</u></u>

Allocation of Administrative Expenses by Fund

State Employees	\$5,320
State Patrol	104
Correctional Employees	402
Judges	36
Legislators	26
Elective State Officers	1
Unclassified Employees	229
Health Care Savings	1,523
Deferred Compensation	3,004
Hennepin County Supplemental	5
Total Administrative Expenses	<u><u>\$10,650</u></u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

State Employees Retirement Fund

	Member	Post Retirement Investment Fund	Benefit	Totals
Additions				
Contributions				
Plan Member Contributions	\$107,395	\$0	\$1,471	\$108,866
Employer Contributions	0	0	107,211	107,211
Total Contributions	<u>\$107,395</u>	<u>\$0</u>	<u>\$108,682</u>	<u>\$216,077</u>
Investment Income				
Investment Income	\$0	\$0	\$(1,785,504)	\$(1,675,504)
Less Investment Expenses	0	0	9,656	9,656
Net Investment Income from				
Investment Activities	<u>\$0</u>	<u>\$0</u>	<u>\$(1,685,160)</u>	<u>\$(1,685,160)</u>
Income from Securities Lending Activities				
Securities Lending Income	<u>\$0</u>	<u>\$0</u>	<u>\$19,518</u>	<u>\$19,518</u>
Securities Lending Expenses				
Borrower Rebates	\$0	\$0	\$6,843	\$6,843
Management Fees	0	0	1,902	1,902
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$8,745</u>	<u>\$8,745</u>
Net Income from Securities				
Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$10,773</u>	<u>\$10,773</u>
Total Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$(1,674,387)</u>	<u>\$(1,674,387)</u>
Other Additions				
Transfers From Other Plans	\$2,451	\$0	\$12,403	\$14,854
Other Income	0	0	392	392
Total Other Additions	<u>\$2,451</u>	<u>\$0</u>	<u>\$12,795</u>	<u>\$15,246</u>
Total Additions	<u>\$109,846</u>	<u>\$0</u>	<u>\$(1,552,910)</u>	<u>\$(1,443,064)</u>
Deductions				
Annuity Benefits	\$0	\$445,792	\$0	\$445,792
Refunds	6,962	0	3,945	10,907
Interest to MPRIF	0	0	510	510
Transfers to Other Plans	119	0	310	429
Administrative Expenses	0	0	5,320	5,320
Other Expenses	0	0	0	0
Total Deductions	<u>\$7,081</u>	<u>\$445,792</u>	<u>\$10,085</u>	<u>\$462,958</u>
Other Changes in Reserves				
Retirements	\$(42,481)	\$166,728	\$(124,247)	\$0
Other	67	(3,160,738)	3,160,671	0
Total Other Changes	<u>\$(42,414)</u>	<u>\$(2,994,010)</u>	<u>\$3,036,424</u>	<u>\$0</u>
Net Increase	<u>\$60,351</u>	<u>\$(3,439,802)</u>	<u>\$1,473,429</u>	<u>\$(1,906,022)</u>
Net Assets Held in Trust for Pension Benefits				
July 1, 2008	<u>1,041,731</u>	<u>3,439,802</u>	<u>4,321,607</u>	<u>8,803,140</u>
June 30, 2009	<u>\$1,102,082</u>	<u>\$0</u>	<u>\$5,795,036</u>	<u>\$6,897,118</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

State Patrol Retirement Fund

	Member	Post Retirement Investment Fund	Benefit	Totals
Additions				
Contributions				
Plan Member Contributions	\$6,166	\$0	\$50	\$6,216
Employer Contributions	0	0	9,178	9,178
Total Contributions	<u>\$6,166</u>	<u>\$0</u>	<u>\$9,228</u>	<u>\$15,394</u>
Investment Income				
Investment Income	\$0	\$0	\$(110,138)	\$(110,138)
Less Investment Expenses	0	0	646	646
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$0</u>	<u>\$(110,784)</u>	<u>\$(110,784)</u>
Income From Security Lending Activities				
Security Lending Income	<u>\$0</u>	<u>\$0</u>	<u>\$1,291</u>	<u>\$1,291</u>
Security Lending Expenses				
Borrower Rebates	\$0	\$0	\$455	\$455
Management Fees	0	0	125	125
Total Security Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$580</u>	<u>\$580</u>
Net Income From Security Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$711</u>	<u>\$711</u>
Total Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$(110,073)</u>	<u>\$(110,073)</u>
Other Additions				
Transfers From Other Plans	\$0	\$0	\$0	\$0
Other Income	0	0	13	13
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$13</u>	<u>\$13</u>
Total Additions	<u>\$6,166</u>	<u>\$0</u>	<u>\$(100,832)</u>	<u>\$(94,666)</u>
Deductions				
Annuity Benefits	\$0	\$44,435	\$45	\$44,480
Refunds	0	0	0	0
Interest to MPRIF	0	0	69	69
Transfers to Other Plans	0	0	0	0
Administrative Expenses	0	0	104	104
Other Expenses	0	0	0	0
Total Deductions	<u>\$0</u>	<u>\$44,435</u>	<u>\$218</u>	<u>\$44,653</u>
Other Changes in Reserves				
Retirements	\$(2,975)	\$12,648	\$(9,673)	\$0
Other	(8)	(330,043)	330,051	0
Total Other Changes	<u>\$(2,983)</u>	<u>\$(317,395)</u>	<u>\$320,378</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$3,183</u>	<u>\$(361,830)</u>	<u>\$219,328</u>	<u>\$(139,319)</u>
Net Assets Held in Trust for Pension Benefits				
July 1, 2008	49,374	361,830	178,175	589,379
June 30, 2009	<u>\$52,557</u>	<u>\$0</u>	<u>\$397,503</u>	<u>\$450,060</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Correctional Employees Retirement Fund

	Member	Post Retirement Investment Fund	Benefit	Totals
Additions				
Contributions				
Plan Member Contributions	\$13,955	\$0	\$76	\$14,031
Employer Contributions	0	0	20,127	20,127
Total Contributions	<u>\$13,955</u>	<u>\$0</u>	<u>\$20,203</u>	<u>\$34,158</u>
Investment Income				
Investment Income	\$0	\$0	\$(107,871)	\$(107,871)
Less Investment Expenses	0	0	632	632
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$0</u>	<u>\$(108,503)</u>	<u>\$(108,503)</u>
Income from Securities Lending Activities				
Securities Lending Income	<u>\$0</u>	<u>\$0</u>	<u>\$1,298</u>	<u>\$1,298</u>
Securities Lending Expenses				
Borrower Rebates	\$0	\$0	\$456	\$456
Management Fees	0	0	126	126
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$582</u>	<u>\$582</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$716</u>	<u>\$716</u>
Total Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$(107,787)</u>	<u>\$(107,787)</u>
Other Additions				
Transfers From Other Plans	\$19	\$0	\$19	\$38
Other Income	0	0	2	2
Total Other Additions	<u>\$19</u>	<u>\$0</u>	<u>\$21</u>	<u>\$40</u>
Total Additions	<u>\$13,974</u>	<u>\$0</u>	<u>\$(87,564)</u>	<u>\$(73,590)</u>
Deductions				
Annuity Benefits	\$0	\$33,239	\$0	\$33,239
Refunds	788	0	228	1,016
Interest to MPRIF	0	0	140	140
Transfers to Other Plans	5	0	5	10
Administrative Expenses	0	0	402	402
Total Deductions	<u>\$793</u>	<u>\$33,239</u>	<u>\$775</u>	<u>\$34,807</u>
Other Changes in Reserves				
Retirements	\$(3,798)	\$15,975	\$(12,177)	\$0
Other	(44)	(258,228)	258,272	0
Total Other Changes	<u>\$(3,842)</u>	<u>\$(242,253)</u>	<u>\$246,095</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$9,339</u>	<u>\$(275,492)</u>	<u>\$157,756</u>	<u>\$(108,397)</u>
Net Assets Held in Trust for Pension Benefits				
July 1, 2008	81,233	275,492	208,455	565,180
June 30, 2009	<u>\$90,572</u>	<u>\$0</u>	<u>\$366,211</u>	<u>\$456,783</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Judges Retirement Fund

	Member	Post Retirement Investment Fund	Benefit	Totals
Additions				
Contributions				
Plan Member Contributions	\$2,970	\$0	\$8	\$2,978
Employer Contributions	0	0	8,219	8,219
Total Contributions	<u>\$2,970</u>	<u>\$0</u>	<u>\$8,227</u>	<u>\$11,197</u>
Investment Income				
Investment Income	\$0	\$0	\$(26,305)	\$(26,305)
Less Investment Expenses	0	0	159	159
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$0</u>	<u>\$(26,464)</u>	<u>\$(26,464)</u>
Income from Securities Lending Activities				
Securities Lending Income	<u>\$0</u>	<u>\$0</u>	<u>\$329</u>	<u>\$329</u>
Securities Lending Expenses				
Borrower Rebates	\$0	\$0	\$116	\$116
Management Fees	0	0	32	32
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$148</u>	<u>\$148</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$181</u>	<u>\$181</u>
Total Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$(26,283)</u>	<u>\$(26,283)</u>
Other Additions				
Transfers From Other Plans	\$0	\$0	\$0	\$0
Other Income	0	0	0	0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$2,970</u>	<u>\$0</u>	<u>\$(18,056)</u>	<u>\$(15,086)</u>
Deductions				
Annuity Benefits	\$0	\$15,040	\$1,221	\$16,261
Refunds	0	0	0	0
Interest to MPRIF	0	0	15	15
Transfers to Other Plans	1	0	0	1
Administrative Expenses	0	0	36	36
Other Expenses	0	0	0	0
Total Deductions	<u>\$1</u>	<u>\$15,040</u>	<u>\$1,272</u>	<u>\$16,313</u>
Other Changes in Reserves				
Retirements	\$(1,000)	\$3,330	\$(2,330)	\$0
Other	0	(86,102)	86,102	0
Total Other Changes	<u>\$(1,000)</u>	<u>\$(82,772)</u>	<u>\$83,772</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$1,969</u>	<u>\$(97,812)</u>	<u>\$64,444</u>	<u>\$(31,399)</u>
Net Assets Held in Trust for Pension Benefits				
July 1, 2008	25,450	97,812	22,827	146,089
June 30, 2009	<u>\$27,419</u>	<u>\$0</u>	<u>\$87,271</u>	<u>\$114,690</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Legislators Retirement Fund

	Member	Post Retirement Investment Fund	Benefit	Totals
Additions				
Contributions				
Plan Member Contributions	\$248	\$0	\$0	\$248
General Fund Contributions	0	0	1,269	1,269
Total Contributions	<u>\$248</u>	<u>\$0</u>	<u>\$1,269</u>	<u>\$1,517</u>
Investment Income				
Investment Income	\$0	\$0	\$(5,024)	\$(5,024)
Less Investment Expenses	0	0	32	32
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$0</u>	<u>\$(5,056)</u>	<u>\$(5,056)</u>
Income from Securities Lending Activities				
Securities Lending Income	<u>\$0</u>	<u>\$0</u>	<u>\$63</u>	<u>\$63</u>
Securities Lending Expenses				
Borrower Rebates	\$0	\$0	\$22	\$22
Management Fees	0	0	6	6
Total Securities Lending Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$28</u>	<u>\$28</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$35</u>	<u>\$35</u>
Total Net Investment Income	<u>\$0</u>	<u>\$0</u>	<u>\$(5,021)</u>	<u>\$(5,021)</u>
Other Additions				
Transfers From Other Plans	\$0	\$0	\$0	\$0
Other Income	0	0	0	0
Total Other Additions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Additions	<u>\$248</u>	<u>\$0</u>	<u>\$(3,752)</u>	<u>\$(3,504)</u>
Deductions				
Annuity Benefits	\$0	\$5,175	\$1,841	\$7,016
Refunds	0	0	0	0
Interest to MPRIF	0	0	0	0
Transfers to Other Funds	0	0	0	0
Administrative Expenses	0	0	26	26
Other Expenses	0	0	0	0
Total Deductions	<u>\$0</u>	<u>\$5,175</u>	<u>\$1,867</u>	<u>\$7,042</u>
Other Changes in Reserves				
Retirements	\$(455)	\$0	\$455	\$0
Other	0	(26,351)	26,351	0
Total Other Changes	<u>\$(455)</u>	<u>\$(26,351)</u>	<u>\$26,806</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$(207)</u>	<u>\$(31,526)</u>	<u>\$21,187</u>	<u>\$(10,546)</u>
Net Assets Held in Trust for Pension Benefits				
July 1, 2008	6,266	31,526	1,417	39,209
June 30, 2009	<u>\$6,059</u>	<u>\$0</u>	<u>\$22,604</u>	<u>\$28,663</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Elective State Officers Retirement Fund

	Member	Post Retirement Investment Fund	Benefit	Totals
Additions				
Contributions				
Plan Member Contributions	\$0	\$0	\$0	\$0
General Fund Contributions	0	0	442	442
Total Contributions	\$0	\$0	\$442	\$442
Investment Income				
Investment Income	\$0	\$0	\$0	\$0
Less Investment Expenses	0	0	0	0
Net Investment Income from Investment Activities	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0
Net Income from Securities Lending Activities	\$0	\$0	\$0	\$0
Total Net Investment Income	\$0	\$0	\$0	\$0
Other Additions				
Transfers From Other Plans	\$0	\$0	\$0	\$0
Total Other Additions	\$0	\$0	\$0	\$0
Total Additions	\$0	\$0	\$442	\$442
Deductions				
Annuity Benefits	\$0	\$0	\$440	\$440
Refunds	0	0	0	0
Interest to MPRIF	0	0	0	0
Transfers to Other Plans	0	0	0	0
Administrative Expenses	0	0	1	1
Other Expenses	0	0	0	0
Total Deductions	\$0	\$0	\$441	\$441
Other Changes in Reserves				
Retirements	\$0	\$0	\$0	\$0
Other	0	0	0	0
Total Other Changes	\$0	\$0	\$0	\$0
Net Increase (Decrease)	\$0	\$0	\$1	\$1
Net Assets Held in Trust for Pension Benefits				
July 1, 2008	36	0	176	212
June 30, 2009	<u>\$36</u>	<u>\$0</u>	<u>\$177</u>	<u>\$213</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Unclassified Employees Retirement Plan

	Member	Benefit	Totals
Additions			
Contributions			
Plan Member Contributions	\$4,660	\$0	\$4,660
Employer Contributions	6,514	0	6,514
Total Contributions	<u>\$11,174</u>	<u>\$0</u>	<u>\$11,174</u>
Investment Income			
Investment Income	\$(47,081)	\$27	\$(47,054)
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	<u>\$(47,081)</u>	<u>\$27</u>	<u>\$(47,054)</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$534</u>	<u>\$0</u>	<u>\$534</u>
Securities Lending Expenses			
Borrower rebates	\$172	\$0	\$172
Management fees	<u>54</u>	<u>0</u>	<u>54</u>
Total Securities Lending Expenses	<u>\$226</u>	<u>\$0</u>	<u>\$226</u>
Net Income from Securities Lending Activities	<u>\$308</u>	<u>\$0</u>	<u>\$308</u>
Total Net Investment Income	<u>\$(46,773)</u>	<u>\$27</u>	<u>\$(46,746)</u>
Other Additions			
Transfers From Other Plans	\$391	\$0	\$391
Other Income	<u>0</u>	<u>35</u>	<u>35</u>
Total Other Additions	<u>\$391</u>	<u>\$35</u>	<u>\$426</u>
Total Additions	<u>\$(35,208)</u>	<u>\$62</u>	<u>\$(35,146)</u>
Deductions			
Annuity Benefits	\$0	\$0	\$0
Refunds	5,009	0	5,009
Interest to MPRIF	0	7	7
Transfers to Other Plans	14,843	0	14,843
Administrative Expenses	0	229	229
Other Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>\$19,852</u>	<u>\$236</u>	<u>\$20,088</u>
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Changes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Increase (Decrease)	\$(55,060)	\$(174)	\$(55,234)
Net Assets Held in Trust for Pension Benefits			
July 1, 2008	<u>288,595</u>	<u>610</u>	<u>289,205</u>
June 30, 2009	<u>\$233,535</u>	<u>\$436</u>	<u>\$233,971</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Health Care Savings Plan

	Member	Benefit	Totals
Additions			
Contributions			
Plan Member Contributions	\$82,920	\$0	\$82,920
Employer Contributions	0	0	0
General Fund Contributions	0	0	0
Total Contributions	<u>\$82,920</u>	<u>\$0</u>	<u>\$82,920</u>
Investment Income			
Investment Income	\$(14,120)	\$61	\$(14,059)
Less Investment Expenses	0	1	1
Net Investment Income from			
Investment Activities	<u>\$(14,120)</u>	<u>\$60</u>	<u>\$(14,060)</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$208</u>	<u>\$0</u>	<u>\$208</u>
Securities Lending Expenses			
Borrower Rebates	\$69	\$0	\$69
Management Fees	21	0	21
Total Securities Lending Expenses	<u>\$90</u>	<u>\$0</u>	<u>\$90</u>
Net Income from Securities Lending Activities	<u>\$118</u>	<u>\$0</u>	<u>\$118</u>
Total Net Investment Income	<u>\$(14,002)</u>	<u>\$60</u>	<u>\$(13,942)</u>
Other Additions:			
Transfers From Other Plans	\$0	\$0	\$0
Other Income	0	1,438	1,438
Total Other Additions	<u>\$0</u>	<u>\$1,438</u>	<u>\$1,438</u>
Total Additions	<u>\$68,918</u>	<u>\$1,498</u>	<u>\$70,416</u>
Deductions			
Annuity Benefits	\$0	\$0	\$0
Health Care Benefits	\$31,088	\$0	\$31,088
Refunds	0	0	0
Interest to MPRIF	0	0	0
Transfers to Other Plans	0	0	0
Administrative Expenses	0	1,523	1,523
Other Expenses	0	0	0
Total Deductions	<u>\$31,088</u>	<u>\$1,523</u>	<u>\$32,611</u>
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	0	0	0
Total Other Changes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Increase (Decrease)	\$37,830	\$(25)	\$37,805
Net Assets Held in Trust for Pension Benefits			
July 1, 2008	<u>218,247</u>	<u>(670)</u>	<u>217,577</u>
June 30, 2009	<u>\$256,077</u>	<u>\$(695)</u>	<u>\$255,382</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Minnesota Deferred Compensation Plan

	Member	Benefit	Totals
Additions			
Contributions			
Plan Member Contributions	\$217,415	\$0	\$217,415
Employer Contributions	0	0	0
General Fund Contributions	0	0	0
Total Contributions	<u>\$217,415</u>	<u>\$0</u>	<u>\$217,415</u>
Investment Income			
Investment Income	\$(547,851)	\$548	\$(547,303)
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	<u>\$(547,851)</u>	<u>\$548</u>	<u>\$(547,303)</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Net Investment Income	<u>\$(547,851)</u>	<u>\$548</u>	<u>\$(547,303)</u>
Other Additions			
Other Income	\$0	\$3,788	\$3,788
Total Other Additions	<u>\$0</u>	<u>\$3,788</u>	<u>\$3,788</u>
Total Additions	<u>\$(330,436)</u>	<u>\$4,336</u>	<u>\$(326,100)</u>
Deductions			
Ongoing Withdrawals (Periodic Payments)	\$35,222	\$0	\$35,222
Refunds	106,009	0	106,009
Recordkeeping Expenses	1,305	2,092	3,397
Administrative Expenses	0	3,004	3,004
Other Expenses	0	12	12
Total Deductions	<u>\$142,536</u>	<u>\$5,108</u>	<u>\$147,644</u>
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	0	0	0
Total Other Changes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Increase (Decrease)	<u>\$(472,972)</u>	<u>\$(772)</u>	<u>\$(473,744)</u>
Net Assets Held in Trust for Pension Benefits			
July 1, 2008	3,569,895	10,318	3,580,213
June 30, 2009	<u>\$3,096,923</u>	<u>\$9,546</u>	<u>\$3,106,469</u>

Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2009
(Dollars in thousands)

Hennepin County Supplemental Retirement Plan

	Member	Benefit	Totals
Additions			
Contributions			
Plan Member Contributions	\$570	\$0	\$570
Employer Contributions	570	0	570
Other	0	0	0
Total Contributions	<u>\$1,140</u>	<u>\$0</u>	<u>\$1,140</u>
Investment Income			
Investment Income	\$(21,081)	\$1	\$(21,080)
Less Investment Expenses	0	0	0
Net Investment Income from			
Investment Activities	<u>\$(21,081)</u>	<u>\$1</u>	<u>\$(21,080)</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$226</u>	<u>\$0</u>	<u>\$226</u>
Securities Lending Expenses			
Borrower Rebates	\$75	\$0	\$75
Management Fees	22	0	22
Total Securities Lending Expenses	<u>\$97</u>	<u>\$0</u>	<u>\$97</u>
Net Income from Securities Lending Activities	<u>\$129</u>	<u>\$0</u>	<u>\$129</u>
Total Net Investment Income	<u>\$(20,952)</u>	<u>\$1</u>	<u>\$(20,951)</u>
Other Additions			
Fund to Fund Transfers In	\$0	\$0	\$0
Other Income	0	34	34
Total Other Additions	<u>\$0</u>	<u>\$35</u>	<u>\$34</u>
Total Additions	<u>\$(19,812)</u>	<u>\$35</u>	<u>\$(19,777)</u>
Deductions			
Ongoing Withdrawals (Periodic Payments)	\$4,260	\$0	\$4,260
Refunds	322	0	322
Recordkeeping Expenses	0	0	0
Administrative Expenses	0	5	5
Other Expenses	0	32	32
Total Deductions	<u>\$4,582</u>	<u>\$37</u>	<u>\$4,619</u>
Other Changes in Reserves			
Retirements	\$0	\$0	\$0
Other	0	0	0
Total Other Changes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Increase (Decrease)	\$(24,394)	\$(2)	\$(24,396)
Net Assets Held in Trust for Pension Benefits			
July 1, 2008	<u>126,359</u>	<u>30</u>	<u>126,389</u>
June 30, 2009	<u>\$101,965</u>	<u>\$28</u>	<u>\$101,993</u>

Summary Schedule of Commissions and Payables to Consultants

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

Individual or Firm Name	Services Received	Fees Paid
William Mercer Inc.	Consulting Actuary	\$207
Sovran, Inc.	Computer Systems	183
TCC Distributors, Inc.	Mailing Services	82
Minnesota Department of Health	Medical Advisor	26
Minnesota Office of the Attorney General	Legal Counsel	19
Comserv, Inc.	Member Records Update	10
New Horizons of Minnesota	Training	9
Medical Evaluations	Medical Exams	8
U.S. Treasury Department	Management	5
Solbrekk, Inc.	Computer Systems	5
Kaplan Professional Schools	Training	5
Vernali Design	Publication Design	5
Sans Tech Institute	Training	3
Accurint, Inc.	Member Record Update	2
Skillpath Seminars	Training	2

Schedule of Investment Expenses*

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Health Care Savings	Totals
Outside Money Managers, Equities	\$7,395	\$492	\$482	\$121	\$24	0	\$8,514
Outside Money Managers, Bonds	1,592	110	106	27	6	0	1,841
Minnesota State Board of Investment	512	34	33	9	2	1	591
Financial Control Systems	80	5	5	1	0	0	91
Richards & Tierney	69	5	5	1	0	0	80
Pension Consultants	8	0	1	0	0	0	9
Total Investment Expenses	<u>\$9,656</u>	<u>\$646</u>	<u>\$632</u>	<u>\$159</u>	<u>\$32</u>	<u>1</u>	<u>\$11,126</u>

*Note: MSRS does not directly pay any investment fees or commissions. All investment expenses are paid by the Minnesota State Board of Investment. These are the prorata portions of the expenses charged to the investment pools in which MSRS participates.

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Investment Section

Pension Trust Funds of the State of Minnesota



**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

**Governor
Tim Pawlenty**

**State Auditor
Rebecca Otto**

**Secretary of State
Mark Ritchie**

**Attorney General
Lori Swanson**

**Executive Director
Howard J. Bicker**

**60 Empire Drive
Suite 355
St. Paul, MN 55103
FAX: 651-296-9572
E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us**

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Investment Authority

The assets of the Minnesota State Retirement System (MSRS) are invested under the direction and authority of the Minnesota State Board of Investment (SBI) 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, Section 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 constraints. Particularly, pension-fund assets are to be invested for the exclusive benefit of the fund members.

Investment Objectives

Pension contributions of MSRS members are invested in the Combined Funds. The Combined Funds include the assets of both active and retired public employees who participate in the defined benefit plans administered by MSRS, the Public Employees Retirement Association, and the Teachers Retirement Association. MSRS does not own any underlying assets, but instead owns a participation in the pooled Combined Funds. Because of these assets normally accumulate for 30 to 40 years, SBI's objective is to take advantage of the long investment time horizon offered by equities and alternative assets in order to meet its actuarial return target of 8.5 percent per year and ensure that sufficient funds are available to finance promised benefits at the time of retirement.

Until this year, assets for active members were invested in the Basic Funds and assets for retired members were invested in the Minnesota Post Retirement Investment Fund (Post Fund). The assets of the Post Fund, which included the eight plans which participate in the Basic Funds as well as the Legislative and Survivors Retirement Fund, financed monthly annuity payments paid to retirees. Investments in the Post Fund were invested a bit more conservatively, but still invested heavily in equities to take advantage of the 15-20 year time horizon associated with the length of time a typical retiree was expected to draw benefits. By State law, on June 30, 2009 the Post Fund was dissolved and assets were merged back into the Basic Funds. The Combined Funds will have a slightly different asset allocation moving forward than either the Basic Funds or the Post Fund had historically.

The long term objectives of the Combined Funds are:

1. Provide returns that are 3-5 percentage points greater than inflation over the latest 20-year period; and
2. 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.

The SBI also compares the Combined Funds returns to other large pension funds in a universe of public and corporate plans.

Based on values on June 30, 2009, the Combined Funds returned 5.0 percentage points above the CPI over the last 20 years and matched the Composite Index over the past 10 years. Investment returns ranked in the 39th percentile over the past five years and in the 70th percentile over the past 10 years, compared to similar funds in the Trust Universe Comparison Service.

Investment Presentation

Investment returns were prepared using a time-weighted rate of return methodology based upon fair market values, net of investment expenses.

Respectfully submitted,



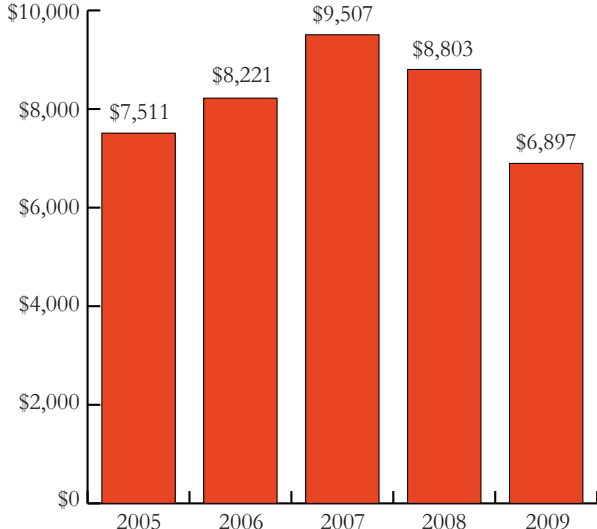
Howard Bicker
Executive Director
State Board of Investment

October 15, 2009

Fair Value of Net Assets (in Millions of U.S. Dollars)

Fair Value of MSRS' Four Largest Defined Benefit Funds
As of June 30, 2009

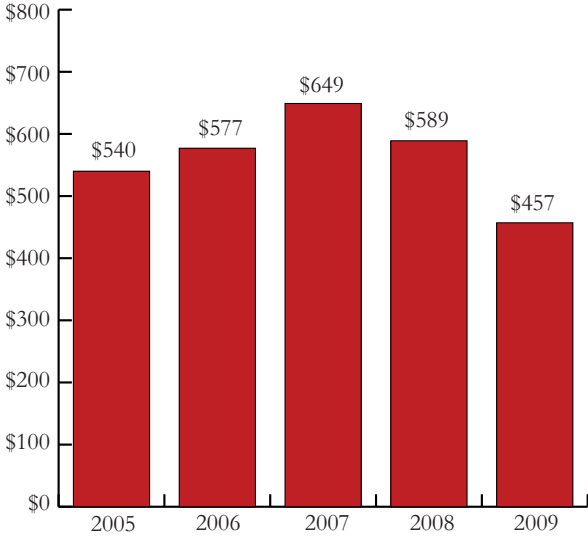
State Employees Retirement Fund



Correctional Employees Retirement Fund



State Patrol Retirement Fund



Judges Retirement Fund



Investment Returns by Sector

Investment Performance Compared to Target Indices (Net of Fees)

Funds	Rates of Return (Annualized)			
	FY2009	Three-Year	Five-Year	Ten-Year
Domestic Stock Pool	(26.9)%	(8.7)%	(2.1)%	(2.0)%
Russell 3000 Index	(26.6)	(8.3)	(1.8)	(1.8)
Bond Pool	2.5%	4.3%	4.0%	5.6%
Barclays Capital Aggregate Bond Index	6.0	6.4	5.0	6.0
International Stock Pool	(31.0)%	(5.7)%	4.5%	2.6%
MSCI ACWI Free ex US (Net)	(30.9)	(5.7)	4.5	2.4
Alternative Investments	(18.0)%	5.3%	16.4%	12.7%
Inflation (Note: This is the target rate of return, there is no comparable index available)	(1.4)	2.1	2.4	2.6
Real Estate Pool	(23.8)%	1.8%	8.9%	9.1%
Inflation +5% (Note: This is the target rate of return over the life of the investment, there is no comparable index available)	3.6	7.1	7.4	7.6
Private Equity Pool	(21.3)%	3.1%	14.7%	11.1%
Inflation +10% (Note: This is the target rate of return over the life of the investment, there is no comparable index available)	8.6	12.1	12.4	12.6
Resource Pool	(11.2)%	15.6%	41.8%	26.6%
Inflation +5% (Note: This is the target rate of return over the life of the investment, there is no comparable index available)	3.6	7.1	7.4	7.6
Yield Oriented Pool	(4.7)%	12.0%	20.8%	16.3%
Inflation +5.5% (Note: This is the target rate of return over the life of the investment, there is no comparable index available)	4.1	7.6	7.9	8.1

Note: Investment return percentages are the time-weighted rate of return, net of all management fees.

Asset Allocation*

Asset allocation will have a significant effect on investment returns. Prior to June 30, 2009, the retiree reserves included in the Minnesota Post Retirement Investment Fund (MPRIF) were allocated differently among the various investment pools than remaining fund assets, the Basic Funds. Effective June 30, 2009 these funds were merged and invested according to a single asset allocation mixture.

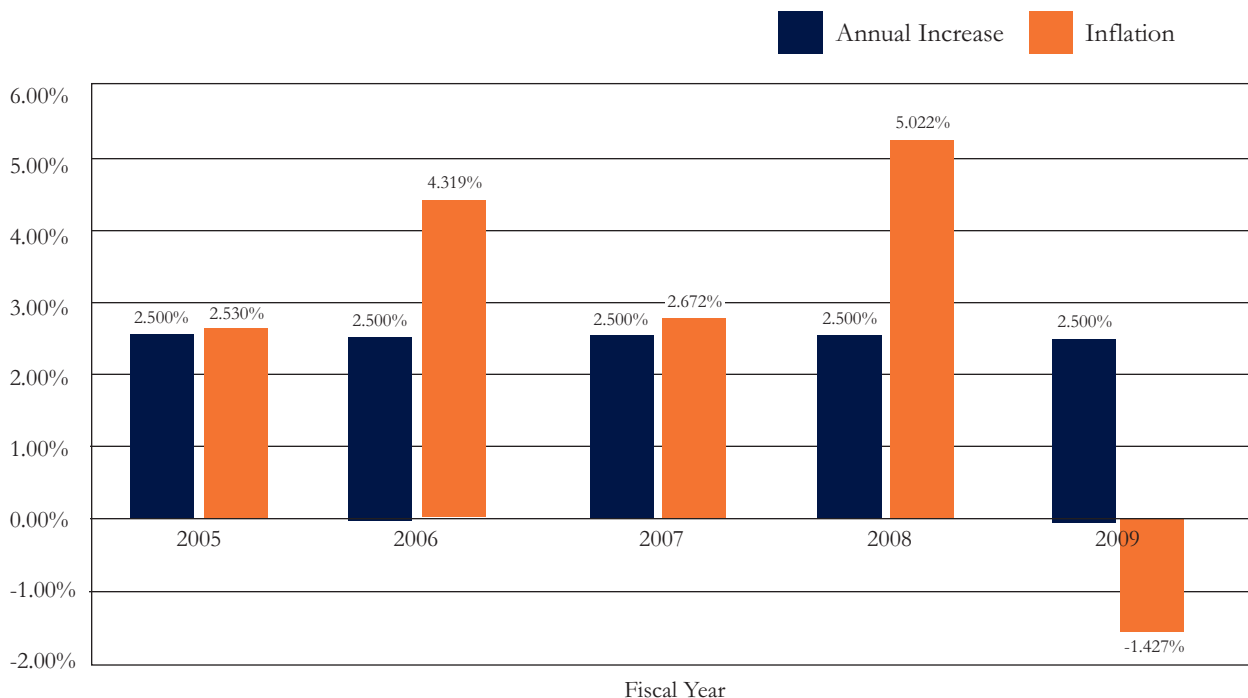
Investment Type	Basic Funds (as of June 29, 2009)		MPRIF (as of June 29, 2009)		Combined Funds (as of June 30, 2009)	
	Actual Asset Mix	Long-Term Policy Target	Actual Asset Mix	Long-Term Policy Target	Actual Asset Mix	Long-Term Policy Target
Domestic Stocks	44.5%	45.0%	44.7%	45.0%	44.6%	45.0%
International Stocks	16.3	15.0	16.3	15.0	16.3	15.0
Bonds	19.9	19.0	25.0	25.0	22.3	20.0
Alternative Investments**	18.3	20.0	10.9	12.0	14.8	18.0
Cash	1.0	1.0	3.1	3.0	2.0	2.0
Totals	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

*Source: Minnesota State Board of Investment fiscal year 2009 annual report.

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

Investment Results Annuity Increases vs. Inflation (Last 5 Years)

Combined increases awarded to MSRS retirees have been slightly less than inflation during the past five years. Increases and inflation are measured as of June 30. Increases are effective January 1 of the following year.



Investment Results by Investment Pool

Investment Performance

Funds	Rates of Return (Annualized)			
	FY2009	Three-Year	Five-Year	Ten-Year
Basic Funds (active accounts)	(19.6)%	(3.2)%	2.6%	2.4%
Basic Composite Market Index	(19.5)	(3.0)	2.7	2.4
Minnesota Post Retirement Investment Fund (MPRIF)				
(retiree accounts)	(17.5)%	(2.6)%	2.7%	2.5%
MPRIF Composite Market Index	(16.8)	(2.0)	3.0	2.5
Combined Funds (both)*	(18.8)%	(3.0)%	2.6%	2.4%
Combined Composite Market Index	(18.4)	(2.6)	2.8	2.4

*Percentages are net of all management fees.

Notes:

1. Rates of return for the Basic and Minnesota Post Retirement Investment Funds are through June 29, and combined through June 30.
2. Investment return percentages are the time-weighted rate of return, net of all management fees.
3. All composite indices are composed of the following market indicators and are weighted according to asset allocation.

<u>Investment Type</u>	<u>Market Indicator</u>
Domestic stocks	Russell 3000 Index
International stocks	Morgan Stanley Capital International All Country World Index Ex-U.S.
Domestic bonds	Barclays Capital Aggregate Bond Index
Alternative assets	Real estate funds, venture capital funds, resource funds
Unallocated cash	91-day treasury bills

List of Largest Assets Held

As of June 30, 2009

(Dollars in thousands)

Composite Holdings of Ten Largest Equities (by Market Value)

Company	Total State Portfolio at Fair Value	Percent of Portfolio
Exxon Mobil Corporation	\$496,560	1.76%
Microsoft Corporation	296,961	1.05%
UBS Trumbull Property	257,782	.91%
Prime Property Fund	241,733	.86%
Proctor and Gamble Co.	235,575	.84%
Johnson & Johnson	234,806	.83%
AT&T Corporation	230,719	.82%
Apple, Inc.	231,677	.82%
International Business Machines	228,190	.81%
J.P. Morgan Chase & Company	220,217	.78%

Composite Holdings of Ten Largest Bond Holdings (by Market Value)

Security	Coupon Rate	Maturity Date	Total State Portfolio at Fair Value	Percent of Portfolio
FNMA	5.00%	12/01/2099	\$304,302	3.64%
GNMA II	5.50%	12/01/2099	87,216	1.04%
U.S. Treasury Notes	3.125%	05/15/2019	83,751	1.00%
FNMA	5.50%	12/01/2099	81,042	.97%
ING Tri Party C	.09%	07/01/2009	75,000	.90%
Goldman Sachs Tri Party C	.04%	07/01/2009	65,000	.78%
FNMA	4.50%	12/01/2099	59,734	.72%
HSBC Tri Party C	.05%	07/01/2009	55,000	.66%
General Electric Capital, Inc.	3.712%	09/18/2009	51,003	.61%
*BNP Tri Party C	.03%	07/01/2009	50,000	.60%
*UBS Warburg Tri Party C	.01%	07/01/2009	50,000	.60%

* Tied for tenth largest

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 SBI.

Investment Summary at Fair Value

As of June 30, 2008 and 2009
(Dollars in thousands)

Description	Fair Value June 30, 2008**	Fair Value June 30, 2009	Percent of Portfolio
State Employees Retirement Fund			
External Domestic Equity Pool	\$1,638,284	\$1,886,708	28%
Passive Domestic Equity Pool	817,627	1,180,268	17%
Global Equity Pool	825,800	1,122,822	17%
Fixed Income Pool	1,269,161	1,498,590	22%
Alternative Investments	763,542	1,066,960	16%
Totals	<u>\$5,314,414</u>	<u>\$6,755,348</u>	<u>100%</u>
State Patrol Retirement Fund			
External Domestic Equity Pool	\$69,462	\$123,194	28%
Passive Domestic Equity Pool	34,712	77,067	18%
Global Equity Pool	35,042	73,315	17%
Fixed Income Pool	53,817	102,979	23%
Alternative Investments	32,475	62,487	14%
Totals	<u>\$225,508</u>	<u>\$439,042</u>	<u>100%</u>
Correctional Employees Retirement Fund			
External Domestic Equity Pool	\$87,366	\$124,876	28%
Passive Domestic Equity Pool	43,581	78,119	17%
Global Equity Pool	44,025	74,317	17%
Fixed Income Pool	67,679	101,162	23%
Alternative Investments	40,672	67,855	15%
Totals	<u>\$283,323</u>	<u>\$446,329</u>	<u>100%</u>
Judges Retirement Fund			
External Domestic Equity Pool	\$14,422	\$31,380	28%
Passive Domestic Equity Pool	7,326	19,630	18%
Global Equity Pool	7,353	18,674	17%
Fixed Income Pool	11,187	26,325	23%
Alternative Investments	7,005	15,783	14%
Totals	<u>\$47,293</u>	<u>\$111,792</u>	<u>100%</u>
Legislators Retirement Fund*			
External Domestic Equity Pool		\$5,849	28%
Passive Domestic Equity Pool		3,659	18%
Global Equity Pool		3,481	17%
Fixed Income Pool		5,346	26%
Alternative Investments		2,328	11%
Totals		<u>\$20,663</u>	<u>100%</u>

*This fund held no investments at June 30, 2008.

**Does not include investments held in the Minnesota Post Retirement Investment Fund (MPRIF) which was dissolved and redistributed on June 30, 2009.

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Actuarial Section

Pension Trust Funds of the State of Minnesota



Actuary's Certification Letter

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

333 South 7th Street, Suite 1600
Minneapolis, MN 55402-2427
612 642 8600 Fax 612 642 8686
www.mercer.com

December 23, 2009

Board of Directors
Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, Minnesota 55103-2088

Members of the Board:

We have prepared and presented to you our annual actuarial valuation 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, 2009. Our reports were prepared exclusively for the Minnesota State Retirement System (MSRS) and the Legislative Commission on Pensions and Retirement (LCPR) for the following purposes:

- Present the results of a valuation of the Funds as of July 1, 2009 as required by Minnesota Statutes, Section 356.215 and the Standards of Actuarial Work established by the State of Minnesota Legislative Commission on Pensions and Retirement
- Review plan experience for the year ended June 30, 2009
- Provide the Annual Required Contribution for the period beginning July 1, 2009
- Provide reporting and disclosure information for financial statements for governmental agencies pursuant to GASB Statements 25 (as amended by GASB Statement 50) and 27.

In this Comprehensive Annual Financial Report (CAFR), all supporting schedules in the Actuarial Section and the Schedule of Funding Progress and the Schedule of Employer Contributions in the Financial Section have been prepared by MSRS based on the information included in Mercer's reports on the annual actuarial valuation. The annual actuarial valuation reports are available on the MSRS website.

The results of the valuations indicate that:

- The SERF is 85.90% funded, and the contribution rates are deficient by 5.35% of payroll to meet the target of full funding by 2020.
- The SPRF is 80.58% funded, and the contribution rates are deficient by 12.16% of payroll to meet the target of full funding by 2036.
- The CERF is 71.88% funded, and the contribution rates are deficient by 6.05% of payroll to meet the target of full funding by 2038.
- The JRF is 60.84% funded, and the contribution rates are deficient by 3.73% of payroll to meet the target of full funding by 2038.
- The LRF is 31.70% funded, and the contribution rates are deficient by 329.22% of payroll to meet the target of full funding by 2021.

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- The ESORF is 5.49% funded, and the contribution rates are deficient by approximately \$600,000 per year to meet the target of full funding by 2017. This plan has no active participants, and so the deficiency is expressed as a dollar amount rather than as a percent of payroll.

For all plans except the LRP and the ESORF, because the valuation smoothes asset returns over five years, the funded ratios and contribution deficiencies do not reflect the majority of the large asset loss that occurred during the 2009 fiscal year. If all of the prior years' asset returns had been reflected, the deficiencies would have been higher. Without a change in contribution rates, benefit provisions, or favorable actuarial experience, funded status will continue to deteriorate.

With respect to the LRP and ESORF, the employer is required to fund the portion of the benefit liabilities that are not funded by the member's accumulated contributions at the time of benefit commencement.

The following changes were recognized this year:

- The Minnesota Post Retirement Investment Fund (MPRIF) was dissolved, and assets were transferred back to MSRS and merged with the respective active member fund. The transfer of assets and liabilities occurred on June 30, 2009. In conjunction with the dissolution, benefit recipients will receive future annual 2.5% cost-of-living adjustments (COLA). The waiting period and proration schedule for the COLA paid in the first year of retirement were also revised. Other than the Asset Method change described below, the MPRIF dissolution and COLA changes did not have an impact on the valuation results.
- For the purpose of determining the actuarial value of assets, the MPRIF asset loss for the fiscal year ending June 30, 2009 is recognized incrementally over five years at 20% per year, similar to the smoothing of active fund assets. Prior to June 30, 2009, MPRIF asset gains and losses were not smoothed.
- The Department of Transportation Pilots Plan was closed to new employees as of June 1, 2008, and the disability benefits were modified.
- In the CERF, the definition of duty disability was changed to specifically require the disability to be a result from an incident while performing the duties of the job. For employees hired after June 30, 2009, non-duty disability benefits will be based on actual service, rather than the current 15 year minimum service. Employees who become disabled after June 30, 2009 will have the disability benefits converted to retirement benefits at age 55 instead of age 65, with a minimum disability payment period of five years for those who become disabled after age 50.
- In the SPRF, the definitions of duty and regular disability were modified.

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- In the LRF, methods were revised to include the value of automatic survivor benefits in the actuarial accrued liability beginning in 2009.

A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a plan's future financial condition or its ability to pay benefits in the future. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, plan expenses and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date, but are assumed to fall within a reasonable range of possibilities.

To prepare the valuation reports, actuarial assumptions are used to select a single scenario from a range of possibilities. The results of that single scenario are included in the valuation reports. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. Due to the limited scope of our assignment to present an actuarial valuation, and the State's requirements for actuarial reports, the reports do not include an analysis of the potential range of future possibilities and scenarios.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a valuation report.

To prepare our valuation reports and information provided for this CAFR, Mercer has used and relied on financial data submitted by MSRS as of June 30, 2009, as well as participant data supplied by MSRS as of June 30, 2009. We have reviewed the financial and participant data for internal consistency and general reasonableness, but we have not verified or audited any of the data or information provided. We have also used and relied on the Statutes and summary of plan provisions supplied by MSRS. A summary of the plan provisions valued is shown in the CAFR. The Board of Directors are solely responsible for the accuracy, validity and comprehensiveness of this information. If the data or plan provisions supplied are not accurate and complete the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require later revisions for information provided for this report.

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Neither the July 1, 2009 valuation reports nor the information extracted from those reports for this CAFR may be relied upon for any other purpose or by any party other than the Board of Directors, the LCPR or MSRS' auditors solely for the purpose of completing an audit related to the matters described. Mercer is not responsible for the consequences of any unauthorized use.

To the best of our knowledge and belief, all information provided by us for this report is complete and accurate and all costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the requirements of Minnesota Statutes Section 356.215 and the requirements of the Standards of Actuarial Work established by the LCPR. The economic assumptions, including discount rates, are set in Minnesota Statutes, and the remaining assumptions are adopted by the Board of Directors and the LCPR. We believe these assumptions fall within the parameters established by GASB Statement 25 (with some exceptions for the LRF and the ESORF, as discussed in the valuation reports). These results are based on assumptions, plan provisions, methods and other parameters as summarized in this report and our valuation reports. In our opinion, this report fully and fairly discloses the actuarial position of the plan on an ongoing basis (with some exceptions for the LRF and the ESORF, as discussed in the valuation reports).

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. In addition, Mr. Dickson meets the requirements of "approved actuary" under Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (c). We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

Respectfully submitted,

Gary Dickson, FSA, EA, MAAA

Bonita J. Wurst, ASA, EA, MAAA

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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Summary of Actuarial Assumptions and Methods

The actuarial assumptions and methods that follow were either specified in statute or have been adopted by the MSRS Board of Directors at the recommendation of the actuary.

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 and are included in determining contribution rates.

Assumptions:

Retirement:

State Employees Retirement Fund:⁽¹⁰⁾

Graded rates from age 55 with 20 to 50 percent of those eligible for Rule of 90 retiring each year;

Correctional Employees Retirement Fund:⁽⁷⁾

Age-based from 5 percent at age 50 to 100 percent at age 65;

State Patrol Retirement Plan:⁽⁷⁾

Age-based from 7 percent at age 50 to 100 percent at age 60;

Judges Retirement Plan:⁽¹⁰⁾

Age-based from 10 percent at age 62 to 100 percent at age 70;

Elective State Officers⁽⁷⁾ and **Legislators Plans:**⁽⁷⁾

Age 62.

Mortality:

The 1983 Group Annuity Mortality Tables⁽¹¹⁾ are used for all funds, except for the Judges Retirement Fund. 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	-5	-2	-2	-1
State Patrol ⁽¹²⁾	-5	-2	-2	-1
Correctional Employees	-5	-2	-2	-1
Judges	-4	-2	**	**
Legislators	-4	-2	0	0
Elective State Officers	-4	-2	0	0

*Post-retirement tables are statutorily gender neutral.
 **The Judges Retirement Fund uses the RP 2000 Combined Annuity Mortality Table⁽¹⁶⁾ projected 8 years, with no collar adjustment.

Separation: Graded rates are based on actual experience.⁽¹⁶⁾

Allowances for Expenses: Prior year expenses are expressed as a percentage of prior year payroll.⁽¹⁰⁾

Interest: 8.5 percent ⁽¹¹⁾

Salary Increases:

A. State Employees Retirement Fund:⁽¹⁶⁾

Five-year select and ultimate table. During the select period, 0.6 percent times (5-T) where T is completed years of service is added to the ultimate rate. An ultimate table ranges from 5.75 percent at age 20 down to 4.25 percent at age 70.

B. State Patrol Retirement Fund:

Experience adjusted rates from 7.75 percent at age 20 declining to 5.25 percent at age 55 and thereafter.

C. Correctional Employees Retirement Fund:⁽¹⁰⁾

Experience adjusted rates from 6.75 percent at age 20 declining to 4.75 percent at age 55 and thereafter.

D. Judges Retirement Fund:⁽¹⁰⁾

4 percent annually.

E. Legislators and Elective State Officers Retirement Funds:⁽¹⁰⁾

5 percent annually.

Payroll Growth:

Including an assumed 3.0 percent annual inflation rate, the payroll growth assumption is 4.5 percent per annum for the State Employees, State Patrol, Correctional and Legislators Retirement Funds, and 4.0 percent per annum for the Judges Retirement Fund.

Contribution Refund:

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

Vesting:

The State Employees, State Patrol, and Correctional Retirement Funds require a minimum of three years of covered service to be vested for annuity benefits.⁽⁹⁾ The Judges Retirement Plan requires five years of covered service,⁽⁸⁾ the Legislators Retirement Plan requires either six years or four legislative sessions⁽⁴⁾ and Elected State Officers required eight years but no long has any active members.⁽⁴⁾

Social Security:

The Correctional Retirement Fund⁽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 retirement funds are unaffected.

Asset Valuation:

For the four funds shown in the table that follows, for active members, market values, 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.⁽¹²⁾ In prior years, retirees participated in the Minnesota Post Retirement Investment Fund (MPRIF) and the market value was reported as the prorated share

of the combined market value of the fund.⁽¹⁵⁾ The MPRIF was dissolved on June 30, 2009 and the assets were combined with the investments of the respective active members.⁽¹⁷⁾ The Elective State Officers Retirement Fund did not participate in the MPRIF. The graduated recognition of investment gains and losses to the assets, including those previously a part of the MPRIF, resulted in increases (decreases) to the unfunded liability and accumulated unrecognized investment gains (losses) as follows:

Fund	UAAL Decreases	Total Cumulative Unrecognized Investment Gains (Losses)
State Employees	\$(224,743,000)	\$(2,133,283,000)
State Patrol	(23,380,000)	(134,441,000)
Correctional Employees	(18,018,000)	(133,556,000)
Judges	(6,332,000)	(32,430,000)

Experience Studies:

Experience studies are conducted as needed for all retirement funds except the Legislators and Elected State Officers, which are closed to new members. The most recent studies and the periods covered are as follows:

Fund	Period Covered
State Employees	Fiscal years 2005 – 2008
State Patrol Fund	Fiscal years 2004 – 2007
Correctional Employees	Fiscal years 2004 – 2007
Judges	Fiscal years 2000 – 2007

All recommended assumption and table changes not requiring statutory authorization have been implemented.

Independent Actuarial Review:

The Legislative Commission on Pensions and Retirement is authorized to retain an independent actuary to audit the performance of MSRS' consulting actuary. Further review should not be necessary.

Plan Provision Changes:

The Correctional Employees Retirement Fund definition of duty disability was revised to specifically require the disability to be a result from an incident that occurred while performing the duties of the job. For employees hired after June 30, 2009, non-duty disability benefits will be based on actual service, rather than the 15 year minimum service for employees hired before June 30, 2009. Also, members who become disabled after June 30, 2009 will have their disability benefits converted to retirement benefits at age 55 instead of age 65, with

a minimum disability payment period of five years for those who become disabled after age 50. These changes resulted in a decrease in the unfunded liability of \$1,101,000.

Funding Objective:

For all plans, except the Legislative and Elective State Officers, the funding objective is to achieve full funding through level employee and employer contributions and investment earnings by the statutorily specified dates. The Elective State Officers Retirement Fund is a pay-as-you-go plan and will not achieve full funding. Once the Legislative Retirement Fund depletes the assets currently held, it will also operate as a pay-as-you-go plan and will not be expected to achieve full funding.

Cost-of-living Adjustments:

Pursuant to current statutes, benefits are increased by 2.5 percent each January 1 to offset the effects of inflation on the cost of living.

Footnote References:

Effective dates these actuarial assumptions were adopted:

- | | |
|-------------------|--------------------|
| (1) June 30, 1972 | (10) June 30, 1994 |
| (2) June 30, 1973 | (11) June 30, 1997 |
| (3) June 30, 1974 | (12) June 30, 2000 |
| (4) June 30, 1978 | (13) June 30, 2002 |
| (5) June 30, 1979 | (14) June 30, 2006 |
| (6) June 30, 1980 | (15) June 30, 2007 |
| (7) June 30, 1984 | (16) June 30, 2008 |
| (8) June 30, 1988 | (17) June 30, 2009 |
| (9) June 30, 1989 | |

Required Reserves

As of June 30, 2009

(Dollars in thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	Elective State Officers Fund**
Active Members:						
Retirement Annuities	\$4,381,725	\$236,814	\$350,349	\$97,560	\$10,603	\$0
Disability Benefits	184,773	10,053	31,468	2,830	0	0
Survivor Benefits	112,106	3,647	6,993	3,289	87	0
Deferred Retirements	171,914	1,274	14,799	0	0	0
Refunds	(84,001)	(567)	(7,323)	139	6	0
Total Active Members	\$4,766,517	\$251,221	\$396,286	\$103,818	\$10,696	\$0
Deferred Retirements	1,200,907	7,259	55,339	4,641	18,383	316
Former Members Not Vested	10,407	37	1,235	0	25	0
Annuitants	4,496,247	466,817	368,390	133,356	61,327	3,570
Unclassified Plan						
Contingent Liability	38,682	0	0	0	0	0
Total Required Reserves	\$10,512,760	\$725,334	\$821,250	\$241,815	\$90,431	\$3,886

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, 2009	4.75%	4.75%	9.50%	14.85%	(5.35)%
State Patrol Fund	July 1, 2009	10.40	15.60	26.00	38.16	(12.16)
Correctional Employees Fund	July 1, 2009	7.70	11.10	18.80	24.85	(6.05)
Judges Fund*	July 1, 2009	7.30	20.50	27.80	31.53	(3.73)
Legislators Fund	July 1, 2009	9.00	0.00	9.00	338.22	(329.22)
Elective State Officers Fund**	July 1, 2009	N/A	N/A	N/A	N/A	N/A

* The actual contribution rates are actual contributions in dollars expressed as a percentage of projected annual payroll.

** 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)

For the Fiscal Year Ended June 30, 2009

(Dollars in thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	Elective State Officers Fund
A. UAAL, at the Beginning of the Year or Last Valuation	<u>\$981,146</u>	<u>\$98,604</u>	<u>\$187,644</u>	<u>\$84,081</u>	<u>\$46,922</u>	<u>\$3,696</u>
B. Change Due to Interest Requirements and Current Rate of Funding						
1. Normal Cost and Expenses	\$190,460	\$16,145	\$37,902	\$6,993	\$408	\$1
2. Contributions	(216,077)	(15,394)	(34,157)	(11,197)	(1,517)	(442)
3. Interest on A, B1, and B2	<u>82,309</u>	<u>8,413</u>	<u>16,109</u>	<u>6,969</u>	<u>3,941</u>	<u>295</u>
4. Totals (B1+B2+B3)	<u>\$56,692</u>	<u>\$9,164</u>	<u>\$19,854</u>	<u>\$2,765</u>	<u>\$2,832</u>	<u>\$(146)</u>
C. Expected UAAL at End of the Year (A+B)	<u>\$1,037,838</u>	<u>\$107,768</u>	<u>\$207,498</u>	<u>\$86,846</u>	<u>\$49,754</u>	<u>\$3,550</u>
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations From the Expected						
1. Salary Increases	\$(22,704)	\$(4,023)	\$(3,631)	\$(540)	\$60	\$0
2. Investment Return	723,093	54,220	48,978	7,685	8,146	19
3. Mortality of Benefit Recipients	4,163	2,575	(196)	3,659	722	114
4. Other Items	<u>(35,288)</u>	<u>3,673</u>	<u>(2,619)</u>	<u>3,377</u>	<u>(1,405)</u>	<u>(10)</u>
5. Totals	<u>\$669,264</u>	<u>\$56,445</u>	<u>\$42,532</u>	<u>\$14,181</u>	<u>\$7,523</u>	<u>\$123</u>
E. Unfunded accrued actuarial liability before plan amendments and changes in actuarial assumptions	\$1,707,102	\$164,213	\$250,030	\$101,027	\$57,277	\$3,673
F. Change in unfunded accrued actuarial liability due to change in plan provision	\$0	\$0	\$(1,101)	\$0	\$0	\$0
G. Change in unfunded accrued actuarial liability due to changes in plan provisions	\$0	\$0	\$0	\$0	\$0	\$0
H. Change in unfunded accrued actuarial liability due to changes in actuarial asset method	\$(224,743)	\$(23,380)	\$(18,018)	\$(6,332)	\$0	\$0
I. Change in unfunded accrued actuarial liability due to changes in valuation method of automatic survivor benefits	\$0	\$0	\$0	\$0	\$4,491	\$0
J. UAAL at the End of the Year Before Plan Amendments	<u>\$1,482,359</u>	<u>\$140,833</u>	<u>\$230,911</u>	<u>\$94,695</u>	<u>\$61,768</u>	<u>\$3,673</u>

Schedule of Active Member Valuation Data

As of June 30, 2009

Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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)
06/30/06	48,000	2,016,588,000	42,012	1.41
06/30/07	48,379	2,095,310,000	43,310	3.09
06/30/08	48,823	2,256,528,000	46,219	6.71
06/30/09	48,989	2,329,499,000	47,551	2.88
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	51,619,000	61,893	(8.03)
06/30/05	831	55,142,000	66,356	7.21
06/30/06	851	57,765,000	67,879	2.29
06/30/07	844	61,498,000	72,865	7.35
06/30/08	840	60,029,000	71,463	(1.92)
06/30/09	876	61,511,000	70,218	(1.74)
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	133,172,000	40,040	(0.55)
06/30/05	3,607	132,335,000	36,688	(8.37)
06/30/06	3,910	145,879,000	37,309	1.69
06/30/07	4,332	167,727,000	38,718	3.78
06/30/08	4,520	194,391,000	43,007	11.08
06/30/09	4,403	193,445,000	43,935	2.16

Schedule of Active Member Valuation Data

As of June 30, 2009

Valuation Date	Number	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
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	34,683,000	117,968	0.60
06/30/05	295	35,941,000	121,834	3.28
06/30/06	303	36,529,000	120,558	(1.05)
06/30/07	308	36,195,000	117,516	(2.52)
06/30/08	308	38,296,000	124,338	5.80
06/30/09	312	39,444,000	126,424	1.68
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	\$3,815,000	\$43,854	15.47%
06/30/05	78	3,014,000	38,641	(11.89)
06/30/06	76	2,894,000	38,079	(1.45)
06/30/07	54	2,380,000	44,074	15.74
06/30/08	52	1,993,000	38,327	(13.04)
06/30/09	48	1,963,000	40,900	6.71
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
06/30/06	0	-	-	N/A
06/30/07	0	-	-	N/A
06/30/08	0	-	-	N/A
06/30/09	0	-	-	N/A

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

Schedule of Retirees and Beneficiaries

(Fiscal Year End Totals)

Valuation Date	Number Added	Number Removed	Annual Number	Benefits	Percent Increase in Annual Benefits	Average Annual Benefit
State Employees Retirement Fund						
06/30/00	1,474	661	19,301	\$237,825,000	14.36%	\$12,322
06/30/01	1,436	759	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
06/30/06	1,945	1,108	24,204	366,797,000	1.77	15,154
06/30/07	2,090	948	25,346	392,058,000	6.89	15,468
06/30/08	2,107	1,007	26,446	418,757,000	6.81	15,834
06/30/09	1,873	976	27,343	445,792,000	6.46	16,304
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	4.05	44,795
06/30/06	69	48	846	38,767,000	2.30	45,824
06/30/07	69	39	876	40,581,000	4.68	46,325
06/30/08	49	29	896	42,804,000	5.48	47,772
06/30/09	33	21	908	44,480,000	3.92	48,987
Correctional Employees Retirement Fund						
06/30/00	121	26	747	\$12,414,000	21.83%	\$16,618
06/30/01	100	39	808	14,911,000	20.11	18,454
06/30/02	156	26	938	17,105,000	14.71	18,236
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
06/30/06	143	47	1,375	26,161,000	2.17	19,026
06/30/07	174	47	1,502	28,565,000	9.19	19,018
06/30/08	135	37	1,600	30,932,000	8.29	19,332
06/30/09	139	30	1,709	33,239,000	7.46	19,449

Schedule of Retirees and Beneficiaries

(Fiscal Year End Totals)

Valuation Date	Number Added	Number Removed	Annual Number	Benefits	Percent Increase in Annual Benefits	Average Annual Benefit
Judges Retirement Fund						
06/30/00	14	13	239	\$11,083,000	10.86%	\$46,368
06/30/01	17	9	247	12,228,000	10.33	49,506
06/30/02	22	13	256	13,202,000	7.97	51,570
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	1.70	53,922
06/30/06	26	20	261	14,260,000	1.32	54,636
06/30/07	22	20	263	14,516,000	1.8	55,194
06/30/08	25	9	279	15,116,000	4.13	54,179
06/30/09	17	11	285	16,261,000	7.57	57,056
Legislators Retirement Fund						
06/30/00	23	10	280	\$4,213,000	12.65%	\$15,046
06/30/01	21	8	293	4,857,000	15.26	16,573
06/30/02	0	0	293	5,243,000	7.97	17,653
06/30/03	22	5	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	17	319	5,942,000	3.01	18,627
06/30/06	12	12	319	6,094,000	2.56	19,103
06/30/07	34	13	340	6,390,000	4.86	18,794
06/30/08	17	11	346	6,786,000	6.20	19,613
06/30/09	22	10	358	7,016,000	3.39	19,598
Elective State Officers Retirement Fund						
06/30/00	0	0	13	\$303,000	42.25%	\$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
06/30/06	0	0	15	409,000	4.60	27,267
06/30/07	0	0	15	419,000	2.44	27,933
06/30/08	0	0	15	430,000	2.63	28,667
06/30/09	0	0	15	440,000	2.33	29,333

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

Solvency Test -- Funding Ratio

(Dollars in thousands)

Valuation Date	Aggregate Accrued Liabilities			Reported Assets	Portion Covered by Reported Assets			Funding Ratio
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Employer Financed Portion (3)		(1)	(2)	(3)	
State Employees Retirement Fund								
06/30/00	\$722,921	\$2,464,913	\$2,917,869	\$6,744,164	100%	100%	121.9%	110.5%
06/30/01	762,784	2,774,207	3,036,202	7,366,673	100	100	126.1	112.1
06/30/02	807,966	3,015,568	3,516,863	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
06/30/06	966,951	3,689,443	4,162,767	8,486,756	100	100	92.0	96.2
06/30/07	1,001,316	3,963,536	4,662,453	8,904,517	100	100	84.5	92.5
06/30/08	1,041,731	4,251,341	4,701,530	9,013,456	100	100	79.1	90.2
06/30/09	1,102,082	4,496,247	4,914,431	9,030,401	100	100	69.8	85.9
State Patrol Retirement Fund								
06/30/00	\$36,373	\$266,323	\$156,688	\$528,573	100%	100%	145.1%	115.3%
06/30/01	37,145	305,287	147,051	572,615	100	100	156.7	117.0
06/30/02	38,508	325,756	146,080	591,383	100	100	155.5	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
06/30/06	45,709	413,424	182,346	618,990	100	100	87.7	103.6
06/30/07	47,365	431,969	194,110	617,901	100	100	71.4	91.8
06/30/08	49,380	445,217	199,089	595,082	100	100	50.5	85.8
06/30/09	52,557	466,817	205,960	584,501	100	100	31.6	80.6
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
06/30/06	67,221	290,370	289,889	535,357	100	100	61.3	82.7
06/30/07	72,259	319,813	316,220	559,852	100	100	53.1	79.0
06/30/08	81,233	338,511	340,619	572,719	100	100	44.9	75.3
06/30/09	90,572	368,390	362,288	590,339	100	100	36.3	71.9

Solvency Test -- Funding Ratio

(Dollars in thousands)

Valuation Date	Aggregate Accrued Liabilities			Reported Assets	Portion Covered by Reported Assets			Funding Ratio
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Employer Financed Portion (3)		(1)	(2)	(3)	
Judges Retirement Fund								
06/30/00	\$13,740	\$94,063	\$45,857	\$111,113	100%	100.0%	7.2%	72.3%
06/30/01	15,157	102,861	47,226	123,589	100	100.0	11.8	74.8
06/30/02	16,243	110,690	44,988	131,379	100	100.0	9.9	76.4
06/30/03	18,313	106,673	51,305	134,142	100	100.0	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	104,600	64,609	144,465	100	100.0	27.3	75.5
06/30/06	23,179	112,627	64,495	151,850	100	100.0	24.9	75.1
06/30/07	24,562	114,005	75,730	153,562	100	100.0	9.8	71.7
06/30/08	25,450	124,780	81,393	147,542	100	98.6	0.0	63.7
06/30/09	27,419	133,356	81,040	147,120	100	89.8	0.0	60.8

Legislators Retirement Fund

06/30/00	\$7,042	\$41,623	\$20,699	\$37,265	100%	72.6%	0.0%	53.7%
06/30/01	6,924	47,915	20,233	42,608	100	74.5	0.0	56.9
06/30/02	7,093	49,491	21,486	45,501	100	77.6	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	0.0	55.5
06/30/05	6,892	49,115	25,829	45,523	100	78.7	0.0	55.6
06/30/06	7,050	48,955	25,356	48,504	100	84.7	0.0	59.6
06/30/07	6,543	53,180	25,356	44,869	100	72.1	0.0	51.9
06/30/08	6,266	54,926	24,939	39,209	100	60.0	0.0	45.5
06/30/09	6,059	61,327	23,045	28,663	100	36.9	0.0	31.7

Elective State Officers Retirement Fund*

06/30/00	194	2,963	572	199	100%	0.2%	0.0%	5.6%
06/30/01	194	3,152	429	201	100	0.2	0.0	5.3
06/30/02	194	3,196	685	201	100	0.2	0.0	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	0.0	5.0
06/30/05	36	3,850	179	204	100	4.4	0.0	5.0
06/30/06	36	3,716	218	207	100	4.6	0.0	5.2
06/30/07	36	3,691	242	212	100	4.8	0.0	5.3
06/30/08	36	3,605	267	212	100	4.9	0.0	5.4
06/30/09	36	3,570	280	213	100	5.0	0.0	5.5

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

Summary of Unfunded Accrued Liabilities (UAL)

(Dollars 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	(36.80)%
06/30/01	6,573,193	7,366,673	(793,480)	1,834,042	(43.30)
06/30/02	7,340,397	7,673,028	(332,631)	1,915,350	(17.40)
06/30/03	7,830,671	7,757,292	73,379	2,009,975	3.60
06/30/04	7,878,363	7,884,984	(6,621)	1,965,546	(0.30)
06/30/05	8,455,336	8,081,736	373,600	1,952,323	19.14
06/30/06	8,819,161	8,486,756	332,405	2,016,588	16.48
06/30/07	8,904,517	9,627,305	722,788	2,095,310	34.50
06/30/08	9,994,602	9,013,456	981,146	2,256,528	43.48
06/30/09	10,512,760	9,030,401	1,482,359	2,329,499	63.63
State Patrol Retirement Fund					
06/30/00	\$458,384	\$528,573	\$(70,189)	\$48,167	(145.70)%
06/30/01	489,483	572,615	(83,332)	48,935	(170.30)
06/30/02	510,344	591,383	(81,039)	49,278	(164.50)
06/30/03	538,980	591,521	(52,541)	54,175	(97.00)
06/30/04	545,244	594,785	(49,541)	51,619	(96.00)
06/30/05	566,764	601,220	(34,456)	55,142	(62.49)
06/30/06	641,479	618,990	22,489	57,765	38.93
06/30/07	673,444	617,901	55,543	61,498	90.32
06/30/08	693,686	595,082	98,604	60,029	164.26
06/30/09	725,334	584,501	140,833	61,511	228.96
Correctional Employees Retirement Fund					
06/30/00	\$359,885	\$386,964	\$(27,079)	\$112,587	(24.10)%
06/30/01	398,633	431,134	(32,501)	120,947	(26.90)
06/30/02	446,426	457,416	(10,990)	124,373	(8.80)
06/30/03	484,974	470,716	14,258	131,328	10.90
06/30/04	524,215	486,617	37,598	133,172	28.20
06/30/05	546,118	503,573	42,544	132,335	32.15
06/30/06	647,480	535,357	112,123	145,879	76.86
06/30/07	708,292	559,852	148,440	167,727	88.50
06/30/08	760,363	572,719	187,644	194,391	96.53
06/30/09	821,250	590,339	230,911	193,445	119.34

Summary of Unfunded Accrued Liabilities (UAL)

(Dollars in thousands)

Valuation Date	Aggregate Accrued Liabilities	Actuarial Assets	Unfunded Accrued Liabilities	Member Payroll	UAL as a Percent Payroll
Judges Retirement Fund					
06/30/00	\$153,660	\$111,113	\$42,547	\$26,315	161.70%
06/30/01	165,244	123,589	41,655	28,246	147.50
06/30/02	171,921	131,379	40,542	31,078	130.50
06/30/03	176,291	134,142	42,149	33,771	124.80
06/30/04	190,338	138,948	51,390	34,683	148.20
06/30/05	191,414	144,465	46,949	35,941	130.63
06/30/06	202,301	151,850	50,451	36,529	138.11
06/30/07	214,297	153,562	60,735	36,195	167.80
06/30/08	231,623	147,542	84,081	38,296	219.56
06/30/09	241,815	147,120	94,695	39,444	240.07
Legislators Retirement Fund					
06/30/00	\$69,364	\$37,265	\$32,099	\$5,808	552.70%
06/30/01	75,072	42,608	32,464	5,858	554.20
06/30/02	78,070	45,501	32,569	5,089	640.00
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	971.00
06/30/05	81,836	45,523	36,314	3,014	1,204.84
06/30/06	81,361	48,504	32,857	2,894	1,135.35
06/30/07	86,449	44,869	41,580	2,380	1,747.06
06/30/08	86,131	39,209	46,922	1,993	2,354.34
06/30/09	90,431	28,663	61,768	1,963	3,146.61
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	4,065	204	3,861	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
06/30/06	3,970	207	3,763	0	N/A
06/30/07	3,969	212	3,758	0	N/A
06/30/08	3,908	212	3,696	0	N/A
06/30/09	3,886	213	3,673	0	N/A

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

Sample Assumed Annual Rates of Termination

As of July 1, 2009

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	
20	0.03%	0.02%	6.9%	8.55%	0.010%	0.010%	0%	0%	5.75%
25	0.04	0.02	5.90	7.80	0.010	0.010	0	0	5.75
30	0.05	0.03	4.90	7.05	0.010	0.010	0	0	5.75
35	0.06	0.04	3.90	5.10	0.030	0.030	0	0	5.75
40	0.09	0.06	3.20	4.38	0.080	0.080	0	0	5.75
45	0.12	0.08	2.70	3.75	0.130	0.130	0	0	5.45
50	0.22	0.14	2.20	3.05	0.288	0.288	0	0	4.95
55	0.39	0.21	0.00	0.00	0.504	0.432	25	5	4.45
60	0.61	0.34	0.00	0.00	0.780	0.624	20	10	4.25
65	0.92	0.58	0.00	0.00	0.000	0.000	45	45	4.25
70	1.56	0.97	0.00	0.00	0.000	0.000	30	30	4.25

State Employees Retirement Fund

*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.

**These rates are for members who have not yet retired. Detailed rates for retirees and disabilities are available in our actuary's report.

State Patrol Retirement Fund

20	0.03%	0.02%	1.47%	1.47%	0.04%	0.04%	0%	0%	7.75%
25	0.04	0.02	1.13	1.13	0.06	0.06	0	0	7.00
30	0.05	0.03	0.80	0.80	0.08	0.08	0	0	7.00
35	0.06	0.04	0.47	0.47	0.11	0.11	0	0	7.00
40	0.09	0.06	0.40	0.40	0.18	0.18	0	0	6.50
45	0.12	0.08	0.40	0.40	0.29	0.29	0	0	5.75
50	0.22	0.14	0.00	0.00	0.50	0.50	7	7	5.50
55	0.39	0.21	0.00	0.00	0.88	0.88	60	60	5.25
60	0.61	0.34	0.00	0.00	1.41	1.41	100	100	5.25
65	0.92	0.58	0.00	0.00	0.00	0.00	100	100	5.25
70	1.56	0.97	0.00	0.00	0.00	0.00	100	100	5.25

Correctional Employees Retirement Fund

20	0.03%	0.02%	12.00%	8.00%	0.05%	0.08%	0%	0%	6.75%
25	0.04	0.02	7.35	7.00	0.08	0.12	0	0	6.50
30	0.05	0.03	4.55	6.75	0.11	0.16	0	0	6.50
35	0.06	0.04	3.00	6.45	0.15	0.22	0	0	6.50
40	0.09	0.06	2.20	5.20	0.24	0.36	0	0	6.00
45	0.12	0.08	1.70	3.20	0.39	0.58	0	0	5.25
50	0.22	0.14	1.20	2.35	0.67	1.00	5	5	5.00
55	0.39	0.21	0.70	1.65	1.17	1.76	60	60	4.75
60	0.61	0.34	0.00	0.00	1.88	2.82	10	10	4.75
65	0.92	0.58	0.00	0.00	0.00	0.00	100	100	4.75
70	1.56	0.97	0.00	0.00	0.00	0.00	100	100	0.00

Sample Assumed Annual Rates of Termination

As of July 1, 2009

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	Female	
Judges Retirement Fund*									
25	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0%	0%	4.00%
30	0.05	0.03	0.00	0.00	0.02	0.00	0	0	4.00
35	0.06	0.04	0.00	0.00	0.02	0.01	0	0	4.00
40	0.09	0.06	0.00	0.00	0.02	0.02	0	0	4.00
45	0.14	0.08	0.00	0.00	0.03	0.05	0	0	4.00
50	0.25	0.14	0.00	0.00	0.14	0.10	0	0	4.00
55	0.43	0.21	0.00	0.00	0.34	0.24	0	0	4.00
60	0.66	0.34	0.00	0.00	0.76	0.62	0	0	4.00
65	1.01	0.58	0.00	0.00	0.00	0.00	20	20	4.00
70	1.76	0.97	0.00	0.00	0.00	0.00	100	100	4.00

*By Statute all judges must retire by age 70.

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

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

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 Elected State 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

Pension Trust Funds of the State of Minnesota



Introduction

GASB Statement No. 44, Economic Condition Reporting: The Statistical Section established the requirements for the information required to be presented in this section of the report. The information that follows is intended to provide context and historical perspective, to supplement the financial information provided in the preceding sections, and to display trends where they exist.

The *Schedule of Changes in Plan Net Assets* shows a multi-year history of the asset growth of the various funds. The *Schedule of Revenues by Source* provides a 10-year history of the resources received along with the corresponding member payroll and rate information. The *Schedule of Expenses by Type* summarizes the application of those resources over the past ten years. The *Schedule of Benefits and Refunds by Type* displays in detail the growth of benefits disbursed.

The remaining schedules provide demographic membership data and information about the employers that participate in the funds. For example, over the past ten years, the *Active Members Average Age Tables* show slight increases in the ages of all members. Further, as the actual payroll on the *Schedule of Revenues by Source* has increased, the average benefit shown on the *Schedule of New Retirees and Initial Benefit Paid* has similarly increased for members with comparable years of service. That, along with postretirement benefit increases, resulted in more members receiving higher benefits as shown in the *Schedule of Retired Members by Benefit Type*.

All of the information contained in the schedules of this section was extracted from the database records of MSRS and summarized as shown. There were no estimates or assumptions used in compiling this data.

Schedule of Changes in Plan Net Assets

For the Five Fiscal Years Ended June 30, 2009
(Dollars in thousands)

Deferred Compensation Fund*

	2005	2006	2007	2008	2009
Additions					
Member Contributions	\$200,397	\$211,705	\$217,446	\$231,671	\$217,415
Investment Income (Net of Expenses)	197,602	269,458	456,868	(93,065)	(547,303)
Other	7,524	4,815	6,036	4,608	3,788
Total Additions to Plan Net Assets	<u>\$405,523</u>	<u>\$485,978</u>	<u>\$680,350</u>	<u>\$143,214</u>	<u>\$(326,100)</u>
Deductions					
Benefit Payments	\$33,698	\$34,264	\$35,285	\$37,039	\$35,222
Refunds	101,912	121,636	135,419	144,837	106,009
Administrative Expenses	2,328	2,283	2,514	2,728	3,004
Other	10,136	5,451	6,726	4,577	3,409
Total Deductions From Plan Net Assets	<u>\$148,074</u>	<u>\$163,634</u>	<u>\$179,944</u>	<u>\$189,181</u>	<u>\$147,644</u>
Change in Plan Net Assets	<u>\$257,449</u>	<u>\$322,344</u>	<u>\$500,406</u>	<u>\$(45,967)</u>	<u>\$(473,744)</u>

*Prior to fiscal year 2005, the Deferred Compensation Fund did not meet the criteria necessary for inclusion in the reporting entity.

Schedule of Changes in Plan Net Assets

For the Four Fiscal Years Ended June 30, 2009
(Dollars in thousands)

Hennepin County Supplemental Retirement Fund*

	2006	2007	2008	2009
Additions				
Member Contributions	\$426	\$639	\$601	\$570
Employer Contributions	426	640	601	570
Investment Income (Net of Expenses)	6,668	20,688	(9,625)	(20,951)
Other	24	53	50	34
Total Additions to Plan Net Assets	<u>\$7,544</u>	<u>\$22,020</u>	<u>\$(8,373)</u>	<u>\$(19,777)</u>
Deductions				
Benefit Payments	\$3,703	\$5,830	\$5,885	\$4,260
Refunds	378	1,677	227	322
Administrative Expenses	5	5	6	5
Other	0	59	41	32
Total Deductions From Plan Net Assets	<u>\$4,086</u>	<u>\$7,571</u>	<u>\$6,159</u>	<u>\$4,619</u>
Change in Plan Net Assets	<u>\$3,458</u>	<u>\$14,449</u>	<u>\$(14,532)</u>	<u>\$(24,396)</u>

*MSRS assumed responsibility for the administration of this fund on December 1, 2005.

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

State Employees Retirement Fund

	2000	2001	2002	2003	2004
Additions					
Member Contributions	\$70,378	\$74,364	\$79,487	\$83,850	\$82,103
Employer Contributions	69,322	73,362	76,614	80,399	78,622
Investment Income (Net of Expenses)	673,314	(529,082)	(542,346)	116,353	979,639
Other	5,260	7,408	6,611	9,766	7,876
Total Additions to Plan Net Assets	<u>\$818,274</u>	<u>\$(373,948)</u>	<u>\$(379,634)</u>	<u>\$290,368</u>	<u>\$1,148,240</u>
Deductions					
Benefit Payments	\$237,825	\$270,558	\$296,687	\$311,472	\$328,546
Refunds	11,227	9,750	8,068	8,195	10,777
Administrative Expenses	3,701	3,738	3,942	4,191	4,673
Other	10,269	3,197	2,811	2,172	1,696
Total Deductions From Plan Net Assets	<u>\$263,022</u>	<u>\$287,243</u>	<u>\$311,508</u>	<u>\$326,030</u>	<u>\$345,692</u>
Change in Plan Net Assets	<u>\$555,252</u>	<u>\$(661,191)</u>	<u>\$(691,142)</u>	<u>\$(35,662)</u>	<u>\$802,548</u>

State Patrol Retirement Fund

	2000	2001	2002	2003	2004
Additions					
Member Contributions	\$4,044	\$4,146	\$4,215	\$4,555	\$4,493
Employer Contributions	6,069	6,166	6,209	6,826	6,504
Investment Income (Net of Expenses)	53,160	(40,928)	(41,117)	9,142	73,141
Other	10	1	0	0	59
Total Additions to Plan Net Assets	<u>\$63,283</u>	<u>\$(30,615)</u>	<u>\$(30,693)</u>	<u>\$20,523</u>	<u>\$84,197</u>
Deductions					
Benefit Payments	\$25,789	\$29,935	\$33,031	\$34,316	\$35,501
Refunds	90	1	60	12	17
Administrative Expenses	94	90	102	94	95
Other	252	249	171	134	129
Total Deductions From Plan Net Assets	<u>\$26,225</u>	<u>\$30,275</u>	<u>\$33,364</u>	<u>\$34,556</u>	<u>\$35,742</u>
Change in Plan Net Assets	<u>\$37,058</u>	<u>\$(60,890)</u>	<u>\$(64,057)</u>	<u>\$(14,033)</u>	<u>\$48,455</u>

2005	2006	2007	2008	2009
\$83,101	\$85,379	\$89,447	\$99,280	\$108,866
80,312	82,645	86,492	96,746	107,211
732,101	915,632	1,503,390	(474,845)	(1,674,387)
12,639	11,760	17,609	13,532	15,246
<u>\$908,153</u>	<u>\$1,095,416</u>	<u>\$1,696,938</u>	<u>\$(265,287)</u>	<u>\$(1,443,064)</u>
\$347,959	\$366,797	\$392,058	\$418,757	\$445,792
10,707	12,555	11,102	11,676	10,907
4,336	4,588	4,916	5,152	5,320
693	1,495	2,898	2,993	939
<u>\$363,695</u>	<u>\$385,435</u>	<u>\$410,974</u>	<u>\$438,578</u>	<u>\$462,958</u>
<u>\$544,458</u>	<u>\$709,981</u>	<u>\$1,285,964</u>	<u>\$(703,865)</u>	<u>\$(1,906,022)</u>

2005	2006	2007	2008	2009
\$4,517	\$4,719	\$4,987	\$5,595	\$6,216
6,671	7,055	7,461	8,279	9,178
55,018	64,911	100,147	(30,579)	(110,073)
0	0	3	0	13
<u>\$66,206</u>	<u>\$76,685</u>	<u>\$112,598</u>	<u>\$(16,705)</u>	<u>\$(94,666)</u>
\$36,954	\$38,767	\$40,581	\$42,804	\$44,480
4	52	133	6	0
93	101	112	109	104
99	190	98	178	69
<u>\$37,150</u>	<u>\$39,110</u>	<u>\$40,924</u>	<u>\$43,097</u>	<u>\$44,653</u>
<u>\$29,056</u>	<u>\$37,575</u>	<u>\$71,674</u>	<u>\$(59,802)</u>	<u>\$(139,319)</u>

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

Correctional Employees Retirement Fund

	2000	2001	2002	2003	2004
Additions					
Member Contributions	\$6,526	\$6,996	\$7,207	\$7,611	\$7,748
Employer Contributions	8,984	9,651	9,925	10,480	10,627
Investment Income (Net of Expenses)	39,972	(31,082)	(32,596)	5,390	57,155
Other	6,953	1,128	727	529	80
Total Additions to Plan Net Assets	<u>\$62,435</u>	<u>\$(13,307)</u>	<u>\$(14,737)</u>	<u>\$24,010</u>	<u>\$75,610</u>
Deductions					
Benefit Payments	\$12,414	\$14,911	\$17,105	\$19,256	\$21,299
Refunds	753	660	634	607	722
Administrative Expenses	243	240	265	286	275
Other	340	261	322	327	253
Total Deductions From Plan Net Assets	<u>\$13,750</u>	<u>\$16,072</u>	<u>\$18,326</u>	<u>\$20,476</u>	<u>\$22,549</u>
Change in Plan Net Assets	<u><u>\$48,685</u></u>	<u><u>\$(29,379)</u></u>	<u><u>\$(33,063)</u></u>	<u><u>\$(3,534)</u></u>	<u><u>\$53,061</u></u>

Judges Retirement Fund

	2000	2001	2002	2003	2004
Additions					
Member Contributions	\$2,107	\$2,162	\$2,345	\$2,574	\$2,643
Employer Contributions	5,398	5,790	6,371	6,923	7,110
Investment Income (Net of Expenses)	10,203	(8,384)	(8,938)	2,588	16,922
Other	1,910	2,013	2,008	10	12
Total Additions to Plan Net Assets	<u>\$19,618</u>	<u>\$1,581</u>	<u>\$1,786</u>	<u>\$12,095</u>	<u>\$26,687</u>
Deductions					
Benefit Payments	\$11,083	\$12,228	\$13,202	\$13,558	\$13,520
Refunds	122	17	0	0	0
Administrative Expenses	42	41	57	37	31
Other	217	54	89	38	35
Total Deductions From Plan Net Assets	<u>\$11,464</u>	<u>\$12,340</u>	<u>\$13,348</u>	<u>\$13,633</u>	<u>\$13,586</u>
Change in Plan Net Assets	<u><u>\$8,154</u></u>	<u><u>\$(10,759)</u></u>	<u><u>\$(11,562)</u></u>	<u><u>\$(1,538)</u></u>	<u><u>\$13,101</u></u>

2005	2006	2007	2008	2009
\$7,943	\$8,964	\$10,032	\$12,775	\$14,031
11,016	12,152	13,927	18,623	20,126
39,104	59,786	84,830	(30,673)	(107,787)
1	0	131	1,845	40
<u>\$58,064</u>	<u>\$80,902</u>	<u>\$108,920</u>	<u>\$2,570</u>	<u>\$(73,590)</u>
\$23,816	\$26,162	\$28,565	\$30,932	\$33,239
649	730	752	795	1,016
298	336	405	410	402
277	340	358	310	150
<u>\$25,040</u>	<u>\$27,568</u>	<u>\$30,080</u>	<u>\$32,447</u>	<u>\$34,807</u>
<u>\$33,024</u>	<u>\$53,334</u>	<u>\$78,840</u>	<u>\$(29,877)</u>	<u>\$(108,397)</u>

2005	2006	2007	2008	2009
\$2,662	\$2,866	\$2,792	\$2,859	\$2,978
7,225	7,336	7,571	7,935	8,219
12,354	15,456	25,523	(8,874)	(26,283)
10	0	0	0	0
<u>\$22,251</u>	<u>\$25,658</u>	<u>\$35,886</u>	<u>\$1,920</u>	<u>\$(15,086)</u>
\$13,750	\$14,260	\$14,516	\$15,116	\$16,261
111	0	45	0	0
37	60	49	54	36
41	78	63	24	16
<u>\$13,939</u>	<u>\$14,398</u>	<u>\$14,673</u>	<u>\$15,194</u>	<u>\$16,313</u>
<u>\$8,312</u>	<u>\$11,260</u>	<u>\$21,213</u>	<u>\$(13,274)</u>	<u>\$(31,399)</u>

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

Legislators Retirement Fund

	2000	2001	2002	2003	2004
Additions					
Member Contributions	\$523	\$527	\$458	\$433	\$343
Employer Contributions	0	0	0	0	0
Investment Income (Net of Expenses)	2,954	(2,414)	(2,560)	528	5,578
Other	3,192	5,041	4,135	5,396	426
Total Additions to Plan Net Assets	<u>\$6,669</u>	<u>\$3,154</u>	<u>\$2,033</u>	<u>\$6,357</u>	<u>\$6,347</u>
Deductions					
Benefit Payments	\$4,213	\$4,857	\$5,243	\$5,539	\$5,766
Refunds	108	72	39	94	0
Administrative Expenses	34	29	29	27	23
Other	99	32	28	40	0
Total Deductions From Plan Net Assets	<u>\$4,454</u>	<u>\$4,990</u>	<u>\$5,339</u>	<u>\$5,700</u>	<u>\$5,789</u>
Change in Plan Net Assets	<u>\$2,215</u>	<u>\$(1,836)</u>	<u>\$(3,306)</u>	<u>\$657</u>	<u>\$558</u>

Elected State Officers Retirement Fund

	2000	2001	2002	2003	2004
Additions					
Member Contributions	\$0	\$0	\$0	\$0	\$0
Employer Contributions	0	0	0	0	0
Investment Income (Net of Expenses)	0	0	0	0	0
Other	306	333	355	371	383
Total Additions to Plan Net Assets	<u>\$306</u>	<u>\$333</u>	<u>\$355</u>	<u>\$371</u>	<u>\$383</u>
Deductions					
Benefit Payments	\$303	\$330	\$353	\$370	\$381
Refunds	0	0	0	0	0
Administrative Expenses	2	1	1	1	1
Other	0	0	0	0	0
Total Deductions From Plan Net Assets	<u>\$305</u>	<u>\$331</u>	<u>\$354</u>	<u>\$371</u>	<u>\$382</u>
Change in Plan Net Assets	<u>\$1</u>	<u>\$2</u>	<u>\$1</u>	<u>\$0</u>	<u>\$1</u>

2005	2006	2007	2008	2009
\$384 0	\$264 0	\$239 0	\$180 0	\$248 0
3,523 1,825	3,539 5,704	6,808 1,783	(1,233) 2,217	(5,021) 1,269
<u>\$5,732</u>	<u>\$9,507</u>	<u>\$8,830</u>	<u>\$1,164</u>	<u>\$(3,504)</u>
\$5,942 0 27 3	\$6,094 78 33 34	\$6,390 35 29 26	\$6,786 1 34 3	\$7,016 0 26 0
<u>\$5,972</u> <u>\$(240)</u>	<u>\$6,239</u> <u>\$3,268</u>	<u>\$6,480</u> <u>\$2,350</u>	<u>\$6,824</u> <u>\$(5,660)</u>	<u>\$7,042</u> <u>\$(10,546)</u>

2005	2006	2007	2008	2009
\$0 0	\$0 0	\$0 0	\$0 0	\$0 0
0 395	0 417	0 428	0 434	0 442
<u>\$395</u>	<u>\$417</u>	<u>\$428</u>	<u>\$434</u>	<u>\$442</u>
\$391 0 3 0	\$409 0 5 0	\$419 0 4 0	\$430 0 4 0	\$440 0 1 0
<u>\$394</u> <u>\$1</u>	<u>\$414</u> <u>\$3</u>	<u>\$423</u> <u>\$5</u>	<u>\$434</u> <u>\$0</u>	<u>\$441</u> <u>\$1</u>

Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

Unclassified Employees Retirement Fund

	2000	2001	2002	2003	2004
Additions					
Member Contributions	\$4,259	\$4,560	\$4,951	\$4,642	\$4,258
Employer Contributions	5,873	6,120	6,310	6,165	5,877
Investment Income (Net of Expenses)	21,127	(22,158)	(26,236)	6,182	31,352
Other	<u>2,437</u>	<u>1,265</u>	<u>1,361</u>	<u>824</u>	<u>552</u>
Total Additions to Plan Net Assets	<u>\$33,696</u>	<u>\$(10,213)</u>	<u>\$(13,614)</u>	<u>\$17,813</u>	<u>\$42,039</u>
Deductions					
Refunds	8,455	8,227	5,655	5,203	6,206
Administrative Expenses	181	171	215	200	196
Other	<u>5,000</u>	<u>7,200</u>	<u>6,005</u>	<u>9,626</u>	<u>7,498</u>
Total Deductions From Plan Net Assets	<u>\$13,636</u>	<u>\$15,598</u>	<u>\$11,875</u>	<u>\$15,029</u>	<u>\$13,900</u>
Change in Plan Net Assets	<u>\$20,060</u>	<u>\$(25,811)</u>	<u>\$(25,489)</u>	<u>\$2,784</u>	<u>\$28,139</u>

Health Care Savings Plan*

	2002	2003	2004
Additions			
Member Contributions	\$3,298	\$26,892	\$37,273
Investment Income (Net of Expenses)	9	506	1,404
Other	5	58	230
Total Additions to Plan Net Assets	<u>\$3,312</u>	<u>\$27,456</u>	<u>\$38,907</u>
Deductions			
Health Care Reimbursements	\$389	\$4,056	\$9,260
Administrative Expenses	202	480	763
Other	0	0	0
Total Deductions From Plan Net Assets	<u>\$591</u>	<u>\$4,536</u>	<u>\$10,023</u>
Change in Plan Net Assets	<u>\$2,721</u>	<u>\$22,920</u>	<u>\$28,884</u>

*This fund began operation in fiscal year 2002.

2005	2006	2007	2008	2009
\$4,296	\$4,368	\$5,476	\$5,209	\$4,660
5,821	5,932	6,258	6,362	6,514
19,794	20,844	68,142	(3,949)	(46,746)
<u>535</u>	<u>828</u>	<u>2,028</u>	<u>878</u>	<u>426</u>
<u>\$30,446</u>	<u>\$31,972</u>	<u>\$81,904</u>	<u>\$8,500</u>	<u>\$(35,146)</u>
8,947	6,173	29,994	23,256	5,009
183	256	166	157	229
<u>12,112</u>	<u>11,531</u>	<u>17,255</u>	<u>13,282</u>	<u>14,850</u>
<u>\$21,242</u>	<u>\$17,960</u>	<u>\$47,415</u>	<u>\$36,695</u>	<u>\$20,088</u>
<u>\$9,204</u>	<u>\$14,012</u>	<u>\$34,489</u>	<u>\$(28,195)</u>	<u>\$(55,234)</u>

2005	2006	2007	2008	2009
\$42,519	\$52,562	\$59,515	\$73,082	\$82,920
2,810	5,092	12,698	(2,336)	(13,942)
376	502	1,031	1,318	1,438
<u>\$45,705</u>	<u>\$58,156</u>	<u>\$73,244</u>	<u>\$72,064</u>	<u>\$70,416</u>
\$13,417	\$18,300	\$23,470	\$27,548	\$31,088
716	724	844	1,090	1,523
8	0	0	0	0
<u>\$14,141</u>	<u>\$19,024</u>	<u>\$24,314</u>	<u>\$28,638</u>	<u>\$32,611</u>
<u>\$31,564</u>	<u>\$39,132</u>	<u>\$48,930</u>	<u>\$43,426</u>	<u>\$37,805</u>

Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

Fiscal 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	(542,346)	6,611	(379,634)	1,915,350	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
2006	85,379	82,645	915,632	11,760	1,095,416	2,016,588	4.00
2007	89,447	86,492	1,503,390	17,609	1,696,938	2,095,310	4.00
2008	99,280	96,746	(474,845)	13,532	(265,287)	2,256,528	4.25
2009	108,866	107,211	(1,674,387)	15,246	(1,443,064)	2,329,499	4.50
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	(41,117)	0	(30,693)	49,278	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
2006	4,719	7,055	64,911	0	76,685	57,765	12.60
2007	4,987	7,461	100,147	3	112,598	61,498	12.60
2008	5,595	8,279	(30,579)	0	(16,705)	60,029	13.60
2009	6,216	9,178	(110,073)	13	(94,666)	61,511	14.60
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	(32,596)	727	(14,737)	124,373	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
2006	8,964	12,152	59,786	0	80,902	145,879	7.98
2007	10,032	13,927	84,830	131	108,920	167,727	7.98
2008	12,775	18,623	(30,673)	1,845	2,570	194,391	9.10
2009	14,031	20,126	(107,787)	40	(73,590)	193,445	10.10

*Because of employer-paid interest, penalties and leaves of absence, actual employer contributions may exceed the statutorially required percentage.

Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Actual Covered Payroll	Percentage Employer Contributions
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	(8,938)	2,008	1,786	31,078	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
2006	2,866	7,336	15,456	0	25,658	36,529	20.50
2007	2,792	7,571	25,523	0	35,886	36,195	20.50
2008	2,859	7,935	(8,874)	0	1,920	38,296	20.50
2009	2,978	8,219	(26,283)	0	(15,086)	39,444	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	(2,560)	4,135	2,033	5,089	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	1,825	5,732	3,014	N/A
2006	264	N/A	3,539	5,704	9,507	2,894	N/A
2007	239	N/A	6,808	1,783	8,830	2,380	N/A
2008	180	N/A	(1,233)	2,217	1,164	1,993	N/A
2009	248	N/A	(5,021)	1,269	(3,504)	1,963	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
2006	0	0	0	417	417	N/A	N/A
2007	0	0	0	428	428	N/A	N/A
2008	0	0	0	434	434	N/A	N/A
2009	0	0	0	442	442	N/A	N/A

*Because of employer-paid interest, penalties and leaves of absence, actual employer contributions may exceed the statutorially required percentage.

**The Elective State Officers Retirement Fund has no active members.

Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2009
(Dollars in thousands)

Fiscal Year Ended June 30	Benefits	Administrative Expenses	Refunds	Other	Total
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
2006	366,797	4,588	12,555	1,495	385,435
2007	392,058	4,916	11,102	2,898	410,974
2008	418,757	5,152	11,676	2,993	438,578
2009	445,792	5,320	10,907	939	462,958
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
2006	38,767	101	52	190	39,110
2007	40,581	112	133	98	40,924
2008	42,804	109	6	178	43,097
2009	44,480	104	0	69	44,653
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
2006	26,162	336	730	340	27,568
2007	28,565	405	752	358	30,080
2008	30,932	410	795	310	32,447
2009	33,239	402	1,016	150	34,807

Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2009
(Dollars in thousands)

Fiscal Year Ended June 30	Benefits	Administrative Expenses	Refunds	Other	Total
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
2006	14,260	60	0	78	14,398
2007	14,516	49	45	63	14,673
2008	15,116	54	0	24	15,194
2009	16,261	36	0	16	16,313
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
2006	6,094	33	78	34	6,239
2007	6,390	29	35	26	6,480
2008	6,786	34	1	3	6,824
2009	7,016	26	0	0	7,042
Elective State Officers Retirement Fund					
2000	\$303	\$2	\$0	\$0	\$305
2001	330	1	0	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
2006	409	5	0	0	414
2007	419	4	0	0	423
2008	430	4	0	0	434
2009	440	1	0	0	441

Note: Comparable benefits are not provided by the defined contribution funds and therefore are not presented here.

Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

State Employees Retirement Fund

	2000	2001	2002	2003	2004
Benefits by Type					
Retirement	\$206,536	\$233,734	\$254,601	\$266,208	\$279,916
Survivor	21,398	25,467	29,021	31,290	33,417
Disability	9,891	11,357	13,065	13,974	15,213
Total	<u>\$237,825</u>	<u>\$270,558</u>	<u>\$296,687</u>	<u>\$311,472</u>	<u>\$328,546</u>
Refunds by Type					
Separation	\$7,356	\$6,429	\$5,217	\$4,918	\$6,874
Death	602	643	679	795	665
Interest	3,269	2,678	2,172	2,482	3,238
Total	<u>\$11,227</u>	<u>\$9,750</u>	<u>\$8,068</u>	<u>\$8,195</u>	<u>\$10,777</u>

State Patrol Retirement Fund

	2000	2001	2002	2003	2004
Benefits by Type					
Retirement	\$21,993	\$25,487	\$28,125	\$29,138	\$30,201
Survivor	3,089	3,617	3,927	4,093	4,123
Disability	707	831	979	1,085	1,177
Total	<u>\$25,789</u>	<u>\$29,935</u>	<u>\$33,031</u>	<u>\$34,316</u>	<u>\$35,501</u>
Refunds by Type					
Separation	\$29	\$1	\$50	\$3	\$5
Death	41	0	0	0	0
Interest	20	0	10	9	12
Total	<u>\$90</u>	<u>\$1</u>	<u>\$60</u>	<u>\$12</u>	<u>\$17</u>

Correctional Employees Retirement Fund

	2000	2001	2002	2003	2004
Benefits by Type					
Retirement	10,657	12,623	14,465	16,098	17,837
Survivor	502	598	709	824	915
Disability	1,255	1,690	1,931	2,334	2,547
Total	<u>\$12,414</u>	<u>\$14,911</u>	<u>\$17,105</u>	<u>\$19,256</u>	<u>\$21,299</u>
Refunds by Type					
Separation	566	532	476	451	564
Death	50	1	28	33	30
Interest	137	127	130	123	128
Total	<u>\$753</u>	<u>\$660</u>	<u>\$634</u>	<u>\$607</u>	<u>\$722</u>

2005	2006	2007	2008	2009
\$299,463	\$310,380	\$331,464	\$354,317	\$377,343
36,198	38,758	41,816	44,403	47,345
12,298	17,659	18,778	20,037	21,104
<u>\$347,959</u>	<u>\$366,797</u>	<u>\$392,058</u>	<u>\$418,757</u>	<u>\$445,792</u>

\$6,381	\$7,270	\$6,462	\$6,657	\$5,484
615	864	937	1,162	1,478
3,711	4,421	3,703	3,857	3,945
<u>\$10,707</u>	<u>\$12,555</u>	<u>\$11,102</u>	<u>\$11,676</u>	<u>\$10,907</u>

2005	2006	2007	2008	2009
\$31,242	\$32,539	\$33,911	\$35,561	\$37,167
4,401	4,667	5,079	5,510	5,560
1,311	1,561	1,591	1,733	1,753
<u>\$36,954</u>	<u>\$38,767</u>	<u>\$40,581</u>	<u>\$42,804</u>	<u>\$44,480</u>

\$4	\$37	\$77	\$6	\$0
0	0	0	0	0
0	15	56	0	0
<u>\$4</u>	<u>\$52</u>	<u>\$133</u>	<u>\$6</u>	<u>\$0</u>

2005	2006	2007	2008	2009
\$20,054	\$21,981	\$24,069	\$26,133	\$28,167
1,026	1,150	1,307	1,404	1,515
2,736	3,031	3,189	3,395	3,557
<u>\$23,816</u>	<u>\$26,162</u>	<u>\$28,565</u>	<u>\$30,932</u>	<u>\$33,239</u>

\$425	\$569	\$568	\$631	\$724
85	0	36	13	64
139	161	148	151	228
<u>\$649</u>	<u>\$730</u>	<u>\$752</u>	<u>\$795</u>	<u>\$1,016</u>

Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2009

(Dollars in thousands)

Judges Retirement Fund

	2000	2001	2002	2003	2004
Benefits by Type					
Retirement	\$8,392	\$9,094	\$9,609	\$9,917	\$9,827
Survivor	2,644	2,848	3,211	3,224	3,270
Disability	47	286	382	417	423
Total	<u>\$11,083</u>	<u>\$12,228</u>	<u>\$13,202</u>	<u>\$13,558</u>	<u>\$13,520</u>
Refunds by Type					
Separation	\$81	\$13	\$0	\$0	\$0
Death	0	0	0	0	0
Interest	41	4	0	0	0
Total	<u>\$122</u>	<u>\$17</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Legislators Retirement Fund*

	2000	2001	2002	2003	2004
Benefits by Type					
Retirement	3,574	4,266	4,444	4,737	4,977
Survivor	639	591	799	802	789
Total	<u>\$4,213</u>	<u>\$4,857</u>	<u>\$5,243</u>	<u>\$5,539</u>	<u>\$5,766</u>
Refunds by Type					
Separation	14	33	0	33	0
Death	43	0	12	0	0
Interest	51	39	27	61	0
Total	<u>\$108</u>	<u>\$72</u>	<u>\$39</u>	<u>\$94</u>	<u>\$0</u>

*This fund does not provide disability benefits

Elected State Officers Retirement Fund*

	2000	2001	2002	2003	2004
Benefits by Type					
Retirement	\$206	\$223	\$239	\$252	\$293
Survivor	97	107	114	118	88
Total	<u>\$303</u>	<u>\$330</u>	<u>\$353</u>	<u>\$370</u>	<u>\$381</u>

Refunds by Type: There were no refunds for the past ten years.

*This fund does not provide disability benefits.

Note: Comparable benefits are not provided by the defined contribution funds and therefore are not presented here.

2005	2006	2007	2008	2009
\$9,998	\$10,359	\$10,467	\$10,959	\$10,528
3,303	3,314	3,427	3,520	3,906
449	587	622	637	1,827
<u>\$13,750</u>	<u>\$14,260</u>	<u>\$14,516</u>	<u>\$15,116</u>	<u>\$16,261</u>

\$74	\$0	\$38	\$0	\$0
0	0	0	0	0
37	0	7	0	0
<u>\$111</u>	<u>\$0</u>	<u>\$45</u>	<u>\$0</u>	<u>\$0</u>

2005	2006	2007	2008	2009
\$5,108	\$5,275	\$5,496	\$5,837	\$5,983
834	819	894	949	1,033
<u>\$5,942</u>	<u>\$6,094</u>	<u>\$6,390</u>	<u>\$6,786</u>	<u>\$7,016</u>

\$0	\$0	\$19	\$1	\$0
0	27	0	0	0
0	51	16	0	0
<u>\$0</u>	<u>\$78</u>	<u>\$35</u>	<u>\$1</u>	<u>\$0</u>

2005	2006	2007	2008	2009
\$308	\$324	\$332	\$340	\$348
83	85	87	90	92
<u>\$391</u>	<u>\$409</u>	<u>\$419</u>	<u>\$430</u>	<u>\$440</u>

Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2009

(In years)

(These statistics are not available for the Legislators or Elective State Officers Retirement Funds).

Fiscal 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	30.9	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
06/30/06	35.8	35.2	35.1	32.6	32.2	32.4	47.0	45.3	46.1	13.6	11.6	12.5
06/30/07	36.4	34.9	35.5	32.9	32.4	32.6	47.2	45.4	46.2	13.4	11.6	12.4
06/30/08	36.6	35.5	35.9	33.2	32.6	32.9	47.3	45.5	46.3	13.2	11.5	12.3
06/30/09	36.8	35.8	36.3	33.5	32.8	33.1	47.5	46.0	46.7	13.2	11.8	12.5

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
06/30/06	33.4	32.0	33.2	28.6	29.0	28.7	41.1	39.4	41.0	12.5	10.1	12.2
06/30/07	36.2	36.8	36.3	28.8	29.0	28.8	41.5	39.9	41.3	12.6	10.8	12.4
06/30/08	32.8	29.5	32.3	29.0	28.9	29.0	41.6	40.3	41.5	12.5	11.2	12.4
06/30/09	29.9	29.8	29.9	29.0	29.1	29.0	41.2	40.1	41.1	12.1	10.9	11.9

Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2009
(In years)

Fiscal 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

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
06/30/06	32.8	33.9	33.3	31.6	33.9	32.4	40.2	39.9	40.1	8.2	5.7	7.4
06/30/07	34.2	35.4	34.8	32.0	34.2	32.8	40.3	39.7	40.1	7.9	5.2	6.9
06/30/08	33.5	34.7	34.1	32.0	34.3	32.9	40.5	40.0	40.3	8.2	5.5	7.1
06/30/09	33.3	35.2	34.2	32.1	34.6	33.0	41.0	40.9	40.9	8.7	6.1	7.7

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
06/30/06	49.5	41.6	47.0	45.6	43.1	44.9	57.0	52.2	55.7	11.1	9.1	10.5
06/30/07	50.2	46.1	49.3	46.1	43.3	45.3	57.0	52.8	55.8	10.6	9.5	10.3
06/30/08	53.2	46.5	50.7	46.6	44.1	45.9	57.1	52.9	55.9	10.4	8.7	9.9
06/30/09	52.0	47.7	49.8	46.9	44.4	46.1	57.6	53.2	56.2	10.5	8.7	10.0

Schedule of Retired Members by Type of Benefit

As of June 30, 2009

State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	6,613	5,539	368	706	4,075	2,181	244	113
\$500-\$999	5,730	4,358	494	878	3,274	2,157	230	69
\$1,000-\$1,499	4,728	3,651	410	667	2,588	1,955	140	45
\$1,500-\$1,999	3,584	2,966	231	387	1,747	1,733	80	24
\$2,000-\$2,499	2,643	2,318	94	231	1,219	1,369	37	18
\$2,500-\$2,999	1,615	1,435	32	148	689	900	17	9
\$3,000-\$3,499	1,029	931	9	89	410	604	8	7
\$3,500-\$3,999	612	551	7	54	223	381	2	6
\$4,000-\$4,499	393	359	0	34	165	219	4	5
\$4,500-\$4,999	182	166	1	15	66	112	1	3
\$5,000+	211	191	0	20	65	145	0	1
Totals	<u>27,340</u>	<u>22,465</u>	<u>1,646</u>	<u>3,229</u>	<u>14,521</u>	<u>11,756</u>	<u>763</u>	<u>300</u>

Type:

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

Option:

- Life Single Life annuity
- I Joint and Survivor annuity
- 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	III
\$0-\$499	17	9	0	8	6	5	6	0
\$500-\$999	27	5	2	20	7	7	13	0
\$1,000-\$1,499	28	10	1	17	12	9	7	0
\$1,500-\$1,999	40	12	3	25	13	22	5	0
\$2,000-\$2,499	61	16	7	38	15	36	10	0
\$2,500-\$2,999	58	27	2	29	12	43	3	0
\$3,000-\$3,499	72	50	8	14	29	41	2	0
\$3,500-\$3,999	71	51	8	12	27	42	2	0
\$4,000-\$4,499	122	109	4	9	39	81	2	0
\$4,500-\$4,999	119	108	4	7	45	72	2	0
\$5,000+	293	276	5	12	157	134	2	0
Totals	<u>908</u>	<u>673</u>	<u>44</u>	<u>191</u>	<u>362</u>	<u>492</u>	<u>54</u>	<u>0</u>

Type:

- 1 Retired members
- 2 Disability
- 3 Survivors

Option:

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

Schedule of Retired Members by Type of Benefit

As of June 30, 2009

Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	242	197	8	37	167	52	23	0
\$500-\$999	291	240	15	36	205	68	17	1
\$1000-\$1499	320	212	77	31	230	79	9	2
\$1500-\$1999	261	186	57	18	184	69	6	2
\$2000-\$2499	220	193	22	5	162	56	1	1
\$2500-\$2999	148	133	12	3	114	33	1	0
\$3000-\$3499	117	112	2	3	95	22	0	0
\$3500-\$3999	51	50	0	1	43	8	0	0
\$4000-\$4499	36	35	0	1	24	12	0	0
\$4500-\$4999	11	11	0	0	11	0	0	0
\$5000+	12	12	0	0	11	1	0	0
Totals	<u>1,709</u>	<u>1,381</u>	<u>193</u>	<u>135</u>	<u>1,246</u>	<u>400</u>	<u>57</u>	<u>6</u>

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	4	1	0	3	2	0	2	0
\$1000-\$1499	7	3	0	4	2	2	2	1
\$1500-\$1999	13	5	0	8	6	7	0	0
\$2000-\$2499	13	5	0	8	6	6	1	0
\$2500-\$2999	25	12	0	13	8	14	3	0
\$3000-\$3499	14	4	1	9	2	10	2	0
\$3500-\$3999	24	7	3	14	7	12	5	0
\$4000-\$4499	30	15	3	12	9	18	3	0
\$4500-\$4999	31	17	6	8	10	18	2	1
\$5000+	124	94	12	18	42	70	5	7
Totals	<u>285</u>	<u>163</u>	<u>25</u>	<u>97</u>	<u>94</u>	<u>157</u>	<u>25</u>	<u>9</u>

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, 2009

Legislators and Elective State Officers Retirement Funds

Monthly Benefit Amount	Elective State Officers		Legislators	
	Retirement Benefit Type			
	Member	Survivor	Member	Survivor
\$0-\$499	1	0	13	13
\$500-\$999	4	2	70	22
\$1000-\$1499	1	0	68	11
\$1500-\$1999	0	1	45	8
\$2000-\$2499	0	0	30	4
\$2500-\$2999	1	0	17	1
\$3000-\$3499	0	0	16	2
\$3500-\$3999	0	0	9	0
\$4000-\$4499	1	1	7	1
\$4500-\$4999	1	0	3	0
\$5000+	2	0	6	0
Totals	<u>11</u>	<u>4</u>	<u>284</u>	<u>62</u>

Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2009

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	\$437	\$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	\$1,124
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 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$137	\$341	\$667	\$945	\$1,237	\$1,547	\$2,310	\$1,203
Number of Current Retirees	202	187	165	149	175	188	391	1,457
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$136	\$371	\$634	\$983	\$1,235	\$1,629	\$2,288	\$1,291
Number of Current Retirees	231	174	188	203	218	203	526	1,743
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$147	\$428	\$740	\$1,026	\$1,395	\$1,691	\$2,335	\$1,338
Number of Current Retirees	224	184	163	209	198	208	541	1,727
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$150	\$421	\$712	\$1,068	\$1,362	\$1,744	\$2,399	\$1,367
Number of Current Retirees	201	183	173	168	176	197	447	1,545
Period 7/1/99 to 6/30/09:								
Average Monthly Benefit	\$142	\$354	\$598	\$879	\$1,153	\$1,511	\$2,169	\$1,191
Totals - Current Retirees	1,925	1,482	1,654	1,664	1,758	1,739	4,318	14,540

Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2009

State Patrol 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	\$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 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$1,104	\$1,903	\$2,664	\$3,504	\$4,742	\$5,180	\$3,943
Number of Current Retirees	0	3	2	4	6	10	10	35
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$1,829	\$1,633	\$3,158	\$3,403	\$4,634	\$3,887	\$3,534
Number of Current Retirees	0	2	1	10	8	6	10	37
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$185	\$774	\$1,986	\$2,788	\$3,151	\$4,469	\$4,256	\$3,541
Number of Current Retirees	1	2	3	6	6	12	13	43
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$0	\$788	\$2,053	\$3,471	\$4,204	\$4,435	\$3,842	\$3,793
Number of Current Retirees	0	2	3	2	3	14	11	35
Period 7/1/99 to 6/30/09:								
Average Monthly Benefit	\$411	\$969	\$1,746	\$2,644	\$3,197	\$4,106	\$4,349	\$3,541
Totals - Current Retirees	9	15	15	50	60	107	121	377

Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2009

Correctional 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	\$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	19	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 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$256	\$778	\$1,125	\$1,711	\$2,198	\$2,950	\$4,089	\$1,590
Number of Current Retirees	12	23	23	21	23	12	5	119
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$339	\$751	\$1,365	\$1,474	\$2,266	\$2,674	\$3,690	\$1,580
Number of Current Retirees	18	33	28	23	18	11	16	147
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$407	\$774	\$1,265	\$1,501	\$2,044	\$2,841	\$3,171	\$1,504
Number of Current Retirees	17	32	18	22	13	17	10	129
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$343	\$822	\$1,318	\$1,567	\$2,315	\$3,003	\$3,458	\$1,671
Number of Current Retirees	19	22	23	23	16	17	12	132
Period 7/1/99 to 6/30/09:								
Average Monthly Benefit	\$325	\$678	\$1,175	\$1,428	\$1,990	\$2,750	\$3,122	\$1,530
Totals - Current Retirees	150	203	202	214	203	170	92	1,234

Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2009

Judges 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	\$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	05	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	0	1	0	2	2	1	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 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$1,879	\$3,386	\$4,096	\$5,635	\$5,313	\$0	\$4,678
Number of Current Retirees	0	1	2	5	8	1	0	17
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$2,064	\$2,624	\$3,823	\$5,993	\$0	\$0	\$4,281
Number of Current Retirees	0	1	3	3	5	0	0	12
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$0	\$2,606	\$3,038	\$4,243	\$5,252	\$5,588	\$0	\$4,675
Number of Current Retirees	0	1	3	2	12	1	0	19
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$0	\$0	\$4,538	\$4,698	\$4,539	\$0	\$0	\$4,594
Number of Current Retirees	0	0	1	2	3	0	0	6
Period 7/1/99 to 6/30/09:								
Average Monthly Benefit	\$642	\$1,842	\$2,471	\$3,595	\$4,936	\$4,202	\$4,636	\$4,002
Totals - Current Retirees	1	6	19	26	48	18	12	130

Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2009

Legislators Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
Period 7/1/02 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 7/1/02 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 7/1/02 to 6/30/02:								
Average Monthly Benefit	\$336	\$0	\$1,572	\$0	\$0	\$2,081	\$0	\$1,172
Number of Current Retirees	0	0	1	0	0	1	3	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 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$690	\$1,161	\$1,627	\$0	\$0	\$0	\$0	\$1,102
Number of Current Retirees	2	5	1	0	0	0	0	8
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$1,225	\$1,340	\$1,707	\$2,057	\$2,567	\$3,038	\$1,661
Number of Current Retirees	0	7	6	2	2	3	1	21
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$0	\$1,372	\$1,233	\$1,289	\$2,935	\$2,318	\$0	\$1,505
Number of Current Retirees	0	5	5	1	1	1	0	13
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$739	\$1,209	\$1,240	\$1,546	\$2,200	\$3,373	\$0	\$1,531
Number of Current Retirees	1	5	5	1	3	1	0	16
Period 7/1/99 to 6/30/09:								
Average Monthly Benefit	\$475	\$1,023	\$1,156	\$1,440	\$2,367	\$2,502	\$2,924	\$1,366
Totals - Current Retirees	8	45	44	11	13	12	7	140

Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2009

Elective State Officers 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	\$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 7/1/05 to 6/30/06:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of Current Retirees	0	0	0	0	0	0	0	0
Period 7/1/99 to 6/30/09:								
Average Monthly Benefit	\$0	\$694	\$0	\$3,757	\$0	\$0	\$0	\$1,715
Totals - Current Retirees	0	2	0	1	0	0	0	3

Schedule of Principal Participating Employers

As of June 30, 2009*

Employer	Active Members	% of Total Active Members
State Employees Retirement Fund		
State of Minnesota	35,091	71.63%
University of Minnesota	9,944	20.30
Metropolitan Council	2,538	5.18
Minnesota Historical Society	900	1.84
Minnesota State Fair	157	0.32
Gillette Children's Hospital	87	0.18
Metropolitan Sports Facility Commission	75	0.15
Foster-Wheeler, Inc.	37	0.08
Amalgamated Transit Union	34	0.07
Minnesota Safety Council	23	0.04
Other	103	0.21
Total	<u>48,989</u>	<u>100.00%</u>
State Patrol Retirement Fund		
State of Minnesota (This is a single-employer plan)	<u>876</u>	<u>100.00%</u>
Correctional Employees Retirement Fund		
State of Minnesota (This is a single-employer plan)	<u>4,403</u>	<u>100.00%</u>
Judges Retirement Fund		
State of Minnesota (This is a single-employer plan)	<u>287</u>	<u>100.00%</u>
Legislative Retirement Fund		
Minnesota House of Representatives	21	43.75%
Minnesota Senate	27	56.25%
Total	<u>48</u>	<u>100.00%</u>
Elective State Officers Retirement Fund		
This is a closed plan. There are no remaining active members.		
Unclassified Employees Retirement Fund		
State of Minnesota	893	57.65%
Minnesota House of Representatives	354	22.86%
Minnesota Senate	259	16.72%
Enterprise Minnesota, Inc.	34	2.19%
Other	9	0.58%
Total	<u>1,549</u>	<u>100.00%</u>

Schedule of Principal Participating Employers

As of June 30, 2009*

Employer	Active Members	% of Total Active Members
Health Care Savings Plan		
State of Minnesota	20,471	48.44%
Metropolitan Council - Transit Operating Division	2,590	6.13%
Minnesota Colleges and Universities	2,220	5.25%
Dakota County	1,955	4.63%
Hennepin County	1,955	4.63%
City of Minneapolis	1,809	4.28%
Ramsey County	1,687	3.99%
Special School District No. 1, Minneapolis	1,406	3.33%
Independent School District 623, Roseville	1,083	2.56%
Scott County	912	2.16%
Other	<u>6,170</u>	<u>14.60%</u>
Total	<u>42,258</u>	<u>100.00%</u>
Deferred Compensation Fund**		
State of Minnesota	37,245	45.09%
Minneapolis, Special School District No. 1	5,237	6.34%
Ramsey County	2,925	3.54%
Metropolitan Council	2,283	2.76%
Hennepin County	2,086	2.52%
City of St. Paul	1,858	2.25%
St. Paul, Independent School District 625	1,742	2.11%
Osseo, Independent School District 279	1,197	1.45%
Dakota County	1,145	1.39%
Anoka County	1,056	1.28%
Other	<u>25,832</u>	<u>31.27%</u>
Total	<u>82,606</u>	<u>100.00%</u>

*Note: This information was not available for prior fiscal years.

**Includes all members with account balances.

Schedule of Principal Participating Employers

As of June 30, 2009*

State of Minnesota Employers:

State of Minnesota

Minnesota House of Representatives - Employees

Minnesota House of Representatives - Members

Minnesota State Senate - Employees

Minnesota State Senate - Members

University of Minnesota

Metropolitan Agency Employers:

Metro Airports Commission

Metropolitan Council

Metropolitan Sports Facilities Commission

Unions:

AFSCME

Amalgamated Transit Union

Minnesota Association of Professional Employees

Minnesota Government Engineers Council

Middle Management Association

Cities:

City of Adrian

City Of Akeley

City of Albert Lea

City Of Albertville

City of Alexandria

City of Andover

City of Anoka

City of Ashby

City of Aurora

City of Austin

City Of Babbitt

City Of Backus

City of Bagley

City of Balaton

City Of Battle Lake

City of Baudette

City Of Baxter

City of Beaver Bay

City of Bemidji

City of Bertha

City of Big Falls

City of Big Lake

City of Bigelow

City of Biwabik

City of Blackduck

City of Blaine

City of Bloomington

City Of Blue Earth

City Of Bovey

City of Brainerd

City of Breckenridge

City of Breezy Point

City of Brooklyn Center

City of Brooklyn Park

City of Browerville

City of Buffalo

City of Buhl

City Of Burnsville

City of Caledonia

City of Calumet

City Of Cambridge

City of Cannon Falls

City of Carlton

City of Cass Lake

City of Champlin

City of Chanhausen

City Of Chatfield

City Of Chisago

City of Chisholm

City of Circle Pines

City of Cloquet

City of Cohasset

City of Cold Spring

City of Coleraine

City of Cologne

City of Columbia Heights

City of Columbus

City of Cook

City of Coon Rapids

City of Corcoran

City of Cosmos

City of Cottage Grove

City of Cottonwood

City of Crosby

City of Crosslake

City of Crystal

City of Dawson

City of Deephaven

City of Deer River

City of Deerwood

City of Detroit Lakes

City of Dilworth

City of Dodge Center

City of Duluth

City of Eagan

City of East Bethel

City of East Grand Forks

City of East Gull lake

City of Eden Prairie

City of Eden Valley

City of Edina

City of Elk River

City of Ely

City of Eveleth

City of Fairfax

City of Falcon Heights

City of Faribault

City of Farmington

City of Fergus Falls

City of Floodwood

City of Forest Lake

City of Gilbert

City of Glencoe

City of Golden Valley

City of Goodview

City of Grand Marais

City of Grand Rapids

City of Ham Lake

City of Hanover

City of Hector

City of Henning

City of Hermantown

City of Hibbing

City of Hill City

City of Hinckley

City of Holdingford

City of Hopkins

City of Howard Lake

City of Hoyt Lakes

City of Hutchinson

City of International Falls

City of Inver Grove Heights

City of Isanti

City of Jackson

City of Janesville

City of Jordan

City of Kasson

City of Keewatin

City of Kellogg

City of La Crescent

City of La Prairie

City of Lake Shore

City of Lakeville

City of Le Sueur

City of Lester Prairie

City of Lindstrom

City of Lino Lakes

City of Litchfield

City of Little Falls

City of Littlefork

City of Long Lake

City of Long Prairie

City of Luverne

City of Madelia

City of Mahanomen

City of Mahtomedi

City of Mankato

City of Maple Grove

City of Maplewood

City of Marble

City of Marietta

City of Marshall

City of McGregor

City of Medford

City of Medina

City Of Melrose

City of Menahga

City Of Mendota Heights

City Of Milaca

City of Minneapolis

City of Montevideo

City of Montgomery

City of Monticello

City of Moorhead

City of Moose Lake

City of Mora & Public Utilities

City of Morris

City of Mound

City of Mounds View

City of Mountain Iron

City of Murdock

City of Nashwauk

City of Nevis

City of New Hope

City of New Prague

City of New Ulm

City of New York Mills

City of Newport

City of Nisswa

City of North Branch

City of North Oaks

City of North St. Paul

City of Northfield

City of Oak Grove

City of Oak Park Heights

City of Oakdale

City of Olivia

City of Orono

City of Orr

City of Osakis

City of Osseo

City of Owatonna

City of Park Rapids

City of Paynesville

City of Pelican Rapids

City of Pierz

City of Pine City

City of Pipestone

City of Plainview

City of Preston

City of Prior Lake

City of Proctor

City of Ramsey

City of Red Lake Falls

City of Redwood Falls

City of Richfield

City of Robbinsdale

City of Rochester

City of Rockford

Schedule of Principal Participating Employers

As of June 30, 2009*

City of Rogers	Town of Thomson	Yellow Medicine County
City of Rosemount	Town of White	
City of Roseville	South Bend Township	
City of Rushford		Independent School Districts (ISD):
City of Rush City	Counties:	ISD 23 Frazee
City of Sandstone	Aitkin County	ISD 2310 Sibley East Schools
City of Sartell	Anoka County	ISD 2311 Clearbrook/Gonvick
City of Sauk Centre	Becker County	ISD 2364 Belgrade-Brooten-Elrosa
City of Sauk Rapids	Beltrami County	ISD 239 Rushford-Peterson
City of Savage	Benton County	ISD 2396 Atwater/Grove City/Cosmos
City of Scandia	Blue Earth County	ISD 241 Albert Lea
City of Shakopee	Brown County	ISD 242 Alden-Conger
City of Silver Bay	Carlton County	ISD 252 Cannon Falls
City of Silver Lake	Cass County	ISD 253 Goodhue
City of Slayton	Carver County	ISD 2534 BOLD
City of Sleepy Eye	Chisago County	ISD 255 Pine Island
City of South St. Paul	Clay County	ISD 256 Red Wing
City of Spicer	Clearwater County	ISD 2580 East Central Schools
City of Spring Lake Park	Cook County	ISD 2609 Win-E-Mac
City of Spring Park	Crow Wing County	ISD 2689 Pipestone/Jasper
City of Spring Valley	Dakota County	ISD 270 Hopkins
City of Springfield	Douglas County	ISD 271 Bloomington Schools
City of St. Anthony	Fillmore County	ISD 272 Eden Prairie
City of St. Cloud	Goodhue County	ISD 273 Edina
City of St. Francis	Grant County	ISD 2752 Fairmont Area Schools
City of St. James	Hennepin County	ISD 2753 Long Prairie Grey Eagle
City of St. Louis Park	Houston County	ISD 276 Minnetonka
City of St. Michael	Hubbard County	ISD 277 Westonka
City of St. Paul	Isanti County	ISD 278 Orono
City of St. Paul Park	Itasca County	ISD 279 Osseo
City of St. Peter	Jackson County	ISD 280 Richfield
City of Staples	Kanabec County	ISD 2805 Zumbrota-Mazeppa
City of Stephen	Kandiyohi County	ISD 281 Robbinsdale
City of Stewartville	Koochiching County	ISD 282 St. Anthony-New Brighton
City of Stillwater	Lake County	ISD 283 St. Louis Park
City of Thief River Falls	Lake of the Woods County	ISD 2835 Janesville-Waldorf-Pemberton
City of Tonka Bay	Lincoln County	ISD 284 Wayzata
City of Tower	Lyon County	ISD 2859 Glencoe-Silver Lake
City of Tracy	Mahnomen County	ISD 286 Brooklyn Center
City of Truman	Marshall County	ISD 2860 Blue Earth/Winnebago Schools
City of Two Harbors	McLeod County	ISD 287 Plymouth
City of Upsala	Meeker County	ISD 2884 Red Rock Central
City of Vadnais Heights	Mille Lacs County	ISD 2887 McLeod West
City of Verndale	Mower County	ISD 2890 Renville County West
City of Vernon Center	Murray County	ISD 2895 Jackson County Central
City of Victoria	Nobles County	ISD 2897 Redwood Area Schools
City of Virginia	Norman County	ISD 2898 Westbrook Walnut Grove
City of Wabasha	Olmstead County	ISD 2899 Plainview-Elgin-Millville
City of Wadena	Ottertail County	ISD 2903 Ortonville
City of Waite Park	Pennington County	ISD 294 Houston
City of Warren	Pine County	ISD 297 Spring Grove
City of Warroad	Pipestone County	ISD 299 Caledonia
City of Waseca	Pope County	ISD 300 La Crescent/ Hoka
City of Waverly	Ramsey County	ISD 306 Laporte
City of Wayzata	Redwood County	ISD 308 Nevis
City of Wells	Renville County	ISD 309 Park Rapids
City of West Concord	Rock County	ISD 31 Bemidji
City of West St. Paul	Roseau County	ISD 314 Braham
City of White Bear Lake	Scott County	ISD 316 Greenway
City of Willmar	Sherburne County	ISD 317 Deer River
City of Windom	Sibley County	ISD 318 Grand Rapids
City of Winnebago	St. Louis County	ISD 319 Nashwauk-Keewatin
City of Winona	Stearns County	ISD 330 Heron Lake - Okabena
City of Winton	Steele County	ISD 332 Mora
City of Woodbury	Stevens County	ISD 333 Ogilvie
City of Worthington	Todd County	ISD 347 Willmar
City of Zumbrota	Wabasha County	ISD 361 International Falls
Belgrade Township	Wadena County	ISD 362 Littlefork
Breitung Township	Waseca County	ISD 363 South Koochiching
Franconia Township	Washington County	ISD 38 Red Lake
Town of Balkan	Wilkin County	ISD 381 Lake Superior School
Town of Fayal	Winona County	ISD 390 Lake of the Woods
Town of May	Wright County	ISD 391 Cleveland

ISD 392 Lecenter
 ISD 4 McGregor
 ISD 402 Hendricks
 ISD 403 Ivanhoe
 ISD 404 Lake Benton
 ISD 413 Marshall
 ISD 417 Tracy
 ISD 423 Hutchinson
 ISD 424 Lester Prairie
 ISD 425 Silver Lake
 ISD 426 Stewart
 ISD 435 Mahanomen County Schools District
 ISD 458 Truman
 ISD 463 Eden Valley-Watkins
 ISD 465 Litchfield
 ISD 466 Dassel-Cokato
 ISD 47 Sauk Rapids
 ISD 473 Isle
 ISD 477 Princeton
 ISD 480 Onamia
 ISD 482 Little Falls Community School District
 ISD 484 Pierz
 ISD 485 Royalton
 ISD 486 Swanville
 ISD 487 Upsala Area Schools
 ISD 492 Austin
 ISD 495 Grand Meadow
 ISD 500 Southland
 ISD 507 Nicollet
 ISD 508 St. Peter
 ISD 51 Foley
 ISD 511 Adrian
 ISD 518 Worthington
 ISD 533 Dover-Eyota
 ISD 534 Stewartville
 ISD 535 Rochester
 ISD 542 Battle Lake
 ISD 544 Fergus Falls Public Schools
 ISD 548 Pelican Rapids
 ISD 550 Underwood
 ISD 553 New York Mills
 ISD 564 Thief River Falls
 ISD 577 Willow River
 ISD 581 Edgerton
 ISD 593 Crookston
 ISD 595 East Grand Forks
 ISD 6 South St. Paul
 ISD 601 Fosston
 ISD 6026 West Central Education Dist
 ISD 6027 Minnesota Valley Education District
 ISD 6033 NE Educational District #6033
 ISD 6067 East Metro Integration
 ISD 6069 West Metro Education Program #6069
 ISD 6076 Northland Learning Center
 ISD 621 Mounds View
 ISD 622 North St. Paul-Maplewood-Oakdale
 ISD 623 Roseville
 ISD 624 White Bear Lake
 ISD 625 St. Paul
 ISD 627 Oklee
 ISD 628 Plummer
 ISD 630 Red Lake Falls
 ISD 640 Wabasso
 ISD 656 Faribault
 ISD 659 Northfield
 ISD 676 Badger
 ISD 682 Roseau
 ISD 691 Aurora-Hoyt Lakes
 ISD 695 Chisholm
 ISD 696 Ely
 ISD 698 Floodwood
 ISD 700 Hermantown
 ISD 701 Hibbing

ISD 704 Proctor
 ISD 706 Virginia
 ISD 707 Nett Lake
 ISD 709 Duluth
 ISD 712 Buhl-Mt Iron
 ISD 717 Jordan
 ISD 719 Prior Lake-Savage
 ISD 720 Shakopee
 ISD 721 New Prague
 ISD 726 Becker
 ISD 727 Big Lake Schools
 ISD 728 Elk River
 ISD 738 Holdingford
 ISD 739 Kimball
 ISD 740 Melrose
 ISD 741 Paynesville
 ISD 742 St. Cloud
 ISD 743 Sauk Centre
 ISD 745 Albany
 ISD 748 Sartell/St. Stephen
 ISD 75 St. Clair
 ISD 750 Cold Spring
 ISD 761 Owatonna
 ISD 768 Hancock
 ISD 77 Mankato
 ISD 771 Chokio-Alberta
 ISD 775 Kerkhoven-Murdock-Sunburg
 ISD 786 Bertha-Hewitt
 ISD 787 Browerville
 ISD 81 Comfrey
 ISD 811 Wabasha-Kellogg
 ISD 813 Lake City
 ISD 818 Verndale
 ISD 820 Sebeka
 ISD 829 Waseca
 ISD 831 Forest Lake
 ISD 832 Mahtomedi
 ISD 833 South Washington County
 ISD 834 Stillwater
 ISD 840 St. James
 ISD 846 Breckenridge
 ISD 85 Springfield
 ISD 857 Lewiston-Altura
 ISD 858 St. Charles Public Schools
 ISD 861 Winona Area
 ISD 876 Annandale
 ISD 877 Buffalo
 ISD 879 Delano
 ISD 88 New Ulm
 ISD 881 Maple Lake
 ISD 883 Rockford
 ISD 885 St. Michael-Albertville
 ISD 891 Canby
 ISD 91 Barnum
 ISD 912 Milaca Public Schools
 ISD 914 Ulen-Hitterdal
 ISD 916 NE Metro
 ISD 917 Rosemount
 ISD 928 NW Minnesota ECSU #928
 ISD 93 Carlton
 ISD 938 Meeker-Wright County Special Educ Coop
 ISD 94 Cloquet
 ISD 95 Cromwell-Wright
 ISD 966 Wright Technical Center
 ISD 97 Moose Lake
 ISD 99 Esko
 ISD 998 Bemidji Regional Interdistrict Council
 Benton Sterns Education District
 Eagle Valley Public Schools
 Freshwater Education District
 Goodhue County Educ. District
 Great Expectations School
 Harbor City International School

Martin County West Schools
 Mesabi East Schools
 Mid-State Education District
 Northwest Passage High School
 Region 1-ESV (Educational Secondary Vocational)
 Success Academy
 Technology & Information Educ. Svcs.
 Runestone Area Education Area

Other Employers:
 Adrian Public Utilities Commission
 Agricultural Utilization Research Institute
 Aitkin Public Utilities Comm
 Alexandria Lake Area Sanitary District
 Alexandria Light & Power
 Anoka-Metro Regional Treatment Center
 Arrowhead Library System
 Arrowhead Regional Computing Consortium
 Arrowhead Regional Development Comm
 Austin Utilities
 Avera Marshall Regional Medical/Weiner Memorial
 Medical
 Bagley Public Utilities
 Becker County SWCD
 Beltrami Area Service Collaborative
 Benton County SWCD
 Blue Earth Light & Water
 Board of Public Defense
 Brainerd Housing & Redevelopment Authority
 Brainerd Public Utilities
 Brown County SWCD
 Capitol Region Watershed District
 Carlton County SWCD
 Carlton, Cook, Lake, St. Louis Community Health
 Board
 Carver County CDA
 Carver County SWCD
 CCLNS Joint Powers Board #3
 Centennial Lakes Police Dept
 Chippewa County SWCD
 Chippewa County-Montevideo Hospital
 Chisago County HRA-DTA
 Chisago County SWCD
 Chisholm Hibbing Airport Comm
 Clay County Housing & Redevelopment Authority
 Clearwater County Health Services
 Clearwater County Human Services Office
 Clearwater County Hwy Dept.
 Columbia Heights HRA
 Comfort Lake Forest Lake Watershed District
 Cook County North Shore Hospital
 Cook County Soil & Water Conservation District
 Cook Hospital
 Crosslake Communications
 Crow Wing County SWCD
 Dakota Communications Center
 Dakota County Community Development Agency
 Dawson Municipal Liquor Store
 Delano Municipal Utilities
 Douglas County Hospital
 Duluth Entertainment Convention Center - DECC
 Duluth Housing & Redevelopment Authority
 Duluth Seaway Port Authority
 Duluth Teachers Retirement Fund Association
 Duluth Transit Authority
 East Central Regional Development Commission
 East Central Regional Library
 East Grand Forks Water and Light
 East Ottertail County SWCD
 Elk River Municipal Utilities
 Enterprise Minnesota
 Fair Oaks Lodge Nursing Home
 Fillmore County SWCD

Schedule of Principal Participating Employers

As of June 30, 2009*

Foster-Wheeler (Twin Cities)
Freeborn County SWCD
Gaylord Community Hospital
Gillette Children's Hospital
Glencoe Area Health Center
Glencoe Light and Power Commission
Grand Marais Public Utilities Commission
Grand Rapids-Public Utilities Comm
Great River Regional Library
Greater Staples Hospital & Care Ctr
Hennepin County Medical Center
Heritage Living Center - Hubbard County
Hibbing Public Utilities
Hibbing Recreation & Park Brd
Hinckley Firehouse Liquor
Hubbard County SWCD
Hutchinson Utilities Commission
Itasca County Human Services
Itasca County SWCD
Itasca Medical Center/Grand Rapids Clinic
Itasca Nursing Home – Grand Village
IUOE Local 35
Kanabec Hospital
Kandiyohi Area Transit
Kandiyohi County Soil and Water Conservation District
Keewatin Public Utilities
Lake Agassiz Regional Library
Lake of the Woods Cty Highway
Lakes Area Police
League Of Minnesota Cities
Lincoln, Lyon and Murray Human Services
Littlefork Medical Center
LOGIS (Local Government Information Systems)
Madelia Municipal Light and Power
Mahnommen SWCD
Marshall - Beltrami SWCD
Marshall County Soil & Water Conservation District
Marshall Municipal Utilities
Marshall Weiner Hospital
Marshall-Lyon County Library
Melrose Public Utilities Commission
Menahga Nursing Home
Middle Mississippi River Watershed Management
Mid-Minnesota Development Comm
Mille Lacs SWCD
Minneapolis Employee Retirement Fund
Minnesota Association of Counties
Minnesota Association of Secondary School Principals
Minnesota Crop Improvement Association
Minnesota Historical Society

Other Employers:
Minnesota Horticulture Society
Minnesota Inter-County Association
Minnesota Judicial Branch
Minnesota Nurses Association
Minnesota River Valley Special Education Coop

Minnesota Safety Council
Minnesota Valley Regional Library
Minnesota Valley Transit Authority
Monticello - Big Lake Hospital
Moorhead Public Housing Agency
Moose Lake Municipal Power
Moose Lake Water & Light Commission
Mower County Soil & Water Conservation District (SWCD)
Murray County Memorial Hospital
Nashauk Public Utilities
NE Jobs & Training
New Prague Golf Course
New Prague Municipal Utilities
New Ulm Public Utilities
Nicollet County Court
Norman County SWCD
Norman-Mahnomen County Public Health
North Branch Municipal Water and Light
North Central Service Cooperative
North St. Louis SWCD
Northeast Service Cooperative #927
Northern Dakota County Cable Communications (NDC4)
Northwest Minnesota Service cooperative
Northwest Regional Development
Ottertail Water Management District
Owatonna Public Utilities
Paynesville Area Health Care System
Pelican River Watershed District
Pennington County Soil and Water Conservation Department
Pine city Liquor Store Employees
Pine County SWCD
Pioneerland Library System
Pipestone County Medical Center
Plum Creek Library System
Port Authority of City of St. Paul
Prairie Lakes Youth Programs
Preston Public Utilities
Prior Lake Spring Lake Watershed District
Proctor Public Utilities
Public Housing Agency-St. Paul
Quad Cities Cable Communications Commission
Ramsey-Washington Metro Watershed District
Red Rock Rural Water System
Redwood County SWCD
Region Five Development Commission
Region Nine Development Commission
Regions Hospital (St. Paul Ramsey)
Renville County SWCD
Rice County Auditor/Treasurer's Office
Rice County District One Hospital
Rice County SWCD
Rice Creek Watershed District
Rice Memorial Hospital
River's Edge Hospital & Clinic
Rock County Rural Water Dist
Sauk Centre Public Utilities

Scott County SWCD
Shakopee Public Utilities Comm
Sherburne County SWCD
Sibley County Library
Sleepy Eye Medical Center
Sleepy Eye Public Utilities
Soil and Water Conservation District Technical Service Area 1
South Central Services Cooperative
South Country Health Alliance
South Metro Fire Dept
South St. Louis County SWCD
South Washington Watershed District
Southern MN Municipal Power Agency
Southwest Regional Development Comm
Southwest/West Central Service Cooperative
Spirit Mountain Recreation Area
Spring Lake Park Fire Department
St. Cloud Area Planning Organization
St. Cloud HRA
St. Cloud Metropolitan Transit Comm
St. Michael's Hospital & Nursing Home
St. Paul Teachers Retirement Fund
State Fair
Stearns County SWCD
Stevens County SWCD
Sunnyside Care Center-Becker County
Sunrise Home - Two Harbors
Three Rivers Park District
Todd County SWCD
Tower/Breitung Wastewater Board
Traverse Des Sioux Library
Tri County Community Corrections
United Hospital District
Upper Minnesota Valley Regional Development Commission
Utilities Plus
Viking Library System
Virginia Public Utilities
Virginia Regional Medical Center
Wabasha County SWCD
Waseca-LeSueur Regional Library
Washington County Housing Redevelopment Authority
Washington County SWCD
Watsonwan County SWCD
Wells Public Utilities
West Central MN Joint Power Board
West Hennepin County Public Safety
West Metro Fire Rescue
West Ottertail County SWCD
Western Lake Superior Sanitation District
Wild Rice Electric Coop
Wilkin County SWCD
Willmar Municipal Utilities
Windom Area Hospital
Worthington Regional Hospital
Wright County SWCD



60 Empire Drive | Suite 300 | St. Paul, MN 55103

Telephone: 651-296-2761 | Toll-free: 1-800-657-5757

www.msrs.state.mn.us | Fax: 651-297-5238