



# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

## Minnesota State Retirement System

Pension Trust Funds of the State of Minnesota

Rebuilding our Foundation

### **About our cover...**

It is with great respect that we dedicate this 2010 CAFR in honor of those who lost their lives, and those first responders who saved the survivors when the I-35W Mississippi River Bridge collapsed on August 1, 2007.

We also pay tribute to those who rebuilt the new bridge, the I-35W St. Anthony Falls Bridge (shown on the cover).

It is the spirit of rebuilding the bridge that we pay tribute to as we work to rebuild the foundation of the retirement plans we administer for our members.

# 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, 2010

Prepared by MSRS Finance, Information Systems and Executive Division Staff

### Retirement Systems of Minnesota Building

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*Member of the Government Finance Officers Association of the United States and Canada*

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Rebuilding our Foundation

Pension Trust Funds of the State of Minnesota

We continually strive to fulfill our mission to administer secure retirement plans, assure timely benefit payments, be proactive in public pension policies, and provide exemplary customer service.



# Achievement Awards

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minnesota  
State Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Public Pension Coordinating Council

**Recognition Award for Administration  
2010**

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)

Alan H. Winkle  
Program Administrator

# Board Chairperson's Report



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

January 3, 2011

## Dear Members, Benefit Recipients, and Employers:

Fiscal year 2010 was a critical year for the Minnesota State Retirement System in many aspects. The good news is that we had a positive investment return of 15.2 percent for the year for the Combined Funds, that are comprised, in part, with MSRS defined benefit plan assets. This meant an increase in total net assets of \$1.4 billion or 12 percent.

Strong market returns followed two years of severe market downturns which shook the strong financial footing MSRS has enjoyed for years.

To once again place MSRS on track to reach full funding, the MSRS Board of Directors proposed legislation to adjust benefits. We believe the impact of this legislation, along with strong investment returns, will lead our retirement plans on the path to reach full funding.

The adopted legislation lowers the plans liabilities by:

- Reducing the growth in post-retirement increases;
- Slowing the increase of the benefits for state employees who have left state service but have not started to collect monthly benefits; and
- Lowering interest rate paid to former employees requesting refunds.

The Board feels that everyone must share in the effort to rebuild our retirement fund. And, it is making a difference. With the strong investment returns, along with the reduction in benefits, our funding ratio for the General Plan increased from 85.90 percent to 87.30 percent.

The Board fully appreciates the impact of the legislation. However, as fiduciaries of the plan, the Board's responsibility is to ensure the plan's financial stability. Relying on investment returns alone will not bring the plans back to full funding. For the sake of stability and assurance that MSRS retirement funds would be available for both our current and future retirees, measures to manage the increasing pension liability had to be taken.

Employees and employers have also played a key role in stabilizing the plans. Four consecutive years of phased-in contribution rate increases are now complete. The Board believes that employees could not afford additional increases as salaries have been frozen and significant salary increases are unlikely in the near future. Increasing employer contributions would have meant significant layoffs as the state faces budget deficits projected to be \$5 to \$6 billion in the 2012-13 biennium.

While we are making progress, the Board will continue to closely monitor the financial status of the plan. We may need to do more work if the economic recovery takes longer than expected.

Our goal is to have a retirement plan that is sustainable and financially sound to be able to pay benefits for current recipients, active employees and future employees. We will continue to make informed, proactive decisions to keep your pension secure and sustainable.

Your continued support of the Board and staff is truly appreciated as we move through these troubling economic times.

Sincerely,

Mary Benner, Chair  
Board of Directors

# Letter of Transmittal



January 3, 2011

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

Dear Directors:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) for the Minnesota State Retirement System (MSRS) for the fiscal year ended June 30, 2010, our 81st year of operation. 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. The information contained in this report is accurate in all material respects and is intended to fairly present MSRS' financial position and results of operations for the fiscal year ended June 30, 2010. 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.

Readers of this transmittal letter are encouraged to refer to *Management's Discussion and Analysis* in the *Financial Section* of this CAFR for financial highlights and an overview of MSRS' financial statements for fiscal year 2010.

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 below. The net assets of these plans totaled \$13.04 billion as of June 30, 2010.

### 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 55,350 active employees from over 30 employer units, 31,200 benefit recipients, and 25,700 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 \$9.1 billion at June 30, 2010.

MSRS also serves over 80,000 participants in the MNDCP with net assets totaling \$3.5 billion at June 30, 2010. Over 67,000 members participate in the Health Care Savings Plan with net assets at fiscal year end exceeding \$321 million. Nearly 2,000 members participate in the Supplemental Retirement Plan for Hennepin County with net assets at June 30, 2010, totaling nearly \$110 million.



## Major Initiatives

Our primary focus during fiscal year 2010 was the development of pension reform legislation that modified benefits for members of MSRS' defined benefits plans. After two years of consecutive market declines that impaired the funding status of these plans, the MSRS Board of Directors decided that retirees, active employees, and deferred members (employees who have terminated employment, but have not yet started to collect a monthly retirement benefit) will share the responsibility of keeping MSRS' defined benefit retirement plans sustainable. Employees and employers have seen increased contributions over the last four years. The Board of Directors recommended several adjustments, noted below, in the 2010 legislative session primarily aimed at lowering current and future liabilities and providing stability to the MSRS defined benefit retirement plans to ensure funds will be available to pay future benefits:

- Lower future post-retirement benefit increases effective January 1, 2011;
- Reinstatement of the six-month waiting period for a retiree's initial post-retirement benefit increase;
- Reduction in the interest rate paid on refunds;
- Reduction in the benefit increases for deferred members;
- Elimination of the interest on suspended benefits paid to re-employed retirees;
- Increase the vesting period for future hires;
- Increase the early retirement penalty for future hires that are members of the Correctional Employees or State Patrol Retirement Plans;
- Lower the retirement formula for future members of the Correctional Employees Retirement Plan; and
- Increase employee and employer contribution rates for members of the State Patrol Retirement Plan.

Additional details about these changes in plan provisions are reflected in this report and summarized in the *Introductory* and *Actuarial Sections*. The 2010 Legislature passed this legislation, the Omnibus Pension Bill, by overwhelming margins and Governor Tim Pawlenty signed the bill on May 15, 2010. Coupled with changes in actuarial assumptions, these newly enacted provisions are estimated to decrease the unfunded accrued liabilities for the defined benefit plans by nearly \$800 million.

Days after the Governor signed the Omnibus Pension Bill, a class-action lawsuit was filed to stop the reduction of the post-retirement benefit increases. At this time, the case is being litigated and we are not at liberty to discuss the legal aspects of the case.

Early in fiscal year 2010, we successfully completed our transition to a new record keeper, ING, for all of our defined contribution plans. By July 1, 2009, we transferred over 120,000 members' accounts with assets totaling \$3.7 billion. All defined contribution 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 also received the benefit of two optional services to assist them in making informed investment decisions. Many participants selected the *Personal Online Advisor*, a free web-based service powered by Financial Engines<sup>®</sup> that provides personalized retirement forecasts, risk assessments, savings and investment fund recommendations. Other participants opted for the *Professional Account Manager* program, which provides them with the services of a professional investment advisor who monitors and manages their investment portfolio on their behalf for an asset-based fee. MNDCP participants also enjoyed a six-month fee holiday that took effect January 1, 2010 through June 30, 2010.

With regard to member service initiatives, we began revision of all member handbooks, especially in light of recent changes in plan provisions. Handbooks for the State Employees General Plan and the Unclassified Employees Retirement Plan were rewritten and updated with a new look. The handbooks will be available soon on the MSRS website; hard copies will be sent to members upon request. We also recently relocated our Detroit Lakes office to service our members better and to take advantage of lower office space rental fees.

During fiscal year 2010 we launched a multi-phase project to redesign and rebuild our network infrastructure with enhanced security controls to protect our data and computer systems. The first project phase completed in January, 2010, involved development of detailed design schematics for the new secure network architecture. The second project phase focused on the acquisition of computer hardware and related support services, and configuring a pilot solution which we plan to migrate into production in March, 2011. In the third and final project phase, we will engage an information technology consulting firm to perform an independent verification that the newly implemented network infrastructure meets the design criteria and enhanced security controls are working effectively. Future plans in 2011 include initiating projects to re-engineer or streamline major business processes and exploring options to migrate legacy applications to other computer platforms.

# Letter of Transmittal

## 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.

### 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 2010. Additions represent employee and employer contributions and net investment earnings. Deductions include annuity payments, health care reimbursements, ongoing deferred compensation withdrawals, refunds, and administrative expenses. With a 15.2 percent investment return for fiscal year 2010 (following a negative 18.8 percent investment return for fiscal year 2009), MSRS realized an increase of nearly \$1.4 billion in total net assets of all MSRS pension trust funds. This amount is comprised of an increase of \$912 million for MSRS’ defined benefit funds and an increase of \$482 million for its defined contribution funds.

<b>Summary Statement of Changes in Plan Net Assets – All MSRS Pension Trust Funds</b>				
<b>For the Fiscal Years Ended June 30, 2010 and 2009</b>				
(Dollars in thousands)				
<b>Source</b>	<b>Defined Benefit Funds</b>		<b>Defined Contribution Funds</b>	
	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2009</b>
Total Additions	\$1,510,338	\$(1,629,468)	\$696,021	\$(310,607)
Total Deductions	597,983	566,214	213,744	204,962
Change in Net Assets	<u>\$912,355</u>	<u>\$(2,195,682)</u>	<u>\$482,277</u>	<u>\$(515,569)</u>

## Actuarial Funding Status

MSRS contracted with Mercer, Inc. 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 2010. 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 liability, funding ratio and contribution deficiency (expressed as a percent of payroll) for

each defined benefit fund as of the latest actuarial valuation date, July 1, 2010.

<b>Highlights of the 2010 Actuarial Valuations</b>				
(Dollars in thousands)				
<b>Defined Benefit Funds</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funding Ratio</b>	<b>Contribution Deficiency</b>
State Employees	\$8,960,391	\$10,264,071	87.30%	0.99%
State Patrol	\$567,211	\$683,360	83.00%	7.84%
Correctional Employees	\$603,863	\$851,086	70.95%	4.73%
Judges	\$144,728	\$240,579	60.16%	3.62%
Legislators	\$26,821	\$86,236	31.10%	350.43%
Elective State Officers	\$214	\$3,782	5.66%	\$643,501*

\* Amount reported is stated in actual dollars.

For all of the defined benefit funds, except the Legislators and Elective State Officers Retirement Funds which are funded on a pay-as-you go basis, the contribution deficiency as of the July 1, 2010 valuation date decreased in comparison to the contribution deficiency one year prior. The primary reasons for the improved contribution deficiency rates are the changes in plan provisions and strong investment returns. Other contributing factors for the State Employees Retirement Fund's improved contribution deficiency include the change in the amortization date for payment of the unfunded actuarial accrued liability from July 1, 2020 to July 1, 2040, and the increases in employee and employer contribution rates from 4.75 percent to 5.00 percent of payroll which took effect July 1, 2010. Nevertheless, significant contribution deficiencies remain. For the State Patrol Retirement Fund, its contribution deficiency will only be partially addressed by the 5 percent of payroll increase in statutory contributions effective July 1, 2011. Without further changes in contribution levels, benefits or actuarial assumptions, favorable actuarial experience or better than expected investment returns, the funded status for all of these defined plans will deteriorate in the future. Changes in each defined benefit fund's plan provisions that affect employees first hired after June 30, 2010 are expected to ultimately reduce the cost of the plan, but they did not have an impact on the July 1, 2010 actuarial valuation results.

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. For purposes of determining the actuarial value of assets for the four largest defined benefit funds (the State Employees Retirement Fund, the State Patrol Fund, the Correctional Employees Retirement Fund, and the Judges Retirement Fund), the fiscal year 2009 asset loss of the Minnesota Post Retirement Investment Fund (a fund that was dissolved on June 30, 2009) is recognized incrementally or smoothed over five years at 20 percent per year. The individual entry age normal cost method, as prescribed by *Minnesota Statutes*, was used in the actuarial valuation process to compute liabilities and contributions. Additional information regarding the actuarial funding status of MSRS' defined benefit retirement plans is presented in the *Actuarial Section* of this CAFR.

# Letter of Transmittal

## Investment Results

In accordance with the Minnesota Constitution, the State Board of Investments (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 person 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 the funds under its control.

MSRS does not own specific securities, but instead owns shares in various pools invested by SBI. During fiscal year 2010, the domestic stock pool reported a 15.8 percent return, slightly outperforming the Russell 3000 Index by .01 percentage point. The bond pool posted a 14.5 percent return for fiscal year 2010, outperforming the Barclays Capital Aggregate Bond Index by 5 percent. The International Stock Pool also reported an 11.7 percent return for the fiscal year, outperforming 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 .7 percent for the fiscal year. The rally that started in the second quarter of calendar year 2009 began to reverse in the second quarter of calendar year 2010. Just as investors seemed to be embracing a slow economic recovery, investor confidence weakened with news of the potential for a sovereign debt crisis in Europe, fear of a continued economic slowdown in China, continued high unemployment in the United States, and the environmental disaster in the Gulf of Mexico.

Within this investment environment, the Combined Funds, which represent all defined benefit pension assets under SBI's control, reported a 15.2 percent return (net of fees) for the 2010 fiscal year. Annualized over the latest ten-year period, it generated a 2.9 percent return, outperforming a composite market index (weighted in manner that reflects the long-term asset allocation of the Combined Funds over the latest ten-year period as indicated in the table below) by 0.1 percentage point. Over the latest twenty-year period, the Combined Funds achieved their long-term investment objective and provided an eight percent return that was 5.4 percentage points greater than inflation, as measured by the Consumer Price Index, over the same period.

Combined Funds Asset Mix and Market Indices		
Investment Type	Market Indicator	Long-Term Policy Target
Domestic Equity	Russell 3000 Index	45.0%
International Equity	Morgan Stanley Capital International All Country World Index Ex-U.S.	15.0
Alternative Assets	Wilshire Real Estate Funds, Venture Capital Funds, Resources Funds	20.0
Bonds	Barclays Capital Aggregate Bond Index	18.0
Unallocated Cash	91-Day Treasury Bills	2.0
		<u>100.0%</u>

Please refer to the *Investment Section* of this CAFR for additional details on the investment results of MSRS' largest defined benefit retirement plans for fiscal year 2010.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to MSRS for its comprehensive annual financial report for the fiscal year ended June 30, 2009. In order to be awarded a *Certificate of Achievement*, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A *Certificate of Achievement* is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the *Certificate of Achievement* Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

MSRS also received the Public Pension Coordinating Council's (PPCC) *Public Pension Standards 2010 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 eight years. MSRS is proud to be a recipient of this award.

Respectfully submitted,



David Bergstrom  
Executive Director

## 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](http://www.msrs.state.mn.us). A summary of the CAFR will be published in the next issue of the *Messenger*, MSRS' newsletter.

## 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.



Judith M. Hunt  
Assistant Executive Director  
Finance, Information Systems, and Records

# MSRS Board of Directors, Administrative Staff and Professional Consultants

As of June 30, 2010

**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 5, 2014*

**Thomas Ruter**

*Elected by General Plan Membership  
Term expires: May 5, 2014*

**Steven Amic**

*Elected Correctional Plan Representative  
Term expires: May 7, 2012*

**Sally (R.W.) Olsen**

*Appointed by Governor  
Term expires: January 5, 2013*

**Chester Jorgenson**

*Elected by General Plan Membership  
Term expires: May 5, 2014*

**John Richter**

*Elected Retiree Representative  
Term expires: May 7, 2012*

**Michelle Sommers**

*Appointed Representative for employees of  
Metropolitan Council's Transit Division  
Term expires: at the discretion of the Executive  
Board for the Amalgamated Transit Union,  
Local 1005*

**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, Inc.

**Legal Counsel:**

Assistant Attorney General Carla Heyl  
Assistant Attorney General Julie Leppink  
Assistant Attorney General Rita Coyle DeMeules

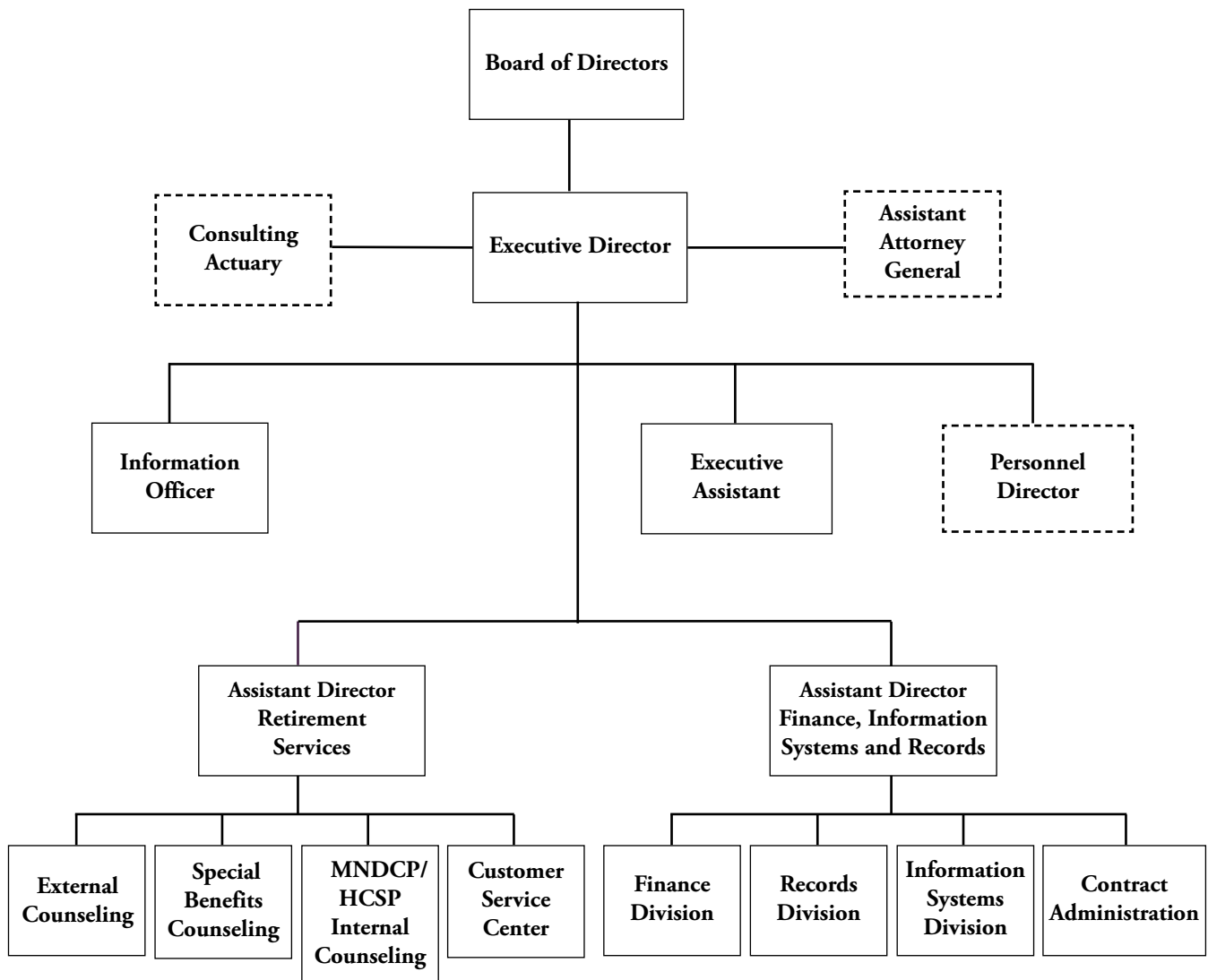
**Medical Advisor:**

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 pages 78 and 79 of the *Investment Section* of this CAFR.

# Organization Chart

As of June 30, 2010



## 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 Retirement Plan

#### A. Coverage

- Most state employees, University of Minnesota non-faculty employees, and selected metropolitan agency employees

#### B. Contribution Rates

- Employees: 4.75 percent of salary, increased to 5.0 percent effective July 1, 2010
- Employers: 4.75 percent of salary, increased to 5.0 percent effective July 1, 2010
- Employee contributions are “picked up” according to the provisions of Internal Revenue Code 414(h).

#### C. Benefit Formula

- If first hired before July 1, 1989, the benefit formula is the greater of (a) or (b):
  - (a) 1.2 percent of a high-five year salary for the first 10 years of allowable service and 1.7 percent of high-five salary for each subsequent year with a reduction of .25 percent for each month the member is under age 65 at time of retirement or under age 62 with 30 years of allowable service. There is no reduction in the formula

if the member’s age plus years of allowable service totals 90 (Rule of 90).

(b) 1.7 percent of high-five year salary for each year of allowable service assuming augmentation to age 65 at three percent per year and actuarial reduction for each month the member is under age 65.

- If first hired after June 30, 1989, the benefit formula is 1.7 percent of high-five year salary for each year of allowable service with an actuarial equivalent, early retirement reduction.
- Salary includes wages, allowances and overtime. It excludes lump sum payments at separation, employer contributions to deferred compensation and tax sheltered annuity plans and benevolent vacation and sick leave donation programs.

## D. Retirement Age and Service Requirements

*Eligibility for unreduced retirement benefits:*

- Age 65 for employees hired before July 1, 1989; or age 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 if hired prior to July 1, 2010 (five years of service if hired after June 30, 2010), 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 (five years of service after June 30, 2010).

## E. Surviving Spouse Benefit

- If employee has at least three years of service at death, (five years if hired after June 30, 2010), generally, the spouse is eligible for a 100 percent survivor annuity or a refund.

## F. Refunds

- Employee contributions plus six percent interest compounded annually through June 30, 2011.
- Beginning July 1, 2011, a member’s contributions will receive four percent interest compounded annually.



## **G. Retirement and Disability Options**

- Single-Life annuity
- 50, 75 or 100 percent Joint and Survivor with a bounce-back feature, meaning if your survivor dies first, your benefit would increase to the higher single-life amount
- 15-Year Certain and Life Thereafter

## **H. Post-Retirement Benefit Increase**

- Benefit recipients receive future annual 2 percent benefit increases effective January 1, 2011.
- Annual benefit increase will revert to 2.5 percent when the Plan's funding ratio reaches 90 percent on a market value of assets (instead of an actuarial value of assets) basis.
- Retirees must wait at least six months for their initial post-retirement benefit increase.
- Only employees who retire before June 1 will be eligible for a prorated increase the next January. The prorated increase amount depends on the month the employee retired.

## **2. Military Affairs, Transportation Pilots (hired before June 1, 2008) and Fire Marshals Retirement Plans**

(Provisions differing from the 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**

- For Military Affairs and Transportation Pilots Plans, both employee and employer contribution rates are 6.35 percent, increased to 6.60 percent effective July 1, 2010.
- For the Deputy Fire Marshals Plan, the employee contribution rate is 7.53 percent and the employer contribution rate is 8.95 percent, increased to 7.78 percent and 9.20 percent, respectively, effective July 1, 2010.

### **C. Retirement Age and Service Years**

- Military Affairs, age 60, with at least three years of service if hired prior to June 30, 2010 (or five years of service if hired after July 1, 2010), 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**

(Provisions differing from the General Plan)

### **A. Coverage**

- State troopers, conservation officers, and certain crime bureau and gambling enforcement agents

### **B. Contribution Rates**

- Employees: 10.4 percent, increasing to 12.4 percent effective July 1, 2011
- Employers: 15.6 percent, increasing to 18.6 percent effective July 1, 2011

### **C. Benefit Formula**

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

### **D. Retirement Age and Service Requirements**

- Age 55 with three years of allowable service if hired prior to July 1, 2010 (five years if hired after June 30, 2010), no reduction
- Early retirement at age 50 with three years of allowable service if hired prior to July 1, 2010 (five years if hired after June 30, 2010), with a reduction in the normal retirement benefit 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 three percent for each year beyond 20 years of allowable service.

# Summary of Retirement System Plans

## 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 ten percent of final average salary per child plus \$20 per month, prorated among all dependent children.
- If no survivor benefit is payable, employee contributions are refunded with six percent interest compounded annually until June 30, 2011 and four percent thereafter.

## G. Annuity and Disability Options

- Single-Life annuity
- 50, 75, or 100 percent Joint and Survivor with bounce-back feature.

## H. Post-Retirement Benefit Increase

- Benefit recipients receive future annual 1.5 percent benefit increases beginning January 1, 2011. If the accrued liability funding ratio of the plan reaches 90 percent (on a Market Value of Assets basis), the benefit increase reverts to 2.5 percent.

## 4. Correctional Employees Retirement Plan

(Provisions differing from the General Plan)

### A. Coverage

- Employees who have direct contact with inmates at Minnesota correctional facilities generally 15 percent of the time or higher

### B. Contribution Rates

- Employees: 7.7 percent, increasing to 8.6 percent effective July 1, 2010
- Employers: 11.1 percent, increasing to 12.1 percent effective July 1, 2010

### C. Benefit Formula

- 2.4 percent of high-five year average salary (2.2 percent for employees hired after June 30, 2010) for each year of allowable service or an accelerated annuity to age 62 or 65, then an actuarially adjusted benefit thereafter

## D. Vesting

- For members hired before July 1, 2010: 100 percent vested after three years of allowable service
- For members hired after June 30, 2010: graded vesting applies ranging from 50 percent vested after five years of allowable service to 100 percent vested after ten years of allowable service

## E. Retirement Age and Service Requirements

- Age 55 and vested
- Age 50 and vested, reduction from age 55

## F. Disability

- Job-related disability, benefit equals 50 percent of high five year average salary plus 2.4 percent for each year beyond 20 years and ten months 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. Correctional employees hired after June 30, 2009 must be vested to be eligible for regular disability benefits.

## 5. Judges Retirement Plan

(Provisions differing from the General Plan)

### A. Coverage

- District, appellate and supreme court judges

### B. Contribution Rates

- Employees: 8.0 percent
- Employers: 20.5 percent

### 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 the last decade
- Formula is capped at 76.8 percent of average salary

#### **D. Retirement Age and Service Requirements**

- Age 70 (mandatory retirement age)
- Age 65 with five years of service, no reduction
- Age 60 with five years of service; normal retirement benefit is reduced for each month member is under age 65.

#### **E. Disability**

- Member is eligible for disability if permanently unable to perform duties of a judge
- Continuation of full salary for one year, but not beyond age 70
- Benefit is computed under the formula with no reduction, and subject to a minimum of 25 percent of high-five year salary

#### **F. Survivor Benefits**

- Spouse is eligible for larger of 25 percent of average salary or 60 percent of normal retirement benefit had the member retired at date of death.

#### **G. Annuity and Disability Options**

- Single-Life annuity
- 100 percent Joint and Survivor with or without bounce-back feature
- 50, 75 or 100 percent Joint and Survivor with bounce-back feature
- 50, 75 or 100 percent Joint and Survivor without bounce-back feature
- 10 or 15-year Certain and Life Thereafter

### **State of Minnesota General Fund Retirement Plans**

#### **6. Legislators Retirement Plan**

(Provisions differing from the General Plan)

##### **A. Coverage**

- Legislators first elected before July 1, 1997
- Effective July 1, 1997, newly-elected legislators are covered by the Unclassified Employees Retirement Plan

##### **B. Contribution Rates**

- Employee: 9 percent of salary
- Employers share is funded by annual appropriation, as needed, from the state's General Fund.

#### **C. Benefit Formula**

- For legislators first elected prior to January 1, 1979: 5 percent of high-five average salary for the first eight years of service prior to January 1, 1979, and 2.5 percent for subsequent years
- For legislators elected after December 31, 1978: 2.5 percent of high-five average salary

#### **D. Retirement Age and Service Requirements**

- 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's benefit is 25 percent of the retirement benefit (computed as for surviving spouse) with 12.5 percent for each additional child
- Maximum benefit payable to children and spouse is 100 percent of the retirement benefit

#### **F. Annuity Options**

- Single-Life annuity
- 100 percent Joint and Survivor with bounce-back feature, discounted by value of automatic 50 percent spousal benefit applicable
- 100 percent and 50 percent Joint and Survivor options for other than spouse

#### **G. Post-Retirement Benefit Increase**

- Benefit recipients receive future annual 2.0 percent benefit increases beginning January 1, 2011. If the accrued liability funding ratio of the State Employees Retirement Fund reaches 90 percent (on a Market Value of Assets basis), the benefit increase will revert to 2.5 percent

# Summary of Retirement System Plans

## 7. Elective State Officers Retirement Plan

(Provisions differing from the General 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

### C. Post-Retirement Benefit Increase

- Benefit recipients receive future annual 2.0 percent benefit increases beginning January 1, 2011. If the accrued liability funding ratio of the State Employees Retirement Fund reaches 90 percent (on a Market Value of Assets basis), the benefit increase will revert to 2.5 percent

## Defined Contribution Plans

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

#### A. Coverage

- Specified employees in unclassified positions

#### B. Contribution Rates

- Employees: 4 percent of salary, increased to 5 percent effective July 1, 2010
- Employers: 6 percent of salary

#### C. Investment Options

- Supplemental Investment Fund (SIF) Money Market Account
- Fixed Interest Account
- Bond Market Account
- Income Share Account
- Common Stock Index Account
- Growth Share Account
- International Share Account

### D. Administrative Fees

- \$1 per month for an account balance less than \$10,000
- \$2 per month for an account balance that is \$10,000 to \$50,000
- \$3 per month for an account balance exceeding \$50,000
- Plan fees only apply to contributions made after July 1, 1992. Prior to July 1, 1992, participants were charged a front-end fee.

### E. Benefits

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

### F. Retirement Age and Service Years

- Age 55 with any length of service

### G. Refunds

- Account value

### H. Annuity and Disability Options for Employees Who Elect Coverage in the General Employees Retirement Plan

- Employees appointed prior to July 1, 2010 may elect to transfer their Unclassified Plan service to the General Plan if they have ten or more years of service, or employees may select General Plan coverage in the first year of employment.
- Employees appointed after June 30, 2010 may elect to be covered by the General Plan within seven years of their appointment.
- Single-Life annuity
- 100, 75 or 50 percent Joint and Survivor with bounce-back feature
- 15 Year Certain and Life Thereafter

### I. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants and processes all distribution and other requests. Prior to that date, MSRS 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. Investment Options

- Supplemental Investment Fund (SIF) Money Market Account
- Fixed Interest Account
- Bond Market Account
- Income Share Account
- Common Stock Index Account
- Growth Share Account
- International Share Account

### D. Annual Administrative Fees

- 0.65 percent, prorated and deducted from participant accounts on a monthly basis
- Maximum annual fee: \$140

### E. Benefits

- Account balance including investment gains/losses, which must be used for qualifying health-related expenses

### F. When Used

- Upon termination of employment, designation of disability, during medical leave beyond six months, or if normal leave of absence extends beyond one year

### G. Refunds

- None
- After participant's death, dependents, or if none exist, beneficiaries may use account for eligible healthcare reimbursements as designated in the Internal Revenue Code

### H. Availability

- All public employees in the State of Minnesota

### I. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping

services and MSRS counsels plan participants and processes all distribution and other requests. Prior to that date, MSRS 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. Contributions

- Tax deferred with a \$10 per pay period minimum

### C. Investment Options

- Various retail mutual funds contracted by the Minnesota State Board of Investment (SBI)
- Self-directed brokerage account through TD Ameritrade
- SBI Supplemental Investment Fund Fixed Interest Account and Money Market Account

### D. Annual Administrative Fees

- .07 percent, prorated and deducted from participant accounts on a monthly basis
- Maximum annual fee: \$70 on first \$100,000 in the participant's account
- MSRS declared a six-month fee holiday for period beginning January 1, 2010.

### E. Withdrawal Events

- Termination of service or death
- Unforeseeable emergency

### F. Withdrawal Options:

- Lump-sum
- Ongoing withdrawals
- Various annuities

### G. Third-party Administrator

- Effective July 1, 2009, ING provides recordkeeping services and MSRS counsels plan participants and processes all distribution and other requests. Prior to that date, Great West Life and Annuity Insurance Company administered this plan.

#### **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**

- Employee: 1 percent of salary
- Employer: 1 percent of salary

##### **C. Investment Options**

- SIF Money Market Account
- Bond Market Account
- Income Share Account
- Common Stock Index Account
- Growth Share Account
- International Share Account

##### **D. Annual Administrative Fees**

- 0.03 percent, increased to 0.04 percent on January 1, 2010, prorated and deducted from participant accounts on a monthly basis

##### **E. Benefits**

- Account balance including investment earnings/losses

##### **F. Withdrawal Events**

- Termination of service or death
- Retirement
- Unforeseeable emergency

##### **G. Withdrawal Options:**

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

##### **H. Third-party Administrator**

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

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



MSRS Comprehensive Annual Financial Report 2010  
**Financial Section**

**Rebuilding our Foundation**

Pension Trust Funds of the State of Minnesota

Strong investment returns meant an increase in total net assets of \$1.4 billion or 12 percent over last year.



# Independent Auditor's Report



## 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, 2010, 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, 2010, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2F to the basic financial statements, for the year ended June 30, 2010, the Minnesota State Retirement System adopted Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report 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, and contracts; 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.

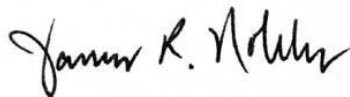
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Members of the Board of Trustees  
Mr. David Bergstrom, Executive Director  
Page 2

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 23, 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, 2010. 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

Overall, the financial condition of all MSRS' pension trust funds improved during fiscal year 2010. Net assets held in trust for pension benefits, totaling \$13 billion as of June 30, 2010, increased nearly \$1.4 billion or 12 percent during the fiscal year. This increase was primarily the result of an increase in investment values and their associated income. Strong investment returns during the fiscal year generated a 15.2 percent return. 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, 2010, the most recent actuarial valuation date, the State Employees Retirement Fund was 87.3 percent funded, the State Patrol Retirement Fund was 83.0 percent funded, the Correctional Employees Retirement Fund was 71.0 percent funded, and the Judges Retirement Fund was 60.2 percent funded, on an actuarial value of assets basis. The funding ratios for the State Employees and the State Patrol Retirement Funds improved compared to the July 1, 2009 funding ratios due to reductions in actuarial accrued liabilities. The funding ratios for the Correctional and Judges Retirement Funds remained relatively constant compared to the July 1, 2009 funding ratios. Additional information about the funding status of each defined benefit plan can be found in the *Actuarial Section* of this report.

The contribution deficiencies for the four largest MSRS defined benefit plans improved during fiscal year 2010 due to recently enacted legislative changes in plan provisions aimed at lowering actuarial liabilities, and changes in actuarial assumptions. Yet the contribution deficiencies are significant in amount. Over the long run, without further changes in contribution rates or plan provisions, better than expected investment returns, or favorable actuarial experience, the funded status for all of the defined benefit plans will continue to deteriorate. Contributions that are scheduled to be made to the funds are insufficient to achieve their 100 percent funding ratios by the targeted full funding dates.

Although member and employer contributions increased slightly from \$590 million in fiscal year 2009 to \$625 million in fiscal year 2010, net investment income was significantly greater in 2010, increasing from a negative \$2.6 billion in 2009 to \$1.6 billion in 2010, and was the primary factor in generating the \$4.1 billion increase in total additions to plan net assets during the fiscal year.

Deductions from plan net assets totaled \$811 million for fiscal year 2010, increasing 5.2 percent primarily due to increases in benefits and refunds. Benefits increased due to post retirement cost-of-living adjustments of 2.5 percent that took effect January 1, 2010 for existing benefit recipients and increases in health care reimbursements associated with continued plan growth. Refunds increased due to employee turnover and members transferring funds to other retirement plans.

## 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*, found on pages 34-53, 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, 2010 and 2009 are depicted in the table below.

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

As of June 30, 2010 and 2009  
(Dollars in millions)

	FY 2010	FY 2009	Change	% Change
<b>Total Assets</b>	\$13,890	\$13,019	\$871	6.7%
<b>Total Liabilities</b>	850	1,374	(524)	(38.1)%
<b>Total Net Assets</b>	<u>\$13,040</u>	<u>\$11,645</u>	<u>\$1,395</u>	12.0%

Total net assets as of June 30, 2010 were \$13.040 billion, an increase of \$1.395 billion or 12.0 percent from the prior year. This change was primarily the result of a substantial increase in the fair value of investments due to strong market returns, as evidenced by an increase in the investment return from a negative 18.8 percent for fiscal year 2009 to 15.2 percent for fiscal year 2010.

Total liabilities as of June 30, 2010 were \$850 million, reduced by \$524 million or 38.1 percent from the prior fiscal year. This decrease was primarily due to decreases in the amount of securities lending collateral held at fiscal year end. This change was attributable to the Minnesota

State Board of Investment's decision to reduce the size of the lending portfolio to minimize its investment risk exposure.

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. Unlike the previous two consecutive fiscal years, net assets increased. Total additions by major source and total deductions by type for the fiscal years ended June 30, 2010 and 2009 are depicted below.

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

For the fiscal years ended June 30, 2010 and 2009  
(Dollars in millions)

	FY 2010	FY 2009	Change	% Change
<b>Additions (by Major Source):</b>				
Plan Member Contributions	\$464	\$438	\$26	5.9%
Employer Contributions	161	152	9	5.9%
Investment Income (Net)	1,561	(2,552)	4,113	161.2%
Other (includes transfers)	20	22	(2)	(9.1)%
<b>Total Additions</b>	<b>\$2,206</b>	<b>\$(1,940)</b>	<b>\$4,146</b>	<b>213.7%</b>
<b>Deductions (by Type):</b>				
Benefits	\$650	\$618	\$32	5.2%
Refunds	134	123	11	8.9%
Recordkeeper and Custodian Expenses	2	4	(2)	(50.0)%
Administrative Expenses	11	11	0	0.0%
Other (includes transfers)	14	15	(1)	(6.7)%
<b>Total Deductions</b>	<b>\$811</b>	<b>\$771</b>	<b>\$40</b>	<b>5.2%</b>
<b>Net Increase (Decrease) in Plan Net Assets</b>	<b>\$1,395</b>	<b>\$(2,711)</b>	<b>\$4,106</b>	<b>151.5%</b>

Total additions to plan net assets were \$2.206 billion, an increase of 213.7 percent for fiscal year 2010. This change was due to net investment income of \$1.561 billion that significantly exceeded total member and employer contributions of \$625 million and other income of \$20 million.

Total contributions paid by members and their employers increased by \$35 million, or 5.9 percent, for fiscal year 2010. This change was primarily due to a contribution rate increases took effect July 1, 2009 for members of the State Employees Retirement Fund (General Plan), State Patrol Retirement Fund, and Correctional Employees Retirement Fund. No contribution rate increases took effect in the fiscal year for the remaining defined benefit plans.

Total deductions to plan net assets were \$811 million, an

increase of \$40 million or 5.2 percent for fiscal year 2010. This change was due in part to an increase in annuity benefits, health care reimbursements and refunds to members. Annuity benefits increased 2.5 percent effective January 1, 2010. Health Care Savings Plan reimbursements increased due to plan growth. Refunds increased due to employee turnover and members rolling over funds to other qualified retirement plans.

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.

# Management's Discussion and Analysis

## 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.

All of the defined benefit funds showed substantial increase in net assets, and are considered to be financially

healthy to pay promised benefits during fiscal year 2011 and beyond. Even though members and employers contribution rates increased 0.25 percent of payroll, respectively, on July 1, 2010 for the State Employees Retirement Fund, and additional contribution increases totaling 5.0 percent are planned for the State Patrol Retirement Fund on July 1, 2011, less than expected investment returns or unfavorable actuarial experience may trigger the need for higher contribution rates beyond 2010. Other legislative initiatives that are designed to minimize contribution deficiencies and improve each plan's funding ratio overall may also be necessary

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

For the Fiscal Years Ended June 30, 2010 and 2009  
(Dollars in millions)

	SERF	SPRF	CERF	JRF
<b>Total Assets, 06/30/2010</b>	\$8,394	\$533	\$573	\$138
<b>Total Assets, 06/30/2009</b>	8,036	525	532	134
<b>Change in Total Assets</b>	\$358	\$8	\$41	\$4
<b>% Change</b>	4.45%	1.52%	7.71%	2.99%
<b>Total Liabilities, 06/30/2010</b>	\$701	\$44	\$48	\$11
<b>Total Liabilities, 06/30/2009</b>	1,139	75	75	19
<b>Change in Total Liabilities</b>	\$(438)	\$(31)	\$(27)	\$(8)
<b>% Change</b>	(38.45)%	(41.33)%	(36.00)%	(42.11)%
<b>Total Net Assets, 06/30/2010</b>	\$7,693	\$489	\$525	\$127
<b>Total Net Assets, 06/30/2009</b>	6,897	450	457	115
<b>Change in Total Plan Net Assets</b>	\$796	\$39	\$68	\$12
<b>% Change</b>	11.54%	8.67%	14.88%	10.43%

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

For the Fiscal Years Ended June 30, 2010 and 2009  
(Dollars in millions)

	<b>SERF</b>	<b>SPRF</b>	<b>CERF</b>	<b>JRF</b>
<b>Total Additions, year ended 06/30/2010</b>	\$1,285	\$85	\$106	\$29
<b>Total Additions, year ended 06/30/2009</b>	(1,443)	(95)	(73)	(15)
<b>Change in Total Additions</b>	<u>\$2,728</u>	<u>\$180</u>	<u>\$179</u>	<u>\$44</u>
<b>% Change</b>	<u>189.05%</u>	<u>189.47%</u>	<u>245.21%</u>	<u>293.33%</u>
<b>Total Deductions, year ended 06/30/2010</b>	\$489	\$46	\$38	\$17
<b>Total Deductions, year ended 06/30/2009</b>	463	44	35	16
<b>Change in Total Deductions</b>	<u>\$26</u>	<u>\$2</u>	<u>\$3</u>	<u>\$1</u>
<b>% Change</b>	<u>5.62%</u>	<u>4.55%</u>	<u>8.57%</u>	<u>6.25%</u>
<b>Net Increase (Decrease)</b>				
<b>For the fiscal year ended 06/30/2010</b>	\$796	\$39	\$68	\$12
<b>Net Increase (Decrease)</b>				
<b>For the fiscal year ended 06/30/2009</b>	(1,906)	(139)	(108)	(31)
<b>Change in Total Plan Net Assets</b>	<u>\$2,702</u>	<u>\$178</u>	<u>\$176</u>	<u>\$43</u>
<b>% Change</b>	<u>141.76%</u>	<u>128.06%</u>	<u>162.96%</u>	<u>138.71%</u>

**Summary**

As the result of strong investment returns, MSRS experienced significant increases in total net assets. All of the retirement funds remain reasonably healthy, and with steady or improving market conditions, MSRS’ funds will continue to be financially sound for 2011 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 fund.

**Request for Information**

This financial report is intended to provide a general overview of MSRS’ financial position as of June 30, 2010 and the results of financial activities for fiscal year 2010. 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 [mrs@state.mn.us](mailto:mrs@state.mn.us).

# Statement of Plan Net Assets

As of June 30, 2010  
(Dollars in thousands)

	Defined Benefit Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>Assets</b>					
Cash	\$261	\$1	\$10	\$18	\$6
Short-term investments	164,933	10,626	12,684	3,343	367
<b>Total Cash &amp; Short-Term Investments</b>	<u>\$165,194</u>	<u>\$10,627</u>	<u>\$12,694</u>	<u>\$3,361</u>	<u>\$373</u>
<b>Receivables</b>					
Accounts Receivable	\$13,787	\$1,031	\$2,267	\$350	\$0
Accrued Interest	83	5	6	1	0
Due from Other Plans	4,938	0	0	0	0
Due from State General Fund	0	0	0	0	7,321
Other	235	20	2	1	0
<b>Total Receivables</b>	<u>\$19,043</u>	<u>\$1,056</u>	<u>\$2,275</u>	<u>\$352</u>	<u>\$7,321</u>
<b>Investment Pools (at fair value)</b>					
Fixed Income Pool	\$1,888,987	\$120,057	\$128,464	\$30,820	\$4,818
Growth Share Pool	2,014,401	128,028	136,993	32,867	5,138
Common Stock Index Pool	1,226,619	77,960	83,419	20,013	3,129
Alternative Investment Pool	1,197,798	76,128	81,459	19,543	3,056
International Equity Pool	1,184,353	75,274	80,544	19,323	3,021
Supplemental Investment Fund (at fair value)	0	0	0	0	0
Mutual Funds (at fair value)	0	0	0	0	0
<b>Total Investment Pools</b>	<u>\$7,512,158</u>	<u>\$477,447</u>	<u>\$510,879</u>	<u>\$122,566</u>	<u>\$19,162</u>
<b>Securities Lending Collateral</b>	<u>\$691,454</u>	<u>\$43,947</u>	<u>\$47,031</u>	<u>\$11,284</u>	<u>\$1,763</u>
<b>Capital Assets</b>					
Land	\$88	\$0	\$0	\$0	\$0
Building and Equipment (Net of Depreciation)	5,726	0	0	0	0
Deferred Bond Charge (Net of Amortization)	51	0	0	0	0
Computer Software (Net of Amortization)	34	0	0	0	0
<b>Total Capital Assets</b>	<u>\$5,899</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Assets</b>	<u>\$8,393,748</u>	<u>\$533,077</u>	<u>\$572,879</u>	<u>\$137,563</u>	<u>\$28,619</u>
<b>Liabilities</b>					
Accounts Payable	\$3,046	\$141	\$153	\$39	\$7
Accrued Compensated Absences	716	0	0	0	0
Securities Lending Collateral	691,454	43,947	47,031	11,284	1,763
Due To Other Plans	0	119	450	39	28
Bonds Payable	6,001	0	0	0	0
<b>Total Liabilities</b>	<u>\$701,217</u>	<u>\$44,207</u>	<u>\$47,634</u>	<u>\$11,362</u>	<u>\$1,798</u>
<b>Net Assets Held in Trust for Pension Benefits</b>					
	<u>\$7,692,531</u>	<u>\$488,870</u>	<u>\$525,245</u>	<u>\$126,201</u>	<u>\$26,821</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	
\$0	\$109	\$888	\$9,826	\$13	\$11,132
0	0	0	0	0	191,953
<u>\$0</u>	<u>\$109</u>	<u>\$888</u>	<u>\$9,826</u>	<u>\$13</u>	<u>\$203,085</u>
\$0	\$476	\$5,463	\$11,391	\$28	\$34,793
0	0	0	1	0	96
0	0	0	0	0	4,938
215	0	0	0	0	7,536
0	7	142	720	4	1,131
<u>\$215</u>	<u>\$483</u>	<u>\$5,605</u>	<u>\$12,112</u>	<u>\$32</u>	<u>\$48,494</u>
\$0	\$0	\$0	\$0	\$0	\$2,173,146
0	0	0	0	0	2,317,427
0	0	0	0	0	1,411,140
0	0	0	0	0	1,377,984
0	0	0	0	0	1,362,515
0	252,961	317,220	1,213,518	109,517	1,893,216
0	0	0	2,262,520	0	2,262,520
<u>\$0</u>	<u>\$252,961</u>	<u>\$317,220</u>	<u>\$3,476,038</u>	<u>\$109,517</u>	<u>\$12,797,948</u>
<u>\$0</u>	<u>\$20,157</u>	<u>\$9,814</u>	<u>\$0</u>	<u>\$9,070</u>	<u>\$834,520</u>
\$0	\$0	\$0	\$0	\$0	\$88
0	0	0	0	0	5,726
0	0	0	0	0	51
0	0	0	0	0	34
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,899</u>
<u>\$215</u>	<u>\$273,710</u>	<u>\$333,527</u>	<u>\$3,497,976</u>	<u>\$118,632</u>	<u>\$13,889,946</u>
\$0	\$6	\$125	\$272	\$8	\$3,797
0	0	0	0	0	716
0	20,157	9,814	0	9,070	834,520
1	159	2,410	1,726	6	4,938
0	0	0	0	0	6,001
<u>\$1</u>	<u>\$20,322</u>	<u>\$12,349</u>	<u>\$1,998</u>	<u>\$9,084</u>	<u>\$849,972</u>
<u>\$214</u>	<u>\$253,388</u>	<u>\$321,178</u>	<u>\$3,495,978</u>	<u>\$109,548</u>	<u>\$13,039,974</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, 2010

(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
<b>Additions</b>				
<b>Contributions</b>				
Plan Member Contributions	\$115,181	\$6,726	\$15,267	\$2,988
Employer Contributions	113,716	10,104	21,988	8,283
General Fund Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Contributions</b>	<u>\$228,897</u>	<u>\$16,830</u>	<u>\$37,255</u>	<u>\$11,271</u>
<b>Investment Income</b>				
Investment Income	\$1,047,553	\$68,619	\$69,324	\$17,446
Less Investment Expenses	<u>10,990</u>	<u>709</u>	<u>737</u>	<u>177</u>
Net Investment Income	<u>\$1,036,563</u>	<u>\$67,910</u>	<u>\$68,587</u>	<u>\$17,269</u>
Income from Securities Lending Activities				
Security Lending Income	<u>\$6,210</u>	<u>\$395</u>	<u>\$422</u>	<u>\$101</u>
Security Lending Expenses				
Borrower Rebates	\$1,140	\$73	\$77	\$19
Management Fees	<u>760</u>	<u>48</u>	<u>52</u>	<u>12</u>
Total Security Lending Expenses	<u>\$1,900</u>	<u>\$121</u>	<u>\$129</u>	<u>\$31</u>
Net Income From Securities Lending Activities	<u>\$4,310</u>	<u>\$274</u>	<u>\$293</u>	<u>\$70</u>
<b>Total Net Investment Income</b>	<u>\$1,040,873</u>	<u>\$68,184</u>	<u>\$68,880</u>	<u>\$17,339</u>
<b>Other Additions</b>				
Transfers From Other Plans	\$14,618	\$28	\$27	\$0
Other Income	<u>321</u>	<u>13</u>	<u>3</u>	<u>1</u>
<b>Total Other Additions</b>	<u>\$14,939</u>	<u>\$41</u>	<u>\$30</u>	<u>\$1</u>
<b>Total Additions</b>	<u>\$1,284,709</u>	<u>\$85,055</u>	<u>\$106,165</u>	<u>\$28,611</u>
<b>Deductions</b>				
Annuity Benefits	\$473,447	\$46,119	\$36,078	\$17,058
Ongoing Withdrawals	0	0	0	0
Health Care Reimbursements	0	0	0	0
Refunds	9,733	3	1,170	0
Transfers to Other Plans	314	0	0	0
Recordkeeper and Custodian Expenses	0	0	0	0
Administrative Expenses	5,771	123	455	42
Other Expenses	<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Deductions</b>	<u>\$489,296</u>	<u>\$46,245</u>	<u>\$37,703</u>	<u>\$17,100</u>
<b>Net Increase (Decrease)</b>	<u>\$795,413</u>	<u>\$38,810</u>	<u>\$68,462</u>	<u>\$11,511</u>
<b>Net Assets Held in Trust for Pension Benefits</b>				
July 1, 2009	\$6,897,118	\$450,060	\$456,783	\$114,690
June 30, 2010	<u>\$7,692,531</u>	<u>\$488,870</u>	<u>\$525,245</u>	<u>\$126,201</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	
\$171	\$0	\$4,472	\$90,445	\$228,190	\$514	\$463,954
0	0	6,333	0	0	515	160,939
<u>1,975</u>	<u>453</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,428</u>
<u>\$2,146</u>	<u>\$453</u>	<u>\$10,805</u>	<u>\$90,445</u>	<u>\$228,190</u>	<u>\$1,029</u>	<u>\$627,321</u>
\$3,219	\$0	\$28,722	\$12,965	\$308,697	\$12,230	\$1,568,775
<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,644</u>
<u>\$3,188</u>	<u>0</u>	<u>\$28,722</u>	<u>\$12,965</u>	<u>\$308,697</u>	<u>\$12,230</u>	<u>\$1,556,131</u>
\$16	\$0	\$194	\$95	\$0	\$82	\$7,515
<u>3</u>	<u>0</u>	<u>31</u>	<u>16</u>	<u>0</u>	<u>14</u>	<u>1,373</u>
<u>2</u>	<u>0</u>	<u>25</u>	<u>12</u>	<u>0</u>	<u>10</u>	<u>921</u>
<u>\$5</u>	<u>\$0</u>	<u>\$56</u>	<u>\$28</u>	<u>\$0</u>	<u>\$24</u>	<u>\$2,294</u>
\$11	\$0	\$138	\$67	\$0	\$58	\$5,221
<u>\$3,199</u>	<u>\$0</u>	<u>\$28,860</u>	<u>\$13,032</u>	<u>\$308,697</u>	<u>\$12,288</u>	<u>\$1,561,352</u>
\$0	\$0	\$259	\$0	\$0	\$0	\$14,932
<u>0</u>	<u>0</u>	<u>0</u>	<u>63</u>	<u>2,305</u>	<u>48</u>	<u>2,754</u>
<u>\$0</u>	<u>\$0</u>	<u>\$259</u>	<u>\$63</u>	<u>\$2,305</u>	<u>\$48</u>	<u>\$17,686</u>
<u>\$5,345</u>	<u>\$453</u>	<u>\$39,924</u>	<u>\$103,540</u>	<u>\$539,192</u>	<u>\$13,365</u>	<u>\$2,206,359</u>
\$7,159	\$451	\$0	\$0	\$0	\$0	\$580,312
0	0	0	0	30,353	3,514	33,867
0	0	0	35,613	0	0	35,613
0	0	5,691	0	114,889	2,244	133,730
0	0	14,618	0	0	0	14,932
0	0	34	743	1,683	22	2,482
28	1	164	1,388	2,726	17	10,715
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32</u>	<u>13</u>	<u>76</u>
<u>\$7,187</u>	<u>\$452</u>	<u>\$20,507</u>	<u>\$37,744</u>	<u>\$149,683</u>	<u>\$5,810</u>	<u>\$811,727</u>
<u>\$(1,842)</u>	<u>\$1</u>	<u>\$19,417</u>	<u>\$65,796</u>	<u>\$389,509</u>	<u>\$7,555</u>	<u>\$1,394,632</u>
\$28,663	\$213	\$233,971	\$255,382	\$3,106,469	\$101,993	\$11,645,342
<u>\$26,821</u>	<u>\$214</u>	<u>\$253,388</u>	<u>\$321,178</u>	<u>\$3,495,978</u>	<u>\$109,548</u>	<u>\$13,039,974</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 Elective 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, 275 cities, 223 school districts and 227 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 stocks of registered corporations and obligations of the United States and Canadian governments and their agencies, 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, 2010 are reported in Exhibit 1 on the next page.

**EXHIBIT 1: CAPITAL ASSETS**

(Dollars in thousands)

<b>Capital Asset Types</b>	<b>Cost</b>	<b>Accumulated Depreciation/Amortization</b>	<b>Undepreciated/Unamortized Balance As of June 30, 2010</b>
Office Equipment & Fixtures	\$939	\$936	\$3
Land	88	N/A	88
Building	7,268	1,635	5,633
Building Improvements	109	19	89
Building Equipment	2	1	1
Deferred Bond Issuance Charges	74	23	51
Computer Software	34	0	34
<b>Totals</b>	<b>\$8,513</b>	<b>\$2,614</b>	<b>\$5,899</b>

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

<b>Capital Asset Types</b>	<b>Useful Life (In Years)</b>	<b>Depreciation/Amortization Method</b>
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, \$715,852, for future payment of these balances at June 30, 2010 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, 2010 are scheduled in Exhibit 2.

**EXHIBIT 2: DUE FROM THE STATE'S GENERAL FUND**

(Dollars in thousands)

	<b>Amount As of June 30, 2010</b>
Legislators Retirement Fund .....	\$7,321
Elective State Officers Fund .....	215
<b>Total.....</b>	<b>\$7,536</b>

**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 as of June 30, 2010 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, 2010
State Employees Retirement Fund	\$ 1,155,473
State Patrol Retirement Fund	56,699
Correctional Employees Retirement Fund	100,323
Judges Retirement Fund	28,685
Legislators Retirement Fund	5,993
Elective State Officers Retirement Fund	36
Unclassified Employees Retirement Fund	253,437
Health Care Savings Fund	322,683
Deferred Compensation Fund	3,487,429
Hennepin County Supplemental Retirement Fund	109,546
<b>Total</b>	<u><u>\$5,520,304</u></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 balances for the Unclassified Employees Retirement Fund and the Health Care Savings Fund 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, 2010 are reported in Exhibit 4.

**EXHIBIT 4: BENEFIT RESERVE**

(Dollars in thousands)

Fund	Benefit Reserve Balance As of June 30, 2010
State Employees Retirement Fund	\$6,537,058
State Patrol Retirement Fund	432,171
Correctional Employees Retirement Fund	424,922
Judges Retirement Fund	97,516
Legislators Retirement Fund	20,828
Elective State Officers Retirement Fund	178
Unclassified Employees Retirement Fund	(49)
Health Care Savings Fund	(1,505)
Deferred Compensation Fund	8,549
Hennepin County Supplemental Retirement Fund	2
<b>Total</b>	<u><u>\$7,519,670</u></u>

## 2. Cash and Investments

### A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 2010 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, 2010, is scheduled in Exhibit 5.

EXHIBIT 5: INVESTMENTS		
(Dollars in thousands)		
Type	Amount	
	As of June 30, 2010	
	Cost	Fair Value
Fixed Income Pool	\$1,956,874	\$2,173,146
Growth Share Pool	2,139,945	2,317,427
Common Stock Index Pool	1,414,250	1,411,140
Alternative Investments Pool	1,344,098	1,377,984
International Equity Pool	1,271,109	1,362,515
Supplemental Investment Fund	1,787,109	1,893,216
Mutual Funds	2,076,120	2,262,520
Total	<u>\$11,989,505</u>	<u>\$12,797,948</u>

### C. Securities Lending

#### [Governmental Accounting Standards Board (GASB) Statement 28 Required Disclosures]

MSRS does not own specific securities, but instead owns shares in various pooled funds invested by the Minnesota State Board of Investment (SBI). 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 the investment managers, retained by SBI, of these investment pools. The types and amounts of securities loaned are presented in Exhibit 6.

act as agent in lending SBI's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, on behalf 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 States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral for each loan of not less than 100 percent of the value of loaned securities. 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 100 percent of the market value of the loaned securities. Throughout the fiscal year, securities lent were limited to common stock, corporate bonds, and U.S. government notes and bonds.

EXHIBIT 6: SECURITIES LOANED	
(Dollars in thousands)	
Investment Type	Amount as of June 30, 2010
Domestic Equities	\$442,165
U.S. Government Bonds	151,812
International Equities	113,464
Domestic Corporate Bonds	99,805
Total	<u>\$807,246</u>

Pursuant to the securities lending authorization agreement, State Street had an obligation to indemnify SBI in the event of default by the borrower. There were no failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration of notice of default of the borrower or in indemnification by State Street. There were no losses during the fiscal year resulting from a default of the borrowers or State Street.

*Minnesota Statutes*, section 356A.06, subdivision 7, allows SBI to participate in securities lending transactions. SBI has, by way of a Custodial Trust Agreement, authorized State Street Bank and Trust Company ("State Street") to

# Notes to the Financial Statements and the Required Supplementary Information

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, 2010 such investment pool had an average duration of 8.03 days and an average final maturity of 43.22 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, 2010 SBI had no credit risk exposure to borrowers. MSRS' share of the collateral held and the market value of securities on loan (in U.S. dollars) as of June 30, 2010 was \$834,521,938 and \$807,245,992, respectively. Cash collateral is reported on the *Statement of Plan Net Assets* as an asset. Liabilities resulting from these securities lending transactions are also reported on the *Statement of Plan Net Assets*.

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

During fiscal year 2010, the SBI, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Cash collateral received in respect of such loans was invested at the direction of SBI, in the Minnesota State Board of Investments Fund, a separately managed vehicle (the "Fund"). 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.

### E. 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, 2010 MSRS' proportionate share of the SBI's exposure to credit risk, based on S&P Quality Ratings, is shown in Exhibit 7.

<b>EXHIBIT 7: CREDIT RISK EXPOSURE</b>	
as of June 30, 2010 (Dollars in thousands)	
<b>Quality Rating</b>	<b>Fair Value As of June 30, 2010</b>
BBB or Better	\$2,352,939
BB or Lower	165,306
Not Rated	329,264

### 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, 2010 had the following weighted-average maturities as shown in Exhibit 8.

Security	Weighted Average Maturity (in years)
Cash Equivalents	0.19
Asset-Backed Securities	9.19
Corporate Debt	4.24
Municipal Bonds	16.13
U.S. Treasuries	10.39
U.S. Agencies	2.70
Mortgage-Backed Securities	24.90

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect the fair value of an investment. Government obligations, including guaranteed or insured issues of the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank, must pay interest and principal in U.S. dollars. The principal and interest of obligations of corporations, including those corporations incorporated

or organized under the laws of the Dominion of Canada or any province thereof, must also be paid in U.S. dollars. SBI has less than a 15 percent exposure to currency risk. Investments at June 30, 2010 were distributed among the following currencies shown in Exhibit 9.

Note: Other currency, as shown in Exhibit 9, includes new Turkish lira, Moroccan dirham, Pakistan rupee, new Romanian leu, and Yuan renminbi.

### EXHIBIT 9: FOREIGN CURRENCY RISK

(Dollars in thousands)

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Investment Totals
Australian Dollar	\$377	\$70,447	\$0	\$70,824
Brazilian Real	44	21,138	0	21,182
Canadian Dollar	408	99,354	495	100,257
Danish Krone	38	12,987	0	13,025
Euro Currency	1,214	285,899	0	287,113
Hong Kong Dollar	422	85,767	0	86,189
Indian Rupee	136	34,935	0	35,071
Indonesian Rupiah	9	12,970	0	12,979
Japanese Yen	1,941	230,215	0	232,156
New Taiwan Dollar	437	22,159	0	22,596
Pound Sterling	1,423	199,819	4,047	205,289
Singapore Dollar	152	18,416	0	18,568
South African Rand	28	16,289	0	16,317
South Korean Won	42	37,858	0	37,900
Swedish Krona	181	23,387	0	23,568
Swiss Franc	117	76,884	0	77,001
Other	312	59,037	0	59,349
<b>Totals</b>	<b>\$7,281</b>	<b>\$1,307,561</b>	<b>\$4,542</b>	<b>\$1,319,384</b>

# Notes to the Financial Statements and the Required Supplementary Information

## F. Derivative Financial Instruments

For fiscal year 2010, MSRS implemented GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments. On behalf of MSRS, SBI invests in various types of derivative financial instruments. Derivatives are defined as any financial arrangement between two parties that has value based on or derived from future price fluctuations. The derivative financial instruments that SBI enters into include futures, options, stock warrants and rights, currency forwards, and synthetic guaranteed investment contracts.

*Minnesota Statutes*, Section 11A.24, provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivatives are exchange-traded. The purpose of the Minnesota State Board of Investment's (SBI) derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to offset current futures positions.

Explanations of each derivative instrument type are presented below. The fair value balances and notational amounts (or face value) at June 30, 2010, classified by derivative instrument type (e.g., futures, options, currency forwards, and stock warrants and rights), and the changes in fair value for fiscal year 2010 are shown in Exhibit 10.

### Futures

Futures are contract commitments to purchase (asset) or sell (liability) at a future date. The net change in the values of futures contracts is settled on a regular basis and gains and losses are included in investment income.

### Options

Options are contracts that give buyers or sellers the right to buy (calls) or sell (puts) a security at a predetermined price on a future date. Gains and losses result from variances in the market value of the security that is the subject of the contract that occur prior to or on the contract specified date. The gains and losses are included in investment income.

### Currency Forwards (Hedges)

Currency forwards are contracts entered into in order to hedge against future fluctuations in foreign currency exchange rates on the foreign investments held in foreign currencies. Forward foreign currency contracts commit the buyer or seller to purchase or sell a specific foreign currency on a future date at a specified price. Gains or losses can result from the market rate variance from the contract rate. The gains and losses are included in investment income.

### TBA Mortgage-Backed Security Commitments

Open trades for to-be-announced (TBA) packages of mortgage-backed securities. The gains and losses are included in investment income.

### Stock Warrants and Rights

Stock warrants, similar to options, are the right to purchase shares of a stock at a certain price by a certain date. They usually have a longer term before expiration, e.g. five years or more. When exercised, new shares are issued by the company. Rights are the same but are issued to current stock owners to enable them to retain their relative ownership share. Gains and losses from the sale or exercise of stock warrants and rights are included in investment income.

### Synthetic Guaranteed Investment Contracts

SBI maintains a fully benefit-responsive synthetic guaranteed investment contract for the Supplemental Investment Fund - Fixed Interest Account. The investment objective of the Fixed Interest Account is to protect investors from loss of their original investment and to provide a competitive interest rate. On June 30, 2010, its portfolio of well diversified high quality investment grade fixed income securities had a fair value of \$747,886,618 that is \$37,691,873 in excess of the value protected by the wrap contract.



**EXHIBIT 10: DERIVATIVE FINANCIAL INSTRUMENTS**  
as of June 30, 2010

(Dollars in thousands)

Derivative Investment Type	Changes in Fair Value During FY 2010	Fair Value at June 30, 2010	Notional Amount
<b>Futures</b>			
Equity Futures – Long	\$4,423	\$0	\$42
Equity Futures – Short	\$(515)	\$0	\$(75)
Fixed Income Futures – Long	\$3,588	\$0	\$32,820
Fixed Income Futures - Short	\$(4,233)	\$0	\$(40,510)
<b>Options</b>			
Equity Options – Puts	\$(1)	\$92	\$36
Equity Options – Calls	\$833	\$(531)	\$(946)
<b>Currency Forwards (Hedges)</b>	\$1,013	\$141	\$0
<b>TBA Mortgage-Backed Security Commitments</b>			
TBA – Long	\$12,492	\$1,623	\$202,266
TBA – Short	\$120	\$(24)	\$(4,428)
<b>Stock Warrants and Options</b>			
Stock Warrants	\$154	\$420	\$309
Stock Options	\$370	\$76	\$268

## Credit Risk with Foreign Currency

### Forward Contracts

SBI is exposed to credit risk through multiple counterparties in foreign currency forward contracts that are used to offset the currency risk of a security. All counterparties hold a credit rating of AA- or better, based on Standard & Poor's Quality Ratings. MSRS' proportionate share of the maximum loss that SBI would have recognized as of June 30, 2010 if all counterparties failed to perform as contracted is \$505,000 as presented in Exhibit 11. There is no collateral held or any liabilities included in netting arrangements with those counterparties that would have reduced SBI's exposure to credit risk.

<b>EXHIBIT 11: DERIVATIVE CREDIT RISK</b>	
as of June 30, 2010	
(Dollars in thousands)	
Quality Rating	Forwards
A+	\$499
AA-	<u>6</u>
Total	<u>\$505</u>

## Interest Rate Risk

The SBI controls interest rate risk through a comprehensive set of guidelines developed for each portfolio. Derivative instruments may be used by the managers to manage the interest rate risk within the guidelines set for their portfolio.

## Foreign Currency Risk

SBI controls the exposure associated with currency forwards through a comprehensive set of guidelines developed for each portfolio. Currency forwards may be used to reduce the effect of non-U.S. currency exposure of the portfolio. The total non-U.S. currency exposure of all securities and currency forwards may not exceed the total market value of any manager's portfolio.

# 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 12, is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30, 2010. 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, 2010 are shown in Exhibit 13.

**EXHIBIT 12: INTERFUND RECEIVABLES AND PAYABLES AS OF JUNE 30, 2010**

(Dollars in thousands)

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b><u>Defined Benefit Retirement Funds</u></b>		
State Employees	\$4,938	
State Patrol		\$119
Correctional Employees		450
Judges		39
Legislators		28
Elective State Officers		1
<b><u>Defined Contribution Retirement Funds</u></b>		
Unclassified Employees		159
Health Care Savings		2,410
Deferred Compensation		1,726
Hennepin County Supplemental Retirement		6
<b>Totals</b>	<u>\$4,938</u>	<u>\$4,938</u>

**EXHIBIT 13: FISCAL YEAR 2010 INTERFUND TRANSFERS**

(Dollars in thousands)

	<u>Transfers In</u>	<u>Transfers Out</u>
<b><u>Defined Benefit Retirement Funds</u></b>		
State Employees	\$14,618	\$314
State Patrol	28	
Correctional Employees	27	
Judges		
Legislators		
Elective State Officers		
<b><u>Defined Contribution Retirement Funds</u></b>		
Unclassified Employees	259	14,618
Health Care Savings		
Deferred Compensation		
Hennepin County Supplemental Retirement		
<b>Totals</b>	<u>\$14,932</u>	<u>\$14,932</u>

## 4. Leases

MSRS' main office is housed in the Retirement Systems of Minnesota (RSM) building located in St. Paul. The three Minnesota statewide retirement systems, MSRS, Public Employees Retirement Association (PERA), and Teachers Retirement Association (TRA), jointly own this building under the terms of an interagency agreement.

MSRS also leases office space for branch offices in Mankato, St. Cloud, Detroit Lakes and Duluth and counseling space in the Hennepin County Government Center. As of June 30, 2010 future obligations under the terms of those leases are scheduled in Exhibit 14.

<b>Location</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>Totals</b>
<b>Mankato</b>	\$23,427	\$23,427	\$3,905	\$0	\$0	\$0	\$50,759
<b>St. Cloud</b>	17,130	17,130	17,130	8,565	0	0	59,955
<b>Duluth</b>	25,446	26,083	26,731	15,819	0	0	94,079
<b>Detroit Lakes</b>	17,516	16,767	16,767	16,767	16,767	4,192	88,776
<b>Hennepin County</b>							
<b>Govt. Center</b>	5,200	5,200	5,200	2,600	0	0	18,200
<b>Totals</b>	<u>\$88,719</u>	<u>\$88,607</u>	<u>\$69,733</u>	<u>\$43,751</u>	<u>\$16,767</u>	<u>\$4,192</u>	<u>\$311,769</u>

## 5. Actuarial Methods, Assumptions and Changes in Assumptions

Minnesota Session Laws of 2010, Chapter 359 and subsequent motions approved by the Legislative Commission on Pensions and Retirement, resulted in various changes to the actuarial assumptions used to value the liabilities of the various funds administered by MSRS. The following disclosures include these changes and are effective as of July 1, 2010, the most recent actuarial valuation date. They apply only to the defined benefit funds. Further information about the effects of these changes is included in the *Actuarial Section* of this report.

Actuarial valuations are performed annually at fiscal year end for all defined benefit funds, except the Legislators Retirement Fund and the Elective State Officers Retirement Fund, which were not valued in fiscal year 2003. Experience studies are generally performed every four or five years for MSRS' largest plans. 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 was 1.1 percent. For all plans except the State Patrol Plan, annuity benefits are increased annually by 2.0 percent to cover the effects of inflation with amounts prorated for those retiring within the past year; for the State Patrol Plan, the annual benefit increase rate after retire-

ment is 1.5 percent. No additional benefit increases are assumed. The assumed investment rate of return is 8.5 percent pre-retirement and 6.5 percent post-retirement for all plans except the State Patrol Plan. The assumed post-retirement investment rate for the State Patrol Plan is 7.0 percent compounded annually.

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.

Statutorily specified fiscal year end completion dates for amortization of unfunded actuarial liabilities are listed in Exhibit 15.

<b>Fund</b>	<b>Date</b>
State Employees	06/30/2040
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 or actuarial valuations.

# Notes to the Financial Statements and the Required Supplementary Information

### Mortality Assumptions

For projecting retiree mortality all funds, except the State Employees Retirement Fund and 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 of this report. The State Employees Retirement Fund is valued using various RP-2000 Annuitant Generational Mortality Tables with white collar adjustment and no ages set backs for males or females. This change in the post-retirement mortality rates for the State Employees Retirement Fund became effective for the 2010 actuarial valuation of the fund. Similarly, the Judges Retirement Fund continues to use the RP-2000 Combined Annuity Mortality Tables, projected eight years, with no collar adjustment.

### Payroll Growth Assumptions

The payroll growth assumption is 4.50 percent per year for the General Plan of the State Employees Retirement Fund, the Correctional Employees Retirement Fund, the State Patrol Retirement Fund, and the Legislators Retirement Fund. The payroll growth assumption for the Judges Retirement Fund is 4.00 percent per year.

### 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 16.

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.

### Retirement Assumptions

Members retiring from active employment status are assumed to retire according to the age related rates reported in Exhibit 17 on the following page. Each retirement fund has different assumed rates of retirement, because of differing plan provisions, that are periodically adjusted to match recent historical trends.

For the State Employees Retirement Fund, members who have attained the highest retirement age are assumed to retire in one year.

All legislators are assumed to retire at age 62, or if over, within one year of the valuation date.

Since no active members remain in the Elective State Officers Retirement Fund, no retirement assumption applies. Current terminated deferred members are assumed to begin receiving benefits at age 62.

EXHIBIT 16: ASSUMED SALARY INCREASE RATES			
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	5.75	5.75	5.25
50	5.45	5.50	5.00
55	4.95	5.25	4.75
60	4.45	5.25	4.75
65	4.25	5.25	4.75
70	4.25	5.25	0.00

**EXHIBIT 17: RATES ELIGIBLE MEMBERS ARE ASSUMED TO RETIRE**

**Retirement Fund**

State Employees			State Patrol		Correctional		Judges	
Age	Rule of 90	Others	Age	Percentage	Age	Percentage	Age	Percentage
55	20%	5%	50-54	7%	50-54	5%	62-63	10%
56-58	15	5	55	60	55	60	64	5
59	20	6	56	40	56-61	10	65-67	20
60	20	7	57-59	20	62-64	25	68-69	30
61	22	12	60 and over	100	65 and over	100	70	100
62	40	22						
63	30	16						
64	30	18						
65	40	40						
66	30	30						
67-69	25	25						
70	30	30						
71 and over	100	100						

**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 18.

**EXHIBIT 18: ASSUMED DISABILITY RATES**

**Retirement Fund**

Age	State Employees		State Patrol	Correctional Employees		Judges	
	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

**Benefit Increases After Retirement**

For all defined benefit retirement funds except for the State Patrol Retirement Fund, the annual post-retirement benefit increase will change from 2.5 percent to 2.0 percent, effective January 1, 2011. For the State Patrol Retirement Fund, the annual post-retirement benefit increase will change from 2.5 percent to 1.5 percent, effective January 1, 2011.

**Funded Status**

The funding status schedule, as shown in Exhibit 19 on the following page, was prepared using the preceding actuarial methods and assumptions.

# Notes to the Financial Statements and the Required Supplementary Information

## EXHIBIT 19: 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, 2010	July 1, 2010	July 1, 2010	July 1, 2010	July 1, 2010	July 1, 2010
B. Actuarial Value of Assets	\$8,960,391	\$567,211	\$603,863	\$144,728	\$26,821	\$214
C. Actuarial Accrued Liability	10,264,071	683,360	851,086	240,579	86,236	3,782
D. Total Unfunded Actuarial Accrued Liability (C-B)	\$1,303,680	\$116,149	\$247,223	\$95,851	\$59,415	\$3,568
E. Funded Ratio (B/C)	87.30%	83.00%	70.95%	60.16%	31.10%	5.66%
F. Actual Covered Payroll	\$2,327,398	\$63,250	\$192,450	\$39,291	\$1,877	\$0
G. Ratio of the Unfunded Actuarial Accrued Liability to Annual Covered Payroll (D/F)	56.01%	183.63%	128.46 %	243.95%	3,165.42%	N/A

The required *Schedule of Funding Progress* immediately following these notes to the financial statements present multiyear 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, 2010 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 20.

## 7. Optional Retirement Annuities

In the defined benefit funds, three Joint-and-Survivor annuity options are available: a 50 percent survivor benefit; a 75 percent survivor benefit; and a 100 percent survivor benefit to the beneficiary. Each option includes 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 Retirement Fund, 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 20: 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	\$8,960,391	87.30%	0.99%	\$7,692,531	74.95%	3.90%
State Patrol	567,211	83.00	7.84	488,870	71.54	15.05
Correctional Employees	603,863	70.95	4.73	525,245	61.71	6.99
Judges	144,728	60.16	3.62	126,201	52.46	6.41

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

EXHIBIT 21: MEMBERSHIP STATISTICS - DEFINED BENEFIT FUNDS						
As of June 30, 2010	Defined Benefit Retirement Fund					Elective State Officers*
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	
<b>Members Receiving Benefits</b>						
Retirees	23,337	684	1,505	170	279	11
Disabilitants	1,684	48	206	27	N/A	N/A
Beneficiaries	3,414	192	148	94	80	4
<b>Terminated Members</b>						
Vested, Not Receiving	15,388	39	993	18	88	1
Nonvested	6,537	14	585	0	1	0
<b>Active Members</b>						
Vested	38,253	747	3,402	223	47	0
Nonvested	10,241	101	866	89	0	0
<b>Total Members</b>	<u>98,854</u>	<u>1,825</u>	<u>7,705</u>	<u>621</u>	<u>495</u>	<u>16</u>
<b>Participating Employers</b>	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 4.75 percent of their total compensation. The employer contributes 4.75 percent. Effective July 1, 2010, these rates increased to 5.00 percent and 5.00 percent, respectively.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate six percent, four percent after June 30, 2011. For monthly retirement benefits, members hired before July 1, 2010 become vested after three years of service; those hired after June 30, 2010 vest after five years of service.

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, 2010, all employees of MSRS are members of this plan. As stated in the preceding paragraph, the authority for the 4.75 percent employee and 4.75 percent employer contributions is Minnesota Statutes, Section 352.04. MSRS employee and employer contributions, as reported in Exhibit 22, were funded at 100 percent of the required contributions set by statute.

EXHIBIT 22: MSRS CONTRIBUTIONS TO THE STATE EMPLOYEES RETIREMENT FUND		
For Fiscal Year Ended	Employee	Employer
June 30, 2010	\$253,656	\$253,656
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

Total covered payroll for MSRS employees was approximately \$5.2 million for fiscal year 2010.

# Notes to the Financial Statements and the Required Supplementary Information

## 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 10.40 percent of their total compensation, the employer contributes 15.60 percent. Effective July 1, 2011, these rates increased to 12.40 percent and 18.60 percent, respectively.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate six percent, four percent after June 30, 2011. For monthly retirement benefits, members hired before July 1, 2010 become vested after three years of service; those hired after June 30, 2010 vest after five years of service.

Members become eligible for normal retirement benefits at 55 years of age. The benefit is three 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 7.70 percent of their total compensation. The employer contributes 11.10 percent. Effective July 1, 2010, these rates increased to 8.60 percent and 12.10 percent, respectively.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate six percent, four percent after June 30, 2011. For monthly retirement benefits, members hired before July 1, 2010 become vested after three years of service. For members hired after June 30, 2010, vesting is graduated from 50% vested after five years to 100% vested after ten years.

Members become eligible for normal retirement benefits at 55 years of age. 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 a reversion age of 62 or 65. Upon attaining the

reversion age, the benefit is adjusted actuarially for the larger payment previously provided.

## D. Judges Retirement Fund

The Judges Retirement Fund includes only the Judges Retirement Plan, a single employer plan. Membership is limited to Minnesota district, appellate and Supreme Court judges. Also, retirees include former municipal and county court judges.

*Minnesota Statutes*, Section 490.123 requires that eligible employees contribute 8.00 percent of their total compensation. The employer contributes 20.5 percent.

Members become eligible for retirement benefits at age 65 with five years of service, age 60 with five years of service and a reduced benefit, or age 70, which is mandatory retirement, with one year of service.

The retirement 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 with a maximum benefit of 76.80 percent of that salary.

## E. General Fund Plans

The General Fund Plans include the Legislators Retirement Plan and the Elective State Officers Retirement 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 Retirement Plan includes only the elected constitutional officers. Both plans are closed to new members. Persons first elected to take office after June 30, 1997 are participants of the Unclassified Plan; those who took office prior to July 1, 1997 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 Retirement Plan is closed and there are no active contributing participants. It operates on a pay-as-you-go basis and is funded by annual appropriations from the state's General Fund. The Legislators Retirement Plan is partially funded by annual appropriations from the state's General Fund, and plan member contributions. Annual retirement benefits to members who retired prior to July 1, 2003 are financed by the remaining assets transferred from the Minnesota Post-Retirement Investment Fund to the



Legislators Retirement Fund, upon the Minnesota Post-Retirement Investment Fund's dissolution on June 30, 2009. Upon depletion of those assets, all benefits will be funded on a pay-as-you-go basis with 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. The Elective State Officers Plan has similar benefits, but a minimum of eight years service required and reduced benefits at age 60.

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

EXHIBIT 23: MEMBERSHIP STATISTICS - DEFINED CONTRIBUTION FUNDS				
(Dollars in thousands)				
As of June 30, 2010	Defined Contribution Retirement Fund			
	Unclassified Employees	Health Care Savings	Deferred Compensation	Hennepin County Supplemental
Active Members	1,493	49,255	52,921	718
Inactive Members	1,705	9,190	23,021	1,052
Withdrawing Members	<u>N/A</u>	<u>4,083</u>	<u>4,313</u>	<u>168</u>
Total Members	<u>3,198</u>	<u>62,528</u>	<u>80,255</u>	<u>1,938</u>
Annual Payroll	\$105,312	<u>N/A</u>	<u>N/A</u>	\$51,453
Participating Employers	10	409	553	2

### 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 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 plan 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, 2010 in the amount of \$26,629,000.

As stated in the preceding paragraph, the authority for the four percent employee and six percent employer

contributions is *Minnesota Statutes*, Section 352D.04, subdivision 2. Effective July 1, 2010, the employee contribution was increased to be the same as the General Employees Retirement Plan, five percent. No MSRS employees are active members of this plan.

### 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. The Health Care Savings Plan allows employees to save tax-deferred contributions in an investment account to be used to reimburse the plan participants for future medical expenses and/or medical insurance premiums after they terminate 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 or employer personnel policies. They are highly variable, ranging from a percentage of weekly earnings to terminal, lump sum benefits 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 located in Minnesota. Authorized under Section 457 of the Internal Revenue Code, contributions and investment earnings are tax sheltered until the time of withdrawal. Employee contributions may be as little as \$10 each paycheck. Some employer units or bargaining units may match a portion of an employee's contributions annually. However, all contributions are subject to annual maximum limits determined by the Internal Revenue Service (IRS). All assets and income are held in trust, custodial accounts, or annuity contracts for the sole benefit of plan participants and beneficiaries. Plan participants may only withdraw money from their account upon separation of service or retirement. Unlike many other supplemental retirement plans, Section 457 plan participants who take a distribution before reaching age 59 1/2 are not subject to the IRS ten percent early withdrawal penalty.

## D. Hennepin County Supplemental Retirement Fund

MSRS is responsible for providing record keeping services 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. This plan was 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 one 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 total asset 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, it was increased to 24.6 percent. To finance the building construction, the state Department of Finance (currently known as Minnesota Management and Budget) issued \$29,000,000 in 30-year revenue bonds on June 1, 2000. 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 24 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, \$42,029,469. 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, 2010, \$5,971,650, and interest accrued for the month of June in the amount of \$28,958.

**EXHIBIT 24: DEBT REPAYMENT SCHEDULE BY FISCAL YEAR**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal &amp; Interest</u>
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>\$5,971,650</u>	<u>\$4,367,600</u>	<u>\$10,339,250</u>
Total Unpaid Principal, 06/30/10		\$5,971,650	
Accrued Interest		28,958	
Total, per <i>Statement of Plan Net Assets</i>		<u>\$6,000,608</u>	<u>\$6,001</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), a multiple employer cost-sharing defined benefit plan, administered by the Minnesota Management and Budget (MMB) department. 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, 2010 the SEGIP had an actuarially determined unfunded net obligation for future benefits of \$112,447,000, to be funded on a pay-as-you-go basis. MSRS' allocated portion of this liability is \$65,000. The MSRS share of the required contributions and the net Other Postemployment Benefit (OPEB) obligation is presented in Exhibit 25.

## 12. Administrative Expenses

MSRS administrative expenses are disbursed from the State Employees Retirement Fund. While no designated revenue source is statutorily dedicated to the payment of administrative expenses, as a policy, they are paid from investment earnings. At fiscal year end, these expenses are allocated pursuant to an approved cost reallocation plan to the various funds administered. Each fund then reimburses the State Employees Retirement Fund for their allocated portion of administrative expenses. After allocation, the expenses by fund at June 30, 2010 are detailed in the *Supporting Schedules*.

State Employee Group Insurance Plan OPEB Disclosures				
Fiscal Year Ended	Annual Required Contributions	Employer Contributions	Percent	Net OPEB Obligation
June 30, 2010	\$57,000	\$36,000	63.16%	\$65,000
June 30, 2009	56,000	30,000	53.57%	43,000
June 30, 2008	N/A	N/A	N/A	17,000

The administrator of the SEGIP, MMB, does not maintain separate assets by employer, therefore such information is not available to be included as a *Schedule of Changes in Plan Net Assets* in the *Statistical Section*. Further information regarding the SEGIP can be obtained by contacting MMB at [www.finance.state.mn.us](http://www.finance.state.mn.us).

### 13. Litigation

*Swanson, et al. v. State of Minnesota, et al. (Ramsey County District Court File No. 62-CV-10-5285)*

On May 17, 2010 plaintiffs filed a class-action lawsuit challenging the 2009 and 2010 legislative amendments to the formula for post-retirement annual cost-of-living adjustments (COLAs). Plaintiffs assert that the changes to the COLAs are unconstitutional and that they are entitled to continue to receive the COLA in place on the date of their retirement. MSRS is a named defendant as are Board Chair Mary Benner and Executive Director David Bergstrom, in their official capacities. MSRS moved for summary judgment on September 15, 2010. The judge will hear both parties' motions for summary judgment in March, 2011. In management's opinion, the lawsuit will not have a material effect on the financial statements presented for the fiscal year ended June 30, 2010. However, should the State and MSRS not prevail in this lawsuit, the resulting effect of higher actuarial accrued liabilities and lowered funding ratios would be material to MSRS pension fund financial and actuarial reporting in future years.

### 14. Required Supplementary Information

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

# 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)
<b>State Employees Retirement Fund</b>						
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	1,952,320	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
2010	8,960,391	10,264,071	1,303,680	87.30	2,327,398	56.01
<b>State Patrol Retirement Fund</b>						
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	(49,542)	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
2010	567,211	683,360	116,149	83.00	63,250	183.63
<b>Correctional Employees Retirement Fund</b>						
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	71.89	193,445	119.34
2010	603,863	851,086	247,223	70.95	192,450	128.46

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

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	63.70	38,296	219.56
2009	147,120	241,815	94,695	60.84	39,444	240.07
2010	144,728	240,579	95,851	60.16	39,291	243.95

### Legislators Retirement Fund

2001	\$42,608	\$75,072	\$32,464	56.76%	\$5,858	554.18%
2002	45,501	78,070	32,569	58.28	5,089	639.99
2003	This fund was not actuarially valued in this fiscal year.					
2004	46,155	83,197	37,042	55.48	3,815	970.89
2005	45,523	81,836	36,314	55.63	3,014	1,204.81
2006	48,504	81,361	32,858	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
2010	26,821	86,236	59,415	31.10	1,877	3,165.42

### Elective State Officers Retirement Fund\*

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	3,970	3,763	5.22	0	N/A
2007	212	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
2010	214	3,782	3,568	5.66	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
<b>State Employees Retirement Fund</b>						
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
2010	14.85	2,327,398	115,180	230,439	113,716	49.35
<b>State Patrol Retirement Fund</b>						
2001	15.48%	\$48,935	\$4,145	\$3,430	\$6,166	179.77%
2002	14.00	49,278	4,215	2,684	6,209	231.33
2003	14.34	54,175	4,555	3,214	6,826	212.38
2004	17.81	51,619	4,493	4,700	6,504	138.39
2005	18.15	55,142	4,517	5,491	6,670	121.47
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	5,594	12,355	8,279	67.01
2009	34.49	61,511	6,216	14,999	9,178	61.19
2010	38.16	63,250	6,726	17,410	10,104	58.04
<b>Correctional Employees Retirement Fund</b>						
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	63.41
2010	24.85	192,450	15,267	32,557	21,988	67.54



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
<b>Judges Retirement Fund</b>						
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	2,861	10,045	7,936	79.00
2009	30.33	39,444	2,978	8,985	8,219	91.47
2010	31.53	39,291	2,988	9,400	8,283	88.11

### Legislators Retirement Fund

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
2010	413.00	1,877	171	7,582	1,975	26.05

### Elective State Officers Retirement Fund\*

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	85.92
2009	558	-	-	558	442	79.28
2010	601	-	-	601	453	75.37

\*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, 2010

(Dollars in thousands)

## Personal Services

Staff Salaries	\$5,177
Social Security & Medicare	376
Retirement	254
Health Insurance	1,026
Other Personal Services	351
<b>Total</b>	<b>\$7,184</b>

## Professional Services

Actuarial	\$243
Data Processing	541
Disability Examinations	38
Legal Counsel	38
Other Professional Services	432
<b>Total</b>	<b>\$1,292</b>

## Communication-Related Expenses

Printing	\$195
Telephone	144
Postage	240
Travel	109
Subscriptions, Memberships and Training	13
<b>Total</b>	<b>\$701</b>

## Office Building and Maintenance Expenses

Office Space Rentals	\$91
Building Services	312
Building and Building Improvement Depreciation	191
Bond Interest and Issuance Expense	358
Other Building and Maintenance Expenses	3
<b>Total</b>	<b>\$955</b>

## Miscellaneous

Supplies	\$84
Equipment Repairs and Maintenance	13
Department Head and Board Member Expense	5
Statewide Indirect Cost	165
Equipment Depreciation	9
Other Rentals	8
State Sales Taxes	33
Local Sales Taxes	4
Other Expenses	262
<b>Total</b>	<b>\$583</b>

## Total Administrative Expenses

**\$10,715**

## Allocation of Administrative Expenses by Fund

State Employees	\$5,771
State Patrol	123
Correctional Employees	455
Judges	42
Legislators	28
Elective State Officers	1
Unclassified Employees	164
Health Care Savings	1,388
Deferred Compensation	2,726
Hennepin County Supplemental	17

## Total Administrative Expenses

**\$10,715**

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010  
(Dollars in thousands)

## State Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$112,701	\$2,480	\$115,181
Employer Contributions	0	113,716	113,716
<b>Total Contributions</b>	<u>\$112,701</u>	<u>\$116,196</u>	<u>\$228,897</u>
<b>Investment Income</b>			
Investment Income	\$0	\$1,047,553	\$1,047,553
Less Investment Expenses	0	10,990	10,990
Net Investment Income from			
Investment Activities	<u>\$0</u>	<u>\$1,036,563</u>	<u>\$1,036,563</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$6,210</u>	<u>\$6,210</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$1,140	\$1,140
Management Fees	0	760	760
Total Securities Lending Expenses	<u>\$0</u>	<u>\$1,900</u>	<u>\$1,900</u>
Net Income from Securities			
Lending Activities	<u>\$0</u>	<u>\$4,310</u>	<u>\$4,310</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$1,040,873</u>	<u>\$1,040,873</u>
<b>Other Additions</b>			
Transfers From Other Plans	\$2,578	\$12,040	\$14,618
Other Income	0	321	321
<b>Total Other Additions</b>	<u>\$2,578</u>	<u>\$12,361</u>	<u>\$14,939</u>
<b>Total Additions</b>	<u>\$115,279</u>	<u>\$1,169,430</u>	<u>\$1,284,709</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$473,447	\$473,447
Refunds	6,313	3,420	9,733
Transfers to Other Plans	116	198	314
Administrative Expenses	0	5,771	5,771
Other Expenses	0	31	31
<b>Total Deductions</b>	<u>\$6,429</u>	<u>\$482,867</u>	<u>\$489,296</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(54,745)	\$54,745	\$0
Other	(714)	714	0
<b>Total Other Changes in Reserves</b>	<u>\$(55,459)</u>	<u>\$55,459</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$53,391</u>	<u>\$742,022</u>	<u>\$795,413</u>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	<u>1,102,082</u>	<u>5,795,036</u>	<u>6,897,118</u>
June 30, 2010	<u>\$1,155,473</u>	<u>\$6,537,058</u>	<u>\$7,692,531</u>

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

## State Patrol Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$6,726	\$0	\$6,726
Employer Contributions	0	10,104	10,104
<b>Total Contributions</b>	<u>\$6,726</u>	<u>\$10,104</u>	<u>\$16,830</u>
<b>Investment Income</b>			
Investment Income	\$0	\$68,619	\$68,619
Less Investment Expenses	0	709	709
Net Investment Income from			
Investment Activities	<u>\$0</u>	<u>\$67,910</u>	<u>\$67,910</u>
Income From Security Lending Activities			
Security Lending Income	<u>\$0</u>	<u>\$395</u>	<u>\$395</u>
Security Lending Expenses			
Borrower Rebates	\$0	\$73	\$73
Management Fees	0	48	48
Total Security Lending Expenses	<u>\$0</u>	<u>\$121</u>	<u>\$121</u>
Net Income From Security Lending Activities	<u>\$0</u>	<u>\$274</u>	<u>\$274</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$68,184</u>	<u>\$68,184</u>
<b>Other Additions</b>			
Transfers From Other Plans	\$14	\$14	\$28
Other Income	0	13	13
<b>Total Other Additions</b>	<u>\$14</u>	<u>\$27</u>	<u>\$41</u>
<b>Total Additions</b>	<u>\$6,740</u>	<u>\$78,315</u>	<u>\$85,055</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$46,119	\$46,119
Refunds	3	0	3
Transfers to Other Plans	0	0	0
Administrative Expenses	0	123	123
Other Expenses	0	0	0
<b>Total Deductions</b>	<u>\$3</u>	<u>\$46,242</u>	<u>\$46,245</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(2,715)	\$2,715	\$0
Other	120	(120)	0
<b>Total Other Changes in Reserves</b>	<u>\$(2,595)</u>	<u>\$2,595</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$4,142</u>	<u>\$34,668</u>	<u>\$38,810</u>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	<u>52,557</u>	<u>397,503</u>	<u>450,060</u>
June 30, 2010	<u>\$56,699</u>	<u>\$432,171</u>	<u>\$488,870</u>

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

## Correctional Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$15,222	\$45	\$15,267
Employer Contributions	0	21,988	21,988
<b>Total Contributions</b>	<b>\$15,222</b>	<b>\$22,033</b>	<b>\$37,255</b>
<b>Investment Income</b>			
Investment Income	\$0	\$69,324	\$69,324
Less Investment Expenses	0	737	737
Net Investment Income from Investment Activities	\$0	\$68,587	\$68,587
Income from Securities Lending Activities			
Securities Lending Income	\$0	\$422	\$422
Securities Lending Expenses			
Borrower Rebates	\$0	\$77	\$77
Management Fees	0	52	52
Total Securities Lending Expenses	\$0	\$129	\$129
Net Income from Securities Lending Activities	\$0	\$293	\$293
<b>Total Net Investment Income</b>	<b>\$0</b>	<b>\$68,880</b>	<b>\$68,880</b>
<b>Other Additions</b>			
Transfers From Other Plans	\$14	\$13	\$27
Other Income	0	3	3
<b>Total Other Additions</b>	<b>\$14</b>	<b>\$16</b>	<b>\$30</b>
<b>Total Additions</b>	<b>\$15,236</b>	<b>\$90,929</b>	<b>\$106,165</b>
<b>Deductions</b>			
Annuity Benefits	\$0	\$36,078	\$36,078
Refunds	820	350	1,170
Transfers to Other Plans	0	0	0
Administrative Expenses	0	455	455
<b>Total Deductions</b>	<b>\$820</b>	<b>\$36,883</b>	<b>\$37,703</b>
<b>Other Changes in Reserves</b>			
Retirements	\$(4,623)	\$4,623	\$0
Other	(42)	42	0
<b>Total Other Changes in Reserves</b>	<b>\$(4,665)</b>	<b>\$4,665</b>	<b>\$0</b>
<b>Net Increase (Decrease)</b>	<b>\$9,751</b>	<b>\$58,711</b>	<b>\$68,462</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	90,572	366,211	456,783
June 30, 2010	<u>\$100,323</u>	<u>\$424,922</u>	<u>\$525,245</u>

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

## Judges Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$2,988	\$0	\$2,988
Employer Contributions	0	8,283	8,283
<b>Total Contributions</b>	<b>\$2,988</b>	<b>\$8,283</b>	<b>\$11,271</b>
<b>Investment Income</b>			
Investment Income	\$0	\$17,446	\$17,446
Less Investment Expenses	0	177	177
Net Investment Income from Investment Activities	\$0	\$17,269	\$17,269
Income from Securities Lending Activities			
Securities Lending Income	\$0	\$101	\$101
Securities Lending Expenses			
Borrower Rebates	\$0	\$19	\$19
Management Fees	0	12	12
Total Securities Lending Expenses	\$0	\$31	\$31
Net Income from Securities Lending Activities	\$0	\$70	\$70
<b>Total Net Investment Income</b>	<b>\$0</b>	<b>\$17,339</b>	<b>\$17,339</b>
<b>Other Additions</b>			
Transfers From Other Plans	\$0	\$0	\$0
Other Income	0	1	1
<b>Total Other Additions</b>	<b>\$0</b>	<b>\$1</b>	<b>\$1</b>
<b>Total Additions</b>	<b>\$2,988</b>	<b>\$25,623</b>	<b>\$28,611</b>
<b>Deductions</b>			
Annuity Benefits	\$0	\$17,058	\$17,058
Refunds	0	0	0
Transfers to Other Plans	0	0	0
Administrative Expenses	0	0	0
Other Expenses	0	42	42
<b>Total Deductions</b>	<b>\$0</b>	<b>\$17,100</b>	<b>\$17,100</b>
<b>Other Changes in Reserves</b>			
Retirements	\$(1,722)	\$1,722	\$0
Other	0	0	0
<b>Total Other Changes in Reserves</b>	<b>\$(1,722)</b>	<b>\$1,722</b>	<b>\$0</b>
<b>Net Increase (Decrease)</b>	<b>\$1,266</b>	<b>\$10,245</b>	<b>\$11,511</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	27,419	87,271	114,690
June 30, 2010	\$28,685	\$97,516	\$126,201

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010  
(Dollars in thousands)

## Legislators Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$171	\$0	\$171
General Fund Contributions	0	1,975	1,975
<b>Total Contributions</b>	<u>\$171</u>	<u>\$1,975</u>	<u>\$2,146</u>
<b>Investment Income</b>			
Investment Income	\$0	\$3,219	\$3,219
Less Investment Expenses	0	31	31
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$3,188</u>	<u>\$3,188</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$16</u>	<u>\$16</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$3	\$3
Management Fees	0	2	2
Total Securities Lending Expenses	<u>\$0</u>	<u>\$5</u>	<u>\$5</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$11</u>	<u>\$11</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$3,199</u>	<u>\$3,199</u>
<b>Other Additions</b>			
Transfers From Other Plans	\$0	\$0	\$0
Other Income	0	0	0
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$171</u>	<u>\$5,174</u>	<u>\$5,345</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$7,159	\$7,159
Refunds	0	0	0
Transfers to Other Plans	0	0	0
Administrative Expenses	0	28	28
Other Expenses	0	0	0
<b>Total Deductions</b>	<u>\$0</u>	<u>\$7,187</u>	<u>\$7,187</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(232)	\$232	\$0
Other	(5)	5	0
<b>Total Other Changes in Reserves</b>	<u>\$(237)</u>	<u>\$237</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$(66)</u>	<u>\$(1,776)</u>	<u>\$(1,842)</u>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	<u>6,059</u>	<u>22,604</u>	<u>28,663</u>
June 30, 2010	<u>\$5,993</u>	<u>\$20,828</u>	<u>\$26,821</u>

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

## Elective State Officers Retirement Fund

	Reserve		
	Member	Benefit	Totals
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$0	\$0	\$0
General Fund Contributions	0	453	453
<b>Total Contributions</b>	<b>\$0</b>	<b>\$453</b>	<b>\$453</b>
<b>Investment Income</b>			
Investment Income	\$0	\$0	\$0
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	\$0	\$0	\$0
Income from Securities Lending Activities			
Securities Lending Income	\$0	\$0	\$0
Securities Lending Expenses			
Borrower Rebates	\$0	\$0	\$0
Management Fees	0	0	0
Total Securities Lending Expenses	\$0	\$0	\$0
Net Income from Securities Lending Activities	\$0	\$0	\$0
<b>Total Net Investment Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Additions</b>			
Transfers From Other Plans	\$0	\$0	\$0
Other Income	0	0	0
<b>Total Other Additions</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Additions</b>	<b>\$0</b>	<b>\$453</b>	<b>\$453</b>
<b>Deductions</b>			
Annuity Benefits	\$0	\$451	\$451
Refunds	0	0	0
Transfers to Other Plans	0	0	0
Administrative Expenses	0	1	1
Other Expenses	0	0	0
<b>Total Deductions</b>	<b>\$0</b>	<b>\$452</b>	<b>\$452</b>
<b>Other Changes in Reserves</b>			
Retirements	\$0	\$0	\$0
Other	0	0	0
<b>Total Other Changes in Reserves</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Increase (Decrease)</b>	<b>\$0</b>	<b>\$1</b>	<b>\$1</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	36	177	213
June 30, 2010	<u>\$36</u>	<u>\$178</u>	<u>\$214</u>



# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

## Unclassified Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$4,472	\$0	\$4,472
Employer Contributions	6,333	0	6,333
<b>Total Contributions</b>	<b>\$10,805</b>	<b>\$0</b>	<b>\$10,805</b>
<b>Investment Income</b>			
Investment Income	\$28,720	\$2	\$28,722
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	<u>\$28,720</u>	<u>\$2</u>	<u>\$28,722</u>
Income from Securities Lending Activities			
Securities Lending Income	\$194	\$0	\$194
Securities Lending Expenses			
Borrower rebates	\$31	\$0	\$31
Management fees	25	0	25
Total Securities Lending Expenses	<u>\$56</u>	<u>\$0</u>	<u>\$56</u>
Net Income from Securities Lending Activities	<u>\$138</u>	<u>\$0</u>	<u>\$138</u>
<b>Total Net Investment Income</b>	<b>\$28,858</b>	<b>\$2</b>	<b>\$28,860</b>
<b>Other Additions</b>			
Transfers From Other Plans	\$259	\$0	\$259
Other Income	0	0	0
<b>Total Other Additions</b>	<u>\$259</u>	<u>\$0</u>	<u>\$259</u>
<b>Total Additions</b>	<b>\$39,922</b>	<b>\$2</b>	<b>\$39,924</b>
<b>Deductions</b>			
Annuity Benefits	\$0	\$0	\$0
Refunds	5,690	1	5,691
Transfers to Other Plans	14,618	0	14,618
Recordkeeper and Custodian Expenses	0	34	34
Administrative Expenses	0	164	164
Other Expenses	0	0	0
<b>Total Deductions</b>	<u>\$20,308</u>	<u>\$199</u>	<u>\$20,507</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(85)	\$85	\$0
Other	373	(373)	0
<b>Total Other Changes in Reserves</b>	<u>\$288</u>	<u>\$(288)</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<b>\$19,902</b>	<b>\$(485)</b>	<b>\$19,417</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	<u>233,535</u>	<u>436</u>	<u>233,971</u>
June 30, 2010	<u>\$253,437</u>	<u>\$(49)</u>	<u>\$253,388</u>

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

## Health Care Savings Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$90,445	\$0	\$90,445
Employer Contributions	0	0	0
<b>Total Contributions</b>	<u>\$90,445</u>	<u>\$0</u>	<u>\$90,445</u>
<b>Investment Income</b>			
Investment Income	\$12,961	\$4	\$12,965
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	<u>\$12,961</u>	<u>\$4</u>	<u>\$12,965</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$95</u>	<u>\$0</u>	<u>\$95</u>
Securities Lending Expenses			
Borrower Rebates	\$16	\$0	\$16
Management Fees	12	0	12
Total Securities Lending Expenses	<u>\$28</u>	<u>\$0</u>	<u>\$28</u>
Net Income from Securities Lending Activities	<u>\$67</u>	<u>\$0</u>	<u>\$67</u>
<b>Total Net Investment Income</b>	<u>\$13,028</u>	<u>\$4</u>	<u>\$13,032</u>
<b>Other Additions</b>			
Transfers From Other Plans	\$0	\$0	\$0
Other Income	2	61	63
<b>Total Other Additions</b>	<u>\$2</u>	<u>\$61</u>	<u>\$63</u>
<b>Total Additions</b>	<u>\$103,475</u>	<u>\$65</u>	<u>\$103,540</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$0	\$0
Health Care Benefits	\$35,613	\$0	35,613
Refunds	0	0	0
Recordkeeper and Custodian Expenses	0	743	743
Administrative Expenses	0	1,388	1,388
Other Expenses	0	0	0
<b>Total Deductions</b>	<u>\$35,613</u>	<u>\$2,131</u>	<u>\$37,744</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(1,585)	\$1,585	\$0
Other	329	(329)	0
<b>Total Other Changes in Reserves</b>	<u>\$(1,256)</u>	<u>\$1,256</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<b>\$66,606</b>	<b>\$(810)</b>	<b>\$65,796</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	256,077	(695)	255,382
June 30, 2010	<u>\$322,683</u>	<u>\$(1,505)</u>	<u>\$321,178</u>

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

## Minnesota Deferred Compensation Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$228,190	\$0	\$228,190
Employer Contributions	0	0	0
<b>Total Contributions</b>	<b>\$228,190</b>	<b>\$0</b>	<b>\$228,190</b>
<b>Investment Income</b>			
Investment Income	\$308,438	\$259	\$308,697
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	\$308,438	\$259	\$308,697
Income from Securities Lending Activities			
Securities Lending Income	\$0	\$0	\$0
Securities Lending Expenses			
Borrower Rebates	\$0	\$0	\$0
Management Fees	0	0	0
Total Securities Lending Expenses	\$0	\$0	\$0
Net Income from Securities Lending Activities	\$0	\$0	\$0
<b>Total Net Investment Income</b>	<b>\$308,438</b>	<b>\$259</b>	<b>\$308,697</b>
<b>Other Additions</b>			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	83	2,222	2,305
<b>Total Other Additions</b>	<b>\$83</b>	<b>\$2,222</b>	<b>\$2,305</b>
<b>Total Additions</b>	<b>\$536,711</b>	<b>\$2,481</b>	<b>\$539,192</b>
<b>Deductions</b>			
Ongoing Withdrawals (Periodic Payments)	\$30,353	\$0	\$30,353
Refunds	114,889	0	114,889
Recordkeeping and Custodian Expenses	0	1,683	1,683
Administrative Expenses	0	2,726	2,726
Other Expenses	32	0	32
<b>Total Deductions</b>	<b>\$145,274</b>	<b>\$4,409</b>	<b>\$149,683</b>
<b>Other Changes in Reserves</b>			
Retirements	\$(931)	\$931	\$0
Other	0	0	0
<b>Total Other Changes in Reserves</b>	<b>\$(931)</b>	<b>\$931</b>	<b>\$0</b>
<b>Net Increase (Decrease)</b>	<b>\$390,506</b>	<b>\$(997)</b>	<b>\$389,509</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	3,096,923	9,546	3,106,469
June 30, 2010	<u>\$3,487,429</u>	<u>\$8,549</u>	<u>\$3,495,978</u>

# Schedule of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2010  
(Dollars in thousands)

## Hennepin County Supplemental Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$514	\$0	\$514
Employer Contributions	515	0	515
<b>Total Contributions</b>	<u>\$1,029</u>	<u>\$0</u>	<u>\$1,029</u>
<b>Investment Income</b>			
Investment Income	\$12,230	\$0	\$12,230
Less Investment Expenses	0	0	0
Net Investment Income from Investment Activities	<u>\$12,230</u>	<u>\$0</u>	<u>\$12,230</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$82</u>	<u>\$0</u>	<u>\$82</u>
Securities Lending Expenses			
Borrower Rebates	\$14	\$0	\$14
Management Fees	10	0	10
Total Securities Lending Expenses	<u>\$24</u>	<u>\$0</u>	<u>\$24</u>
Net Income from Securities Lending Activities	<u>\$58</u>	<u>\$0</u>	<u>\$58</u>
<b>Total Net Investment Income</b>	<u>\$12,288</u>	<u>\$0</u>	<u>\$12,288</u>
<b>Other Additions</b>			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	48	0	48
<b>Total Other Additions</b>	<u>\$48</u>	<u>\$0</u>	<u>\$48</u>
<b>Total Additions</b>	<u>\$13,365</u>	<u>\$0</u>	<u>\$13,365</u>
<b>Deductions</b>			
Ongoing Withdrawals (Periodic Payments)	\$3,514	\$0	\$3,514
Refunds	2,244	0	2,244
Recordkeeping and Custodian Expenses	0	22	22
Administrative Expenses	0	17	17
Other Expenses	0	13	13
<b>Total Deductions</b>	<u>\$5,758</u>	<u>\$52</u>	<u>\$5,810</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(40)	\$40	\$0
Other	14	(14)	0
<b>Total Other Changes in Reserves</b>	<u>\$(26)</u>	<u>\$26</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<b>\$7,581</b>	<b>\$(26)</b>	<b>\$7,555</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2009	<u>101,965</u>	<u>28</u>	<u>101,993</u>
June 30, 2010	<u>\$109,546</u>	<u>\$2</u>	<u>\$109,548</u>

# Summary Schedule of Commissions and Payments to Consultants

For the Fiscal Year Ended June 30, 2010  
(Dollars in thousands)

Individual or Firm Name	Services Received	Fees Paid
Mercer Inc.	Consulting Actuary	\$243
Aeritae Consulting Group	Computer Consulting	222
Sovran, Inc.	Computer Systems	54
Survey & Ballot Systems, Inc.	Election Management	46
CDW Government, Inc.	Computer Systems	45
Impact Mailing of MN, Inc.	Mailing Services	45
Minnesota Office of the Attorney General	Legal Counsel	38
Minnesota Department of Health	Medical Advisor	38
Insight Public Sector	Computer Support	24
Novell, Inc.	Computer Software	17
Huntington Tech Services, Inc.	Network Systems	16
En Pointe Technologies, Inc.	Computer Systems	11
Comserv, Inc.	Member Records Update	10
Medical Evaluations	Medical Exams	8
Kaplan Professional Schools	Training	7
Tredera Consulting	Computer Consulting	5
Benjamin Consulting	Computer Consulting	5
Lexis/Nexis Risk Data Mgmt., Inc.	Member Record Update	2

## Schedule of Investment Expenses\*

For the Fiscal Year Ended June 30, 2010  
(Dollars in thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Totals
Domestic Equity Managers	\$4,328	\$279	\$290	\$67	\$12	\$4,976
International Equity Managers	4,097	264	274	67	12	4,714
Passive Equity Managers	152	10	10	2	0	174
Fixed Income Managers	1,711	111	115	29	5	1,971
Minnesota State Board of Investment	546	35	37	10	1	629
Financial Control Systems	80	5	5	1	1	92
Pension Consultants	7	0	1	0	0	8
Nuveen Investment Consultants	69	5	5	1	0	80
Total Investment Expenses	<u>\$10,990</u>	<u>\$709</u>	<u>\$737</u>	<u>\$177</u>	<u>\$31</u>	<u>\$12,644</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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Rebuilding our Foundation

Pension Trust Funds of the State of Minnesota

All defined benefit pension assets under the State Board of Investment's control, reported a 15.2 percent return for the 2010 fiscal year.



# Investment Report

**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**

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FAX: 651-296-9572  
E-mail:  
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[www.sbi.state.mn.us](http://www.sbi.state.mn.us)**

*An Equal Opportunity  
Employer*

**Investment Authority**

The assets of the Minnesota State Retirement System (MSRS) are invested along with the assets of the Public Employees Retirement Association and the Teachers Retirement Association under the direction and authority of the State Board of Investment (SBI) in accordance with Minnesota Statutes, Chapters 11A and 365A. 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’s 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 is to “exercise the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.” (See M.S., section 11A.09.) The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, resource investments, and real estate interests subject to specific constraints. (See M.S., section 11A.24). In particular, pension fund assets are to be invested for the exclusive benefit of the members of the funds.

**Investment Objectives and Performance**

MSRS’s pension contributions from employees and employers are invested in the Combined Funds. The Combined Funds include the assets of active and retired public employees who participate in the defined benefit plans administered by MSRS, the Teachers Retirement Association, and the Public Employees Retirement Association. MSRS does not own any underlying assets, but instead owns a participation in the pooled Combined Funds. Because these assets normally accumulate for thirty to forty 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. (The separate investment of retiree assets and active member assets ended when the Post Fund and Basic Funds were merged as of June 30, 2009).



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.

Consistent with these objectives, the SBI maintains a long-term asset allocation for the Combined Funds as follows:

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

Based on values on June 30, 2010, the Combined Funds returned 5.4 percentage points above the CPI over the last 20 years and returned 0.1 percentage point above the composite index over the past 10 years.

Investment returns ranked in the 39th percentile over the past five years and in the 65th 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,

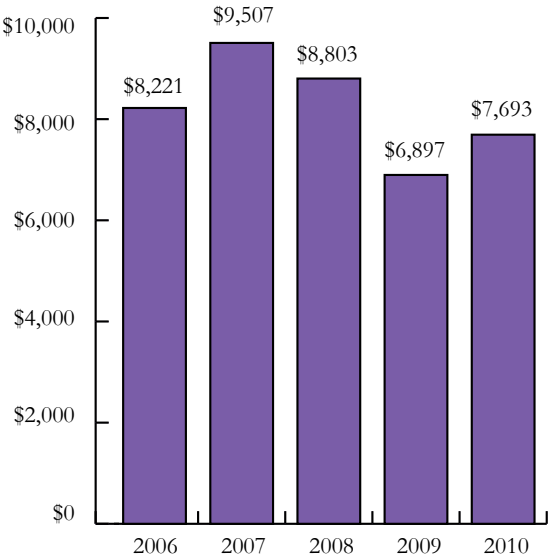


Howard Bicker  
Executive Director  
State Board of Investment

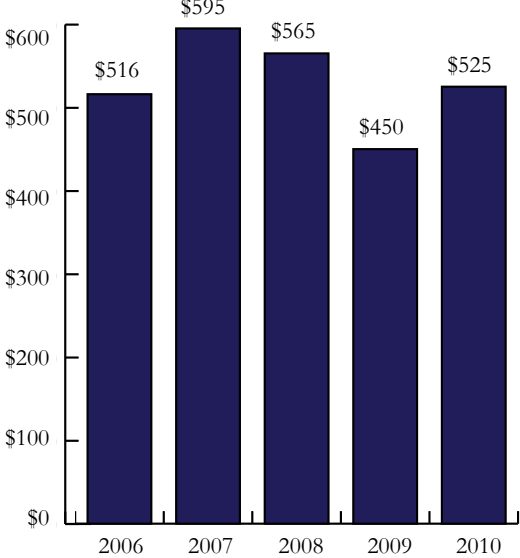
# Fair Value of Net Assets (in Millions of U.S. Dollars)

Fair Value of MSRS' Four Largest Defined Benefit Funds  
As of June 30, 2010

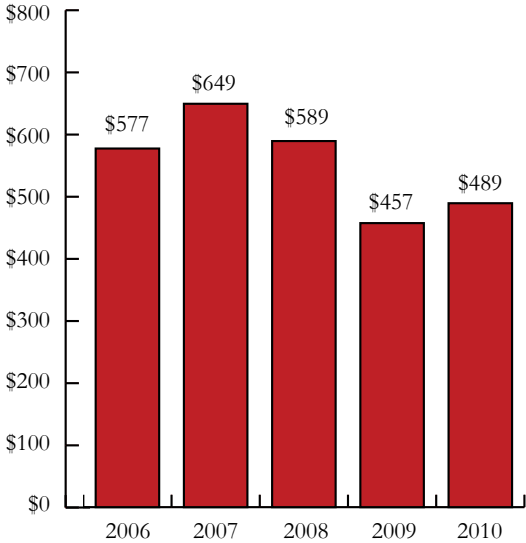
**State Employees Retirement Fund**



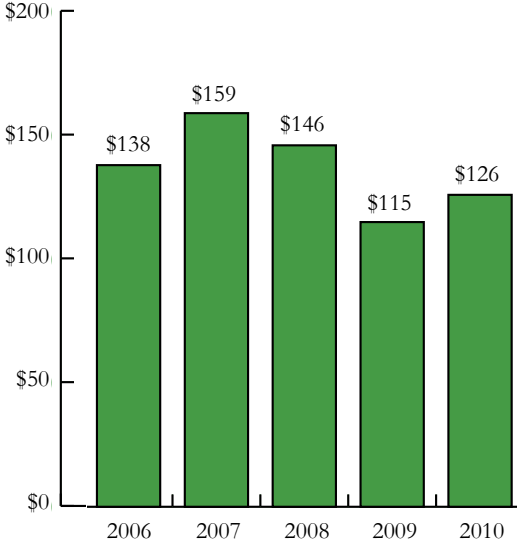
**Correctional Employees Retirement Fund**



**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)			
	FY2010	Three-Year	Five-Year	Ten-Year
<b>Domestic Stock Pool</b>	15.8%	(9.7)%	(.8)%	(1.3)%
Russell 3000 Index	15.7	(9.5)	(.5)	(1.1)
<b>Bond Pool</b>	14.5%	7.0%	5.4%	6.6%
Barclays Capital Aggregate Bond Index	9.5	7.5	5.5	6.5
<b>International Stock Pool</b>	11.7%	(10.4)%	3.8%	2.1%
MSCI ACWI Free ex US (Net)	10.4	(10.6)	3.4	1.8
<b>Alternative Investments</b>	15.0%	2.3%	14.1%	11.7%
Inflation (Note: This is the target rate of return; there is no comparable index available.)	1.1	1.5	2.2	2.3
<b>Real Estate Pool</b>	(19.9)%	(12.0)%	.6%	5.8%
Inflation +5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	6.1	6.5	7.2	7.3
<b>Private Equity Pool</b>	27.9%	3.8%	14.3%	9.8%
Inflation +10% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	11.1	11.5	12.2	12.3
<b>Resource Pool</b>	20.9%	7.0%	28.6%	25.9%
Inflation +5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	6.1	6.5	7.2	7.3
<b>Yield Oriented Pool</b>	9.0%	8.2%	19.8%	15.8%
Inflation +5.5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	6.6	7.0	7.7	7.8

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

# Asset Allocation\*

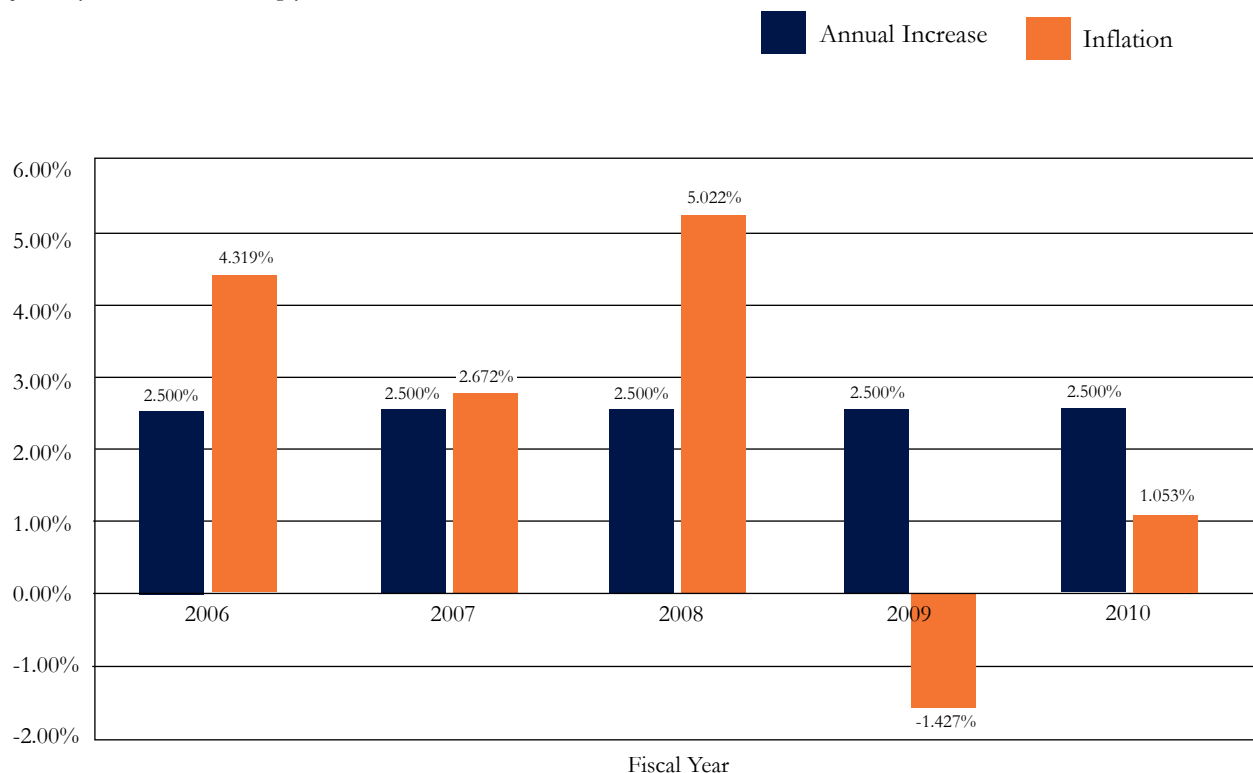
Asset allocation can have a significant effect on investment returns. To achieve the best results, investment allocations are periodically reviewed and adjusted to reflect changing market conditions and revised investment objectives.

Combined Funds (as of June 30, 2009)		
Investment Type	Actual Asset Mix	Long-Term Policy Target
<b>Domestic Stocks</b>	42.3%	45.0%
<b>International Stocks</b>	15.5	15.0
<b>Bonds</b>	24.9	18.0
<b>Alternative Investments**</b>	15.3	20.0
<b>Cash</b>	2.0	2.0
<b>Totals</b>	<u>100.0%</u>	<u>100.0%</u>

\*Source: Minnesota State Board of Investment fiscal year 2010 annual report.  
 \*\*Alternative investments are real estate, venture capital and resource funds.

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

Increases awarded to MSRS retirees have been less than inflation during 2006 through 2008. In the past two years, annuity increases have outpaced inflation. Increases and inflation are measured as of June 30. Increases are effective January 1 of the following year.



# Investment Results by Investment Pool

<b>Investment Performance</b>				
<b>Fund</b>	<b>Rates of Return (Annualized)</b>			
	<b>FY2010</b>	<b>Three-Year</b>	<b>Five-Year</b>	<b>Ten-Year</b>
<b>Combined Funds</b>	15.2%	(3.8)%	3.4%	2.9%
<b>Combined Composite Market Index</b>	13.5	(3.8)	3.3	2.8

Notes:

1. Investment return percentages are the time-weighted rate of return, net of all management fees.
2. The composite index is composed of the following market indicators that are weighted according to asset allocation.

<b>Investment Type</b>	<b>Market Indicator</b>
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	Wilshire real estate funds, venture capital funds, resource funds
Unallocated cash	91-day treasury bills

## List of Largest Assets Held

As of June 30, 2010

(Dollars in thousands)

<b>Composite of Top Ten Equity Holdings (by Market Value)</b>		
<b>Company</b>	<b>Total State Portfolio at Fair Value</b>	<b>Percent of Portfolio</b>
Exxon Mobil Corporation	\$401,008	1.35%
Apple, Inc.	349,817	1.18%
Microsoft Corporation	279,681	.94%
International Business Machines	235,774	.79%
UBS Trumbull Property	226,136	.76%
Proctor and Gamble Co.	224,851	.76%
JP Morgan Chase & Co.	224,042	.75%
AT&T Corporation	218,123	.73%
Johnson & Johnson	207,425	.70%
CarVal Investors Global Value A L.P.	205,681	.69%

<b>Composite of Top Ten Bond Holdings (by Market Value)</b>				
<b>Security</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Total State Portfolio at Fair Value</b>	<b>Percent of Portfolio</b>
US Treasury Bond	4.625%	02/15/2040	\$158,272	1.30%
FNMA	4.500%	12/01/2099	156,344	1.28%
U.S. Treasury Note	1.875%	06/30/2015	138,361	1.13%
U.S. Treasury Note	3.125%	04/30/2017	114,775	.94%
U.S. Treasury Note	.750%	05/31/2012	100,705	.82%
U.S. Treasury Bond	4.375%	05/15/2040	87,231	.71%
GNMA	5.000%	12/01/2099	82,156	.67%
U.S. Treasury Bond	4.375%	11/15/2039	75,339	.62%
FNMA	4.500%	12/01/2099	71,496	.59%
U.S. Treasury Note	1.375%	02/15/2013	70,979	.58%

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.

# Schedule of Investment Manager Fees, Commissions and Other Investment Expenses

For the Fiscal Year Ended June 30, 2010

Investment Manager	Defined Benefit Retirement Fund				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>Domestic Equity Managers</b>					
Alliance Capital Management	\$45,970	\$2,962	\$3,083	\$712	\$126
Barrow, Hanley, Mewhinney & Strauss, Inc.	140,738	9,068	9,438	2,180	385
Earnest Partners, LLC	82,116	5,291	5,507	1,272	224
INTECH Investment Management, LLC	223,997	14,433	15,022	3,470	612
Mellon Capital Management*	(120,304)	(7,752)	(8,068)	(1,864)	(329)
Goldman Sachs Asset Management	175,897	11,334	11,796	2,725	481
Hotchkis & Wiley Capital Management	141,958	9,147	9,520	2,199	388
Jacobs Equity Management, Inc.	159,810	10,297	10,717	2,476	437
Columbia Management Investment Advisors, LLC	890	57	60	14	2
Knelman Asset Management, LLC	54,968	3,542	3,686	852	150
Lord Abbett & Co., LLC	117,540	7,573	7,882	1,821	321
LSV Asset Management	165,484	10,663	11,097	2,564	452
Martingale Asset Management	97,138	6,259	6,514	1,505	266
McKinley Capital Management	156,435	10,080	10,490	2,423	428
New Amsterdam Partners	35,339	2,277	2,370	547	97
Next Century Growth Investors, LLC	325,803	20,993	21,848	5,047	891
Peregrine Capital Management	208,996	13,466	14,015	3,238	571
Sands Capital Management, Inc.	139,061	8,960	9,325	2,154	380
Systematic Financial Management, L.P.	155,123	9,995	10,403	2,403	424
Turner Investment Partners	248,275	15,997	16,649	3,846	679
UBS Global Asset Management	109,224	7,038	7,325	1,692	299
Winslow Capital Management, Inc.	94,986	6,120	6,370	1,472	260
Zevenbergen Capital, Inc.	256,279	16,513	17,186	3,970	701
Blackrock Institutional Trust Co., N.A.	518,686	33,420	34,783	8,035	1,418
Mellon Capital Management	328,597	21,173	22,036	5,091	898
J.P. Morgan Investment Management	464,982	29,960	31,182	7,203	1,271
<b>Totals</b>	<u>\$4,327,988</u>	<u>\$278,866</u>	<u>\$290,236</u>	<u>\$67,047</u>	<u>\$11,832</u>

\* These amounts are the result of the return of fees paid in prior years.

# Schedule of Investment Manager Fees, Commissions and Other Investment Expenses

For the Fiscal Year Ended June 30, 2010

Investment Manager	Defined Benefit Retirement Fund				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>International Equity Managers</b>					
Acadian Asset Management LLC	\$237,437	\$15,305	\$15,912	\$3,910	\$671
Alliance Bernstein, L.P.	211,635	13,642	14,183	3,485	598
Columbia Management Investment Advisors, LLC	139,361	8,983	9,339	2,295	394
AQR Capital Management, LLC	235,148	15,158	15,758	3,872	665
Capital International, Inc.	901,654	58,121	60,424	14,849	2,548
Pyramis Global Advisors Trust Company - Select	167,766	10,814	11,243	2,763	474
Pyramis Global Advisors Trust Company - Growth	158,393	10,210	10,615	2,608	448
Invesco Global Asset Management	158,853	10,240	10,645	2,616	449
J.P. Morgan Investment Management Inc.	177,711	11,455	11,909	2,927	502
Marathon Asset Management	289,827	18,682	19,423	4,773	819
McKinley Capital Management, Inc.	171,299	11,042	11,480	2,821	484
Morgan Stanley Investment Management	967,270	62,350	64,821	15,929	2,734
State Street Global Advisors Alpha	200,157	12,902	13,413	3,296	566
State Street Global Advisors Passive	80,295	5,176	5,381	1,322	227
<b>Totals</b>	<u>\$4,096,806</u>	<u>\$264,080</u>	<u>\$274,546</u>	<u>\$67,466</u>	<u>\$11,579</u>
<b>Passive Equity Managers</b>					
Blackrock Institutional Trust Co., N.A.	<u>\$150,988</u>	<u>\$9,729</u>	<u>\$10,124</u>	<u>\$2,487</u>	<u>\$428</u>
<b>Fixed Income Managers</b>					
Columbia Management Investment Advisors, LLC	\$157,562	\$10,257	\$10,600	\$2,618	\$455
Blackrock, Inc.	169,471	11,032	11,401	2,816	489
Aberdeen Asset Management	272,189	17,719	18,312	4,522	786
Dodge & Cox Investment Management Managers	187,209	12,187	12,595	3,110	541
Goldman Sachs Asset Management	216,655	14,104	14,576	3,600	626
Neuberger Investment Management	100,067	6,514	6,732	1,663	289
Western Asset Management	234,432	15,261	15,772	3,895	677
Pacific Investment Management Co. LLC (PIMCO)	373,760	24,331	25,145	6,210	1,079
<b>Totals</b>	<u>\$1,711,345</u>	<u>\$111,405</u>	<u>\$115,133</u>	<u>\$28,434</u>	<u>\$4,942</u>
<b>Other Investment Expenses</b>					
State Board of Investment	\$546,192	\$34,985	\$36,880	\$8,974	\$1,477
Financial Control Systems	80,036	5,151	5,367	1,315	225
Pension Consultants	6,945	447	466	114	19
Nuveen Investment Consultants	69,442	4,469	4,657	1,141	195
<b>Totals</b>	<u>\$702,615</u>	<u>\$45,051</u>	<u>\$47,370</u>	<u>\$11,544</u>	<u>\$1,916</u>
<b>Total Investment Expenses</b>	<u>\$10,989,742</u>	<u>\$709,131</u>	<u>\$737,409</u>	<u>\$176,978</u>	<u>\$30,697</u>

# Investment Summary at Fair Value

As of June 30, 2009 and 2010  
(Dollars in thousands)

Description	Fair Value June 30, 2009	Fair Value June 30, 2010	Percent of Portfolio
<b>State Employees Retirement Fund</b>			
Growth Share Pool	\$1,886,708	\$2,014,401	27%
Common Stock Index Pool	1,180,268	1,226,619	16%
International Equity Pool	1,122,822	1,184,353	16%
Fixed Income Pool	1,498,590	1,888,987	25%
Alternative Investment Pool	<u>1,066,960</u>	<u>1,197,798</u>	<u>16%</u>
<b>Totals</b>	<u><u>\$6,755,348</u></u>	<u><u>\$7,512,158</u></u>	<u><u>100%</u></u>
<b>State Patrol Retirement Fund</b>			
Growth Share Pool	\$123,194	\$128,028	27%
Common Stock Index Pool	77,067	77,960	16%
International Equity Pool	73,315	75,274	16%
Fixed Income Pool	102,979	120,057	25%
Alternative Investment Pool	<u>62,487</u>	<u>76,128</u>	<u>16%</u>
<b>Totals</b>	<u><u>\$439,042</u></u>	<u><u>\$477,447</u></u>	<u><u>100%</u></u>
<b>Correctional Employees Retirement Fund</b>			
Growth Share Pool	\$124,876	\$136,993	27%
Common Stock Index Pool	78,119	83,419	16%
International Equity Pool	74,317	80,544	16%
Fixed Income Pool	101,162	128,464	25%
Alternative Investment Pool	<u>67,855</u>	<u>81,459</u>	<u>16%</u>
<b>Totals</b>	<u><u>\$446,329</u></u>	<u><u>\$510,879</u></u>	<u><u>100%</u></u>
<b>Judges Retirement Fund</b>			
Growth Share Pool	\$31,380	\$32,867	27%
Common Stock Index Pool	19,630	20,013	16%
International Equity Pool	18,674	19,323	16%
Fixed Income Pool	26,325	30,820	25%
Alternative Investment Pool	<u>15,783</u>	<u>19,543</u>	<u>16%</u>
<b>Totals</b>	<u><u>\$111,792</u></u>	<u><u>\$122,566</u></u>	<u><u>100%</u></u>
<b>Legislators Retirement Fund</b>			
Growth Share Pool	\$5,849	\$5,138	27%
Common Stock Index Pool	3,659	3,129	16%
International Equity Pool	3,481	3,021	16%
Fixed Income Pool	5,346	4,818	25%
Alternative Investment Pool	<u>2,328</u>	<u>3,056</u>	<u>16%</u>
<b>Totals</b>	<u><u>\$20,663</u></u>	<u><u>\$19,162</u></u>	<u><u>100%</u></u>



## Actuarial Section

Rebuilding our Foundation

Pension Trust Funds of the State of Minnesota

The financial condition of MSRS continues to improve. We believe the impact of legislation to adjust benefits, along with strong investment returns, will lead our retirement plans on the path to reach full funding.



# Actuary's Certification Letter and Important Notices

**MERCER**

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

December 9, 2010

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, 2010.

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.

## Valuation Results

The results of the valuations are summarized in the following table. For all plans except the LRF and the ESORF, because the valuation smoothes asset returns over five years, the funding ratios and contribution deficiencies based on the actuarial value of assets do not reflect 60% of the large asset loss that occurred during the 2009 fiscal year. On a market value of assets basis, the funding ratios are lower and the deficiencies are higher. Valuations for the LRF and the ESORF are based on the market value of assets, consistent with valuations since July 1, 2000.

Plan	Accrued Liability Funding Ratio		Contribution Deficiency (% of Pay)		Statutory Amortization Date
	Actuarial Value of Assets	Market Value of Assets	Actuarial Value of Assets	Market Value of Assets	
SERF	87.30%	74.95%	0.99%	3.90%	2040
SPRF	83.00%	71.54%	7.84%	15.05%	2036
CERF	70.95%	61.71%	4.73%	6.99%	2038
JRF	60.16%	52.46%	3.62%	6.41%	2038
LRF	31.10%	N/A	350.43%	N/A	2021
ESORF	5.66%	N/A	\$644,000 per year*	N/A	2017

\* This plan has no active participants, and the deficiency is expressed as a dollar amount rather than as a percent of payroll.

Consulting. Outsourcing. Investments.

A contribution deficiency means that over the long run, without further changes or favorable actuarial experience, the contributions scheduled to be made to the fund will not meet the goal of full funding by the statutory amortization date.

### **Changes in Plan Provisions**

The following changes in plan provisions were recognized this year:

- For all plans, the post-retirement benefit increases change from 2.5% to 2.0% (1.5% for the SPRF) beginning January 1, 2011. For each MSRS plan, if the accrued liability funding ratio of that plan reaches 90% (on a Market Value of Assets basis), the benefit increase reverts to 2.5% for benefit recipients of that MSRS plan. For LRF and ESORF, the benefit increase reverts to 2.5% if the accrued liability funding ratio of the SERF reaches 90%.
- For all plans, the requirement for benefit recipients to receive a full increase in benefits changed from 12 full months receiving as of December 31 to 18 full months and the requirement to receive a partial increase in benefits changed from 0 months receiving as of December 31 to 6 months.
- For all plans, the interest earned on member contributions changes from 6.0% to 4.0% as of July 1, 2011.
- For all plans except JRF, the increase on deferred benefits changes to 2% after December 31, 2011.
- In the SPRF and SERF, vesting was changed from three years to five years for members first hired after June 30, 2010.
- In the SPRF, the reduction applied for early commencement of retirement benefits was changed to 1/5% per month for members first hired after June 30, 2010. Member contributions will increase to 12.4% of pay and employer contributions will increase to 18.6% of pay beginning July 1, 2011.
- In the CERF, The benefit multiplier for employees first hired after June 30, 2010 changed from 2.4% to 2.2% per year of service. The early commencement reduction for retirements after June 30, 2015 and employees first hired after June 30, 2010 was changed from 2.4% to 5% per year. Vesting was changed from three years to graded vesting for employees first hired after June 30, 2010.

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## **Changes in Actuarial Assumptions**

For all plans, the post-retirement discount rate assumption changed from 6.0% to 6.5% (7.0% for the SPRF) to reflect the change in post-retirement benefit increases from 2.5% to 2.0% (1.5% for the SPRF).

For the SERF, the following changes in actuarial assumptions were recognized this year as an outcome of the 2004-2008 experience study:

- Healthy pre-retirement mortality changed from 1983 Group Annuity Mortality set back five years for males and set back two years for females to RP 2000 non-annuitant generational mortality, white collar adjustment, set forward three years for males and set back one year for females.
- Healthy post-retirement mortality changed from 1983 Group Annuity Mortality set back two years for males and set back one year for females to RP 2000 annuitant generational mortality, white collar adjustment, with no age set backs.
- Disabled retired mortality changed from a table based on 1965 Railroad Retirement Board (RRB) rates to RP 2000 disabled retiree mortality with no set back for males and set forward five years for females.
- The marital status assumption for females was changed from 85% to 70% for active members. The beneficiary age difference was changed from three years older to two years older for active females. The form of benefit assumption for active male members was changed from 20% electing the 50% J&S form to 15% and from 0% electing the 75% J&S form to 10%. The form of benefit assumption for active female members was changed from 10% electing the 50% J&S form to 15% and from 15% electing the 100% J&S form to 25%.
- Retirement rates were reduced at some ages to more closely reflect actual retirement experience.

## **Changes in Actuarial Methods**

For the SERF, the statutory amortization date for the payment of unfunded accrued liability was changed from July 1, 2020 to July 1, 2040.

There were no changes in actuarial methods for the SPRF, CERF, JRF, LRF or ESORF.

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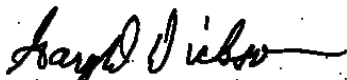
Neither the July 1, 2010 valuation reports nor the information extracted from those reports for this CAFR may be relied upon for any other purpose or by any party other than the Board of Directors, the LCPR or MSRS' auditors solely for the purpose of completing an audit related to the matters described. Mercer is not responsible for the consequences of any unauthorized use.

To the best of our knowledge and belief, the valuations were performed in accordance with generally accepted actuarial principles and procedures (with some exceptions for the LRF and the ESORF, as discussed in the valuation reports), the requirements of Minnesota Statutes, Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR, including one modification regarding decrement timing. The LCPR approved this modification prior to the preparation of this report in order to ensure consistency and comparability. For more information about the decrement timing methodology, please refer to the valuation reports. In our opinion, the results of the reports reflect the actuarial position of the plans on an ongoing basis under the prescribed assumptions, methods, and procedures.

Important Notices about the valuations are shown in the Actuarial Section.

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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# Actuary's Certification Letter and Important Notices

## MERCER

### **Important Notices**

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made on the basis of the valuation reports, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

A valuation report is only a snapshot of a Plan's estimated financial condition at a particular point in time; it does not predict the Plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of the Plan. 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, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

To prepare the valuation reports, actuarial assumptions, as described in the reports, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in the reports. Other than the alternative calculations shown in the SERS valuation report, we have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At MSRS's request, Mercer is available to perform such a sensitivity analysis.

## MERCER

Actuarial assumptions, including discount rates, mortality tables and others identified in the reports, are prescribed by Minnesota Statutes Section 356.215, the LCPR, and the Board of Directors. These parties are responsible for selecting the funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions are those that have been so prescribed and are described in the reports. MSRS is solely responsible for communicating to Mercer any changes required thereto.

Mercer has used and relied on financial data and participant data supplied by MSRS and summarized in the valuation reports. MSRS is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of the valuation date that is sufficiently comprehensive and accurate for the purposes of this report. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

Mercer has also used and relied on the summary of plan provisions, including amendments, and interpretations of plan provisions, supplied by MSRS as summarized in the valuation reports and on plan provisions stipulated by statute. The Board of Directors is solely responsible for the validity, accuracy and comprehensiveness of this information. If any 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 a later revision of these reports. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

# Summary of Actuarial Assumptions and Methods

The actuarial assumptions and methods that follow are prescribed by *Minnesota Statutes*, the Legislative Commission on Pensions and Retirement (LCPR) and the MSRS Board of Directors.

### Actuarial Cost Method

The Individual 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:

Members retiring from active status are assumed to retire according to various age-related rates, as noted below.

#### State Employees Retirement Fund:<sup>(8)</sup>

Graded rates ranging from age 55 to age 71 and over with varying percentages of those eligible for Rule of 90 retiring each year;

#### Correctional Employees Retirement Fund:<sup>(3)</sup>

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

#### State Patrol Retirement Plan:<sup>(3)</sup>

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

#### Judges Retirement Plan:<sup>(6)</sup>

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

#### Elective State Officers<sup>(3)</sup> and Legislators Plans:<sup>(3)</sup>

Age 62.

#### Mortality:

The 1983 Group Annuity Mortality Tables<sup>(9)</sup> are used for all funds, except for the State Employees Retirement Fund and the Judges Retirement Fund post-retirement members. These tables are set back or set forward (expressed in years) to match fund experience as follows:

Fund	Healthy Pre-retirement		Healthy Post-retirement*	
	Male	Female	Male	Female
State Patrol <sup>(6)</sup>	-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

\*All post-retirement tables used are statutorily gender neutral.  
 \*\*For healthy post-retirement, the Judges Retirement Fund uses the RP2000 Combined Annuity Mortality Table <sup>(8)</sup> projected eight years with no collar adjustment.

The State Employees Retirement Fund uses various RP2000 Mortality Tables <sup>(10)</sup> as follows:

- **Healthy Pre-retirement:** Non-annuitant generational mortality with white collar adjustment set forward three years for males and set back one year for females.
- **Healthy Post-retirement:** Annuitant generational mortality with white collar adjustment and no age set backs for either males or females.
- **Disabled:** Disabled mortality with no set back for males and a five-year set forward for females.



**Separation:**

Graded rates are based on actual experience.<sup>(8)</sup>

**Administrative Expenses:**

Prior year administrative expenses are expressed as a percentage of prior year payroll; for Elective State Officers, \$1,000 per year.<sup>(4)</sup>

**Interest:**

8.5 percent <sup>(5)</sup> pre-retirement for all funds, and 6.5 percent <sup>(10)</sup> post-retirement for all funds except the State Patrol Retirement Fund which assumes 7.0 percent.<sup>(10)</sup>

**Salary Increases:**

**A. State Employees Retirement Fund:<sup>(8)</sup>**

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:<sup>(8)</sup>**

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

**D. Judges Retirement Fund:<sup>(8)</sup>**

Four percent annually.

**E. Legislators and Elective State Officers Retirement Funds:<sup>(4)</sup>**

Five percent annually.

**Payroll Growth:<sup>(8)</sup>**

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.<sup>(2)</sup>

**Social Security**

The Correctional Plan <sup>(1)</sup> 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 plans are unaffected.

**Asset Valuation**

For all funds except the Legislators and the Elective State Officers Retirement Funds, as shown in the table that follows, asset valuations are based on market values at the end of the fiscal year, less a percentage of the unrecognized asset return 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 the market value of assets and the asset return expected during the fiscal year based on the assumed interest rate, 8.5 percent.<sup>(6)</sup>

# Summary of Actuarial Assumptions and Methods

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. <sup>(9)</sup>The MPRIF was dissolved on June 30, 2009 and the assets were combined with the investments of the respective active members.<sup>(9)</sup> The graduated recognition of investment gains and losses to the assets, including those previously a part of the MPRIF, resulted in a total unrecognized investment return at June 30, 2010 as follows:

Retirement Fund	Total Unrecognized Investment Return at June 30, 2010
State Employees	\$(1,267,860,000)
State Patrol	(78,341,000)
Correctional Employees	(78,618,000)
Judges Retirement	(18,527,000)

Valuations for the Legislators and Elective State Officers Retirement Funds are based on the Market Value of Assets.

### Experience Studies

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

Retirement Fund	Period Covered
State Employees	Fiscal years 2004-2008
State Patrol	Fiscal years 1998-2003
Correctional Employees	Fiscal years 1998-2003
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 has retained an independent actuary to audit the performance of MSRS' consulting actuary.

### Plan Provision and Actuarial Method Changes <sup>(10)</sup>

Minnesota Session Laws of 2010, Chapter 359 made several changes to plan provisions and actuarial methods as follows:

1. For all plans except the State Patrol Plan, the post-retirement benefit increase rate was reduced from 2.5 percent to 2.0 percent. For the State Patrol Plan, it was reduced from 2.5 percent to 1.5 percent. These rates will return to 2.5 percent once each of the plans is 90 percent fully funded on a market value basis, or for the Legislators and the Elective State Officers Plans, when the State Employees Retirement Fund reaches that level of funding. These changes resulted in the reductions of the unfunded actuarially accrued liabilities (UAAL) as follows:

Retirement Fund	UAAL Reductions
State Employees	\$439,000,000
State Patrol	61,800,000
Correctional Employees	37,300,000
Judges	8,000,000
Legislators	3,200,000

2. For all plans, the interest rate was reduced from 6 percent per annum to 4 percent per annum for refunds occurring after June 30, 2011 on balances as of June 30, 2011 and additional contributions thereafter.

3. Effective January 1, 2012, the amount by which deferred members' projected benefits are increased was reduced from 3 percent per year before age 55 and 5 percent per year thereafter to 2 percent per year regardless of age.

4. Effective June 30, 2010 the amortization period for the State Employees Plan was extended from 2020 to 2040.

5. For employees hired after June 30, 2010 and covered by the State Employees Plan or the State Patrol Plan the vesting period was increased from 3 years to 5 years. For Correctional Plan members hired after June 30, 2010, vesting was extended from 3 years to graduated vesting ranging from 50 percent vested after five years of allowable service to 100 percent vested after ten years of allowable service.

6. Benefit accrual rate was reduced from 2.4 percent per year to 2.2 percent per year for members of the Correctional Plan hired after June 30, 2010.

7. For members of the State Patrol Plan hired after June 30, 2010, the early retirement reduction factors were increased from 1.2 percent to 2.4 percent per year.

8. For members of the Correctional Plan, the early retirement reduction factor for new hires after June 30, 2010 and for current members who retire after June 30, 2015 will increase from 2.4 percent to 5 percent per year.

9. Various other plan modifications that are immaterial to the funding level of the plans were also enacted.

### **Footnote References**

Effective dates these actuarial assumptions were adopted:

- (1) June 30, 1974
- (2) June 30, 1978
- (3) June 30, 1984
- (4) June 30, 1994
- (5) June 30, 1997
- (6) June 30, 2000
- (7) June 30, 2007
- (8) June 30, 2008
- (9) June 30, 2009
- (10) June 30, 2010

# Required Reserves

As of June 30, 2010

(Dollars in thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	Elective State Officers Fund**
<b>Active Members</b>						
Retirement Annuities	\$4,263,287	\$222,024	\$346,680	\$96,270	\$10,555	\$0
Disability Benefits	146,241	9,295	34,009	2,535	0	0
Survivor Benefits	85,723	3,570	6,739	2,344	90	0
Deferred Retirements	59,277	842	8,980	0	(22)	0
Refunds	(21,979)	(278)	(495)	193	(39)	0
<b>Total Active Members</b>	<b>\$4,532,549</b>	<b>\$235,453</b>	<b>\$395,913</b>	<b>\$101,342</b>	<b>\$10,584</b>	<b>\$0</b>
Deferred Retirements	1,156,208	5,953	70,227	4,053	16,389	306
Former Members Not Vested	13,284	53	1,559	0	34	0
Annuitants	4,535,401	441,901	383,387	135,184	59,229	3,476
<b>Unclassified Plan</b>						
Contingent Liability	26,629	0	0	0	0	0
<b>Total Required Reserves</b>	<b>\$10,264,071</b>	<b>\$683,360</b>	<b>\$851,086</b>	<b>\$240,579</b>	<b>\$86,236</b>	<b>\$3,782</b>

## Actual Contribution Rates as Compared to Actuarially Recommended Rates

Retirement Fund	As of Date	Actual Contribution Rates			Recommended Rate	Sufficiency/ (Deficiency)
		Employee	Employer	Total		
State Employees	July 1, 2010	5.00%	5.00%	10.00%	10.99%	(.99)%
State Patrol	July 1, 2010	10.40	15.60	26.00	33.84	(7.84)
Correctional Employees	July 1, 2010	8.60	12.10	20.70	25.43	(4.73)
Judges*	July 1, 2010	7.54	20.50	28.04	31.66	(3.62)
Legislators	July 1, 2010	9.00	0.00	9.00	359.43	(350.43)
Elective State Officers **	July 1, 2010	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's General Fund appropriations.

# Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL)

For the Fiscal Year Ended June 30, 2010

(Dollars in thousands)

	State Employees Fund	State Patrol Fund	Correctional Employees Fund	Judges Fund	Legislators Fund	Elective State Officers Fund
<b>A. UAAL, at the Beginning of the Year or Last Valuation</b>	\$1,482,359	\$140,833	\$230,911	\$94,695	\$61,768	\$3,673
<b>B. Change Due to Interest Requirements and Current Rate of Funding</b>						
1. Normal Cost and Expenses	\$201,862	\$17,225	\$38,426	\$7,336	\$416	\$1
2. Contributions	(228,896)	(16,830)	(37,255)	(11,270)	(2,145)	(453)
3. Interest on A, B1, and B2	124,852	11,988	19,677	7,882	5,177	293
4. Totals (B1+B2+B3)	\$97,818	\$12,383	\$20,848	\$3,948	\$3,448	\$(159)
<b>C. Expected UAAL at End of the Year (A+B)</b>	\$1,580,177	\$153,216	\$251,759	\$98,643	\$65,216	\$3,514
<b>D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations From the Expected</b>						
1. Salary Increases	\$(158,877)	\$(10,626)	\$(15,123)	\$(3,495)	\$(413)	\$0
2. Investment Return	572,503	36,437	36,663	8,864	(948)	19
3. Mortality of Benefit Recipients	523	(3,672)	918	1,016	416	131
4. Data Adjustments for Deferred Vested Members	0	0	13,600*	0	0	0
5. Other Items	(16,607)	3,266	4,886	(678)	(439)	(26)
6. Totals	\$397,542	\$25,405	\$40,944	\$5,707	\$(1,384)	\$124
<b>E. Unfunded Actuarial Liability Before Plan Amendments and Changes in Actuarial Assumptions**</b>	\$1,977,719	\$178,621	\$292,703	\$104,350	\$63,832	\$3,638
<b>F. Change in Unfunded Actuarial Liability Due to Change in Plan Provisions</b>	(650,404)	\$(62,472)	\$(45,480)	\$(8,499)	\$(4,417)	\$(70)
<b>G. Change in Unfunded Actuarial Liability Due to Changes in Actuarial Assumptions</b>	(23,635)	0	0	0	0	0
<b>H. UAAL at the End of the Year</b>	<u>\$1,303,680</u>	<u>\$116,149</u>	<u>\$247,223</u>	<u>\$95,851</u>	<u>\$59,415</u>	<u>\$3,568</u>

\*Includes the recognition of accelerated benefits for a portion of the members, recognition of life annuities for a portion of the members, and adjustments in reported benefits to reflect the change in augmentation for some members.

\*\*The change in the post-retirement investment return assumption required to reflect the change in the post-retirement benefit increases was reflected in Item F.

# Schedule of Active Member Valuation Data

As of June 30, 2010

Valuation Date	Number (A)	Annual Payroll (B)	Average Annual Pay (A/B)	Percent Increase In Average Pay
<b>State Employees Retirement Fund</b>				
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
06/30/10	48,494	2,327,398,000	47,994	0.93
<b>State Patrol Retirement Fund</b>				
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)
06/30/10	848	63,250,000	74,587	6.22
<b>Correctional Employees Retirement Fund</b>				
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
06/30/10	4,268	192,450,000	45,091	2.63

# Schedule of Active Member Valuation Data

As of June 30, 2010

Valuation Date	Number (A)	Annual Payroll (B)	Average Annual Pay (A/B)	Percent Increase In Average Pay
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## Judges Retirement Fund

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	126,423	1.68
06/30/10	312	39,291,000	125,933	(0.39)

## Legislators Retirement Fund

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	43,851	15.46
06/30/05	78	3,014,000	38,641	(11.88)
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
06/30/10	47	1,877,000	39,936	(2.35)

## Elective State Officers Retirement Fund\*

06/30/01	0	\$0	\$0	N/A
06/30/02	0	0	0	N/A
This fund was not actuarially valued for fiscal year 2003.				
06/30/04	0	0	0	N/A
06/30/05	0	0	0	N/A
06/30/06	0	0	0	N/A
06/30/07	0	0	0	N/A
06/30/08	0	0	0	N/A
06/30/09	0	0	0	N/A
06/30/10	0	0	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
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## State Employees Retirement Fund

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
06/30/10	2,071	979	28,435	473,447,000	6.20	16,650

## State Patrol Retirement Fund

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
06/30/10	37	21	924	46,119,000	3.68	49,912

## Correctional Employees Retirement Fund

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
06/30/10	173	23	1,859	36,078,000	8.54	19,407



# 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
<b>Judges Retirement Fund</b>						
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	1.80	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
06/30/10	20	14	291	17,058,000	4.90	58,619
<b>Legislators Retirement Fund</b>						
06/30/01	21	8	289	\$4,857,000	15.26%	\$16,573
06/30/02	15	11	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
06/30/10	19	18	359	7,159,000	2.00	19,942
<b>Elective State Officers Retirement Fund*</b>						
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
06/30/10	0	0	15	451,000	2.50	30,067

\*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)	
<b>State Employees Retirement Fund</b>								
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
06/30/10	1,155,473	4,535,401	4,573,197	8,960,391	100	100	71.5	87.3
<b>State Patrol Retirement Fund</b>								
06/30/01	\$37,145	\$305,287	\$147,051	\$572,815	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
06/30/10	56,699	441,901	184,760	567,211	100	100	37.1	83.0
<b>Correctional Employees Retirement Fund</b>								
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
06/30/10	100,323	383,387	367,376	603,863	100	100	32.71	71.0

# 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)	
<b>Judges Retirement Fund</b>								
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
06/30/10	28,685	135,184	76,710	144,728	100	85.8	0.0	60.2

## Legislators Retirement Fund

06/30/01	\$6,924	\$47,915	\$20,233	\$42,608	100%	74.5%	0.0%	56.8%
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
06/30/10	5,993	59,229	21,014	26,821	100	35.2	0.0	31.1

## Elective State Officers Retirement Fund\*

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
06/30/10	36	3,476	56	214	100	5.1	0.0	5.7

\*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
<b>State Employees Retirement Fund</b>					
06/30/01	\$6,573,193	\$7,366,673	\$(793,480)	\$1,834,042	(43.26)%
06/30/02	7,340,397	7,673,028	(332,631)	1,915,350	(17.37)
06/30/03	7,830,671	7,757,292	73,379	2,009,975	3.65
06/30/04	7,878,363	7,884,984	(6,621)	1,965,546	(0.34)
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
06/30/10	10,264,071	8,960,391	1,303,680	2,327,398	56.01
<b>State Patrol Retirement Fund</b>					
06/30/01	\$489,483	\$572,815	\$(83,332)	\$48,935	(170.29)%
06/30/02	510,344	591,383	(81,039)	49,278	(164.45)
06/30/03	538,980	591,521	(52,541)	54,175	(96.98)
06/30/04	545,244	594,785	(49,541)	51,619	(95.97)
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
06/30/10	683,360	567,211	116,149	63,250	183.63
<b>Correctional Employees Retirement Fund</b>					
06/30/01	\$398,633	\$431,134	\$(32,501)	\$120,947	(26.87)%
06/30/02	446,426	457,416	(10,990)	124,373	(8.84)
06/30/03	484,974	470,716	14,258	131,328	10.86
06/30/04	524,215	486,617	37,598	133,172	28.23
06/30/05	546,118	503,573	42,545	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
06/30/10	851,086	603,863	247,223	192,450	128.46

# 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
<b>Judges Retirement Fund</b>					
06/30/01	\$165,244	\$123,589	\$41,655	\$28,246	147.47%
06/30/02	171,921	131,379	40,542	31,078	130.45
06/30/03	176,291	134,142	42,149	33,771	124.81
06/30/04	190,338	138,948	51,390	34,683	148.17
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
06/30/10	240,579	144,728	95,851	39,291	243.95
<b>Legislators Retirement Fund</b>					
06/30/01	\$75,072	\$42,608	\$32,464	\$5,858	554.18%
06/30/02	78,070	45,501	32,569	5,089	639.99
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	970.96
06/30/05	81,836	45,523	36,313	3,014	1,204.81
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
06/30/10	86,236	26,821	59,415	1,877	3,165.42
<b>Elective State Officers Fund*</b>					
06/30/01	\$3,775	\$201	\$3,574	\$0	N/A
06/30/02	4,075	201	3,874	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	3,757	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
06/30/10	3,782	214	3,568	0	N/A

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

# Sample Assumed Annual Rates of Termination

As of June 30, 2010

Per 10,000 Members and Assumed Salary Increases

Age	Pre-Retirement Mortality**		Withdrawal		Disability		Retirement*		Salary Increase
	Male	Female	Male	Female	Male	Female	Male/ R90	Female/ Other	
<b>State Employees Retirement Fund</b>									
20	0.026%	0.018%	6.90%	8.55%	0.010%	0.010%	0%	0%	5.75%
25	0.030	0.019	5.90	7.80	0.010	0.010	0	0	5.75
30	0.046	0.024	4.90	7.05	0.010	0.010	0	0	5.75
35	0.072	0.039	3.90	5.10	0.030	0.030	0	0	5.75
40	0.107	0.052	3.20	4.38	0.080	0.080	0	0	5.75
45	0.146	0.079	2.70	3.75	0.130	0.130	0	0	5.75
50	0.196	0.122	2.20	3.05	0.288	0.288	0	0	5.45
55	0.302	0.198	0.00	0.00	0.504	0.432	20	5	4.95
60	0.490	0.325	0.00	0.00	0.780	0.624	20	7	4.45
65	0.740	0.518	0.00	0.00	0.000	0.000	40	40	4.25
70	2.296	0.779	0.00	0.00	0.000	0.000	30	30	4.25
75	4.208	2.216	0.00	0.00	0.000	0.000	100	100	4.25

\*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 disabilants 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 June 30, 2010

Per 10,000 Members and Assumed Salary Increases

Age	Pre-Retirement Mortality		Withdrawal		Disability		Retirement		Salary Increase
	Male	Female	Male	Female	Male	Female	Male/ R90	Female/ Other	
<b>Judges Retirement Fund*</b>									
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 *Minnesota Statute* all judges must retire by age 70.

## Legislators Retirement Fund

(Termination Rates by Years of Service)\*\*

Year	Separation Rates		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

This plan is closed and there are no active members; therefore, there are no assumed termination or salary increase rates.

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Rebuilding our Foundation

Pension Trust Funds of the State of Minnesota

Since MSRS was founded 81 years ago, we've played an important role in our members' lives. We also are a critical component of Minnesota's economy.



# 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 Net Assets* shows a 10-year history of the asset growth of the various funds. The Minnesota Management and Budget (MMB) department of the state of Minnesota administers the multiple-employer cost sharing State Employees Group Insurance Plan (SEGIP). This is the postemployment benefit plan in which MSRS employees and retirees participate. This is an unfunded plan and therefore MMB does not maintain separate assets by employer, accordingly it is not included in this schedule.

The *Schedule of Benefits and Refunds by Type* displays in detail the growth of benefits disbursed; whereas 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 remaining schedules provide demographic information about the memberships 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. 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. Please note, since all MSRS annuity benefits are computed based on the five-year highest average annual salary, that is shown on this schedule instead of the final annual salary. That, along with post-retirement benefit increases, resulted in more members receiving higher benefits as shown in the *Schedule of Retired Members by Benefit Type*. For these schedules the term benefits is used instead of allowances. MSRS benefits are nondiscretionary; they are defined in statute and can only be revised by law changes.

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

## Schedule of Changes in Plan Net Assets

For the Six Fiscal Years Ended June 30, 2010

(Dollars in thousands)

### Deferred Compensation Fund\*

	2005	2006	2007	2008	2009	2010
<b>Additions</b>						
Plan Member Contributions	\$200,397	\$211,705	\$217,446	\$231,671	\$217,415	\$228,190
Investment Income (Net of Expenses)	197,602	269,458	456,868	(93,065)	(547,303)	308,697
Other Income	7,524	4,815	6,036	4,608	3,788	2,305
<b>Total Additions to Plan Net Assets</b>	<u>\$405,523</u>	<u>\$485,978</u>	<u>\$680,350</u>	<u>\$143,214</u>	<u>\$(326,100)</u>	<u>\$539,192</u>
<b>Deductions</b>						
Ongoing Withdrawals	\$33,698	\$34,264	\$35,285	\$37,039	\$35,222	30,353
Refunds	101,912	121,636	135,419	144,837	106,009	114,889
Administrative Expenses	2,328	2,283	2,514	2,728	3,004	2,726
Other Expenses	10,136	5,451	6,726	4,577	3,409	1,715
<b>Total Deductions From Plan Net Assets</b>	<u>\$148,074</u>	<u>\$163,634</u>	<u>\$179,944</u>	<u>\$189,181</u>	<u>\$147,644</u>	<u>\$149,683</u>
<b>Change in Plan Net Assets</b>	<u>\$257,449</u>	<u>\$322,344</u>	<u>\$500,406</u>	<u>\$(45,967)</u>	<u>\$(473,744)</u>	<u>\$389,509</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 Five Fiscal Years Ended June 30, 2010  
(Dollars in thousands)

## Hennepin County Supplemental Retirement Fund\*

	2006	2007	2008	2009	2010
<b>Additions</b>					
Plan Member Contributions	\$426	\$639	\$601	\$570	\$514
Employer Contributions	426	640	601	570	515
Investment Income (Net of Expenses)	6,668	20,688	(9,625)	(20,951)	12,288
Other Income	24	53	50	34	48
<b>Total Additions to Plan Net Assets</b>	<u>\$7,544</u>	<u>\$22,020</u>	<u>\$(8,373)</u>	<u>\$(19,777)</u>	<u>\$13,365</u>
<b>Deductions</b>					
Ongoing Withdrawals	\$3,703	\$5,830	\$5,885	\$4,260	\$3,514
Refunds	378	1,677	227	322	2,244
Administrative Expenses	5	5	6	5	17
Other Expenses	0	59	41	32	35
<b>Total Deductions From Plan Net Assets</b>	<u>\$4,086</u>	<u>\$7,571</u>	<u>\$6,159</u>	<u>\$4,619</u>	<u>\$5,810</u>
<b>Change in Plan Net Assets</b>	<u>\$3,458</u>	<u>\$14,449</u>	<u>\$(14,532)</u>	<u>\$(24,396)</u>	<u>\$7,555</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, 2010

(Dollars in thousands)

## State Employees Retirement Fund

	2001	2002	2003	2004	2005
<b>Additions</b>					
Plan Member Contributions	\$74,364	\$79,487	\$83,850	\$82,103	\$83,101
Employer Contributions	73,362	76,614	80,399	78,622	80,312
Investment Income (Net of Expenses)	(529,082)	(542,346)	116,353	979,639	732,101
Other Additions	7,408	6,611	9,766	7,876	12,639
<b>Total Additions to Plan Net Assets</b>	<u>\$(373,948)</u>	<u>\$(379,634)</u>	<u>\$290,368</u>	<u>\$1,148,240</u>	<u>\$908,153</u>
<b>Deductions</b>					
Annuity Benefits	\$270,558	\$296,687	\$311,472	\$328,546	\$347,959
Refunds	9,750	8,068	8,195	10,777	10,707
Administrative Expenses	3,738	3,942	4,191	4,673	4,336
Other Expenses	3,197	2,811	2,172	1,696	693
<b>Total Deductions From Plan Net Assets</b>	<u>\$287,243</u>	<u>\$311,508</u>	<u>\$326,030</u>	<u>\$345,692</u>	<u>\$363,695</u>
<b>Change in Plan Net Assets</b>	<u>\$(661,191)</u>	<u>\$(691,142)</u>	<u>\$(35,662)</u>	<u>\$802,548</u>	<u>\$544,458</u>

## State Patrol Retirement Fund

	2001	2002	2003	2004	2005
<b>Additions</b>					
Plan Member Contributions	\$4,146	\$4,215	\$4,555	\$4,493	\$4,517
Employer Contributions	6,166	6,209	6,826	6,504	6,671
Investment Income (Net of Expenses)	(40,928)	(41,117)	9,142	73,141	55,018
Other	1	0	0	59	0
<b>Total Additions to Plan Net Assets</b>	<u>\$(30,615)</u>	<u>\$(30,693)</u>	<u>\$20,523</u>	<u>\$84,197</u>	<u>\$66,206</u>
<b>Deductions</b>					
Annuity Benefits	\$29,935	\$33,031	\$34,316	\$35,501	\$36,954
Refunds	1	60	12	17	4
Administrative Expenses	90	102	94	95	93
Other Expenses	249	171	134	129	99
<b>Total Deductions From Plan Net Assets</b>	<u>\$30,275</u>	<u>\$33,364</u>	<u>\$34,556</u>	<u>\$35,742</u>	<u>\$37,150</u>
<b>Change in Plan Net Assets</b>	<u>\$(60,890)</u>	<u>\$(64,057)</u>	<u>\$(14,033)</u>	<u>\$48,455</u>	<u>\$29,056</u>

2006	2007	2008	2009	2010
\$85,379	\$89,447	\$99,280	\$108,866	\$115,181
82,645	86,492	96,746	107,211	113,716
915,632	1,503,390	(474,845)	(1,674,387)	1,040,873
11,760	17,609	13,532	15,246	14,939
<u>\$1,095,416</u>	<u>\$1,696,938</u>	<u>\$(265,287)</u>	<u>\$(1,443,064)</u>	<u>\$1,284,709</u>
\$366,797	\$392,058	\$418,757	\$445,792	\$473,447
12,555	11,102	11,676	10,907	9,733
4,588	4,916	5,152	5,320	5,771
1,495	2,898	2,993	939	345
<u>\$385,435</u>	<u>\$410,974</u>	<u>\$438,578</u>	<u>\$462,958</u>	<u>\$489,296</u>
<u>\$709,981</u>	<u>\$1,285,964</u>	<u>\$(703,865)</u>	<u>\$(1,906,022)</u>	<u>\$795,413</u>

2006	2007	2008	2009	2010
\$4,719	\$4,987	\$5,595	\$6,216	\$6,726
7,055	7,461	8,279	9,178	10,104
64,911	100,147	(30,579)	(110,073)	68,184
0	3	0	13	41
<u>\$76,685</u>	<u>\$112,598</u>	<u>\$(16,705)</u>	<u>\$(94,666)</u>	<u>\$85,055</u>
\$38,767	\$40,581	\$42,804	\$44,480	\$46,119
52	133	6	0	3
101	112	109	104	123
190	98	178	69	0
<u>\$39,110</u>	<u>\$40,924</u>	<u>\$43,097</u>	<u>\$44,653</u>	<u>\$46,245</u>
<u>\$37,575</u>	<u>\$71,674</u>	<u>\$(59,802)</u>	<u>\$(139,319)</u>	<u>\$38,810</u>

# Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2010

(Dollars in thousands)

## Correctional Employees Retirement Fund

	2001	2002	2003	2004	2005
<b>Additions</b>					
Plan Member Contributions	\$6,996	\$7,207	\$7,611	\$7,748	\$7,943
Employer Contributions	9,651	9,925	10,480	10,627	11,016
Investment Income (Net of Expenses)	(31,082)	(32,596)	5,390	57,155	39,104
Other Additions	1,128	727	529	80	1
<b>Total Additions to Plan Net Assets</b>	<u><u>\$(13,307)</u></u>	<u><u>\$(14,737)</u></u>	<u><u>\$24,010</u></u>	<u><u>\$75,610</u></u>	<u><u>\$58,064</u></u>
<b>Deductions</b>					
Annuity Benefits	\$14,911	\$17,105	\$19,256	\$21,299	\$23,816
Refunds	660	634	607	722	649
Administrative Expenses	240	265	286	275	298
Other Expenses	261	322	327	253	277
<b>Total Deductions From Plan Net Assets</b>	<u><u>\$16,072</u></u>	<u><u>\$18,326</u></u>	<u><u>\$20,476</u></u>	<u><u>\$22,549</u></u>	<u><u>\$25,040</u></u>
<b>Change in Plan Net Assets</b>	<u><u>\$(29,379)</u></u>	<u><u>\$(33,063)</u></u>	<u><u>\$(3,534)</u></u>	<u><u>\$53,061</u></u>	<u><u>\$33,024</u></u>

## Judges Retirement Fund

	2001	2002	2003	2004	2005
<b>Additions</b>					
Plan Member Contributions	\$2,162	\$2,345	\$2,574	\$2,643	\$2,662
Employer Contributions	5,790	6,371	6,923	7,110	7,225
Investment Income (Net of Expenses)	(8,384)	(8,938)	2,588	16,922	12,354
Other Additions	2,013	2,008	10	12	10
<b>Total Additions to Plan Net Assets</b>	<u><u>\$1,581</u></u>	<u><u>\$1,786</u></u>	<u><u>\$12,095</u></u>	<u><u>\$26,687</u></u>	<u><u>\$22,251</u></u>
<b>Deductions</b>					
Annuity Benefits	\$12,228	\$13,202	\$13,558	\$13,520	\$13,750
Refunds	17	0	0	0	111
Administrative Expenses	41	57	37	31	37
Other Expenses	54	89	38	35	41
<b>Total Deductions From Plan Net Assets</b>	<u><u>\$12,340</u></u>	<u><u>\$13,348</u></u>	<u><u>\$13,633</u></u>	<u><u>\$13,586</u></u>	<u><u>\$13,939</u></u>
<b>Change in Plan Net Assets</b>	<u><u>\$(10,759)</u></u>	<u><u>\$(11,562)</u></u>	<u><u>\$(1,538)</u></u>	<u><u>\$13,101</u></u>	<u><u>\$8,312</u></u>

2006	2007	2008	2009	2010
\$8,964	\$10,032	\$12,775	\$14,031	\$15,267
12,152	13,927	18,623	20,126	21,988
				68,880
59,786	84,830	(30,673)	(107,787)	30
0	131	1,845	40	
<u>\$80,902</u>	<u>\$108,920</u>	<u>\$2,570</u>	<u>\$(73,590)</u>	<u>\$106,165</u>
\$26,162	\$28,565	\$30,932	\$33,239	\$36,078
730	752	795	1,016	1,170
336	405	410	402	455
340	358	310	150	0
<u>\$27,568</u>	<u>\$30,080</u>	<u>\$32,447</u>	<u>\$34,807</u>	<u>\$37,703</u>
<u>\$53,334</u>	<u>\$78,840</u>	<u>\$(29,877)</u>	<u>\$(108,397)</u>	<u>\$68,462</u>

2006	2007	2008	2009	2010
\$2,866	\$2,792	\$2,859	\$2,978	\$2,988
7,336	7,571	7,935	8,219	8,283
15,456	25,523	(8,874)	(26,283)	17,339
0	0	0	0	1
<u>\$25,658</u>	<u>\$35,886</u>	<u>\$1,920</u>	<u>\$(15,086)</u>	<u>\$28,611</u>
\$14,260	\$14,516	\$15,116	\$16,261	\$17,058
0	45	0	0	0
60	49	54	36	42
78	63	24	16	0
<u>\$14,398</u>	<u>\$14,673</u>	<u>\$15,194</u>	<u>\$16,313</u>	<u>\$17,100</u>
<u>\$11,260</u>	<u>\$21,213</u>	<u>\$(13,274)</u>	<u>\$(31,399)</u>	<u>\$11,511</u>

# Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2010

(Dollars in thousands)

## Legislators Retirement Fund

	2001	2002	2003	2004	2005
<b>Additions</b>					
Plan Member Contributions	\$527	\$458	\$433	\$343	\$384
Employer Contributions	0	0	0	0	0
Investment Income (Net of Expenses)	(2,414)	(2,560)	528	5,578	3,523
Other Additions	5,041	4,135	5,396	426	1,825
<b>Total Additions to Plan Net Assets</b>	<u>\$3,154</u>	<u>\$2,033</u>	<u>\$6,357</u>	<u>\$6,347</u>	<u>\$5,732</u>
<b>Deductions</b>					
Annuity Benefits	\$4,857	\$5,243	\$5,539	\$5,766	\$5,942
Refunds	72	39	94	0	0
Administrative Expenses	29	29	27	23	27
Other Expenses	32	28	40	0	3
<b>Total Deductions From Plan Net Assets</b>	<u>\$4,990</u>	<u>\$5,339</u>	<u>\$5,700</u>	<u>\$5,789</u>	<u>\$5,972</u>
<b>Change in Plan Net Assets</b>	<u>\$(1,836)</u>	<u>\$(3,306)</u>	<u>\$657</u>	<u>\$558</u>	<u>\$(240)</u>

## Elective State Officers Retirement Fund

	2001	2002	2003	2004	2005
<b>Additions</b>					
Plan 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 Additions	333	355	371	383	395
<b>Total Additions to Plan Net Assets</b>	<u>\$333</u>	<u>\$355</u>	<u>\$371</u>	<u>\$383</u>	<u>\$395</u>
<b>Deductions</b>					
Annuity Benefits	\$330	\$353	\$370	\$381	\$391
Refunds	0	0	0	0	0
Administrative Expenses	1	1	1	1	3
Other Expenses	0	0	0	0	0
<b>Total Deductions From Plan Net Assets</b>	<u>\$331</u>	<u>\$354</u>	<u>\$371</u>	<u>\$382</u>	<u>\$394</u>
<b>Change in Plan Net Assets</b>	<u>\$2</u>	<u>\$1</u>	<u>\$0</u>	<u>\$1</u>	<u>\$1</u>



2006	2007	2008	2009	2010
\$264 0	\$239 0	\$180 0	\$248 0	\$171 0
3,539 5,704	6,808 1,783	(1,233) 2,217	(5,021) 1,269	3,199 1,975
<u>\$9,507</u>	<u>\$8,830</u>	<u>\$1,164</u>	<u>\$(3,504)</u>	<u>\$5,345</u>
\$6,094 78 33 34	\$6,390 35 29 26	\$6,786 1 34 3	\$7,016 0 26 0	\$7,159 0 28 0
<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>	<u>\$7,187</u> <u>\$(1,842)</u>

2006	2007	2008	2009	2010
\$0 0	\$0 0	\$0 0	\$0 0	\$0 0
0 417	0 428	0 434	0 442	0 453
<u>\$417</u>	<u>\$428</u>	<u>\$434</u>	<u>\$442</u>	<u>\$453</u>
\$409 0 5 0	\$419 0 4 0	\$430 0 4 0	\$440 0 1 0	\$451 0 1 0
<u>\$414</u> <u>\$3</u>	<u>\$423</u> <u>\$5</u>	<u>\$434</u> <u>\$0</u>	<u>\$441</u> <u>\$1</u>	<u>\$452</u> <u>\$1</u>

# Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2010

(Dollars in thousands)

## Unclassified Employees Retirement Fund

	2001	2002	2003	2004	2005
<b>Additions</b>					
Plan Member Contributions	\$4,560	\$4,951	\$4,642	\$4,258	\$4,296
Employer Contributions	6,120	6,310	6,165	5,877	5,821
Investment Income (Net of Expenses)	(22,158)	(26,236)	6,182	31,352	19,794
Other Additions	1,265	1,361	824	552	535
<b>Total Additions to Plan Net Assets</b>	<u><u>\$(10,213)</u></u>	<u><u>\$(13,614)</u></u>	<u><u>\$17,813</u></u>	<u><u>\$42,039</u></u>	<u><u>\$30,446</u></u>
<b>Deductions</b>					
Refunds	8,227	5,655	5,203	6,206	8,947
Administrative Expenses	171	215	200	196	183
Other Expenses	7,200	6,005	9,626	7,498	12,112
<b>Total Deductions From Plan Net Assets</b>	<u><u>\$15,598</u></u>	<u><u>\$11,875</u></u>	<u><u>\$15,029</u></u>	<u><u>\$13,900</u></u>	<u><u>\$21,242</u></u>
<b>Change in Plan Net Assets</b>	<u><u>\$(25,811)</u></u>	<u><u>\$(25,489)</u></u>	<u><u>\$2,784</u></u>	<u><u>\$28,139</u></u>	<u><u>\$9,204</u></u>

## Health Care Savings Plan\*

	2002	2003	2004	2005
<b>Additions</b>				
Plan Member Contributions	\$3,298	\$26,892	\$37,273	\$42,519
Investment Income (Net of Expenses)	9	506	1,404	2,810
Other Additions	5	58	230	376
<b>Total Additions to Plan Net Assets</b>	<u><u>\$3,312</u></u>	<u><u>\$27,456</u></u>	<u><u>\$38,907</u></u>	<u><u>\$45,705</u></u>
<b>Deductions</b>				
Health Care Reimbursements	\$389	\$4,056	\$9,260	\$13,417
Administrative Expenses	202	480	763	716
Other Expenses	0	0	0	8
<b>Total Deductions From Plan Net Assets</b>	<u><u>\$591</u></u>	<u><u>\$4,536</u></u>	<u><u>\$10,023</u></u>	<u><u>\$14,141</u></u>
<b>Change in Plan Net Assets</b>	<u><u>\$2,721</u></u>	<u><u>\$22,920</u></u>	<u><u>\$28,884</u></u>	<u><u>\$31,564</u></u>

\*This fund began operation in fiscal year 2002.

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$4,368	\$5,476	\$5,209	\$4,660	\$4,472
5,932	6,258	6,362	6,514	6,333
20,844	68,142	(3,949)	(46,746)	28,860
<u>828</u>	<u>2,028</u>	<u>878</u>	<u>426</u>	<u>259</u>
<u>\$31,972</u>	<u>\$81,904</u>	<u>\$8,500</u>	<u>\$(35,146)</u>	<u>\$39,924</u>
\$6,173	\$29,994	\$23,256	\$5,009	\$5,691
256	166	157	229	164
<u>11,531</u>	<u>17,255</u>	<u>13,282</u>	<u>14,850</u>	<u>14,652</u>
<u>\$17,960</u>	<u>\$47,415</u>	<u>\$36,695</u>	<u>\$20,088</u>	<u>\$20,507</u>
<u>\$14,012</u>	<u>\$34,489</u>	<u>\$(28,195)</u>	<u>\$(55,234)</u>	<u>\$19,417</u>

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$52,562	\$59,515	\$73,082	\$82,920	\$90,445
5,092	12,698	(2,336)	(13,942)	13,032
502	1,031	1,318	1,438	63
<u>\$58,156</u>	<u>\$73,244</u>	<u>\$72,064</u>	<u>\$70,416</u>	<u>\$103,540</u>
\$18,300	\$23,470	\$27,548	\$31,088	\$ 35,613
724	844	1,090	1,523	1,388
0	0	0	0	743
<u>\$19,024</u>	<u>\$24,314</u>	<u>\$28,638</u>	<u>\$32,611</u>	<u>\$37,744</u>
<u>\$39,132</u>	<u>\$48,930</u>	<u>\$43,426</u>	<u>\$37,805</u>	<u>\$65,796</u>

# Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2010

(Dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Actual Covered Payroll	Percentage Employer Contributions*
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## State Employees Retirement Fund

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
2010	115,181	113,716	1,040,873	14,939	1,284,709	2,327,398	4.75

## State Patrol Retirement Fund

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
2010	6,726	10,104	68,184	41	85,055	63,250	14.60

## Correctional Employees Retirement Fund

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
2010	15,267	21,988	68,880	30	106,165	192,450	11.10

\*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, 2010

(Dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Total	Actual Covered Payroll	Percentage Employer Contributions
<b>Judges Retirement Fund</b>							
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
2010	2,988	8,283	17,339	1	28,611	36,723	20.50
<b>Legislators Retirement Fund</b>							
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
2010	171	N/A	3,199	1,975	5,345	1,877	N/A
<b>Elective State Officers Retirement Fund**</b>							
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
2010	0	0	0	453	453	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, 2010  
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other	Total
<b>State Employees Retirement Fund</b>					
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
2010	473,447	5,771	9,733	345	489,296
<b>State Patrol Retirement Fund</b>					
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
2010	46,119	123	3	0	46,245
<b>Correctional Employees Retirement Fund</b>					
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
2010	36,078	455	1,170	0	37,703

# Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2010  
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other	Total
<b>Judges Retirement Fund</b>					
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
2010	17,058	42	0	0	17,100
<b>Legislators Retirement Fund</b>					
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
2010	7,159	28	0	0	7,187
<b>Elective State Officers Retirement Fund</b>					
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
2010	451	1	0	0	452

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, 2010

(Dollars in thousands)

## State Employees Retirement Fund

	2001	2002	2003	2004	2005
<b>Benefits by Type</b>					
Retirement	\$233,734	\$254,601	\$266,208	\$279,916	\$299,463
Survivor	25,467	29,021	31,290	33,417	36,198
Disability	11,357	13,065	13,974	15,213	12,298
Total	<u>\$270,558</u>	<u>\$296,687</u>	<u>\$311,472</u>	<u>\$328,546</u>	<u>\$347,959</u>
<b>Refunds by Type</b>					
Separation	\$6,429	\$5,217	\$4,918	\$6,874	\$6,381
Death	643	679	795	665	615
Interest	2,678	2,172	2,482	3,238	3,711
Total	<u>\$9,750</u>	<u>\$8,068</u>	<u>\$8,195</u>	<u>\$10,777</u>	<u>\$10,707</u>

## State Patrol Retirement Fund

	2001	2002	2003	2004	2005
<b>Benefits by Type</b>					
Retirement	\$25,487	\$28,125	\$29,138	\$30,201	\$31,242
Survivor	3,617	3,927	4,093	4,123	4,401
Disability	831	979	1,085	1,177	1,311
Total	<u>\$29,935</u>	<u>\$33,031</u>	<u>\$34,316</u>	<u>\$35,501</u>	<u>\$36,954</u>
<b>Refunds by Type</b>					
Separation	\$1	\$50	\$3	\$5	\$4
Death	0	0	0	0	0
Interest	0	10	9	12	0
Total	<u>\$1</u>	<u>\$60</u>	<u>\$12</u>	<u>\$17</u>	<u>\$4</u>

## Correctional Employees Retirement Fund

	2001	2002	2003	2004	2005
<b>Benefits by Type</b>					
Retirement	\$12,623	\$14,465	\$16,098	\$17,837	\$20,054
Survivor	598	709	824	915	1,026
Disability	1,690	1,931	2,334	2,547	2,736
Total	<u>\$14,911</u>	<u>\$17,105</u>	<u>\$19,256</u>	<u>\$21,299</u>	<u>\$23,816</u>
<b>Refunds by Type</b>					
Separation	\$532	\$476	\$451	\$564	\$425
Death	1	28	33	30	85
Interest	127	130	123	128	139
Total	<u>\$660</u>	<u>\$634</u>	<u>\$607</u>	<u>\$722</u>	<u>\$649</u>



2006	2007	2008	2009	2010
\$310,380	\$331,464	\$354,317	\$377,343	\$400,703
38,758	41,816	44,403	47,345	50,822
17,659	18,778	20,037	21,104	21,922
<u>\$366,797</u>	<u>\$392,058</u>	<u>\$418,757</u>	<u>\$445,792</u>	<u>\$473,447</u>

\$7,270	\$6,462	\$6,657	\$5,484	\$5,556
864	937	1,162	1,478	756
4,421	3,703	3,857	3,945	3,421
<u>\$12,555</u>	<u>\$11,102</u>	<u>\$11,676</u>	<u>\$10,907</u>	<u>\$9,733</u>

2006	2007	2008	2009	2010
\$32,539	\$33,911	\$35,561	\$37,167	\$38,560
4,667	5,079	5,510	5,560	5,600
1,561	1,591	1,733	1,753	1,959
<u>\$38,767</u>	<u>\$40,581</u>	<u>\$42,804</u>	<u>\$44,480</u>	<u>\$46,119</u>

\$37	\$77	\$6	\$0	\$3
0	0	0	0	0
15	56	0	0	0
<u>\$52</u>	<u>\$133</u>	<u>\$6</u>	<u>\$0</u>	<u>\$3</u>

2006	2007	2008	2009	2010
\$21,981	\$24,069	\$26,133	\$28,167	\$30,637
1,150	1,307	1,404	1,515	1,618
3,031	3,189	3,395	3,557	3,823
<u>\$26,162</u>	<u>\$28,565</u>	<u>\$30,932</u>	<u>\$33,239</u>	<u>\$36,078</u>

\$569	\$568	\$631	\$724	\$758
0	36	13	64	62
161	148	151	228	350
<u>\$730</u>	<u>\$752</u>	<u>\$795</u>	<u>\$1,016</u>	<u>\$1,170</u>

# Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2010

(Dollars in thousands)

## Judges Retirement Fund

	2001	2002	2003	2004	2005
<b>Benefits by Type</b>					
Retirement	\$9,094	\$9,609	\$9,917	\$9,827	\$9,998
Survivor	2,848	3,211	3,224	3,270	3,303
Disability	286	382	417	423	449
Total	<u>\$12,228</u>	<u>\$13,202</u>	<u>\$13,558</u>	<u>\$13,520</u>	<u>\$13,750</u>
<b>Refunds by Type</b>					
Separation	\$13	\$0	\$0	\$0	\$74
Death	0	0	0	0	0
Interest	4	0	0	0	37
Total	<u>\$17</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$111</u>

## Legislators Retirement Fund\*

	2001	2002	2003	2004	2005
<b>Benefits by Type</b>					
Retirement	\$4,266	\$4,444	\$4,737	\$4,977	\$5,108
Survivor	591	799	802	789	834
Total	<u>\$4,857</u>	<u>\$5,243</u>	<u>\$5,539</u>	<u>\$5,766</u>	<u>\$5,942</u>
<b>Refunds by Type</b>					
Separation	\$33	\$0	\$33	\$0	\$0
Death	0	12	0	0	0
Interest	39	27	61	0	0
Total	<u>\$72</u>	<u>\$39</u>	<u>\$94</u>	<u>\$0</u>	<u>\$0</u>

\*This fund does not provide disability benefits.

## Elective State Officers Retirement Fund\*\*

	2001	2002	2003	2004	2005
<b>Benefits by Type</b>					
Retirement	\$223	\$239	\$252	\$293	\$308
Survivor	107	114	118	88	83
Total	<u>\$330</u>	<u>\$353</u>	<u>\$370</u>	<u>\$381</u>	<u>\$391</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.

2006	2007	2008	2009	2010
\$10,359	\$10,467	\$10,959	\$10,528	\$10,996
3,314	3,427	3,520	3,906	4,202
587	622	637	1,827	1,860
<u>\$14,260</u>	<u>\$14,516</u>	<u>\$15,116</u>	<u>\$16,261</u>	<u>\$17,058</u>

\$0	\$38	\$0	\$0	\$0
0	0	0	0	0
0	7	0	0	0
<u>\$0</u>	<u>\$45</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

2006	2007	2008	2009	2010
\$5,275	\$5,496	\$5,837	\$5,983	\$6,007
819	894	949	1,033	1,152
<u>\$6,094</u>	<u>\$6,390</u>	<u>\$6,786</u>	<u>\$7,016</u>	<u>\$7,159</u>

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

2006	2007	2008	2009	2010
\$324	\$332	\$340	\$348	\$347
85	87	90	92	94
<u>\$409</u>	<u>\$419</u>	<u>\$430</u>	<u>\$440</u>	<u>\$451</u>

# Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2010

(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

06/30/01	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
06/30/10	37.1	35.9	36.4	33.6	32.7	33.1	47.7	46.3	47.0	13.3	12.1	12.7

## State Patrol Retirement Fund

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
06/30/10	39.4	N/A	39.4	29.0	28.7	29.0	41.9	40.9	41.8	12.8	12.0	12.7

# Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2010

(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

## Correctional Employees Retirement Fund

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
06/30/10	36.1	38.0	37.1	32.0	34.5	32.9	41.6	41.6	41.6	9.3	6.7	8.4

## Judges Retirement Fund

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
06/30/10	49.4	43.8	47.1	47.0	44.5	46.2	58.6	53.4	56.5	10.8	8.8	10.1

# Schedule of Retired Members by Type of Benefit

As of June 30, 2010

## State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	6,793	5,690	356	747	4,170	2,245	246	132
\$500-\$999	5,804	4,401	495	908	3,259	2,239	228	78
\$1,000-\$1,499	4,770	3,693	403	674	2,620	1,962	142	46
\$1,500-\$1,999	3,741	3,050	257	434	1,856	1,773	82	30
\$2,000-\$2,499	2,839	2,484	106	249	1,327	1,457	34	21
\$2,500-\$2,999	1,788	1,591	34	163	783	976	19	10
\$3,000-\$3,499	1,128	1,018	15	95	456	652	11	9
\$3,500-\$3,999	675	615	5	55	254	415	1	5
\$4,000-\$4,499	408	366	2	40	166	234	4	4
\$4,500-\$4,999	243	221	1	21	95	142	2	4
\$5,000+	246	220	0	26	77	168	0	1
<b>Totals</b>	<b>28,435</b>	<b>23,349</b>	<b>1,674</b>	<b>3,412</b>	<b>15,063</b>	<b>12,263</b>	<b>769</b>	<b>340</b>

**Type:**

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

**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	18	9	0	9	8	4	6	0
\$500-\$999	32	8	2	22	9	10	13	0
\$1,000-\$1,499	29	11	1	17	12	10	7	0
\$1,500-\$1,999	36	12	3	21	13	19	4	0
\$2,000-\$2,499	58	15	5	38	15	35	8	0
\$2,500-\$2,999	50	18	4	28	15	31	4	0
\$3,000-\$3,499	77	50	9	18	29	46	2	0
\$3,500-\$3,999	74	54	8	12	28	44	2	0
\$4,000-\$4,499	107	93	6	8	33	72	2	0
\$4,500-\$4,999	106	95	5	6	39	65	2	0
\$5,000+	337	319	5	13	174	161	2	0
<b>Totals</b>	<b>924</b>	<b>684</b>	<b>48</b>	<b>192</b>	<b>375</b>	<b>497</b>	<b>52</b>	<b>0</b>

**Type:**

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

**Option:**

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

# Schedule of Retired Members by Type of Benefit

As of June 30, 2010

## Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	269	219	9	41	186	57	22	4
\$500-\$999	323	266	17	40	234	71	17	1
\$1,000-\$1,499	326	213	81	32	235	80	9	2
\$1,500-\$1,999	295	215	57	23	208	79	6	2
\$2,000-\$2,499	239	208	25	6	178	59	1	1
\$2,500-\$2,999	151	134	13	4	119	31	1	0
\$3,000-\$3,499	135	131	3	1	109	26	0	0
\$3,500-\$3,999	59	58	0	1	48	11	0	0
\$4,000-\$4,499	35	34	0	1	24	11	0	0
\$4,500-\$4,999	13	13	0	0	13	0	0	0
\$5,000+	14	14	0	0	13	1	0	0
<b>Totals</b>	<u>1,859</u>	<u>1,505</u>	<u>205</u>	<u>149</u>	<u>1,367</u>	<u>426</u>	<u>56</u>	<u>10</u>

**Type:**

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

**Option:**

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

## 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	2	0	0	2	0	0	2	0
\$1,000-\$1,499	9	5	0	4	3	2	2	2
\$1,500-\$1,999	11	5	0	6	5	6	0	0
\$2,000-\$2,499	11	3	0	8	6	4	1	0
\$2,500-\$2,999	23	10	0	13	6	14	3	0
\$3,000-\$3,499	17	7	1	9	4	11	2	0
\$3,500-\$3,999	24	7	2	15	6	13	5	0
\$4,000-\$4,499	29	16	3	10	7	20	2	0
\$4,500-\$4,999	26	15	5	6	9	14	2	1
\$5,000+	139	103	15	21	45	81	6	7
<b>Totals</b>	<u>291</u>	<u>171</u>	<u>26</u>	<u>94</u>	<u>91</u>	<u>165</u>	<u>25</u>	<u>10</u>

**Type:**

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

**Option:**

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

# Schedule of Retired Members by Type of Benefit

As of June 30, 2010

## Legislators Retirement Fund

Monthly Benefit Amount	Number of Retirees	Legislators		Option Selected		
		Member	Survivor	Life	I	II
\$0-\$499	29	14	15	11	3	15
\$500-\$999	91	66	25	45	22	24
\$1,000-\$1,499	87	70	17	47	24	16
\$1,500-\$1,999	48	40	8	22	18	8
\$2,000-\$2,499	40	33	7	27	7	6
\$2,500-\$2,999	18	17	1	10	7	1
\$3,000-\$3,499	17	14	3	12	2	3
\$3,500-\$3,999	8	8	0	5	3	0
\$4,000-\$4,499	10	7	3	5	2	3
\$4,500-\$4,999	3	3	0	2	1	0
\$5,000+	8	7	1	4	3	1
<b>Totals</b>	<u>359</u>	<u>279</u>	<u>80</u>	<u>190</u>	<u>92</u>	<u>77</u>

**Option:**

Life     Single life annuity  
 I        Joint and Survivor annuity  
 II       Life plus 50 percent survivors

## Elective State Officers Retirement Fund

Monthly Benefit Amount	Number of Retirees	Elective State Officers		Option Selected		
		Member	Survivor	Life	I	II
\$0-\$499	1	1	0	1	0	0
\$500-\$999	6	4	2	4	0	2
\$1,000-\$1,499	1	1	0	1	0	0
\$1,500-\$1,999	1	0	1	0	0	1
\$2,000-\$2,499	0	0	0	0	0	0
\$2,500-\$2,999	1	1	0	0	1	0
\$3,000-\$3,499	0	0	0	0	0	0
\$3,500-\$3,999	0	0	0	0	0	0
\$4,000-\$4,499	2	1	1	1	0	1
\$4,500-\$4,999	1	1	0	1	0	0
\$5,000+	2	2	0	2	0	0
<b>Totals</b>	<u>15</u>	<u>11</u>	<u>4</u>	<u>10</u>	<u>1</u>	<u>4</u>

**Option:**

Life     Single life annuity  
 I        Joint and Survivor annuity  
 II       Life plus 50 percent survivors



# Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2010

## State Employees Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/00 to 6/30/01:</b>								
Average Monthly Benefit	\$115	\$349	\$437	\$758	\$1,002	\$1,284	\$2,016	\$1,048
Number of New Retirees*	182	112	148	156	177	141	355	1,271
Average High-Five Salary**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Period 7/1/01 to 6/30/02:</b>								
Average Monthly Benefit	\$138	\$331	\$571	\$772	\$1,006	\$1,402	\$1,980	\$1,124
Number of New Retirees	175	138	157	152	129	138	359	1,248
Average High-Five Salary	\$3,610	\$2,956	\$3,019	\$3,063	\$3,319	\$3,485	\$3,731	\$3,388
<b>Period 7/1/02 to 6/30/03:</b>								
Average Monthly Benefit	\$179	\$360	\$579	\$851	\$1,139	\$1,508	\$2,178	\$1,124
Number of New Retirees	217	112	150	130	115	147	332	1,203
Average High-Five Salary	\$3,812	\$2,932	\$3,364	\$3,227	\$3,413	\$3,769	\$4,336	\$3,712
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$191	\$236	\$374	\$702	\$923	\$1,274	\$1,931	\$1,194
Number of New Retirees	111	119	187	209	203	203	706	1,738
Average High-Five Salary	\$3,830	\$3,161	\$3,556	\$3,586	\$3,609	\$3,882	\$4,288	\$3,892
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$140	\$345	\$636	\$891	\$1,184	\$1,554	\$2,282	\$1,148
Number of New Retirees	209	146	157	142	166	166	327	1,313
Average High-Five Salary	\$4,159	\$3,304	\$3,393	\$3,403	\$3,744	\$3,807	\$4,514	\$3,882
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$137	\$341	\$667	\$945	\$1,237	\$1,547	\$2,310	\$1,203
Number of New Retirees	202	187	165	149	175	188	391	1,457
Average High-Five Salary	\$4,102	\$3,261	\$3,549	\$3,884	\$3,800	\$4,027	\$4,563	\$3,987
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$136	\$371	\$634	\$983	\$1,235	\$1,629	\$2,288	\$1,291
Number of New Retirees	231	174	188	203	218	203	526	1,743
Average High-Five Salary	\$4,317	\$3,267	\$3,266	\$3,686	\$3,782	\$4,075	\$4,525	\$4,004
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$147	\$428	\$740	\$1,026	\$1,395	\$1,691	\$2,335	\$1,338
Number of New Retirees	224	184	163	209	198	208	541	1,727
Average High-Five Salary	\$4,435	\$3,737	\$3,728	\$3,928	\$4,089	\$4,227	\$4,568	\$4,203
<b>Period 7/1/08 to 6/30/09:</b>								
Average Monthly Benefit	\$150	\$421	\$712	\$1,068	\$1,362	\$1,744	\$2,399	\$1,367
Number of New Retirees	201	183	173	168	176	197	447	1,545
Average High-Five Salary	\$4,278	\$3,718	\$3,767	\$3,957	\$3,853	\$4,267	\$4,816	\$4,225
<b>Period 7/1/09 to 6/30/10:</b>								
Average Monthly Benefit	\$151	\$433	\$683	\$1,022	\$1,414	\$1,712	\$2,416	\$1,389
Totals - New Retirees	252	204	178	166	241	199	606	1,846
Average High-Five Salary	\$4,548	\$3,849	\$3,607	\$3,992	\$4,111	\$4,237	\$4,778	\$4,315
<b>Period 7/1/00 to 6/30/10:</b>								
Average Monthly Benefit	\$147	\$369	\$614	\$904	\$1,206	\$1,547	\$2,215	\$1,230
Totals - New Retirees	2,004	1,559	1,666	1,684	1,798	1,790	4,590	15,091
Average High-Five Salary	\$3,782	\$3,157	\$3,175	\$3,321	\$3,420	\$3,688	\$4,132	\$3,651

**Note:**

\*Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and Qualified Domestic Relations Order starts.

\*\*Average high-five salaries not available.

# Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2010

## State Patrol Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/00 to 6/30/01:</b>								
Average Monthly Benefit	\$517	\$776	\$878	\$2,462	\$2,935	\$3,980	\$4,169	\$3,467
Number of New Retirees	2	2	1	1	7	13	17	43
Average High-Five Salary**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Period 7/1/01 to 6/30/02:</b>								
Average Monthly Benefit	\$642	\$0	\$1,630	\$2,256	\$3,166	\$3,887	\$4,505	\$3,526
Number of New Retirees	1	0	3	4	4	12	11	35
Average High-Five Salary	\$4,426	\$0	\$5,149	\$3,082	\$5,111	\$4,842	\$4,227	\$4,493
<b>Period 7/1/02 to 6/30/03:</b>								
Average Monthly Benefit	\$776	\$864	\$0	\$2,635	\$3,463	\$3,618	\$4,797	\$3,419
Number of New Retirees	1	3	0	4	5	11	8	32
Average High-Five Salary	\$7,295	\$4,497	\$0	\$4,851	\$3,707	\$5,261	\$5,572	\$5,037
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$295	\$2,110	\$2,267	\$2,293	\$3,653	\$4,649	\$3,876
Number of New Retirees	0	1	1	2	4	7	19	33
Average High-Five Salary	\$0	\$0	\$5,794	\$5,136	\$5,272	\$5,459	\$6,372	\$5,953
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$280	\$0	\$0	\$3,081	\$3,424	\$3,814	\$4,240	\$3,467
Number of New Retirees	2	0	0	2	6	8	6	24
Average High-Five Salary	\$5,723	\$0	\$0	\$5,943	\$5,542	\$5,543	\$5,483	\$5,576
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$0	\$1,104	\$1,903	\$2,664	\$3,504	\$4,742	\$5,180	\$3,943
Number of New Retirees	0	3	2	4	6	10	10	35
Average High-Five Salary	\$0	\$6,345	\$5,656	\$5,931	\$6,358	\$6,471	\$6,592	\$6,367
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$1,829	\$1,633	\$3,158	\$3,403	\$4,634	\$3,887	\$3,534
Number of New Retirees	0	2	1	10	8	6	10	37
Average High-Five Salary	\$0	\$5,694	\$4,463	\$6,379	\$5,701	\$6,406	\$4,496	\$5,639
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$185	\$774	\$1,986	\$2,788	\$3,151	\$4,469	\$4,256	\$3,541
Number of New Retirees	1	2	3	6	6	12	13	43
Average High-Five Salary	\$4,992	\$5,020	\$6,769	\$5,475	\$5,304	\$6,093	\$5,918	\$5,815
<b>Period 7/1/08 to 6/30/09:</b>								
Average Monthly Benefit	\$0	\$788	\$2,053	\$3,471	\$4,204	\$4,435	\$3,842	\$3,793
Number of New Retirees	0	2	3	2	3	14	11	35
Average High-Five Salary	\$0	\$6,121	\$5,846	\$5,642	\$6,274	\$6,098	\$6,467	\$6,183
<b>Period 7/1/09 to 6/30/10:</b>								
Average Monthly Benefit	\$444	\$827	\$1,889	\$0	\$3,652	\$4,840	\$4,343	\$3,441
Totals - New Retirees	4	3	3	0	7	10	10	37
Average High-Five Salary	\$5,677	\$3,993	\$5,557	\$0	\$6,061	\$6,858	\$7,092	\$6,305
<b>Period 7/1/00 to 6/30/10:</b>								
Average Monthly Benefit	\$553	\$1,011	\$1,889	\$2,828	\$3,368	\$4,243	\$4,422	\$3,620
Totals - New Retirees	9	15	16	34	49	90	98	311
Average High-Five Salary	\$5,652	\$5,211	\$5,721	\$5,457	\$5,513	\$5,875	\$5,866	\$5,723

**Note:**

\*Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and Qualified Domestic Relations Order starts.

\*\*Average high-five salaries not available.

# Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2010

## Correctional Employees Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/00 to 6/30/01:</b>								
Average Monthly Benefit	\$253	\$640	\$1,114	\$1,289	\$1,801	\$2,912	\$3,757	\$1,516
Number of New Retirees*	11	15	7	18	19	19	4	88
Average High-Five Salary**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Period 7/1/01 to 6/30/02:</b>								
Average Monthly Benefit	\$372	\$650	\$1,135	\$1,341	\$1,996	\$2,487	\$2,680	\$1,443
Number of New Retirees	15	20	21	28	32	19	3	138
Average High-Five Salary	\$3,175	\$3,377	\$3,471	\$3,576	\$3,502	\$3,923	\$3,502	\$3,517
<b>Period 7/1/02 to 6/30/03:</b>								
Average Monthly Benefit	\$335	\$687	\$1,203	\$1,419	\$1,894	\$2,943	\$3,609	\$1,471
Number of New Retirees	20	20	18	24	24	19	3	128
Average High-Five Salary	\$3,795	\$3,842	\$3,858	\$3,559	\$3,535	\$4,256	\$4,432	\$3,804
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$158	\$500	\$764	\$1,099	\$1,328	\$2,245	\$2,393	\$1,426
Number of New Retirees	9	10	24	24	16	23	28	134
Average High-Five Salary	\$4,315	\$3,103	\$3,691	\$3,640	\$3,794	\$4,275	\$5,323	\$4,133
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$429	\$778	\$1,294	\$1,707	\$2,113	\$2,943	\$3,277	\$1,842
Number of New Retirees	12	13	22	12	16	26	8	109
Average High-Five Salary	\$4,166	\$3,751	\$3,950	\$4,081	\$3,847	\$4,389	\$4,507	\$4,095
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$256	\$778	\$1,125	\$1,711	\$2,198	\$2,950	\$4,089	\$1,590
Number of New Retirees	12	23	23	21	23	12	5	119
Average High-Five Salary	\$4,080	\$3,877	\$3,754	\$4,096	\$4,357	\$4,340	\$5,186	\$4,107
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$339	\$751	\$1,365	\$1,474	\$2,266	\$2,674	\$3,690	\$1,580
Number of New Retirees	18	33	28	23	18	11	16	147
Average High-Five Salary	\$4,556	\$3,866	\$4,157	\$3,773	\$4,136	\$4,036	\$4,903	\$4,150
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$407	\$774	\$1,265	\$1,501	\$2,044	\$2,841	\$3,171	\$1,504
Number of New Retirees	17	32	18	22	13	17	10	129
Average High-Five Salary	\$5,018	\$4,059	\$3,815	\$3,592	\$3,967	\$4,367	\$4,667	\$4,150
<b>Period 7/1/08 to 6/30/09:</b>								
Average Monthly Benefit	\$343	\$822	\$1,318	\$1,567	\$2,315	\$3,003	\$3,458	\$1,671
Number of New Retirees	19	22	23	23	16	17	12	132
Average High-Five Salary	\$4,308	\$4,444	\$4,014	\$3,801	\$4,738	\$4,603	\$5,099	\$4,353
<b>Period 7/1/09 to 6/30/10:</b>								
Average Monthly Benefit	\$440	\$812	\$1,386	1,583	\$2,416	\$2,611	\$3,101	\$1,494
Number of New Retirees	35	28	23	36	21	12	14	169
Average High-Five Salary	\$4,217	\$4,315	\$4,452	\$3,999	\$4,479	\$4,680	\$4,356	\$4,307
<b>Period 7/1/00 to 6/30/10:</b>								
Average Monthly Benefit	\$355	\$699	\$1,204	1,461	\$2,042	\$2,750	\$3,138	\$1,541
Number of New Retirees	168	216	207	231	198	170	103	1,293
Average High-Five Salary	\$3,928	\$3,654	\$3,787	\$3,485	\$3,612	\$3,959	\$4,684	\$3,797

**Note:**

\*Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and Qualified Domestic Relations Order starts.

\*\*Average high-five salaries not available.

# Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2010

## Judges Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/00 to 6/30/01:</b>								
Average Monthly Benefit	\$0	\$0	\$2,241	\$3,373	\$4,085	\$0	\$0	\$3,388
Number of New Retirees*	0	0	3	3	5	0	0	11
Average High-Five Salary**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Period 7/1/01 to 6/30/02:</b>								
Average Monthly Benefit	\$642	\$0	\$1,630	\$2,256	\$3,166	\$3,887	\$4,505	\$3,526
Number of New Retirees	1	0	3	4	4	12	11	35
Average High-Five Salary	\$7,280	\$0	\$7,717	\$7,949	\$7,925	\$7,644	\$7,945	\$7,801
<b>Period 7/1/02 to 6/30/03:</b>								
Average Monthly Benefit	\$0	\$1,647	\$3,207	\$0	\$4,960	\$0	\$0	\$3,986
Number of New Retirees	0	1	2	0	4	0	05	7
Average High-Five Salary	\$0	\$9,174	\$8,172	\$0	\$8,169	\$0	\$0	\$8,313
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$1,496	\$0	\$4,247	\$4,516	\$4,421	\$6,073	\$4,217
Number of New Retirees	0	1	0	2	2	1	1	7
Average High-Five Salary	\$0	\$7,125	\$0	\$8,571	\$8,666	\$8,989	\$8,989	\$7,227
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$0	\$0	\$3,296	\$3,346	\$5,317	\$0	\$0	\$4,184
Number of New Retirees	0	0	1	3	3	0	0	7
Average High-Five Salary	\$0	\$0	\$9,089	\$8,858	\$9,207	\$0	\$0	\$9,040
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$0	\$1,879	\$3,386	\$4,096	\$5,635	\$5,313	\$0	\$4,678
Number of New Retirees	0	1	2	5	8	1	0	17
Average High-Five Salary	\$0	\$6,685	\$9,256	\$9,397	\$9,453	\$9,200	\$0	\$8,842
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$2,064	\$2,624	\$3,823	\$5,993	\$0	\$0	\$4,281
Number of New Retirees	0	1	3	3	5	0	0	12
Average High-Five Salary	\$0	\$8,821	\$9,725	\$9,730	\$9,696	\$0	\$0	\$9,639
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$2,606	\$3,038	\$4,243	\$5,252	\$5,588	\$0	\$4,675
Number of New Retirees	0	1	3	2	12	1	0	19
Average High-Five Salary	\$0	\$11,235	\$9,934	\$9,991	\$8,516	\$9,868	\$0	\$9,109
<b>Period 7/1/08 to 6/30/09:</b>								
Average Monthly Benefit	\$0	\$0	\$4,538	\$4,698	\$4,539	\$0	\$0	\$4,594
Number of New Retirees	0	0	1	2	3	0	0	6
Average High-Five Salary	\$0	\$0	\$10,727	\$10,119	\$10,048	\$0	\$0	\$10,185
<b>Period 7/1/09 to 6/30/10:</b>								
Average Monthly Benefit	\$0	\$1,347	\$3,383	\$4,880	\$5,975	\$0	\$0	\$5,387
Totals - New Retirees	0	1	1	2	12	0	0	16
Average High-Five Salary	\$0	\$7,079	\$10,299	\$10,084	\$10,348	\$0	\$0	\$10,108
<b>Period 7/1/00 to 6/30/10:</b>								
Average Monthly Benefit	\$642	\$1,840	\$2,558	\$3,741	\$5,195	\$4,131	\$4,636	\$4,208
Totals - New Retirees	1	6	19	26	58	15	12	137
Average High-Five Salary	\$7,280	\$8,353	\$7,742	\$8,157	\$8,447	\$7,986	\$8,032	\$8,080

**Note:**

\*Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and Qualified Domestic Relations Order starts.

\*\*Average high-five salaries not available.

# Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2010

## Legislators Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/00 to 6/30/01:</b>								
Average Monthly Benefit	\$0	\$895	\$880	\$1,321	\$3,238	\$2,779	\$0	\$1,427
Number of New Retirees*	0	6	6	3	3	1	0	19
Average High-Five Salary**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Period 7/1/01 to 6/30/02:</b>								
Average Monthly Benefit	\$336	\$0	\$1,572	\$0	\$0	\$2,081	\$0	\$1,481
Number of New Retirees	1	0	6	0	0	1	0	8
Average High-Five Salary	\$5,881	\$0	\$5,093	\$0	\$0	\$3,157	\$0	\$4,949
<b>Period 7/1/02 to 6/30/03:</b>								
Average Monthly Benefit	\$0	\$623	\$1,168	\$0	\$1,416	\$2,418	\$2,887	\$1,571
Number of New Retirees	0	4	8	0	2	4	3	21
Average High-Five Salary	\$0	\$2,073	\$3,725	\$0	\$3,109	\$3,150	\$3,144	\$3,159
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$780	\$467	\$1,086	\$0	\$2,104	\$0	\$911
Number of New Retirees	0	5	2	2	0	1	0	10
Average High-Five Salary	\$0	\$2,238	\$0	\$2,158	\$0	\$3,017	\$0	\$1,852
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$391	\$1,206	\$897	\$0	\$2,777	\$0	\$0	\$1,020
Number of New Retirees	3	2	2	0	1	0	0	8
Average High-Five Salary	\$6,496	\$8,126	\$3,191	\$0	\$2,079	\$0	\$0	\$5,525
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$690	\$1,161	\$1,627	\$0	\$0	\$0	\$0	\$1,102
Number of New Retirees	2	5	1	0	0	0	0	8
Average High-Five Salary	\$9,298	\$3,090	\$1,650	\$0	\$0	\$0	\$0	\$4,462
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$1,225	\$1,340	\$1,707	\$2,057	\$2,567	\$3,038	\$1,661
Number of New Retirees	0	7	6	2	2	3	1	21
Average High-Five Salary	\$0	\$4,552	\$3,749	\$3,923	\$5,465	\$3,452	\$3,257	\$4,131
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$1,372	\$1,233	\$1,289	\$2,935	\$2,318	\$0	\$1,505
Number of New Retirees	0	5	5	1	1	1	0	13
Average High-Five Salary	\$0	\$4,573	\$3,334	\$3,351	\$2,705	\$3,331	\$0	\$3,763
<b>Period 7/1/08 to 6/30/09:</b>								
Average Monthly Benefit	\$739	\$1,209	\$1,240	\$1,546	\$2,200	\$3,373	\$0	\$1,531
Number of New Retirees	1	5	5	1	3	1	0	16
Average High-Five Salary	\$6,741	\$4,410	\$3,433	\$3,275	\$4,378	\$3,284	\$0	\$4,103
<b>Period 7/1/09 to 6/30/10:</b>								
Average Monthly Benefit	\$396	\$2,187	\$1,001	\$1,471	\$5,026	\$3,373	\$0	\$1,670
Totals - New Retirees	2	2	5	1	1	1	0	12
Average High-Five Salary	\$6,741	\$4,410	\$3,433	\$3,275	\$4,378	\$3,284	\$0	\$4,200
<b>Period 7/1/00 to 6/30/10:</b>								
Average Monthly Benefit	\$491	\$1,118	\$1,170	\$1,386	\$2,615	\$2,569	\$2,924	\$1,449
Totals - New Retirees	9	41	46	10	13	13	4	136
Average High-Five Salary	\$7,132	\$3,336	\$3,084	\$2,206	\$3,034	\$3,002	\$3,172	\$3,353

**Note:**

\*Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and Qualified Domestic Relations Order starts.

\*\*Average high-five salaries not available.

# Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ended June 30, 2010

## Elective State Officers Retirement Fund

	Years of Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/00 to 6/30/01:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees*	0	0	0	0	0	0	0	0
Average High-Five Salary**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Period 7/1/01 to 6/30/02:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees	0	0	0	0	0	0	0	0
Average High-Five Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/02 to 6/30/03:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$3,757	\$0	\$0	\$0	\$3,757
Number of New Retirees	0	0	0	1	0	0	0	1
Average High-Five Salary	\$0	\$0	\$0	\$7,478	\$0	\$0	\$0	\$7,478
<b>Period 7/1/03 to 6/30/04:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees	0	0	0	0	0	0	0	0
Average High-Five Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/04 to 6/30/05:</b>								
Average Monthly Benefit	\$0	\$694	\$0	\$0	\$0	\$0	\$0	\$694
Number of New Retirees	0	2	0	0	0	0	0	2
Average High-Five Salary	\$0	\$5,130	\$0	\$0	\$0	\$0	\$0	\$5,130
<b>Period 7/1/05 to 6/30/06:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees	0	0	0	0	0	0	0	0
Average High-Five Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/06 to 6/30/07:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees	0	0	0	0	0	0	0	0
Average High-Five Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/07 to 6/30/08:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees	0	0	0	0	0	0	0	0
Average High-Five Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/08 to 6/30/09:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Number of New Retirees	0	0	0	0	0	0	0	0
Average High-Five Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/09 to 6/30/10:</b>								
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Totals - New Retirees	0	0	0	0	0	0	0	0
Average High-Five Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/00 to 6/30/10:</b>								
Average Monthly Benefit	\$0	\$694	\$0	\$3,757	\$0	\$0	\$0	\$1,715
Totals - New Retirees	0	2	0	1	0	0	0	3
Average High-Five Salary	\$0	\$5,130	\$0	\$7,478	\$0	\$0	\$0	\$5,913

**Note:**

\*Number added in *Schedule of Retirees and Beneficiaries* is greater because it includes benefit restarts, survivor benefit starts and Qualified Domestic Relations Order starts.

\*\*Average high-five salaries not available.

# Schedule of Principal Participating Employers

As of June 30, 2010 and 2009\*

Employer	Fiscal Year 2010		Fiscal Year 2009	
	Active Members	% of Total Active Members	Active Members	% of Total Active Members
<b>State Employees Retirement Fund</b>				
State of Minnesota	34,912	71.99%	35,091	71.63%
University of Minnesota	9,623	19.84%	9,944	20.30%
Metropolitan Council	3,457	7.13%	2,538	5.18%
Minnesota Historical Society	145	0.30%	900	1.84%
Minnesota State Fair	88	0.18%	157	0.32%
Gillette Children's Hospital	73	0.15%	87	0.18%
Metropolitan Sports Facility Commission	33	0.07%	75	0.15%
Foster-Wheeler, Inc.	22	0.05%	37	0.08%
Amalgamated Transit Union	18	0.04%	34	0.07%
Minnesota Safety Council	14	0.03%	23	0.04%
Other	109	0.22%	103	0.21%
Total	<u>48,494</u>	<u>100.00%</u>	<u>48,989</u>	<u>100.00%</u>
<b>State Patrol Retirement Fund</b>				
State of Minnesota	<u>848</u>	<u>100.00%</u>	<u>876</u>	<u>100.00%</u>
(This is a single-employer plan)				
<b>Correctional Employees Retirement Fund</b>				
State of Minnesota	<u>4,268</u>	<u>100.00%</u>	<u>4,403</u>	<u>100.00%</u>
(This is a single-employer plan)				
<b>Judges Retirement Fund</b>				
State of Minnesota	<u>312</u>	<u>100.00%</u>	<u>287</u>	<u>100.00%</u>
(This is a single-employer plan)				
<b>Legislative Retirement Fund</b>				
Minnesota House of Representatives	21	44.68%	21	43.75%
Minnesota Senate	<u>26</u>	<u>55.32%</u>	<u>27</u>	<u>56.25%</u>
Total	<u>47</u>	<u>100.00%</u>	<u>48</u>	<u>100.00%</u>
<b>Elective State Officers Retirement Fund</b>				
This is a closed plan. There are no remaining active members.				
<b>Unclassified Employees Retirement Fund</b>				
State of Minnesota	847	56.73%	853	55.07%
Minnesota House of Representatives - Staff	214	14.33%	241	15.56%
Minnesota Senate - Staff	208	13.93%	219	14.14%
Minnesota House of Representatives - Members	107	7.17%	113	7.30%
Minnesota Senate - Members	39	2.61%	40	2.58%
Enterprise Minnesota, Inc.	29	1.94%	34	2.20%
Agricultural Utilization Research Institute	27	1.81%	27	1.74%
Metropolitan Council	20	1.34%	20	1.29%
Metropolitan Sports Facilities Commission	1	0.07%	1	0.06%
Minnesota Crop Improvement Association	1	0.07%	1	0.06%
Total	<u>1,493</u>	<u>100.00%</u>	<u>1,549</u>	<u>100.00%</u>

# Schedule of Principal Participating Employers

As of June 30, 2010 and 2009\*

Employer	Fiscal Year 2010		Fiscal Year 2009	
	Active Members	% of Total Active Members	Active Members	% of Total Active Members
<b>Health Care Savings Plan</b>				
State of Minnesota	16,825	34.16%	20,471	48.44%
Metropolitan Council	3,081	6.26%	2,590	6.13%
Minnesota Colleges and Universities	2,135	4.33%	2,220	5.25%
Hennepin County	1,863	3.78%	1,955	4.63%
Dakota County	1,751	3.55%	1,955	4.63%
Ramsey County	1,554	3.16%	1,687	3.99%
City of Minneapolis	1,514	3.07%	1,809	4.28%
Special School District No. 1, Minneapolis	1,108	2.25%	1,406	3.33%
Independent School District 623, Roseville	910	1.85%	1,083	2.56%
Scott County	903	1.83%	912	2.16%
Other	17,611	35.76%	6,170	14.60%
Total	<u>49,255</u>	<u>100.00%</u>	<u>42,258</u>	<u>100.00%</u>
<b>Deferred Compensation Fund**</b>				
State of Minnesota	41,840	52.13%	37,245	45.09%
Minneapolis, Special School District No. 1	5,678	7.08%	5,237	6.34%
Ramsey County	3,271	4.08%	2,925	3.54%
Metropolitan Council	2,624	3.27%	2,283	2.76%
Hennepin County	2,295	2.86%	2,086	2.52%
City of St. Paul	2,122	2.64%	1,858	2.25%
St. Paul, Independent School District 625	2,087	2.60%	1,742	2.11%
Osseo, Independent School District 279	1,321	1.65%	1,197	1.45%
Dakota County	1,245	1.55%	1,145	1.39%
Anoka County	1,222	1.52%	1,056	1.28%
Other	16,550	20.62%	25,832	31.27%
Total	<u>80,255</u>	<u>100.00%</u>	<u>82,606</u>	<u>100.00%</u>
<b>Hennepin County Supplemental Retirement Fund</b>				
Hennepin County	560	77.99%	560	77.99%
Hennepin County Medical Center	158	22.01%	158	22.01%
Total	<u>718</u>	<u>100.00%</u>	<u>718</u>	<u>100.00%</u>

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

\*\* Includes all members with account balances.



# Schedule of Participating Employers

As of June 30, 2010

State of Minnesota Employers:	City of Cohasset	City of Lindstrom
State of Minnesota	City of Cold Spring	City of Lino Lakes
Minnesota House of Representatives - Employees	City of Coleraine	City of Litchfield
Minnesota House of Representatives - Members	City of Cologne	City of Little Falls
Minnesota State Senate - Employees	City of Columbia Heights	City of Littlefork
Minnesota State Senate - Members	City of Columbus	City of Long Lake
	City of Cook	City of Long Prairie
University of Minnesota	City of Coon Rapids	City of Luverne
	City of Corcoran	City of Madelia
Metropolitan Agency Employers:	City of Cosmos	City of Mahanomen
Metro Airports Commission	City of Cottage Grove	City of Mahtomedi
Metropolitan Council	City of Cottonwood	City of Mankato
Metropolitan Sports Facilities Commission	City of Crosby	City of Maple Grove
	City of Crosslake	City of Maplewood
Unions:	City of Crystal	City of Marble
AFSCME	City of Dawson	City of Marietta
Amalgamated Transit Union	City of Deephaven	City of Marshall
Minnesota Association of Professional Employees	City of Deer River	City of McGregor
Minnesota Government Engineers Council	City of Deerwood	City of Medford
Middle Management Association	City of Detroit Lakes	City of Medina
	City of Dilworth	City Of Melrose
	City of Dodge Center	City of Menahga
Cities:	City of Duluth	City Of Mendota Heights
City of Adrian	City of Eagan	City Of Milaca
City Of Akeley	City of East Bethel	City of Minneapolis
City of Albert Lea	City of East Grand Forks	City of Montevideo
City Of Albertville	City of East Gull lake	City of Montgomery
City of Alexandria	City of Eden Prairie	City of Monticello
City of Andover	City of Eden Valley	City of Moorhead
City of Anoka	City of Edina	City of Moose Lake
City of Ashby	City of Elk River	City of Mora & Public Utilities
City of Aurora	City of Ely	City of Morris
City of Austin	City of Eveleth	City of Mound
City Of Babbitt	City of Fairfax	City of Mounds View
City Of Backus	City of Falcon Heights	City of Mountain Iron
City of Bagley	City of Faribault	City of Murdock
City of Balaton	City of Farmington	City of Nashwauk
City Of Battle Lake	City of Fergus Falls	City of Nevis
City of Baudette	City of Floodwood	City of New Hope
City Of Baxter	City of Forest Lake	City of New Prague
City of Beaver Bay	City of Gilbert	City of New Ulm
City of Bemidji	City of Glencoe	City of New York Mills
City of Bertha	City of Golden Valley	City of Newport
City of Big Falls	City of Goodview	City of Nisswa
City of Big Lake	City of Grand Marais	City of North Branch
City of Bigelow	City of Grand Rapids	City of North Oaks
City of Biwabik	City of Ham Lake	City of North St. Paul
City of Blackduck	City of Hanover	City of Northfield
City of Blaine	City of Hector	City of Oak Grove
City of Bloomington	City of Henning	City of Oak Park Heights
City Of Blue Earth	City of Hermantown	City of Oakdale
City Of Bovey	City of Hibbing	City of Olivia
City of Brainerd	City of Hill City	City of Orono
City of Breckenridge	City of Hinckley	City of Orr
City of Breezy Point	City of Holdingford	City of Osakis
City of Brooklyn Center	City of Hopkins	City of Osseo
City of Brooklyn Park	City of Howard Lake	City of Owatonna
City of Browerville	City of Hoyt Lakes	City of Park Rapids
City of Buffalo	City of Hutchinson	City of Paynesville
City of Buhl	City of International Falls	City of Pelican Rapids
City Of Burnsville	City of Inver Grove Heights	City of Pierz
City of Caledonia	City of Isanti	City of Pine City
City of Calumet	City of Jackson	City of Pipestone
City Of Cambridge	City of Janesville	City of Plainview
City of Cannon Falls	City of Jordan	City of Preston
City of Carlton	City of Kasson	City of Prior Lake
City of Cass Lake	City of Keewatin	City of Proctor
City of Champlin	City of Kellogg	City of Ramsey
City of Chanhassen	City of La Crescent	City of Red Lake Falls
City Of Chatfield	City of La Prairie	City of Redwood Falls
City Of Chisago	City of Lake Shore	City of Richfield
City of Chisholm	City of Lakeville	City of Robbinsdale
City of Circle Pines	City of Le Sueur	City of Rochester
City of Cloquet	City of Lester Prairie	City of Rockford

# Schedule of Participating Employers

As of June 30, 2010

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 Meleod 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

# Schedule of Participating Employers

As of June 30, 2010

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 Niccollet  
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  
CCLENS 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 Participating Employers

As of June 30, 2010

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



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