

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

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

# Saluting

Our Participants for Making  
Minnesota a Better Place



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

### **Saluting Our Participants**

It is with great respect that we dedicate this 2011 Comprehensive Annual Financial Report (CAFR) in honor of our participants. We salute our loyal and dedicated state employees and those at the University of Minnesota who are members of MSRS who provide many valuable services to the citizens of our state to help improve and sustain the quality of life we enjoy in Minnesota. Many do their jobs day after day, without recognition, but knowing that they are serving the people of Minnesota. Some of our participants have made the ultimate sacrifice and have lost their lives doing their job, while others have saved the lives of others. All of our participants—both current and those retired—have shared sacrifices to ensure the stability of their retirement fund.

Here's our salute to our participants. We appreciate your dedication and loyalty.

# 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, 2011

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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## INTRODUCTORY SECTION



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, 2010

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.



*Linda C. Davison*

President

*Jeffrey R. Enos*

Executive Director



Public Pension Coordinating Council

## **Recognition Award for Administration 2011**

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*

Alan H. Winkle  
Program Administrator

# Board Chairperson's Report



April 2, 2012

Dear Members, Benefit Recipients, and Employers:

The investment return for the fiscal year ending June 30, 2011 was 23.3 percent. This had a dramatic positive impact on MSRS' funding. Using the market value of assets, the State Employees Retirement Fund (General Plan) funding ratio as of June 30, 2009 had fallen to 65.6 percent, but has now rebounded to 87.0 percent. Overall, our net assets grew by \$2.6 billion or 19.7 percent in fiscal year 2011, and total \$15.6 billion as of June 30, 2011.

The Minnesota State Retirement System Board of Directors realizes the critical importance of the benefits your pension provides. We know state employees work hard for their salary, and that employees make significant contributions to the Minnesota State Retirement System. Similarly, State agencies continue to contribute to the retirement fund, despite tightened budgets over the last few years. The Board is committed to providing a secure retirement plan that both the employees and employers can afford and depend on.

The dramatic swings in the stock market the last ten years have certainly been challenging. Over the last five years, employees and employers have increased contributions, retiree increases have been slowed, and other benefit changes have been enacted to help improve MSRS' funding. The "shared sacrifices" that were enacted in 2010 have increased the stability of the pension system. We appreciate everyone stepping up to do what is necessary to keep a viable and sustainable retirement system. These were prudent and proactive measures that have clearly improved the financial outlook.

Locally and throughout the nation, public pension plans have received considerable attention recently. Problems in New Jersey, Rhode Island, California, and Illinois have resulted in increased scrutiny of all plans - including Minnesota. The MSRS Board of Directors publishes this Comprehensive Annual Financial Report and makes available our actuarial results so that everyone knows the financial status of our plans. The Board also believes the open disclosure helps ensure that people understand that Minnesota is not in the same situation as those states whose pension systems are in trouble. In fact, Minnesota pension plans have been recognized for their leadership in passing the 2010 reform package which has resulted in lowering MSRS liabilities by over \$600 million.

Our work is certainly not done. The United States is among many countries struggling to resolve serious budget deficits in order to improve the economy. The housing market has not yet rebounded, and economic recovery continues to be painfully slow. We know that current and former state employees have worked hard for their retirement, and the MSRS Board works equally as hard to ensure that your pension will be here for you, now and in the future.

Your support of the MSRS Board and staff is deeply appreciated. We are well positioned to move through these difficult financial times.

Sincerely,

A handwritten signature in black ink that reads "Mary Benner". The signature is written in a cursive, flowing style.

Mary Benner, Chair  
Board of Directors

# Letter of Transmittal



April 2, 2012

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, 2011, our 82nd 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, 2011. 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* on pages 26-29 for financial highlights and an overview of MSRS' financial statements for fiscal year 2011.

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 \$15.6 billion as of June 30, 2011.

### 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 55,000 active employees from over 30 employer units, 33,800 benefit recipients, and 25,000 members who are no longer contributing, but are eligible for either future monthly benefits or a lump-sum distribution. Net assets for these plans exceeded \$10.86 billion at June 30, 2011.

MSRS also serves over 79,500 participants in the MNDCP with net assets totaling \$4.18 billion at June 30, 2011. Over 67,300 members participate in the Health Care Savings Plan with net assets at fiscal year end exceeding \$435 million. Over 1,800 members participate in the Supplemental Retirement Plan for Hennepin County with net assets at June 30, 2011, totaling nearly \$126 million.



## Major Initiatives

Major initiatives involving benefits and administration during fiscal year 2011 included the implementation of several 2010 law changes and a secure, redesigned network system.

Several plan provisions changed as a result of the 2010 legislative session that were aimed at lowering future liabilities and providing stability to the MSRS defined benefit retirement plans to ensure funds will be available to pay future benefits. Examples included lowering future post-retirement benefit increases from 2.5 percent to 2.0 percent effective January 1, 2011, reinstating the six-month waiting period for a retiree's initial post-retirement benefit increase, increasing vesting periods, and reducing the interest rate paid on refunds. Many of our computer programs had to be modified to calculate estimates and final benefit amounts consistent with the newly enacted legislation.

Changes to our plan provisions prompted a total rewrite and design of our handbooks for our largest defined benefit plans and the Unclassified Employees Retirement Plan. During 2011 we completed work on all of these handbooks. As a result, their readability and visual appeal is enhanced, and we've ensured their content reflects all of the recent law changes.

During fiscal year 2011, we completed phases two and three of a multi-year project to redesign and rebuild our network infrastructure with stronger security controls to protect our data and computer systems. In the second phase of the project, we focused on acquiring the computer hardware and related support services. We created a lab environment where staff could test various products, select the hardware that best met our needs, and install the newly acquired devices. By fiscal year end, the project was completed on time and under the \$1.3 million budget. We also engaged an independent company to review our redesigned network architecture and do penetration testing for any vulnerabilities. The consultants recommended some policy changes, but determined our new network design accomplished all of our security goals.

With regard to member and employer service initiatives, we created an employer website to provide information about the Health Care Savings Plan (HCSP) and the Minnesota Deferred Compensation Plan (MNDCP). The website has proven to be very valuable for participating employer units' human resources staff regarding changes and reporting requirements for the two plans. We will be adding additional information about MSRS' retirement plans in the near future.

We also prepared for implementation of target date funds, which became available to MNDCP participants on July 5, 2011. The change required quite a few discussions and significant coordination among our record keeper, ING, MSRS staff, and State Street Global Advisors -- the firm offering our target date funds. In addition, many of our printed materials and applications were updated to accommodate the change.

In June 2011, we finalized a Retirement Design Study at the request of the Minnesota Legislature. This was a coordinated effort with the Public Employees Retirement Association of Minnesota and the Teachers Retirement Association of Minnesota.

From an administrative perspective, we accomplished the following projects during the fiscal year:

- We processed well over 1,000 additional retirements by fiscal year end for employees who elected to retire under the Early Retirement Incentive.
- We successfully developed, tested and implemented interface applications to ensure the timely payment of annuity benefits and refunds. We spent considerable time training and converting accounting and procurement data, all in a joint effort with other state agencies to implement a new accounting and procurement system for the state of Minnesota.
- We worked with the Office of the Attorney General in preparation of a lawsuit challenging the 2009 and 2010 legislative amendments to the formula for post-retirement annual cost-of-living adjustments.
- We continued development, documentation and testing of our business continuity plan. We successfully completed testing of our most critical function, including the running of monthly annuity payments. Fiscal year 2012 efforts are focused on acquisition of a secondary service and data center in Mankato, Minnesota.

Our future plans include development of a comprehensive internal control structure to make sure that MSRS has a solid, well-documented internal control program. This program is a continual process to ensure that we maintain our financial strength and overall quality in member services. It will involve a comprehensive risk assessment, development and documentation of internal controls over financial reporting and other key business processes, and development of a comprehensive security management program. We also will focus on exploring our options for migrating our existing COBOL applications to another computer platform, and implementing a Roth 457 program.

# 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 were 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 funds for the fiscal years ended June 30, 2011 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 23.3 percent investment return for fiscal year 2011 (following a 15.2 percent investment return for fiscal year 2010), MSRS realized an increase of nearly \$2.572 billion in total net assets of all MSRS pension trust funds. This amount is comprised of an increase of \$1.726 billion for MSRS’ defined benefit funds and an increase of \$846 million for its defined contribution funds.

Source	Defined Benefit Funds		Defined Contribution Funds	
	FY 2011	FY 2010	FY 2011	FY 2010
Total Additions	\$2,367,079	\$1,510,338	\$1,128,383	\$696,021
Total Deductions	640,712	597,983	282,594	213,744
Change in Net Assets	<u>\$1,726,367</u>	<u>\$912,355</u>	<u>\$845,789</u>	<u>\$482,277</u>

## Actuarial Funding Status

MSRS contracted with Mercer, Inc. of Minneapolis, Minnesota to perform the annual actuarial valuation for each MSRS defined benefit plan and to provide other actuarial consulting services during fiscal year 2011. 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, 2011.

<b>Highlights of the 2011 Actuarial Valuations</b>				
(Dollars in thousands)				
<b>Defined Benefit Retirement Fund</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funding Ratio</b>	<b>Contribution Deficiency</b>
State Employees	\$9,130,011	\$10,576,481	86.32%	1.03%
State Patrol	\$563,046	\$700,898	80.33%	5.25%
Correctional Employees	\$637,027	\$907,012	70.23%	5.30%
Judges	\$145,996	\$248,630	58.72%	5.17%
Legislators**	\$19,140	\$216,559	8.84%	1,311.95%
Elective State Officers**	\$0	\$7,610	0.00%	\$1,269,363*

\* Amount reported is stated in actual dollars.  
 \*\* Unlike the other defined benefit retirement funds, the Legislators and Elective State Officers Retirement Funds are financed on a pay-as-you-go basis. The current prescribed actuarial assumptions for these two funds are not GASB-compliant for financial reporting purposes. Amounts reported for actuarial accrued liability, funding ratio and contribution deficiency are based on actuarial valuation results using GASB-compliant alternative assumptions.

For all of the defined benefit funds, except the State Patrol Retirement Fund, the contribution deficiencies as of the July 1, 2011 valuation date grew in comparison to the contribution deficiencies one year prior due to the recognition of the 2008 and 2009 deferred investment losses in the actuarial value of assets. For the State Patrol Retirement Fund, its contribution deficiency decreased nearly 2.6 percent of payroll in 2011 primarily due to the increase in contributions and gains due to lower than expected salary increases. All contribution deficiencies remain significant in amount. In the long run, 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 each fund, but they have not had a material impact on the 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. No changes in actuarial methods occurred this year. The individual entry age normal cost method again was the actuarial method used to determine the actuarial accrued liabilities and required contributions. However, changes in certain actuarial assumptions were recognized in the July 1, 2011 actuarial valuation process. For the State Employees Retirement Fund, the payroll growth assumption decreased from 4.5 percent to 3.75 percent, and the salary scales were changed from an age-related table to a service-related table. For the Legislators and Elective State Officers Retirement Funds, which are funded on a pay-as-you-go basis, certain alternative actuarial assumptions, rather than the prescribed actuarial assumptions, were used in the July 1, 2011 actuarial valuations. Use of the alternative assumptions was necessary to ensure compliance with the requirements set forth by the Governmental Accounting Standards Board (GASB). Additional information regarding the actuarial methods, assumptions, and funding status of MSRS' defined benefit retirement plans is presented in the *Actuarial Section*.

# 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 Mark Dayton, 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 2011, the domestic stock pool reported a 33.1 percent return, slightly outperforming the Russell 3000 Index by .7 percentage point. The bond pool posted a 5.5 percent return for fiscal year 2011, outperforming the Barclays Capital Aggregate Bond Index by 1.6 percent. The International Stock Pool also reported a 29.6

percent return for the fiscal year, slightly underperforming the Morgan Stanley Capital International All Country World Index excluding the United States (which represents the developed and emerging international markets outside the U.S.) by 0.1 percent for the fiscal year. Within this investment environment, the Combined Funds, which represent all defined benefit pension assets under SBI's control, reported a 23.3 percent return (net of fees) for the 2011 fiscal year. Annualized over the latest ten-year period, it generated a 5.9 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.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Minnesota State Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the second consecutive year that MSRS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

Combined Funds Asset Allocation and Market Indices		
Investment Type	Market Indicator	Long-Term Policy Target
Domestic Equity	Russell 3000 Index	45.0%
International Equity	Morgan Stanley Capital International World Ex-U.S. Index (net)	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	3-Month 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 2011.

comprehensive annual financial report. This report must satisfy both generally accepted accounting principles 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.

We are also very pleased to report that MSRS also received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2011 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 nine years. MSRS is proud to be a recipient of this award.

## 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.

Respectfully submitted,



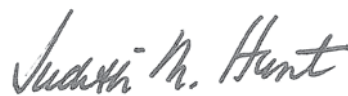
David Bergstrom  
Executive Director

## Acknowledgements

In keeping with the theme of this CAFR, Saluting Minnesota State Employees, three very special individuals merit recognition.

- We wish to extend our utmost appreciation to Dennis E. Jensen for his outstanding 25 years of service to MSRS, and especially for his contributions as Finance Manager in recent years. His exceptional knowledge and expertise led to many improvements in MSRS accounting, budgeting, and financial reporting processes, and significantly influenced the career growth of others under his direction.
- Mr. Jensen's successor, Accounting Director Joan Weber, and Communications Officer Deb Otto also deserve significant recognition and our special thanks for preparation of this report. Joan Weber's financial accounting expertise and strong determination to produce an award-winning CAFR were key to preparation of the financial statements and notes thereto, and many supporting schedules. Deb Otto's extraordinary artistic abilities and publishing talents are demonstrated in the creation of the layout and design, and production of this CAFR. 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, 2011

**Mary Benner, Chair**

*Appointed by Governor  
Term expires: January 3, 2015*

**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*

**Michael Schweyen**

*Appointed by MSRS Board on July 21, 2011 based  
on voting results of last General and Unclassified  
Plan Election  
Term expires: May 7, 2012*

**Jim Schowalter, Commissioner  
Minnesota Management and Budget**

*Appointed by Governor  
Term expires: January 3, 2015*

## 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

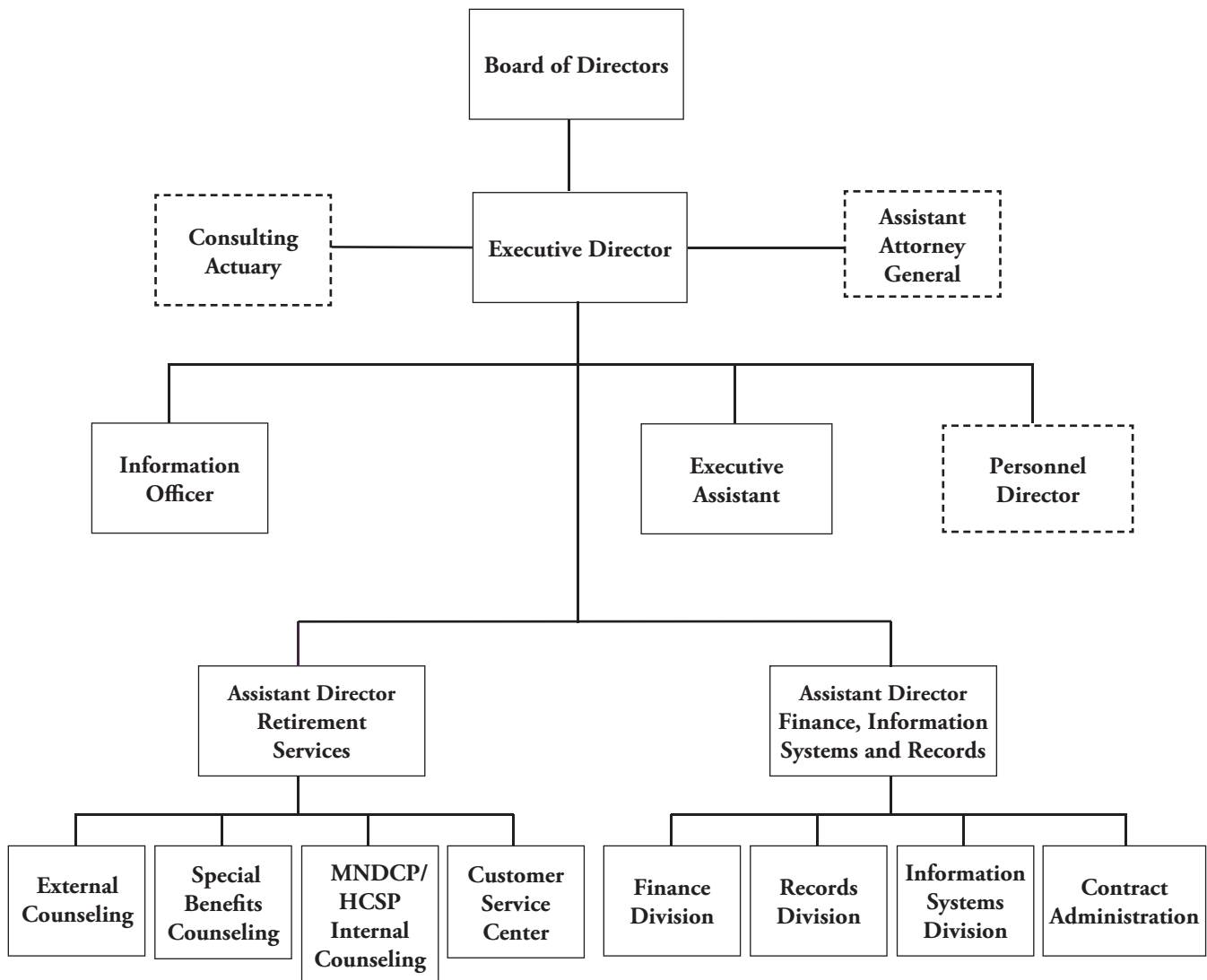
**Medical Advisor:**

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 84 and 85 of the *Investment Section* of this CAFR.

# Organization Chart

As of June 30, 2011



## 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: 5.0 percent of salary effective July 1, 2010
- Employers: 5.0 percent of salary 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 or 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 is hired prior to July 1, 2010 and has at least three years of service at death, or has five years of service if hired after June 30, 2010, generally, the spouse is eligible for a 100 percent survivor annuity or a refund.

## F. Refunds

- Employee contributions are refunded with six percent interest compounded daily until June 30, 2011, and four percent thereafter.



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

- Single-Life annuity
- 50, 75 or 100 percent Joint and Survivor with a bounce-back feature, meaning if the member's survivor dies first, the member's 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 6.60 percent effective July 1, 2010.
- For the Deputy Fire Marshals Plan, the employee contribution rate is 7.78 percent and the employer contribution rate is 9.20 percent, 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 disability

## **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: 12.4 percent effective July 1, 2011
- Employers: 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 daily 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

- Certain state employees who spend at least 75 percent working time in direct contact with inmates or patients at Minnesota Correctional facilities.

### B. Contribution Rates

- Employees: 8.6 percent effective July 1, 2010
- Employers: 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
- Maximum benefit 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
- 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
- Employer's 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: 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**

- 0.07 percent, prorated and deducted from participant accounts on a monthly basis
- Maximum annual fee: \$70 on first \$100,000 in the participant's account

### **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**

- 0.04 percent effective 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.**

## FINANCIAL SECTION



Strong investment returns meant an increase in total net assets of \$2.6 billion or 19.7 percent over last year.

# Independent Auditor's Report



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

## Independent Auditor's Report

Members of the Board of Trustees  
Minnesota State Retirement System

Mr. David Bergstrom, Executive Director  
Minnesota State Retirement System

We have audited the accompanying basic financial statements of the Minnesota State Retirement System (MSRS) as of and for the year ended June 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of MSRS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of MSRS as of June 30, 2011, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of MSRS'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.

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of MSRS's basic financial statements, but are supplementary information required by accounting principles generally accepted in the

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

United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MSRS's basic financial statements. The Supporting Schedules in the Financial Section, and the Introductory, Investment, Actuarial, and Statistical Sections, 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

March 19, 2012

# 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, 2011. 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 2011. Net assets held in trust for pension benefits, totaling \$15.6 billion as of June 30, 2011, increased nearly \$2.6 billion or 19.7 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 2011 fiscal year generated a 23.3 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, 2011, the most recent actuarial valuation date, the State Employees Retirement Fund was 86.32 percent funded, the State Patrol Retirement Fund was 80.33 percent funded, the Correctional Employees Retirement Fund was 70.23 percent funded, and the Judges Retirement Fund was 58.72 percent funded, on an actuarial value of assets basis. All of the funding ratios for these Retirement Funds declined slightly in comparison to the July 1, 2010 funding ratios due to more growth in the actuarial accrued liabilities than in the actuarial value of assets. Although MSRS experienced significant investment returns in the past two fiscal years (15.2 percent in 2010 and 23.3 percent in 2011), the July 1, 2011 funding ratios reflect a five-year smoothing of investment gains and losses, and still recognize 20 percent of the 2008 investment loss and 20 percent of the 2009 investment loss, which itself was greater than 20 percent of the 2011 investment gain.

The contribution deficiencies for the State Employees, Correctional Employees and Judges Retirement Fund grew during fiscal year 2011 due to the recognition of the 2008 and 2009 deferred investment losses in the actuarial value of assets. On the other hand, the contribution deficiency for the State Patrol Plan decreased nearly 2.6 percent of pay in 2011 primarily due to the increase in contributions and gains due to lower than expected salary increases. All contribution deficiencies remain significant in amount. In the long run, without favorable actuarial experience or further changes in contribution rates, plan provisions, or better than expected investment

returns, the funded status for all of the defined benefit plans will continue to deteriorate. Plan changes affecting members first hired after June 30, 2010 are expected to ultimately reduce the cost of each fund, but have not yet had a material impact on the actuarial valuation results. Additional information about the financial condition of each defined benefit fund can be found in the *Actuarial Section* of this report.

Although member and employer contributions increased slightly from \$625 million in fiscal year 2010 to \$676 million in fiscal year 2011, net investment income was significantly greater in 2011, increasing from \$1.6 billion in 2010 to \$2.8 billion in 2011, and was the primary factor in generating the \$1.3 billion increase in total additions to plan net assets during the fiscal year.

Deductions from plan net assets totaled \$923 million for fiscal year 2011, increasing 13.8 percent primarily due to increases in benefits and refunds. Benefits increased due to post retirement cost-of-living adjustments of 2.0 percent (1.5 percent for State Patrol Fund benefits) that took effect January 1, 2011 for existing benefit recipients; an increase in the number of service retirements with over 1,000 state of Minnesota employees taking advantage of an early retirement incentive; 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 34-59, 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 1D, 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 the 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, 2011 and 2010 are depicted in the table on page 27.

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

As of June 30, 2011 and 2010  
(Dollars in millions)

	FY 2011	FY 2010	Change	% Change
<b>Total Assets</b>	\$16,387	\$13,890	\$2,497	18.0%
<b>Total Liabilities</b>	783	850	(67)	(7.9)%
<b>Total Net Assets</b>	<u>\$15,604</u>	<u>\$13,040</u>	<u>\$2,564</u>	19.7%

Total assets as of June 30, 2011, equal to \$16.4 billion, increased nearly 2.5 billion or 18.0 percent from the prior year. This positive growth was primarily the result of a substantial increase in the fair value of investments due to an exceptionally strong market return of 23.3 percent for fiscal year 2011.

Total liabilities as of June 30, 2011, equal to \$783 million,

declined \$67 million or 7.9 percent from the prior fiscal year. This reduction 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. For the second consecutive fiscal year, net assets held in trust for pension benefits increased primarily due to terrific investment returns. Total additions by major source and total deductions by type for the fiscal years ended June 30, 2011 and 2010 are depicted in the table below.

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

For the fiscal years ended June 30, 2011 and 2010  
(Dollars in millions)

	FY 2011	FY 2010	Change	% Change
<b>Additions (by Major Source):</b>				
<b>Plan Member Contributions</b>	\$509	\$464	\$45	9.7%
<b>Employer Contributions</b>	167	161	6	3.7%
<b>Investment Income (Net)</b>	2,783	1,561	1,222	78.3%
<b>Other (includes transfers)</b>	36	20	16	80.0%
<b>Total Additions</b>	<u>\$3,495</u>	<u>\$2,206</u>	<u>\$1,289</u>	58.4%
<b>Deductions (by Type):</b>				
<b>Benefits</b>	\$695	\$650	\$45	6.9%
<b>Refunds</b>	189	134	55	41.0%
<b>Recordkeeper and Custodian Expenses</b>	2	2	0	0.0%
<b>Administrative Expenses</b>	12	11	1	9.1%
<b>Other (includes transfers)</b>	25	14	11	78.6%
<b>Total Deductions</b>	<u>\$923</u>	<u>\$811</u>	<u>\$112</u>	13.8%
<b>Net Increase (Decrease) in Plan Net Assets</b>	<u>\$2,572</u>	<u>\$1,395</u>	<u>\$1,177</u>	84.4%

Total additions to plan net assets of \$3.5 billion increased \$1.3 billion or 58.4 percent from fiscal year 2010. This change was due to net investment income of \$2.8 billion that significantly exceeded total member and employer contributions of \$676 million and other income of \$36 million.

Total plan member and employer contributions increased by \$51 million, or 8.2 percent, for fiscal year 2011. This change was primarily due to a contribution rate increases, which took effect July 1, 2010 for the State Employees Employees (General Plan), Correctional Employees, and Unclassified Employees Retirement Funds. No contribution rate increases took effect in the fiscal year for the remaining funds.

Total deductions to plan net assets of \$923 million

increased \$112 million or 13.8 percent from fiscal year 2010. This change was due largely to an increase in annuity benefits, health care reimbursements and refunds to members. Cost of living adjustments on annuity benefits increased 2.0 percent effective January 1, 2011 for all defined benefit retirement funds except the State Patrol Fund, which increased 1.5 percent. Health Care Savings Plan reimbursements rose primarily due to the increase in the number of retirements and service terminations. Refunds increased due to employee turnover and members rolling funds over 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

# Management's Discussion and Analysis

information that can be used to determine whether the financial condition of MSRS' funds is improving or deteriorating over a longer period of time.

## Financial Analysis of MSRS' Individual Funds

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

## Defined Benefit Funds

The following two tables compare various performance measures for 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 (CORR) and the Judges Retirement Fund (JRF). The Legislative Retirement Fund and the Elective State Officers Retirement Fund are excluded from this analysis because they are funded mostly by state of Minnesota General Fund appropriations.

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

For the Fiscal Years Ended June 30, 2011 and 2010  
(Dollars in millions)

	SERF	SPRF	CORR	JRF
<b>Total Assets, 06/30/2011</b>	\$9,839	\$607	\$691	\$159
<b>Total Assets, 06/30/2010</b>	8,394	533	573	138
<b>Change in Total Assets</b>	<u>\$1,445</u>	<u>\$74</u>	<u>\$118</u>	<u>\$21</u>
<b>% Change</b>	<u>17.21%</u>	<u>13.88%</u>	<u>20.59%</u>	<u>15.22%</u>
<b>Total Liabilities, 06/30/2011</b>	\$643	\$39	\$45	\$10
<b>Total Liabilities, 06/30/2010</b>	701	44	48	11
<b>Change in Total Liabilities</b>	<u>\$(58)</u>	<u>\$(5)</u>	<u>\$(3)</u>	<u>\$(1)</u>
<b>% Change</b>	<u>(8.27)%</u>	<u>(11.36)%</u>	<u>(6.25)%</u>	<u>(9.09)%</u>
<b>Total Net Assets, 06/30/2011</b>	\$9,196	\$568	\$646	\$149
<b>Total Net Assets, 06/30/2010</b>	7,693	489	525	127
<b>Change in Total Plan Net Assets</b>	<u>\$1,503</u>	<u>\$79</u>	<u>\$121</u>	<u>\$22</u>
<b>% Change</b>	<u>19.54%</u>	<u>16.16%</u>	<u>23.05%</u>	<u>17.32%</u>

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 2012 and beyond. Even though members and employers contribution rates increased 0.50 and 1.9 percent of payroll, respectively, on July 1, 2010 for the State Employees and the Correctional Employees Retirement Funds, and additional contribution rate increases totaling 5.0 percent of payroll are planned for the State Patrol Retirement Fund on July 1, 2011, lower than expected investment returns or unfavorable actuarial experience may trigger the need for higher contribution rates beyond 2012. 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.

Certain non-investment related financial activities of MSRS' defined contribution plans merit highlighting. Plan member contribution rates for the Unclassified Employees Retirement Fund increased from 4 to 5 percent on July 1, 2010, resulting in an increase in contribution revenue of almost \$1 million for the fund. Transfers to other plans for the Unclassified Employees Retirement Fund totaled \$24.7 million, which increased \$10 million or 69.2 percent from the prior year due primarily to an increase in the number of members electing coverage under the State Employees Retirement Fund (General Plan). Contributions to the Health Care Savings Fund increased \$42 million, or 46.5 percent, during fiscal year 2011 due to continuous plan growth.

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

For the Fiscal Years Ended June 30, 2011 and 2010  
(Dollars in millions)

	<b>SERF</b>	<b>SPRF</b>	<b>CORR</b>	<b>JRF</b>
<b>Total Additions, year ended 06/30/2011</b>	\$2,030	\$127	\$162	\$40
<b>Total Additions, year ended 06/30/2010</b>	1,285	85	106	29
<b>Change in Total Additions</b>	<u>\$745</u>	<u>\$42</u>	<u>\$56</u>	<u>\$11</u>
<b>% Change</b>	<u>57.98%</u>	<u>49.41%</u>	<u>52.83%</u>	<u>37.93%</u>
<b>Total Deductions, year ended 06/30/2011</b>	\$526	\$48	\$41	\$18
<b>Total Deductions, year ended 06/30/2010</b>	489	46	38	17
<b>Change in Total Deductions</b>	<u>\$37</u>	<u>\$2</u>	<u>\$3</u>	<u>\$1</u>
<b>% Change</b>	<u>7.57%</u>	<u>4.35%</u>	<u>7.89%</u>	<u>5.88%</u>
<b>Net Increase (Decrease)</b>				
<b>For the fiscal year ended 06/30/2011</b>	\$1,504	\$79	\$121	\$22
<b>Net Increase (Decrease)</b>				
<b>For the fiscal year ended 06/30/2010</b>	796	39	68	12
<b>Change in Total Plan Net Assets</b>	<u>\$708</u>	<u>\$40</u>	<u>\$53</u>	<u>\$10</u>
<b>% Change</b>	<u>88.94%</u>	<u>102.56%</u>	<u>77.94%</u>	<u>83.33%</u>

**Summary**

As the result of strong investment returns for the second consecutive year, 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 2012 and beyond. If the U.S. economic forecast for slow, yet sufficient growth to withstand a mild European recession does not hold true in the long run, the funded status of the retirement funds will continue to deteriorate and losses will further increase contribution deficiencies. MSRS management will continue to closely monitor economic conditions, changes in funding ratios and contribution deficiency percentages, and the impact on the security and financial stability of our funds.

**Request for Information**

This financial report is intended to provide a general overview of MSRS’ financial position as of June 30, 2011 and the results of financial activities for fiscal year 2011. 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, by telephone toll-free at 1-800-657-5757, or via e-mail at [mrsr@mrsr.us](mailto:mrsr@mrsr.us).

# Statement of Plan Net Assets

As of June 30, 2011  
(Dollars in thousands)

	Defined Benefit Funds				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>Assets</b>					
Cash	\$12,263	\$714	\$1,495	\$454	\$337
Short-term investments	232,319	14,163	16,854	3,994	449
<b>Total Cash &amp; Short-term Investments</b>	<u>\$244,582</u>	<u>\$14,877</u>	<u>\$18,349</u>	<u>\$4,448</u>	<u>\$786</u>
<b>Receivables</b>					
Accounts Receivable	\$13,070	\$1,080	\$2,683	\$373	\$0
Accrued Interest	74	5	5	1	0
Due from Other Plans	7,272	1	2	5	1
Due from the State's General Fund	0	0	0	0	21
Other	328	11	4	4	0
<b>Total Receivables</b>	<u>\$20,744</u>	<u>\$1,097</u>	<u>\$2,694</u>	<u>\$383</u>	<u>\$22</u>
<b>Investment Pools (at fair value)</b>					
Fixed Income Pool	\$2,029,888	\$125,526	\$142,227	\$32,657	\$4,171
Growth Share Pool	2,483,308	153,565	173,996	39,951	5,103
Common Stock Index Pool	1,634,284	101,063	114,508	26,292	3,359
Alternative Investment Pool	1,344,120	83,119	94,177	21,624	2,762
International Equity Pool	1,446,527	89,452	101,353	23,271	2,973
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>\$8,938,127</u>	<u>\$552,725</u>	<u>\$626,261</u>	<u>\$143,795</u>	<u>\$18,368</u>
<b>Securities Lending Collateral</b>	<u>\$629,816</u>	<u>\$38,947</u>	<u>\$44,134</u>	<u>\$10,134</u>	<u>\$1,294</u>
<b>Capital Assets</b>					
Land	\$88	\$0	\$0	\$0	\$0
Building, Improvements, Equip. (Net of Depr.)	5,531	0	0	0	0
Office Equipment and Fixtures (Net of Depr.)	19	0	0	0	0
Computer and VoIP System (Net of Amort.)	333	0	0	0	0
Computer Software (Net of Amortization)	211	0	0	0	0
Deferred Bond Charges (Net of Amortization)	49	0	0	0	0
<b>Total Capital Assets</b>	<u>\$6,231</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total Assets</b>	<u><b>\$9,839,500</b></u>	<u><b>\$607,646</b></u>	<u><b>\$691,438</b></u>	<u><b>\$158,760</b></u>	<u><b>\$20,470</b></u>
<b>Liabilities</b>					
Accounts Payable	\$6,828	\$340	\$382	\$95	\$15
Compensated Absences	697	0	0	0	0
Securities Lending Collateral	629,816	38,947	44,134	10,134	1,294
Due To Other Plans	8	80	340	27	21
Accrued OPEB Liability	80	0	0	0	0
Bonds Payable	5,834	0	0	0	0
<b>Total Liabilities</b>	<u><b>\$643,263</b></u>	<u><b>\$39,367</b></u>	<u><b>\$44,856</b></u>	<u><b>\$10,256</b></u>	<u><b>\$1,330</b></u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u><b>\$9,196,237</b></u>	<u><b>\$568,279</b></u>	<u><b>\$646,582</b></u>	<u><b>\$148,504</b></u>	<u><b>\$19,140</b></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	\$223	\$1,509	\$11,883	\$40	\$28,918
0	0	0	0	0	267,779
<u>\$0</u>	<u>\$223</u>	<u>\$1,509</u>	<u>\$11,883</u>	<u>\$40</u>	<u>\$296,697</u>
\$0	\$552	\$14,653	\$11,494	\$26	\$43,931
0	2	31	59	2	179
0	18	42	0	2	7,343
1	0	0	0	0	22
0	7	181	2,430	4	2,969
<u>\$1</u>	<u>\$579</u>	<u>\$14,907</u>	<u>\$13,983</u>	<u>\$34</u>	<u>\$54,444</u>
\$0	\$0	\$0	\$0	\$0	\$2,334,469
0	0	0	0	0	2,855,923
0	0	0	0	0	1,879,506
0	0	0	0	0	1,545,802
0	0	0	0	0	1,663,576
0	284,267	422,187	1,294,032	125,586	2,126,072
0	0	0	2,864,616	0	2,864,616
<u>\$0</u>	<u>\$284,267</u>	<u>\$422,187</u>	<u>\$4,158,648</u>	<u>\$125,586</u>	<u>\$15,269,964</u>
\$0	\$2,023	\$3,005	\$29,600	\$894	\$759,847
\$0	\$0	\$0	\$0	\$0	\$88
0	0	0	0	0	5,531
0	0	0	0	0	19
0	0	0	0	0	333
0	0	0	0	0	211
0	0	0	0	0	49
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,231</u>
<u>\$1</u>	<u>\$287,092</u>	<u>\$441,608</u>	<u>\$4,214,114</u>	<u>\$126,554</u>	<u>\$16,387,183</u>
\$0	\$45	\$191	\$841	\$22	\$8,759
0	0	0	0	0	697
0	2,023	3,005	29,600	894	759,847
1	321	3,150	3,388	7	7,343
0	0	0	0	0	80
0	0	0	0	0	5,834
<u>\$1</u>	<u>\$2,389</u>	<u>\$6,346</u>	<u>\$33,829</u>	<u>\$923</u>	<u>\$782,560</u>
<u>\$0</u>	<u>\$284,703</u>	<u>\$435,262</u>	<u>\$4,180,285</u>	<u>\$125,631</u>	<u>\$15,604,623</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, 2011

(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
<b>Additions</b>				
<b>Contributions</b>				
Plan Member Contributions	\$122,029	\$6,578	\$17,002	\$3,010
Employer Contributions	118,563	9,873	23,892	8,297
General Fund Contributions	0	0	0	0
<b>Total Contributions</b>	<u>\$240,592</u>	<u>\$16,451</u>	<u>\$40,894</u>	<u>\$11,307</u>
<b>Investment Income</b>				
Investment Income	\$1,774,354	\$111,529	\$122,117	\$28,805
Less Investment Expenses	12,820	793	898	206
Net Investment Income	<u>\$1,761,534</u>	<u>\$110,736</u>	<u>\$121,219</u>	<u>\$28,599</u>
Income from Securities Lending Activities				
Security Lending Income	<u>\$5,222</u>	<u>\$323</u>	<u>\$366</u>	<u>\$84</u>
Security Lending Expenses				
Borrower Rebates	\$585	\$36	\$41	\$9
Management Fees	<u>1,864</u>	<u>115</u>	<u>131</u>	<u>30</u>
Total Security Lending Expenses	<u>\$2,449</u>	<u>\$151</u>	<u>\$172</u>	<u>\$39</u>
Net Income From Securities Lending Activities				
Lending Activities	<u>\$2,773</u>	<u>\$172</u>	<u>\$194</u>	<u>\$45</u>
<b>Total Net Investment Income</b>	<u>\$1,764,307</u>	<u>\$110,908</u>	<u>\$121,413</u>	<u>\$28,644</u>
<b>Other Additions</b>				
Transfers from Other Plans	\$24,746	\$0	\$19	\$0
Other Income	<u>229</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Additions</b>	<u>\$24,975</u>	<u>\$0</u>	<u>\$19</u>	<u>\$0</u>
<b>Total Additions</b>	<u>\$2,029,874</u>	<u>\$127,359</u>	<u>\$162,326</u>	<u>\$39,951</u>
<b>Deductions</b>				
Annuity Benefits	\$505,573	\$47,844	\$39,116	\$17,585
Ongoing Withdrawals	0	0	0	0
Health Care Reimbursements	0	0	0	0
Refunds	14,206	0	1,509	30
Transfers to Other Plans	245	0	6	0
Recordkeeper and Custodian Expenses	0	0	0	0
Administrative Expenses	6,064	92	356	32
Other Expenses	80	14	2	1
<b>Total Deductions</b>	<u>\$526,168</u>	<u>\$47,950</u>	<u>\$40,989</u>	<u>\$17,648</u>
<b>Net Increase (Decrease)</b>	<u>\$1,503,706</u>	<u>\$79,409</u>	<u>\$121,337</u>	<u>\$22,303</u>
<b>Net Assets Held in Trust for Pension Benefits</b>				
Net Assets, July 1, 2010, as Reported	\$7,692,531	\$488,870	\$525,245	\$126,201
Prior Period Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets, July 1, 2010, as Restated	<u>\$7,692,531</u>	<u>\$488,870</u>	<u>\$525,245</u>	<u>\$126,201</u>
Net Assets, June 30, 2011	<u>\$9,196,237</u>	<u>\$568,279</u>	<u>\$646,582</u>	<u>\$148,504</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	
\$160	\$0	\$5,417	\$132,526	\$222,031	\$467	\$509,220
0	0	6,360	0	0	466	167,451
2,805	460	0	0	0	0	3,265
<u>\$2,965</u>	<u>\$460</u>	<u>\$11,777</u>	<u>\$132,526</u>	<u>\$222,031</u>	<u>\$933</u>	<u>\$679,936</u>
\$4,162	\$0	\$52,105	\$26,690	\$654,641	\$21,767	\$2,796,170
26	0	137	204	2,007	61	17,152
<u>\$4,136</u>	<u>\$0</u>	<u>\$51,968</u>	<u>\$26,486</u>	<u>\$652,634</u>	<u>\$21,706</u>	<u>\$2,779,018</u>
\$11	\$0	\$16	\$24	\$239	\$7	\$6,292
\$1	\$0	\$2	\$3	\$32	\$1	\$710
4	0	5	8	79	2	2,238
<u>\$5</u>	<u>\$0</u>	<u>\$7</u>	<u>\$11</u>	<u>\$111</u>	<u>\$3</u>	<u>\$2,948</u>
\$6	\$0	\$9	\$13	\$128	\$4	\$3,344
<u>\$4,142</u>	<u>\$0</u>	<u>\$51,977</u>	<u>\$26,499</u>	<u>\$652,762</u>	<u>\$21,710</u>	<u>\$2,782,362</u>
\$0	\$0	\$226	\$0	\$0	\$0	\$24,991
2	0	85	1,989	5,819	49	8,173
<u>\$2</u>	<u>\$0</u>	<u>\$311</u>	<u>\$1,989</u>	<u>\$5,819</u>	<u>\$49</u>	<u>\$33,164</u>
<b><u>\$7,109</u></b>	<b><u>\$460</u></b>	<b><u>\$64,065</u></b>	<b><u>\$161,014</u></b>	<b><u>\$880,612</u></b>	<b><u>\$22,692</u></b>	<b><u>\$3,495,462</u></b>
\$7,464	\$459	\$0	\$0	\$0	\$0	\$618,041
0	0	0	0	28,549	4,069	32,618
0	0	0	44,740	0	0	44,740
11	0	7,799	0	162,756	2,490	188,801
0	0	24,740	0	0	0	24,991
0	0	37	794	1,615	22	2,468
22	1	174	1,396	3,370	11	11,518
0	0	0	0	15	17	129
<u>\$7,497</u>	<u>\$460</u>	<u>\$32,750</u>	<u>\$46,930</u>	<u>\$196,305</u>	<u>\$6,609</u>	<u>\$923,306</u>
<b><u>\$(388)</u></b>	<b><u>\$0</u></b>	<b><u>\$31,315</u></b>	<b><u>\$114,084</u></b>	<b><u>\$684,307</u></b>	<b><u>\$16,083</u></b>	<b><u>\$2,572,156</u></b>
\$26,821	\$214	\$253,388	\$321,178	\$3,495,978	\$109,548	\$13,039,974
(7,293)	(214)	0	0	0	0	(7,507)
<u>\$19,528</u>	<u>\$0</u>	<u>\$253,388</u>	<u>\$321,178</u>	<u>\$3,495,978</u>	<u>\$109,548</u>	<u>\$13,032,467</u>
<u>\$19,140</u>	<u>\$0</u>	<u>\$284,703</u>	<u>\$435,262</u>	<u>\$4,180,285</u>	<u>\$125,631</u>	<u>\$15,604,623</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. Organization

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 and four defined contribution funds. The defined benefit funds are listed below with parenthetical disclosure of the *Minnesota Statutes (MS)* that set forth criteria for benefit computations, members' and participating employers' obligations to make contributions, and other plan provisions:

- ◆ **State Employees Retirement Fund**  
(*MS Sections 352.01 - 352.87*);
- ◆ **State Patrol Retirement Fund**  
(*MS Chapter 352B*);
- ◆ **Correctional Employees Retirement Fund**  
(*MS Sections 352.90 - 352.955*);
- ◆ **Judges Retirement Fund**  
(*MS Chapter 490*);
- ◆ **Legislators Retirement Fund**  
(*MS Chapter 3A*); and
- ◆ **Elective State Officers Retirement Fund**  
(*MS Chapter 352C*).

The defined contribution funds are listed below with parenthetical disclosure of the *Minnesota Statutes* pertinent to plan administration:

- ◆ **Unclassified Employees Retirement Fund**  
(*MS Chapter 352D*);
- ◆ **Health Care Savings Fund**  
(*MS Chapter 352.98*);
- ◆ **Deferred Compensation Fund**  
(*MS Sections 352.965 - 352.97*); and
- ◆ **Hennepin County Supplemental Retirement Fund** (*MS Sections 383B.46 - 383B.52*).

*Minnesota Statutes* Section 356.20 defines financial reporting requirements for all MSRS administered retirement funds.

### 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 61 counties, 192 cities, 144 school districts and 158 additional miscellaneous governmental entities.

### C. Reporting Entity

MSRS functions as a separate statutory entity. The association maintains rights to sue or be sued in its own name and to hold property in its own name. For

financial reporting purposes, MSRS funds are considered pension trust funds of the State of Minnesota and are included in the State's Comprehensive Annual Financial Report with its fiduciary funds. MSRS does not have any component units and this report includes financial information for MSRS only.

### D. Basis of Accounting

MSRS financial statements for all funds were prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues when due, pursuant to formal commitments and statutory requirements. Expenses are recorded when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

### E. Investment Policies

Pursuant to *Minnesota Statutes*, Section 11A.04, 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.

### F. 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.

## G. Capital Assets

Capital assets consist of office equipment and fixtures, computer and VoIP system, land, building, deferred 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, 2011 are reported in **Exhibit 1**.

<b>EXHIBIT 1: CAPITAL ASSETS</b>				
(Dollars in thousands)				
<b>Capital Asset Types</b>	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2011</b>
<b>Capital Assets, Not Depreciated:</b>				
Land	<u>\$88</u>	<u>\$0</u>	<u>\$0</u>	<u>\$88</u>
<b>Capital Assets, Depreciated or Amortized:</b>				
Building, Improvements, and Building Equipment	\$7,378	\$0	\$0	\$7,378
Office Equipment and Fixtures	939	18	0	957
Computer and VoIP System	0	392	0	392
Computer Software	34	188	0	222
Deferred Bond Issuance Charges	<u>74</u>	<u>0</u>	<u>0</u>	<u>74</u>
Total Capital Assets, Depreciated or Amortized	<u>\$8,425</u>	<u>\$598</u>	<u>\$0</u>	<u>\$9,023</u>
<b>Less Accumulated Depreciation or Amortization for:</b>				
Building, Improvements and Building Equipment	\$(1,655)	\$(192)	\$0	\$(1,847)
Office Equipment and Fixtures	(936)	(2)	0	(938)
Computer and VoIP System	0	(59)	0	(59)
Computer Software	0	(11)	0	(11)
Deferred Bond Issuance Charges	<u>(23)</u>	<u>(2)</u>	<u>0</u>	<u>(25)</u>
Total Capital Assets, Depreciated or Amortized	<u>\$(2,614)</u>	<u>\$(266)</u>	<u>\$0</u>	<u>\$(2,880)</u>
<b>Total Capital Assets, Net of Accumulated Depreciation or Amortization</b>	<b><u>\$5,899</u></b>	<b><u>\$332</u></b>	<b><u>\$0</u></b>	<b><u>\$6,231</u></b>
The estimated useful lives and the depreciation or amortization methods used are as follows:				
<b>Capital Asset Types</b>	<b>Useful Life (In Years)</b>	<b>Depreciation or Amortization Method</b>		
Land	N/A	Not Depreciated		
Building	30	Straight Line		
Building Improvements and Building Equipment	10	Straight Line		
Office Equipment and Fixtures	3-10	Straight Line		
Computer and VoIP System	5	Straight Line		
Computer Software	4-10	Straight Line		
Deferred Bond Issuance Charges	30	Straight Line		

# Notes to the Financial Statements and the Required Supplementary Information

## H. Accrued Compensated Absences

MSRS employees accrue vacation, sick, and compensatory leave in accordance with various collective bargaining agreements. The obligation, \$696,711, for future payment of these balances at June 30, 2011 has been accrued to the extent that the right to receipt is vested or expected to become vested.

## I. Due from the State's General Fund

The Legislators and Elective State Officers Retirement Funds are primarily funded on a pay-as-you-go basis with annual appropriations from the State's General Fund. The balances due from the State's General Fund at June 30, 2011, as scheduled in **Exhibit 2**, represent the amount receivable for each fund's fiscal year 2011 administrative expenses.

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

(Dollars in thousands)

	<u>Amount as of June 30, 2011</u>
Legislators Retirement Fund .....	\$21
Elective State Officers Retirement Fund.....	<u>1</u>
<b>Total</b> .....	<u><u>\$22</u></u>

## J. Reserve Accounts

### 1. 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 if they meet statutory vesting requirements. 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, 2011 are scheduled in **Exhibit 3**.

### EXHIBIT 3: MEMBER RESERVE

(Dollars in thousands)

Fund	Member Reserve Balance As of June 30, 2011
State Employees Retirement Fund	\$1,187,169
State Patrol Retirement Fund	59,612
Correctional Employees Retirement Fund	110,329
Judges Retirement Fund	29,474
Legislators Retirement Fund	5,291
Elective State Officers Retirement Fund	0
Unclassified Employees Retirement Fund	284,859
Health Care Savings Fund	436,929
Deferred Compensation Fund	4,170,725
Hennepin County Supplemental Retirement Fund	<u>125,630</u>
<b>Total</b>	<u><u>\$6,410,018</u></u>

## 2. Benefit Reserve

For all MSRS defined benefit funds, 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 participant 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, 2011 are reported in **Exhibit 4**.

<b>EXHIBIT 4: BENEFIT RESERVE</b>	
(Dollars in thousands)	
<b>Fund</b>	<b>Benefit Reserve Balance As of June 30, 2011</b>
State Employees Retirement Fund	\$8,009,068
State Patrol Retirement Fund	508,667
Correctional Employees Retirement Fund	536,253
Judges Retirement Fund	119,030
Legislators Retirement Fund	13,849
Elective State Officers Retirement Fund	0
Unclassified Employees Retirement Fund	(156)
Health Care Savings Fund	(1,667)
Deferred Compensation Fund	9,560
Hennepin County Supplemental Retirement Fund	1
<b>Total</b>	<b><u>\$9,194,605</u></b>

## 2. Cash and Investments

### A. Cash

MSRS cash is deposited into the state's treasury accounts. On June 30, 2011 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, 2011, is scheduled in **Exhibit 5**.

<b>EXHIBIT 5: INVESTMENTS</b>		
(Dollars in thousands )		
<b>Type</b>	<b>Amount As of June 30, 2011</b>	
	<b>Cost</b>	<b>Fair Value</b>
Fixed Income Pool	\$2,144,751	\$2,334,469
Growth Share Pool	2,154,950	2,855,923
Common Stock Index Pool	1,543,867	1,879,506
Alternative Investment Pool	1,340,773	1,545,802
International Equity Pool	1,323,585	1,663,576
Supplemental Investment Fund	1,911,918	2,126,072
Mutual Funds	2,203,998	2,864,616
<b>Total</b>	<b><u>\$12,623,842</u></b>	<b><u>\$15,269,964</u></b>

# Notes to the Financial Statements and the Required Supplementary Information

## 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**.

<b>EXHIBIT 6: SECURITIES LOANED</b>	
(Dollars in thousands)	
<b>Investment Type</b>	<b>Amount as of June 30, 2011</b>
Domestic Equities	\$605,808
U.S. Government Bonds	427,597
International Equities	410,797
Domestic Corporate Bonds	84,453
International Corporate Bonds	791
<b>Total</b>	<u>\$1,529,446</u>

*Minnesota Statutes*, section 356A.06, subdivision 7, allows SBI to participate in securities lending transactions. SBI has, by way of a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending SBI's securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

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) or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify SBI in the event of default of 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.

During the fiscal year, SBI and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other quali-

fied tax-exempt plan lenders, in a collective investment pool. As of June 30, 2011, such investment pool had an average duration of 3.16 days and an average final maturity of 49.02 days for USD. 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, 2011, 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, 2011 was \$1,580,185,423 and \$1,529,445,612, respectively. Cash collateral equal to \$759,847,000 is reported on the *Statement of Plan Net Assets* as an asset and correspondingly on the statement as a liability.

## D. Accounting and Financial Reporting for Certain Investments and for External Investment Pools

### (GASB Statement 31 Required Disclosures)

During fiscal year 2011, 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 a separately managed vehicle, the Minnesota State Board of Investments Fund (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 Bank, 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 Bank during the fiscal year.

## E. Deposit and Investment Risk

### (GASB Statements 40 and 53 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.

#### 1. 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 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, 2011 MSRS' proportionate share of the SBI's exposure to credit risk, based on S&P Quality Ratings for debt securities and short-term investments, is shown in **Exhibit 7**.

<b>EXHIBIT 7: CREDIT RISK EXPOSURE</b> (Dollars in thousands)	
<b>Quality Rating</b>	<b>Fair Value As of June 30, 2011</b>
AA or Better	\$1,582,458
BBB or A	606,163
BB or Lower	112,951
Not Rated	401,481

#### 2. 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.

#### 3. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. MSRS does not have exposure to a single issuer that equals or exceeds five percent of the overall portfolio and, therefore, there is no concentration of credit risk.

#### 4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. 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, 2011 had the following weighted-average maturities as shown in **Exhibit 8**.

<b>Security Type</b>	<b>EXHIBIT 8: INTEREST RATE RISK</b> (Dollars in thousands)	
	<b>Weighted Average Maturity in Years</b>	
	<b>Defined Benefit Funds</b>	<b>Defined Contribution Funds</b>
Asset-Backed Securities	4.60	3.33
Corporate Debt (Bonds)	8.12	7.42
Corporate Stock	9.20	9.20
Foreign Country Bonds	6.09	6.09
State and Local Government Bonds	21.91	21.91
U.S. Treasuries	8.15	8.15
U.S. Agencies	5.84	5.84
Mortgage-Backed Securities	4.35	4.93
TBA Mortgage-Backed Securities	5.81	5.81

# Notes to the Financial Statements and the Required Supplementary Information

## 5. 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. Most foreign currency risk resides within SBI's international equity investment holdings. To reduce foreign currency risk, SBI maintains the following policies. 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. Various investments at June 30, 2011 were distributed among the following currencies shown in **Exhibit 9**.

<b>EXHIBIT 9: FOREIGN CURRENCY RISK</b>				
(Dollars in thousands)				
<b>Currency</b>	<b>Cash &amp; Cash Equivalents</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Investment Totals</b>
Australian Dollar	\$454	\$96,103	\$0	\$96,557
Brazilian Real	34	20,994	0	21,028
Canadian Dollar	333	127,988	4,992	133,313
Chilean Peso	20	1,607	0	1,627
Czech Koruna	24	5,970	0	5,994
Danish Krone	70	18,103	0	18,173
Euro Currency	1,672	394,856	14,081	410,609
Hong Kong Dollar	464	93,429	0	93,893
Indian Rupee	75	34,838	0	34,913
Indonesian Rupiah	12	15,559	0	15,571
Israeli Shekel	39	4,148	0	4,187
Japanese Yen	3,399	248,562	0	251,961
Malaysian Ringgit	40	12,342	0	12,382
New Taiwan Dollar	272	24,976	0	25,248
New Zealand Dollar	21	1,144	0	1,165
Norwegian Krone	103	12,327	0	12,430
Pound Sterling	1,281	256,429	7,655	265,365
Singapore Dollar	203	21,419	0	21,622
South African Rand	19	17,625	0	17,644
South Korean Won	282	49,136	0	49,418
Swedish Krona	396	29,270	0	29,666
Swiss Franc	232	88,882	0	89,114
Other	30	38,276	0	38,306
<b>Totals</b>	<b>\$9,475</b>	<b>\$1,613,983</b>	<b>\$26,728</b>	<b>\$1,650,186</b>

Note: Examples of other currency include Egyptian Pound, Hungarian Forint, Mexican Peso, Philippine Peso, Polish Zloty, Thailand Baht, and Turkish Lira.



## F. Derivative Financial Instruments

On behalf of MSRS, Minnesota State Board of Investment's (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 SBI's 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, 2011, 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 2011 are shown in **Exhibit 10**.

### 1. 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.

### 2. 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.

### 3. Currency Forward Contracts

Foreign currency forward contracts are used to manage portfolio foreign currency risk. The provisions of the contract vary based on what is negotiated between the two parties to the contract.

## 4. 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, the company issues new shares. 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.

## 5. 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, 2011, SBI's portfolio of well diversified high quality investment grade fixed income securities had a fair value of \$945,956,585 that is \$38,399,184 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool and a guaranteed investment contract with fair values of \$275,638,265 and \$189,422,834, respectively.

# Notes to the Financial Statements and the Required Supplementary Information

## EXHIBIT 10: DERIVATIVE FINANCIAL INSTRUMENTS

As of June 30, 2011

(Dollars in thousands)

Derivative Investment Type	Changes in Fair Value During FY 2011	Fair Value at June 30, 2011	Notional Amount
<b>Futures</b>			
Equity Futures – Long	\$9,901	\$0	\$132
Equity Futures – Short	\$(827)	\$0	\$(111)
Fixed Income Futures – Long	\$303	\$0	\$100,344
Fixed Income Futures – Short	\$(2,164)	\$0	\$(55,449)
<b>Options</b>			
Futures Options Bought (Puts)	\$(305)	\$101	\$1,063
Futures Options Written (Calls)	\$822	\$(8)	\$(856)
<b>Currency Forwards</b>			
Foreign Exchange (FX) Forwards - Long-term Instruments	\$(968)	\$(107)	\$78,403
<b>Stock Warrants and Rights</b>			
Stock Warrants	\$150	\$666	\$243
Stock Rights	\$576	\$122	\$254

## G. 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. MSRS' proportionate share of the maximum loss that SBI would have recognized as of June 30, 2011 if all counterparties failed to perform as contracted is \$445,423. These counterparties have S&P ratings of A+ or better. 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.

### 3. Interfund Receivables, Payables, and Transfers

The purpose of interfund receivables and payables, as shown in **Exhibit 11**, is to accrue interfund obligations that are outstanding as of the fiscal year end date, June 30, 2011. 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 are the

interfund payables from the Health Care Savings Fund and the Unclassified Employees Retirement Fund to the State Employees Retirement Fund. 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, 2011 are shown in **Exhibit 12**.

#### EXHIBIT 11: INTERFUND RECEIVABLES AND PAYABLES AS OF JUNE 30, 2011

(Dollars in thousands)

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b><u>Defined Benefit Retirement Funds</u></b>		
State Employees	\$7,272	\$8
State Patrol	1	80
Correctional Employees	2	340
Judges	5	27
Legislators	1	21
Elective State Officers		1
<b><u>Defined Contribution Retirement Funds</u></b>		
Unclassified Employees	18	321
Health Care Savings	42	3,150
Deferred Compensation		3,388
Hennepin County Supplemental Retirement	2	7
<b>Totals</b>	<u>\$7,343</u>	<u>\$7,343</u>

#### EXHIBIT 12: FISCAL YEAR 2011 INTERFUND TRANSFERS

(Dollars in thousands)

	<u>Transfers In</u>	<u>Transfers Out</u>
<b><u>Defined Benefit Retirement Funds</u></b>		
State Employees	\$24,746	\$245
State Patrol		
Correctional Employees	19	6
Judges		
Legislators		
Elective State Officers		
<b><u>Defined Contribution Retirement Funds</u></b>		
Unclassified Employees	226	24,740
Health Care Savings		
Deferred Compensation		
Hennepin County Supplemental Retirement		
<b>Totals</b>	<u>\$24,991</u>	<u>\$24,991</u>

# Notes to the Financial Statements and the Required Supplementary Information

## 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 space for branch offices in Mankato, St. Cloud, Detroit Lakes and Duluth, counseling space in the Hennepin County Government Center and additional office space in the Retirement Services Building. As of June 30, 2011 future obligations under the terms of those leases are scheduled in **Exhibit 13**.

EXHIBIT 13: LEASES						
Location	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Totals
Mankato	\$23,427	\$3,904	\$0	\$0	\$0	\$27,331
St. Cloud	17,129	17,130	8,565	0	0	42,824
Duluth	26,083	26,731	15,819	0	0	68,633
Detroit Lakes	16,767	16,767	16,767	16,767	4,192	71,260
Hennepin County Govt. Center	5,200	5,200	2,600	0	0	13,000
St. Paul RSM Building	15,907	0	0	0	0	15,907
<b>Totals</b>	<u>\$104,513</u>	<u>\$69,732</u>	<u>\$43,751</u>	<u>\$16,767</u>	<u>\$4,192</u>	<u>\$238,955</u>

# 5. Actuarial Methods, Assumptions and Changes in Assumptions

The following disclosures only apply to the defined benefit funds and are as of July 1, 2011, the most recent actuarial valuation date.

## A. Actuarial Methods

**1. Actuarial Cost Method** – Actuarial valuations are performed annually for all defined benefit funds using the Individual Entry Age Normal Cost Method, which is prescribed by *Minnesota Statutes*, Section 356.215. For actuarial valuation purposes, entry age for each member is determined as of the age at valuation minus years of service as of the valuation date.

**2. Asset Valuation Method** – For all MSRS defined benefit funds except the Legislators and Elective State Officers Retirement Funds, assets are valued based on a five-year moving average of expected and market values (five-year average actuarial value). For actuarial valuation purposes, investments are valued by adjusting 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. For the Legislators and Elective State Officers Retirement Funds, market value is the actuarial valuation method, consistent with the valuations since July 1, 2000.

**3. Funding Objective** – For all MSRS defined benefit funds except the Legislators and Elective State Officers Retirement Funds, the fundamental financing objective is to establish contribution rates, which when expressed as a percentage of active member salary (starting at the member’s employment date and continuing until the assumed date of retirement, disability or death), will remain approximately level from generation to generation and meet the required deadline for full funding. Contribution rates are specified in statutes as fixed percentages with no minimums or maximums. The Legislators and Elective State Officers Retirement Funds are funded on a pay-as-you-go basis, with benefits and each fund’s share of administrative expenses financed primarily by state of Minnesota General Fund appropriations.

**4. Changes in Methods** – There have been no changes in actuarial methods since the July 1, 2010 actuarial valuations.

## B. Actuarial Assumptions

**1. Inflation Rate** – The assumed inflation rate is 3.0 percent; the actual inflation rate for all funds was 3.6 percent.

**2. Investment Rate of Return** – 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.

**3. Amortization Periods** – Statutorily specified fiscal year end completion dates for amortization of unfunded actuarial liabilities are listed in **Exhibit 14**.

EXHIBIT 14: FULL FUNDING DATES	
Retirement Fund	Date
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

# Notes to the Financial Statements and the Required Supplementary Information

**4. Vesting** – The State Employees, State Patrol, and the Correctional Employees Retirement Funds require a minimum of three years of covered service for employees hired before July 1, 2010 to be vested for retirement benefits. For those hired after June 30, 2010 in the State Employees and State Patrol Retirement Funds, a minimum of five years of covered service is required for vesting purposes. The Correctional Retirement Fund requires a minimum of five years of covered service for individuals hired after June 30, 2010 and starts a graded vesting schedule. A percentage of vesting increases for each year an individual is employed (5 years, 50 percent vested; 6 years, 60 percent vested; 7 years, 70 percent vested; 8 years, 80 percent vested; 9 years, 90 percent vested; and 10 years, 100 percent vested). The Judges Retirement Fund requires five years of covered service for vesting purposes. The Legislators Retirement Fund, a closed plan, requires either six years of covered service or four legislative sessions. The Elective State Officers Retirement Fund, also a closed plan, requires eight years of covered service for members to be eligible for vested benefits.

**5. Mortality Assumptions** – For projecting retiree mortality, all funds, except the State Employees and the Judges Retirement Funds, 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 healthy post-retirement mortality rates for the State Employees Retirement Fund are valued using various RP 2000 annuitant generational mortality tables with white collar adjustment and no age 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 uses the RP 2000 Combined Annuity Mortality Tables, projected eight years, with no collar adjustment.

**6. Payroll Growth** – Including an assumed 3.0 percent annual inflation factor, the payroll growth assumption is 3.75 percent per year for the State Employees Retirement Fund, 4.00 percent per year for the Judges Retirement Fund, and 4.50 percent per year for the Correctional Employees, the State Patrol and the Legislators Retirement Funds. No payroll growth assumption applies to the Elective State Officers Retirement Fund since this is a closed plan with no contributing members.

**7. Salary Increases** – For the July 1, 2011 actuarial valuation of the State Employees Retirement Fund, the salary scale used in applying the salary increases assumption was changed from an age-related table to a service-related table that generally reflects lower expected salary increases. The new service-related rates are shown in **Exhibit 15**. For the State Patrol and Correctional Employees Retirement Funds, salaries are assumed to increase according to the age-related rates, also shown in **Exhibit 15**. Salaries for members of the Judges Retirement Fund are assumed to increase at 4.00 percent annually. Salaries for members of the Legislators Retirement Fund are assumed to increase at 5.00 percent annually. The Elective State Officers Fund has no active members; therefore, it has no salaries or assumed increases.

**EXHIBIT 15: ASSUMED SALARY INCREASE RATES**

Service Related Rates		Age Related Rates		
Service Years	State Employees Retirement Fund	Age (in years)	State Patrol Retirement Fund	Correctional Employees Retirement Fund
1	10.75%	20	7.75%	6.75%
2	8.35	25	7.00	6.50
3	7.15	30	7.00	6.50
4	6.45	35	7.00	6.50
5	5.95	40	6.50	6.00
6	5.55	45	5.75	5.25
7	5.25	50	5.50	5.00
8	4.95	55	5.25	4.75
9	4.75	60	5.25	5.75
10	4.65	65	5.25	4.75
11	4.45	70	5.25	0.00
12	4.35			
13	4.25			
14	4.05			
15	3.95			
16	3.85			
17 and over	3.75			

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

**9. Disability** - Sample assumed disability rates for the State Employees, State Patrol, Correctional Employees and Judges Retirement Funds are shown in **Exhibit 16**. The Legislators and Elective State Officers Retirement Funds do not provide disability benefits.

**EXHIBIT 16: ASSUMED DISABILITY RATES**

Age	Retirement Fund						
	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

# Notes to the Financial Statements and the Required Supplementary Information

**10. Retirement** - Members retiring from active employment status are assumed to retire according to the age-related rates reported in **Exhibit 17**. Each retirement fund has different assumed rates of retirement, because of differing plan provisions, which are periodically adjusted to match recent historical trends. For the State Employees, State Patrol, Correctional Employees, and Judges Retirement Funds, 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. Instead, current terminated deferred members are assumed to begin receiving benefits at age 62.

EXHIBIT 17: RATES ELIGIBLE MEMBERS ARE ASSUMED TO RETIRE								
Retirement Fund								
State Employees			State Patrol		Correctional Employees		Judges	
Age	Rule of 90	All 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						

**11. Benefit Increases After Retirement** - For all plans except the State Patrol Retirement Fund, 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 Retirement Fund, the annual benefit increase rate after retirement is 1.5 percent. No additional benefit increases are assumed. These annual benefit increase rates will revert to 2.5 percent when each of the funds, except for the Legislators and Elective State Officers Retirement Funds, is 90.0 percent fully funded on a market value basis. For the Legislators and Elective State Officers Retirement Funds, the annual benefit increases will revert to 2.5 percent when the State Employees Retirement Fund reaches the 90.0 percent full funding level, determined on a market value basis.



### C. Changes in Actuarial Assumptions

For the State Employees Retirement Fund, two changes in actuarial assumptions were recognized in the July 1, 2011 actuarial valuation process. First, the salary scale was changed from an age-related table to a service-related table that generally reflects lower expected salary increases. Second, the payroll growth assumption was changed from 4.50 percent to 3.75 percent per year. There were no changes in prescribed actuarial assumptions for the State Patrol, Correctional Employees, Judges, Legislators, or Elective State Officers Retirement Funds.

### D. Use of Alternative Actuarial Assumptions in the July 1, 2011 Valuations

For the Legislators and Elective State Officers Retirement Funds, the current prescribed actuarial assumptions are not compliant with Governmental Accounting Standards Board (GASB) standards for financial reporting. For GASB purposes, MSRS directed its consulting actuary to use an alternative set of assumptions in preparing the July 1, 2011 actuarial valuations for these funds. The alternate assumptions are presented in **Exhibit 18** below. All other actuarial assumptions not noted in **Exhibit 18** are the same under the alternate assumptions as the prescribed assumptions.

EXHIBIT 18: ACTUARIAL ASSUMPTIONS USED IN THE JULY 1, 2011 VALUATIONS OF LEGISLATORS AND ELECTIVE STATE OFFICERS RETIREMENT FUNDS		
Description	Prescribed Assumptions	Alternate Assumptions
Investment rate of return (discount rate)	8.5% pre-retirement 6.5% post-retirement	0% pre-retirement 0% post-retirement
Post-retirement benefit increase	Implicit in 6.5% post-retirement rate	2.0% annual increase
Mortality	1983 Group Annuity Mortality <u>Pre-retirement</u> : males set back 4 years and females set back 2 years <u>Post-retirement</u> : no set backs	RP 2000 generational mortality, white collar. <u>Pre-retirement</u> : non-annuitant table, males set forward 3 years and females set back 1 year <u>Post-retirement</u> : annuitant table with no set backs.
Amortization method (Legislators Retirement Fund only)	Level percent of payroll amortization assuming payroll increases of 4.5% per year	Level dollar amortization
Retirement rates (Legislators Retirement Fund only)	Age 62 or, if over age 62, one year from valuation date	40% at age 62, 30% at ages 63 and 64, 40% at age 65, 30% at age 66, 25% at ages 67-69, 30% at age 70, 100% at age 71, one year from valuation date if over age 71

### E. Applicability to MSRS Defined Contribution Funds

The Unclassified Employees Retirement Fund, the Health Care Savings Plan, the Deferred Compensation Fund, and the Hennepin County Supplemental Retirement Fund are defined contribution plans and therefore, actuarial methods, assumptions, and valuations are not applicable.

# Notes to the Financial Statements and the Required Supplementary Information

## 6. Funded Status

The funding status schedule, as shown in **Exhibit 19**, was prepared using the actuarial methods and assumptions specified in Note 5.

<b>EXHIBIT 19: SCHEDULE OF FUNDING PROGRESS</b>						
(Dollars in Thousands)						
<b>Defined Benefit Retirement Fund</b>						
	State Employees	State Patrol	Correctional Employees	Judges	Legislators*	Elective State Officers*
A. Most Recent Actuarial Valuation Date	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011
B. Actuarial Value of Assets	\$9,130,011	\$563,046	\$637,027	\$145,996	\$19,140	\$0
C. Actuarial Accrued Liability	<u>10,576,481</u>	<u>700,898</u>	<u>907,012</u>	<u>248,630</u>	<u>216,559</u>	<u>7,610</u>
D. Total Unfunded Actuarial Accrued Liability (C-B)	<u>\$1,446,470</u>	<u>\$137,852</u>	<u>\$269,985</u>	<u>\$102,634</u>	<u>\$197,419</u>	<u>\$7,610</u>
E. Funded Ratio (B/C)	86.32%	80.33%	70.23%	58.72%	8.84%	0.00%
F. Actual Covered Payroll	\$2,440,580	\$63,250	\$197,702	\$40,473	\$1,774	\$0
G. Ratio of the Unfunded Actuarial Accrued Liability to Annual Covered Payroll (D/F)	59.27%	217.95%	136.56%	253.59%	11,128.47%	N/A
<i>*Amounts reported for actuarial accrued liability and funded ratio are based on actuarial valuation results using GASB-compliant alternate assumptions.</i>						

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

## 7. Actuarial Asset Valuations

Minnesota statutes provide for a graduated recognition of the unrealized investment gains or losses. The actuarial basis of assets is adjusted to spread the differences between actual return (measured on a fair value basis) and expected return (8 1/2 percent of assets) over five years. The amounts shown on the *Statement of Plan Net Assets*

are presented at fair value and do not include any of the preceding adjustments. The June 30, 2011 current asset values, funded ratio, and contribution deficiency as a percent of payroll for MSRS' four largest defined benefit funds, determined using both methods, are detailed in **Exhibit 20**.

### EXHIBIT 20: COMPARISON OF ACTUARIAL VALUATION RESULTS GIVEN DIFFERENT BASES FOR ASSET VALUES FOR MSRS' FOUR LARGEST DEFINED BENEFIT FUNDS

(Dollars in thousands)

Retirement Fund	Actuarial Basis			Fair Value Basis		
	Current Assets	Funded Ratio	Contribution Deficiency	Current Assets	Funded Ratio	Contribution Deficiency
State Employees	\$9,130,011	86.32%	1.03%	\$9,197,664	86.96%	0.86%
State Patrol	563,046	80.33	5.25	568,279	81.08	4.75
Correctional Employees	637,027	70.23	5.30	646,582	71.29	5.02
Judges	145,996	58.72	5.17	148,504	59.73	4.78

## 8. 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 Retirement Funds provide, automatically, a 50 percent benefit continuance to a surviving spouse. Also, legislators can choose 100 percent survivor coverage with an actuarially-reduced benefit.

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

Membership statistics as of June 30, 2011, for all MSRS defined benefit funds are shown in **Exhibit 21**. Specific descriptions of each of these funds, including employee and employer contribution rate information, are contained in the paragraphs that follow on the next page.

# Notes to the Financial Statements and the Required Supplementary Information

<b>EXHIBIT 21: MEMBERSHIP STATISTICS - DEFINED BENEFIT FUNDS</b>						
<b>As of June 30, 2011</b>	<b>State Employees</b>	<b>State Patrol</b>	<b>Correctional Employees</b>	<b>Judges</b>	<b>Legislators</b>	<b>Elective State Officers*</b>
<b>Members Receiving Benefits</b>						
Retirees	24,900	700	1,621	176	288	10
Disabilitants	1,723	48	230	25	N/A	N/A
Beneficiaries	3,541	184	165	96	80	4
<b>Terminated Members</b>						
Vested, Not Receiving	15,422	38	1,035	18	78	1
Nonvested	6,117	15	501	0	1	0
<b>Active Members</b>						
Vested	38,611	751	3,497	230	38	0
Nonvested	9,344	111	825	78	0	0
<b>Total Members</b>	<b><u>99,658</u></b>	<b><u>1,847</u></b>	<b><u>7,874</u></b>	<b><u>623</u></b>	<b><u>485</u></b>	<b><u>15</u></b>
<b>Participating Employers</b>	27	1	1	1	1	1

\* The remaining members have either retired or elected coverage under the Unclassified Employees Retirement 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 Retirement Plan (General 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 of Minnesota employees who are not members of another plan are covered by the General Plan.

*Minnesota Statutes*, Section 352.04 requires that eligible employees contribute 5.00 percent of their total compensation to the State Employees Retirement Fund. Participating employers also are required to contribute 5.00 percent to this fund.

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

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989 may use the Step or Level formula. Members hired on or after July 1, 1989 must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high five-year average salary for each of the first 10 years of covered service, 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. Under the Level formula, members receive 1.7 percent of the high five-year average salary for all years of covered service, and full benefits are available at normal retirement age.

As of June 30, 2011, all MSRS employees are members of the General Plan. As stated in the preceding paragraph, the authority for the 5.00 percent employee and the 5.00 percent employer contribution rate 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.

<b>EXHIBIT 22: MSRS CONTRIBUTIONS TO THE STATE EMPLOYEES RETIREMENT FUND</b>		
<b>For Fiscal Year Ended</b>	<b>Employee</b>	<b>Employer</b>
June 30, 2011	\$272,715	\$272,715
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

Total covered payroll for MSRS employees was approximately \$5.3 million for fiscal year 2011.

# 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 state of Minnesota employees who are state troopers, conservation officers, and certain crime bureau and gambling enforcement 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 the first day of the first pay period beginning after 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 through June 30, 2011, and four percent thereafter. For monthly retirement benefits, members hired before July 1, 2010 become vested after three years of allowable service; new hires after June 30, 2010 are vested after five years of allowable service.

Members become eligible for normal retirement benefits at 55 years of age. The benefit is 3 percent of the high five-year average salary for each year of allowable service.

## C. Correctional Employees Retirement Fund

The Correctional Employees Retirement Fund includes only the Correctional Plan, a single employer plan. Membership is limited to state of Minnesota employees with 75 percent working time spent in direct contact with inmates or patients in Minnesota correctional facilities.

*Minnesota Statutes*, Section 352.92 requires that eligible employees contribute 8.60 percent of their total compensation. The employer contributes 12.10 percent of salary.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate six percent through June 30, 2011 and four percent thereafter. For monthly retirement benefits, members hired before July 1, 2010 become vested after three years of allowable service. New hires after June 30, 2010, must have a minimum of five years allowable service before a graded vesting schedule begins, which ranges from 50 percent vested after five years of allowable service to 100 percent vested after ten years of allowable service.

Members become eligible for normal retirement benefits at 55 years of age and vested. The benefit is 2.4 percent of the high five-year average monthly salary for each year of allowable service, pro-rated for completed months. The monthly benefit can be received either as level life-

long 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 of salary.

Members become eligible for retirement benefits at age 65 with five years of allowable service. Reduced retirement benefits are available to members at age 60 with five years of allowable service. Mandatory retirement age is age 70.

The retirement benefit is 2.7 percent of the average high five-year salary for each year of allowable service prior to July 1, 1980, plus 3.2 percent of the same average salary for each year of allowable service after June 30, 1980. The maximum benefit a member receives is 76.80 percent of average high-five year 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 that is closed to new membership.

The Legislators Retirement Plan includes members of the Minnesota State Legislature – the House of Representatives and Senate – who were first elected to office before July 1, 1997 and who elected to retain coverage under this plan. Legislators elected after that date are members of the Unclassified Employees Retirement Plan, a defined contribution plan. Although the Legislators Retirement Plan is closed, a small number of members actively contribute to the plan. *Minnesota Statutes*, Section 3A.03 requires that these active members contribute 9 percent of their salary to the plan to the state's General Fund. Legislators are eligible for full retirement benefits at age 62 with six years of allowable service. Reduced retirement benefits are available at age 55 with the same service requirement. For members first elected prior to January 1, 1979, the retirement benefit is computed at 5.0 percent of average high-five year

salary for the first eight years of service prior to January 1, 1979, and 2.5 percent of average salary for subsequent years. For members elected after December 31, 1978, the retirement benefit is computed at 2.5 percent of the average high-five year salary for each year of allowable service. Benefits are financed on a pay-as-you-go basis. 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 January 1, 2003 are financed by the remaining assets of the Legislators Retirement Fund. The Legislators Fund's assets are expected to be depleted within the next five years. 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.

The Elective State Officers Retirement Plan includes

constitutional officers (e.g., Governor, Lieutenant Governor, Secretary of State, Attorney General and State Auditor) who were first elected to office prior to July 1, 1997 and elected to retain coverage under this plan. The plan has no active contributing participants. It operates on a pay-as-you-go basis, with benefits financed by annual appropriations from the state's General Fund.

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

MSRS contracts with a third-party administrator, ING, to provide various record keeping services for administering its four defined contribution funds. Membership statistics are provided in **Exhibit 23**.

<b>EXHIBIT 23: MEMBERSHIP STATISTICS – DEFINED CONTRIBUTION FUNDS</b>				
(Dollars in thousands)				
<b>As of June 30, 2011</b>	<b>Unclassified Employees</b>	<b>Health Care Savings</b>	<b>Deferred Compensation</b>	<b>Hennepin County Supplemental</b>
Active Members	1,519	50,222	48,529	685
Inactive Members	1,750	11,711	27,277	974
Withdrawing Members	N/A	5,453	3,730	162
<b>Total Members</b>	<b><u>3,269</u></b>	<b><u>67,386</u></b>	<b><u>79,536</u></b>	<b><u>1,821</u></b>
Annual Payroll	\$108,399,000	N/A	N/A	\$46,662
Participating Employers	14	419	547	2

# Notes to the Financial Statements and the Required Supplementary Information

## A. Unclassified Employees Retirement Fund

The Unclassified Employees Retirement Fund is a tax-deferred, defined contribution fund comprised entirely of a single, multiple-employer defined contribution plan, the Unclassified Employees Retirement Plan. Participation 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. No MSRS employees are active participants of the Unclassified Employees Retirement Plan.

It is considered a money purchase plan, i.e., participants 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.

*Minnesota Statutes*, Section 352D.04, subdivision 2, requires a contribution rate of 5.0 percent of salary from participating employees, which is equivalent to the employee contribution rate for members of the General Plan. The employer contribution rate for the Unclassified Employees Retirement Plan is 6.0 percent of salary. Employees covered by this plan also contribute to Social Security.

Unclassified Employees Retirement Plan participants are eligible to apply for the balance in their account after termination of public service. There is no minimum employment requirement to qualify for this lump-sum payment. Since contributions made to this plan are not taxed, participants pay taxes when funds are withdrawn and may be subject to a 10 percent tax penalty if funds are withdrawn in a lump sum before the member reaches age 59 1/2. Monthly benefits are available to terminated participants at age 55 or later, regardless of the individual's length of service. Participants age 55 or older may also apply for a portion of their account balance as a lump-sum payment and the remainder in lifetime, monthly benefits.

Retirement and disability benefits are available to some participants through conversion, at the participant's option, to the General Employees Retirement Plan (General Plan) provided the employee had prior service in the General Plan or at least 10 years of allowable service if hired prior to July 1, 2010 or has no more than seven years of service if hired after June 30, 2010. 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, 2011 in the amount of \$14,047,000.

## 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.

## 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 10 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.



## 11. Long-term Debt

MSRS entered into an agreement with the Minnesota 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 based on MSRS' proportionate share of the building's useable space in square feet. 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, \$39,941,881. 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, 2011, \$5,805,600, and interest accrued for the month of June in the amount of \$28,211.

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

Fiscal Year	Principal	Interest	Total Principal & Interest
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>\$5,805,600</u>	<u>\$4,020,103</u>	<u>\$9,825,703</u>
Total Unpaid Principal, 06/30/11		\$5,805,600	
Accrued Interest		28,211	
Total, per Statement of Plan Net Assets		<u>\$5,833,811</u>	<u>\$5,834</u> (in 000s)

# Notes to the Financial Statements and the Required Supplementary Information

## 12. Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (OPEB)

### (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, 2011 the SEGIP had an actuarially determined unfunded net obligation for future benefits of \$144,765,000, to be funded on a pay-as-you-go basis. MSRS' allocated portion of this liability is \$80,000. The MSRS share of the required contributions and the net OPEB obligation is presented in **Exhibit 25**.

#### EXHIBIT 25: REQUIRED OPEB CONTRIBUTIONS AND NET OPEB OBLIGATION

##### State Employee Group Insurance Plan OPEB Disclosures:

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percent	Net OPEB Obligation
June 30, 2011	\$62,000	\$48,000	77.42%	\$80,000
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

### **13. 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, 2011 are detailed on page 64.

### **14. Reemployed Retirees' Earnings Limitations**

MSRS members whose age is under the Social Security full retirement age, and who return to work in a MSRS-covered position after their retirement, are subject to an annual earnings limitation unless hired under a Post-Retirement Option (PRO) agreement. The maximum earnings limit for calendar years 2010 and 2011 was \$14,100 annually. Benefit payments for members exceeding the earnings limit are stopped for the remainder of the calendar year and held in abeyance for later distribution to the retiree. Six percent interest, compounded annually, accrued on these funds through December 31, 2010. Effective January 1, 2011, funds held in abeyance no longer accrue interest. Members must wait one year following termination of their post-retirement employment to be eligible to receive a distribution of these funds. When eligible, the member may choose a lump-sum payment or a direct rollover to an eligible retirement plan as defined by section 402(c) of the Internal Revenue Code. As of June 30, 2011, MSRS had 55 re-employed retirees with funds held in abeyance, which totaled \$1,716,532 (\$1,347,538 for the State Employees Retirement Fund and \$368,994 for the Correctional Employees Retirement Fund). MSRS processed 21 distributions of these funds, totaling \$374,139 (\$298,298 for the State Employees Retirement Fund and \$75,841 for the Correctional Employees Retirement Fund) during fiscal year 2011. These distributions are included as a Refunds deduction in the respective fund's *Statement of Changes in Plan Net Assets*.

### **15. Litigation**

A class action lawsuit was filed in May 2010, against the State's pension funds, including the Minnesota State Retirement System, challenging the 2009 and 2010 legislative changes made to the annual cost-of-living adjustments for pension benefits.

The district court granted summary judgment to the State on all issues and dismissed the plaintiff's complaint. The plaintiffs had until September 6, 2011, to appeal. No appeal was filed by the deadline.

### **16. Prior Period Adjustments**

#### **A. Elective State Officers Retirement Fund**

A prior period adjustment of \$214,000 was made to exclude a potential receivable from the state in the event of a termination of the Elective State Officers Retirement Plan. The plan has not been terminated, so there is no receivable and the July 1, 2010 Net Assets balance has been restated accordingly on the *Statement of Changes in Plan Net Assets*.

#### **B. Legislators Retirement Fund**

A prior period adjustment of \$7,293,000 was made to exclude a potential receivable from the state in the event of a termination of the Legislators Retirement Plan. The plan has not been terminated, so there is no receivable and the July 1, 2010 Net Assets balance has been restated accordingly on the *Statement of Changes in Plan Net Assets*.

### **17. Required Supplemental Information**

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

# 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)
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## State Employees Retirement Fund

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
2011	9,130,011	10,576,481	1,446,470	86.32	2,440,580	59.27

## State Patrol Retirement Fund

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
2011	563,046	700,898	137,852	80.33	63,250	217.95

## Correctional Employees Retirement Fund

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
2011	637,027	907,012	269,985	70.23	197,702	136.56

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

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
2011	145,996	248,630	102,634	58.72	40,473	253.59

### Legislators Retirement Fund

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
2011	19,140	216,559*	197,419*	8.84*	1,774	11,128.47*

### Elective State Officers Retirement Fund\*\*

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
2011	0	7,610*	7,610*	0.00	0*	N/A

\*Amounts are based on GASB-compliant alternate actuarial assumptions.

\*\*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>						
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
2011	10.99	2,440,580	122,029	146,191	118,563	81.10
<b>State Patrol Retirement Fund</b>						
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
2011	33.84	63,250	6,578	14,826	9,873	66.59
<b>Correctional Employees Retirement Fund</b>						
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
2011	25.43	197,702	17,002	33,274	23,892	71.80

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>						
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
2011	31.66	40,473	3,010	9,804	8,297	84.63

### Legislators Retirement Fund

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
2011	432.92	1,774	160	7,520	2,805	37.30

### Elective State Officers Retirement Fund\*

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
2011	644	-	-	644	460	71.54

\*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

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

<b>Personal Services</b>	
Staff Salaries	\$5,283
Social Security and Medicare	387
Retirement	273
Health Insurance	1,040
Other Personal Services	16
<b>Total</b>	<b>\$6,999</b>
<b>Professional Services</b>	
Actuarial	\$229
Data Processing	448
Disability Examinations	34
Legal Counsel	54
Other Professional Services	652
<b>Total</b>	<b>\$1,417</b>
<b>Communication-Related Expenses</b>	
Printing	\$231
Telephone	170
Postage	157
Subscriptions and Memberships	14
<b>Total</b>	<b>\$572</b>
<b>Office Building and Maintenance Expenses</b>	
Office Space Rentals	\$97
Building Services	314
Building and Building Improvement Depreciation	191
Bond Interest and Issuance Expense	349
Other Building and Maintenance Expenses	3
<b>Total</b>	<b>\$954</b>
<b>Miscellaneous</b>	
Office Supplies	\$64
Computer Components and Supplies	593
Equipment Repairs and Maintenance Expenses	15
Department Head and Board Member Expenses	4
Training and Licenses	63
Travel	130
Statewide Indirect Costs	527
Equipment Depreciation and Software Amortization	73
Other Rentals	7
State Sales Taxes	54
Local Sales Taxes	6
Other Expenses	40
<b>Total</b>	<b>\$1,576</b>
<b>Total Administrative Expenses</b>	<b>\$11,518</b>
<b>Allocation of Administrative Expenses by Fund</b>	
State Employees	\$6,064
State Patrol	92
Correctional Employees	356
Judges	32
Legislators	22
Elective State Officers	1
Unclassified Employees	174
Health Care Savings	1,396
Deferred Compensation	3,370
Hennepin County Supplemental	11
<b>Total Administrative Expenses</b>	<b>\$11,518</b>



# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## State Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$119,019	\$3,010	\$122,029
Employer Contributions	0	118,563	118,563
<b>Total Contributions</b>	<u>\$119,019</u>	<u>\$121,573</u>	<u>\$240,592</u>
<b>Investment Income</b>			
Investment Income	\$0	\$1,774,354	\$1,774,354
Less Investment Expenses	0	12,820	12,820
Net Investment Income from			
Investment Activities	<u>\$0</u>	<u>\$1,761,534</u>	<u>\$1,761,534</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$5,222</u>	<u>\$5,222</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$585	\$585
Management Fees	0	1,864	1,864
Total Securities Lending Expenses	<u>\$0</u>	<u>\$2,449</u>	<u>\$2,449</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$2,773</u>	<u>\$2,773</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$1,764,307</u>	<u>\$1,764,307</u>
<b>Other Additions</b>			
Transfers from Other Plans	\$4,629	\$20,117	\$24,746
Other Income	0	229	229
<b>Total Other Additions</b>	<u>\$4,629</u>	<u>\$20,346</u>	<u>\$24,975</u>
<b>Total Additions</b>	<u>\$123,648</u>	<u>\$1,906,226</u>	<u>\$2,029,874</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$505,573	\$505,573
Refunds	8,277	5,929	14,206
Transfers to Other Plans	105	140	245
Administrative Expenses	0	6,064	6,064
Other Expenses	0	80	80
<b>Total Deductions</b>	<u>\$8,382</u>	<u>\$517,786</u>	<u>\$526,168</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(82,748)	\$82,748	\$0
Other	(822)	822	0
<b>Total Other Changes in Reserves</b>	<u>\$(83,570)</u>	<u>\$83,570</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$31,696</u>	<u>\$1,472,010</u>	<u>\$1,503,706</u>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	<u>1,155,473</u>	<u>6,537,058</u>	<u>7,692,531</u>
June 30, 2011	<u>\$1,187,169</u>	<u>\$8,009,068</u>	<u>\$9,196,237</u>

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## State Patrol Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$6,578	\$0	\$6,578
Employer Contributions	0	9,873	9,873
<b>Total Contributions</b>	<u>\$6,578</u>	<u>\$9,873</u>	<u>\$16,451</u>
<b>Investment Income</b>			
Investment Income	\$0	\$111,529	\$111,529
Less Investment Expenses	0	793	793
Net Investment Income from			
Investment Activities	<u>\$0</u>	<u>\$110,736</u>	<u>\$110,736</u>
Income from Security Lending Activities			
Security Lending Income	<u>\$0</u>	<u>\$323</u>	<u>\$323</u>
Security Lending Expenses			
Borrower Rebates	\$0	\$36	\$36
Management Fees	0	115	115
Total Security Lending Expenses	<u>\$0</u>	<u>\$151</u>	<u>\$151</u>
Net Income from Security Lending Activities	<u>\$0</u>	<u>\$172</u>	<u>\$172</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$110,908</u>	<u>\$110,908</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>\$6,578</u>	<u>\$120,781</u>	<u>\$127,359</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$47,844	\$47,844
Refunds	0	0	0
Transfers to Other Plans	0	0	0
Administrative Expenses	0	92	92
Other Expenses	0	14	14
<b>Total Deductions</b>	<u>\$0</u>	<u>\$47,950</u>	<u>\$47,950</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(3,518)	\$3,518	\$0
Other	(147)	147	0
<b>Total Other Changes in Reserves</b>	<u>\$(3,665)</u>	<u>\$3,665</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$2,913</u>	<u>\$76,496</u>	<u>\$79,409</u>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	<u>56,699</u>	<u>432,171</u>	<u>488,870</u>
June 30, 2011	<u>\$59,612</u>	<u>\$508,667</u>	<u>\$568,279</u>

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Correctional Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$16,984	\$18	\$17,002
Employer Contributions	0	23,892	23,892
<b>Total Contributions</b>	<b>\$16,984</b>	<b>\$23,910</b>	<b>\$40,894</b>
<b>Investment Income</b>			
Investment Income	\$0	\$122,117	\$122,117
Less Investment Expenses	0	898	898
Net Investment Income from Investment Activities	\$0	\$121,219	\$121,219
Income from Securities Lending Activities			
Securities Lending Income	\$0	\$366	\$366
Securities Lending Expenses			
Borrower Rebates	\$0	\$41	\$41
Management Fees	0	131	131
Total Securities Lending Expenses	\$0	\$172	\$172
Net Income from Securities Lending Activities	\$0	\$194	\$194
<b>Total Net Investment Income</b>	<b>\$0</b>	<b>\$121,413</b>	<b>\$121,413</b>
<b>Other Additions</b>			
Transfers from Other Plans	\$9	\$10	\$19
Other Income	0	0	0
<b>Total Other Additions</b>	<b>\$9</b>	<b>\$10</b>	<b>\$19</b>
<b>Total Additions</b>	<b>\$16,993</b>	<b>\$145,333</b>	<b>\$162,326</b>
<b>Deductions</b>			
Annuity Benefits	\$0	\$39,116	\$39,116
Refunds	1,119	390	1,509
Transfers to Other Plans	3	3	6
Administrative Expenses	0	356	356
Other Expenses	0	2	2
<b>Total Deductions</b>	<b>\$1,122</b>	<b>\$39,867</b>	<b>\$40,989</b>
<b>Other Changes in Reserves</b>			
Retirements	\$(5,729)	\$5,729	\$0
Other	(136)	136	0
<b>Total Other Changes in Reserves</b>	<b>\$(5,865)</b>	<b>\$5,865</b>	<b>\$0</b>
<b>Net Increase (Decrease)</b>	<b>\$10,006</b>	<b>\$111,331</b>	<b>\$121,337</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	100,323	424,922	525,245
June 30, 2011	\$110,329	\$536,253	\$646,582

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Judges Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$3,010	\$0	\$3,010
Employer Contributions	0	8,297	8,297
<b>Total Contributions</b>	<u>\$3,010</u>	<u>\$8,297</u>	<u>\$11,307</u>
<b>Investment Income</b>			
Investment Income	\$0	\$28,805	\$28,805
Less Investment Expenses	0	206	206
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$28,599</u>	<u>\$28,599</u>
Income from Securities Lending Activities			
Securities Lending Income	\$0	\$84	\$84
Securities Lending Expenses			
Borrower Rebates	\$0	\$9	\$9
Management Fees	0	30	30
Total Securities Lending Expenses	<u>\$0</u>	<u>\$39</u>	<u>\$39</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$45</u>	<u>\$45</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$28,644</u>	<u>\$28,644</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>\$3,010</u>	<u>\$36,941</u>	<u>\$39,951</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$17,585	\$17,585
Refunds	27	3	30
Transfers to Other Plans	0	0	0
Administrative Expenses	0	32	32
Other Expenses	0	1	1
<b>Total Deductions</b>	<u>\$27</u>	<u>\$17,621</u>	<u>\$17,648</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(2,194)	\$2,194	\$0
Other	0	0	0
<b>Total Other Changes in Reserves</b>	<u>\$(2,194)</u>	<u>\$2,194</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$789</u>	<u>\$21,514</u>	<u>\$22,303</u>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	28,685	97,516	126,201
June 30, 2011	<u>\$29,474</u>	<u>\$119,030</u>	<u>\$148,504</u>

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Legislators Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$160	\$0	\$160
General Fund Contributions	0	2,805	2,805
<b>Total Contributions</b>	<u>\$160</u>	<u>\$2,805</u>	<u>\$2,965</u>
<b>Investment Income</b>			
Investment Income	\$0	\$4,162	\$4,162
Less Investment Expenses	0	26	26
Net Investment Income from Investment Activities	<u>\$0</u>	<u>\$4,136</u>	<u>\$4,136</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$0</u>	<u>\$11</u>	<u>\$11</u>
Securities Lending Expenses			
Borrower Rebates	\$0	\$1	\$1
Management Fees	0	4	4
Total Securities Lending Expenses	<u>\$0</u>	<u>\$5</u>	<u>\$5</u>
Net Income from Securities Lending Activities	<u>\$0</u>	<u>\$6</u>	<u>\$6</u>
<b>Total Net Investment Income</b>	<u>\$0</u>	<u>\$4,142</u>	<u>\$4,142</u>
<b>Other Additions</b>			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	2	2
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$2</u>	<u>\$2</u>
<b>Total Additions</b>	<u>\$160</u>	<u>\$6,949</u>	<u>\$7,109</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$7,464	\$7,464
Refunds	5	6	11
Transfers to Other Plans	0	0	0
Administrative Expenses	0	22	22
Other Expenses	0	0	0
<b>Total Deductions</b>	<u>\$5</u>	<u>\$7,492</u>	<u>\$7,497</u>
<b>Other Changes in Reserves</b>			
Retirements	\$(862)	\$862	\$0
Other	5	(5)	0
<b>Total Other Changes in Reserves</b>	<u>\$(857)</u>	<u>\$857</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<u>\$(702)</u>	<u>\$314</u>	<u>\$(388)</u>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010, as Reported	\$5,993	\$20,828	\$26,821
Prior Period Adjustments	0	(7,293)	(7,293)
July 1, 2010, as Restated	<u>\$5,993</u>	<u>\$13,535</u>	<u>\$19,528</u>
June 30, 2011	<u>\$5,291</u>	<u>\$13,849</u>	<u>\$19,140</u>

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Elective State Officers Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$0	\$0	\$0
General Fund Contributions	0	460	460
<b>Total Contributions</b>	<b>\$0</b>	<b>\$460</b>	<b>\$460</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>\$460</b>	<b>\$460</b>
<b>Deductions</b>			
Annuity Benefits	\$0	\$459	\$459
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>\$460</b>	<b>\$460</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>\$0</b>	<b>\$0</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010, as Reported	\$36	\$178	\$214
Prior Period Adjustments	(36)	(178)	(214)
July 1, 2010, as Restated	\$0	\$0	\$0
June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Unclassified Employees Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$5,417	\$0	\$5,417
Employer Contributions	6,360	0	6,360
<b>Total Contributions</b>	<b>\$11,777</b>	<b>\$0</b>	<b>\$11,777</b>
<b>Investment Income</b>			
Investment Income	\$52,086	\$19	\$52,105
Less Investment Expenses	137	0	137
Net Investment Income from Investment Activities	\$51,949	\$19	\$51,968
Income from Securities Lending Activities			
Securities Lending Income	\$16	\$0	\$16
Securities Lending Expenses			
Borrower rebates	\$2	\$0	\$2
Management fees	5	0	5
Total Securities Lending Expenses	\$7	\$0	\$7
Net Income from Securities Lending Activities	\$9	\$0	\$9
<b>Total Net Investment Income</b>	<b>\$51,958</b>	<b>\$19</b>	<b>\$51,977</b>
<b>Other Additions</b>			
Transfers from Other Plans	\$226	\$0	\$226
Other Income	0	85	85
<b>Total Other Additions</b>	<b>\$226</b>	<b>\$85</b>	<b>\$311</b>
<b>Total Additions</b>	<b>\$63,961</b>	<b>\$104</b>	<b>\$64,065</b>
<b>Deductions</b>			
Annuity Benefits	\$0	\$0	\$0
Refunds	7,799	0	7,799
Transfers to Other Plans	24,740	0	24,740
Recordkeeper and Custodian Expenses	0	37	37
Administrative Expenses	0	174	174
Other Expenses	0	0	0
<b>Total Deductions</b>	<b>\$32,539</b>	<b>\$211</b>	<b>\$32,750</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>\$31,422</b>	<b>\$(107)</b>	<b>\$31,315</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	253,437	(49)	253,388
June 30, 2011	<u>\$284,859</u>	<u>\$(156)</u>	<u>\$284,703</u>

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Health Care Savings Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$132,526	\$0	\$132,526
Employer Contributions	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Contributions</b>	<u>\$132,526</u>	<u>\$0</u>	<u>\$132,526</u>
<b>Investment Income</b>			
Investment Income	\$26,651	\$39	\$26,690
Less Investment Expenses	<u>204</u>	<u>0</u>	<u>204</u>
Net Investment Income from			
Investment Activities	<u>\$26,447</u>	<u>\$39</u>	<u>\$26,486</u>
Income from Securities Lending Activities			
Securities Lending Income	<u>\$24</u>	<u>\$0</u>	<u>\$24</u>
Securities Lending Expenses			
Borrower Rebates	\$3	\$0	\$3
Management Fees	<u>8</u>	<u>0</u>	<u>8</u>
Total Securities Lending Expenses	<u>\$11</u>	<u>\$0</u>	<u>\$11</u>
Net Income from Securities Lending Activities	<u>\$13</u>	<u>\$0</u>	<u>\$13</u>
<b>Total Net Investment Income</b>	<u>\$26,460</u>	<u>\$39</u>	<u>\$26,499</u>
<b>Other Additions</b>			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	<u>0</u>	<u>1,989</u>	<u>1,989</u>
<b>Total Other Additions</b>	<u>\$0</u>	<u>\$1,989</u>	<u>\$1,989</u>
<b>Total Additions</b>	<u>\$158,986</u>	<u>\$2,028</u>	<u>\$161,014</u>
<b>Deductions</b>			
Annuity Benefits	\$0	\$0	\$0
Health Care Benefits	44,740	0	44,740
Refunds	0	0	0
Recordkeeper and Custodian Expenses	0	794	794
Administrative Expenses	0	1,396	1,396
Other Expenses	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Deductions</b>	<u>\$44,740</u>	<u>\$2,190</u>	<u>\$46,930</u>
<b>Other Changes in Reserves</b>			
Retirements	\$0	\$0	\$0
Other	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Changes in Reserves</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Net Increase (Decrease)</b>	<b>\$114,246</b>	<b>\$(162)</b>	<b>\$114,084</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	<u>322,683</u>	<u>(1,505)</u>	<u>321,178</u>
June 30, 2011	<u>\$436,929</u>	<u>\$(1,667)</u>	<u>\$435,262</u>



# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Minnesota Deferred Compensation Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$222,031	\$0	\$222,031
Employer Contributions	0	0	0
<b>Total Contributions</b>	<b>\$222,031</b>	<b>\$0</b>	<b>\$222,031</b>
<b>Investment Income</b>			
Investment Income	\$654,337	\$304	\$654,641
Less Investment Expenses	2,007	0	2,007
Net Investment Income from			
Investment Activities	\$652,330	\$304	\$652,634
Income from Securities Lending Activities			
Securities Lending Income	\$239	\$0	\$239
Securities Lending Expenses			
Borrower Rebates	\$32	\$0	\$32
Management Fees	79	0	79
Total Securities Lending Expenses	\$111	\$0	\$111
Net Income from Securities Lending Activities	\$128	\$0	\$128
<b>Total Net Investment Income</b>	<b>\$652,458</b>	<b>\$304</b>	<b>\$652,762</b>
<b>Other Additions</b>			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	112	5,707	5,819
<b>Total Other Additions</b>	<b>\$112</b>	<b>\$5,707</b>	<b>\$5,819</b>
<b>Total Additions</b>	<b>\$874,601</b>	<b>\$6,011</b>	<b>\$880,612</b>
<b>Deductions</b>			
Ongoing Withdrawals (Periodic Payments)	\$28,549	\$0	\$28,549
Refunds	162,756	0	162,756
Recordkeeping and Custodian Expenses	0	1,615	1,615
Administrative Expenses	0	3,370	3,370
Other Expenses	0	15	15
<b>Total Deductions</b>	<b>\$191,305</b>	<b>\$5,000</b>	<b>\$196,305</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>\$683,296</b>	<b>\$1,011</b>	<b>\$684,307</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	3,487,429	8,549	3,495,978
June 30, 2011	\$4,170,725	\$9,560	\$4,180,285

# Schedule of Changes in Plan Net Assets

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

## Hennepin County Supplemental Retirement Fund

	Reserve		Totals
	Member	Benefit	
<b>Additions</b>			
<b>Contributions</b>			
Plan Member Contributions	\$467	\$0	\$467
Employer Contributions	466	0	466
<b>Total Contributions</b>	<b>\$933</b>	<b>\$0</b>	<b>\$933</b>
<b>Investment Income</b>			
Investment Income	\$21,767	\$0	\$21,767
Less Investment Expenses	61	0	61
Net Investment Income from Investment Activities	\$21,706	\$0	\$21,706
Income from Securities Lending Activities			
Securities Lending Income	\$7	\$0	\$7
Securities Lending Expenses			
Borrower Rebates	\$1	\$0	\$1
Management Fees	2	0	2
Total Securities Lending Expenses	\$3	\$0	\$3
Net Income from Securities Lending Activities	\$4	\$0	\$4
<b>Total Net Investment Income</b>	<b>\$21,710</b>	<b>\$0</b>	<b>\$21,710</b>
<b>Other Additions</b>			
Transfers from Other Plans	\$0	\$0	\$0
Other Income	0	49	49
<b>Total Other Additions</b>	<b>\$0</b>	<b>\$49</b>	<b>\$49</b>
<b>Total Additions</b>	<b>\$22,643</b>	<b>\$49</b>	<b>\$22,692</b>
<b>Deductions</b>			
Ongoing Withdrawals (Periodic Payments)	\$4,069	\$0	\$4,069
Refunds	2,490	0	2,490
Recordkeeping and Custodian Expenses	0	22	22
Administrative Expenses	0	11	11
Other Expenses	0	17	17
<b>Total Deductions</b>	<b>\$6,559</b>	<b>\$50</b>	<b>\$6,609</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>\$16,084</b>	<b>\$(1)</b>	<b>\$16,083</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
July 1, 2010	109,546	2	109,548
June 30, 2011	<u>\$125,630</u>	<u>\$1</u>	<u>\$125,631</u>

# Summary Schedule of Commissions and Payments to Consultants

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

Individual or Firm Name	Services Received	Fees Paid
Aeritae Consulting Group	Network System Development	\$245
Mercer, Inc.	Actuarial Services	229
On Demand Services Group	Application Development Support	155
Insight Public Sector	Computer Support	78
Tek Systems	Network Systems Support	72
Impact Mailing of MN, Inc.	Mailing Services	32
Novell, Inc.	Computer Software Support	21
Kaplan Professional Schools	Training	12
Systems Technology Group, Inc.	Legacy Migration Advice	10
Comserv, Inc.	Death and SSN Validations	10
Medical Evaluations	Medical Services	6
Lexis/Nexis Risk Data Management, Inc.	Member Records Update	1
<b>State of Minnesota</b>		
Office of Legislative Auditor	Financial Audit	248
Attorney General	Legal Advice	54
Department of Health	Medical Evaluations	34

## Schedule of Investment Expenses\*

Supplementary Information

For the Fiscal Year Ended June 30, 2011

(Dollars in thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Totals
Domestic Equity Managers	\$3,706	\$229	\$260	\$60	\$8	\$4,263
International Equity Managers	4,814	298	337	77	10	5,536
Semi-Passive Managers	1,534	95	108	25	3	1,765
Passive Equity Managers	168	11	12	3	0	194
Fixed Income Managers	1,889	117	132	30	4	2,172
Minnesota State Board of Investment	550	34	38	9	1	632
Financial Control Systems	81	5	5	1	0	92
Pension Consultants	7	0	1	0	0	8
Nuveen Investment Consultants	71	4	5	1	0	81
<b>Total Investment Expenses</b>	<b>\$12,820</b>	<b>\$793</b>	<b>\$898</b>	<b>\$206</b>	<b>\$26</b>	<b>\$14,743</b>

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

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## INVESTMENT SECTION



All defined benefit pension assets under the State Board of Investment's control, reported a 23.3 percent return for the 2011 fiscal year.

# Investment Report

## MINNESOTA STATE BOARD OF INVESTMENT



**Board Members:**

**Governor  
Mark Dayton**

**State Auditor  
Rebecca Otto**

**Secretary of State  
Mark Ritchie**

**Attorney General  
Lori Swanson**

**Executive Director:  
Howard J. Bicker**

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### 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 that degree of 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 long term objectives of the Combined Funds are:

- Provide returns that are 3-5 percentage points greater than inflation over the latest 20-year period; and
- Outperform a composite market index weighted in a manner that reflects the actual asset mix of the Combined Funds over the latest 10-year period.

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%

Assets uninvested in alternatives are invested in fixed income.

Based on values on June 30, 2011, the Combined Funds returned 6.3 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 30th percentile over the past five years and in the 44th 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 value, 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, 2011

**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)			
	FY2011	Three-Year	Five-Year	Ten-Year
<b>Domestic Stock Pool</b>	33.1%	4.0%	3.2%	3.2%
Russell 3000 Index	32.4	4.0	3.4	3.4
<b>Bond Pool</b>	5.5%	7.4%	6.5%	6.0%
Barclays Capital Aggregate Bond Index	3.9	6.5	6.5	5.7
<b>International Stock Pool</b>	29.6%	(0.1)%	4.0%	7.5%
Standard MSCI ACWI Free ex U.S. (Net)	29.7	(0.03)	3.7	7.4
<b>Alternative Investments</b>	18.6%	3.8%	9.8%	13.0%
Inflation (Note: This is the target rate of return; there is no comparable index available.)	3.6	1.0	2.2	2.3
<b>Real Estate Investments Pool (Equity emphasis)</b>	18.7%	(10.2)%	0.0%	6.0%
Inflation +5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	8.6	6.0	7.2	7.3
<b>Private Equity Investments Pool (Equity emphasis)</b>	20.0%	6.5%	10.9%	12.7%
Inflation +10% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	13.6	11.0	12.2	12.3
<b>Resource Investments Pool (Equity emphasis)</b>	19.8%	8.8%	17.4%	24.3%
Inflation +5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	8.6	6.0	7.2	7.3
<b>Yield Oriented Investments Pool (Debt emphasis)</b>	12.7%	5.4%	11.5%	15.4%
Inflation +5.5% (Note: This is the target rate of return over the life of the investment; there is no comparable index available.)	9.1	6.5	7.7	7.8

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

# Asset Allocation\*

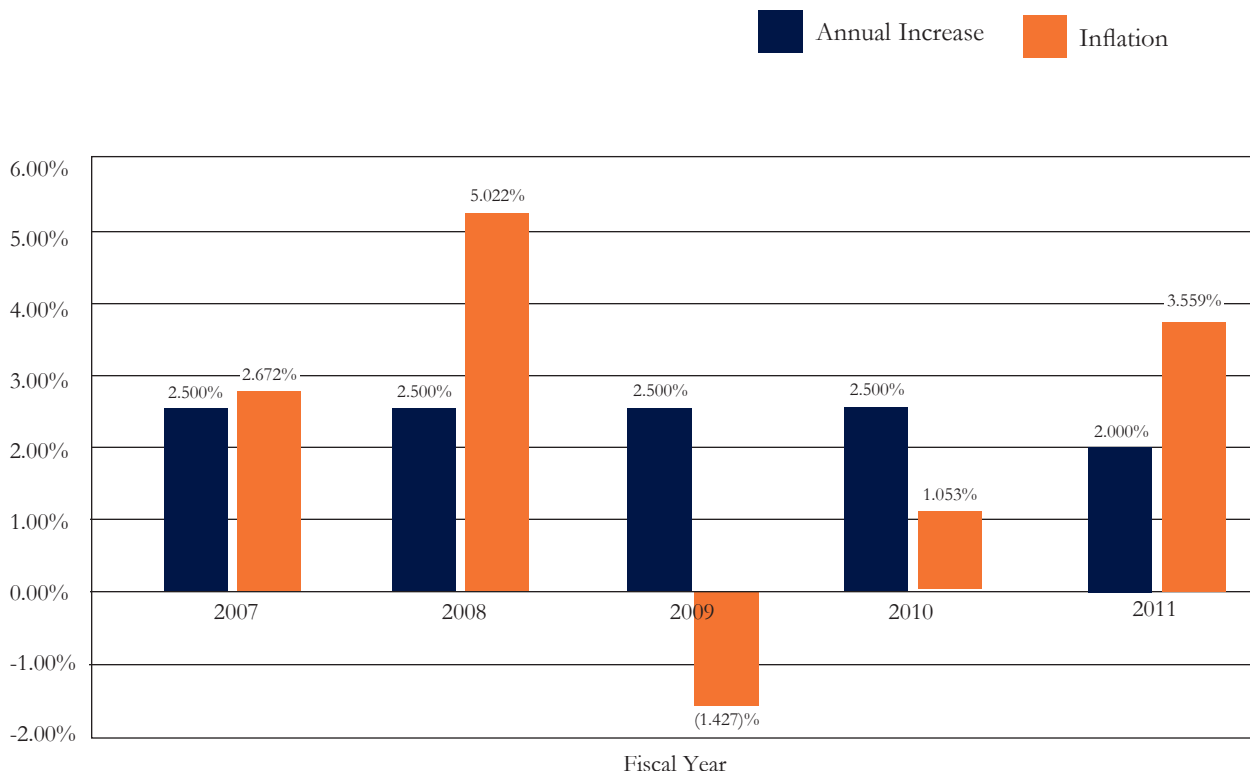
Asset allocation can have a significant effect on investment returns. To achieve the best results, investment allocations are periodically reviewed and adjusted to reflect changing market conditions and revised investment objectives.

Combined Funds		
Investment Type	Actual Asset Mix 6/30/2011	Long-Term Policy Target
Domestic Stocks	45.0%	45.0%
International Stocks	15.8	15.0
Bonds	22.2	18.0
Alternative Investments**	14.6	20.0
Cash	2.4	2.0
<b>Totals</b>	<u>100.0%</u>	<u>100.0%</u>

\*Source: Minnesota State Board of Investment fiscal year 2011 annual report.  
 \*\*Alternative investments are real estate, venture capital and resource funds.

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

Annual post-retirement annuity increases awarded to MSRS retirees have been less than inflation during three of the past five years: 2007, 2008, and 2011. Annuity increases and inflation are measured as of June 30. Annuity increases are effective January 1 of the following year.



# Investment Results by Investment Pool

Investment Performance				
Funds	Rates of Return (Annualized)			
	FY2011	Three-Year	Five-Year	Ten-Year
<b>Combined Funds</b>	23.3%	4.9%	5.3%	5.9%
<b>Combined Composite Market Index</b>	22.4	4.2	5.1	5.8

Notes:

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

Investment Type	Market Indicator
Domestic Stocks	Russell 3000
International Stocks	Morgan Stanley Capital International World Index Ex-U.S. Index (net)
Domestic Bonds	Barclays Capital Aggregate Bond Index
Alternative Investments	Alternative investments are measured against themselves using actual portfolio returns
Unallocated cash	3-Month Treasury Bills

## List of Largest Assets Held

As of June 30, 2011

(Dollars in thousands)

Composite of Top Ten Equity Holdings (by Market Value)		
Company	Fair Value	Percent of Portfolio
Exxon Mobil Corporation	\$130,633	1.93%
Apple, Inc.	113,360	1.68
Chevron Corporation	69,727	1.03
International Business Machines Corporation	66,896	0.99
Microsoft Corporation	63,462	0.94
JP Morgan Chase & Co.	60,067	0.89
AT & T Corporation	57,686	0.85
General Electric Co.	55,761	0.82
Pfizer, Inc.	51,784	0.77
Johnson & Johnson, Inc.	48,635	0.72

Composite of Top Ten Bond Holdings (by Market Value)				
Security	Coupon Rate	Maturity Date	Fair Value	Percent of Portfolio
FNMA TBA Jul 30 Single Family	6.000%	12/1/2099	\$31,047	1.30%
GNMA II TBA Jul 30 4.5 Pct	4.500	12/1/2099	28,685	1.20
U.S. Treasury Bond	4.750	2/15/2041	28,429	1.19
FNMA TBA Jul 30 Yr Single Family	4.000	12/1/2099	25,243	1.06
FNMA TBA July 30 Single Family	4.500	12/1/2099	23,370	0.98
U.S. Treasury Note	2.375	5/31/2018	23,289	0.97
WI Treasury Security	0.500	5/31/2013	21,672	0.91
U.S. Treasury Note	2.000	4/30/2016	20,821	0.87
FNMA TBA Jul 30 Single Family	5.500	12/1/2099	19,099	0.80
U.S. Treasury Note	0.625	4/30/2013	18,830	0.79

Legend:

FNMA = Federal National Mortgage Association      TBA = To be Announced  
GNMA = Government National Mortgage Association      WI = When Issued

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, 2011

Investment Manager	Defined Benefit Retirement Fund				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>Domestic Equity Managers</b>					
Alliance Capital Management* Barrow, Hanley, Mewhinney & Strauss, Inc.	\$(104,284)	\$(6,449)	\$(7,307)	\$(1,678)	\$(214)
Earnest Partners, LLC	165,434	10,230	11,591	2,661	340
INTECH Investment Management, LLC	89,689	5,546	6,284	1,443	184
Goldman Sachs Asset Management	202,699	12,535	14,202	3,261	417
Hotchkis & Wiley Capital Management	233,119	14,416	16,334	3,750	479
Jacobs Equity Management, Inc.	269,177	16,646	18,860	4,330	553
Knelman Asset Management, LLC	188,523	11,658	13,209	3,033	387
Lord Abbett & Co., LLC*	64,143	3,967	4,494	1,032	132
LSV Asset Management	(18,847)	(1,165)	(1,321)	(303)	(39)
Martingale Asset Management	168,881	10,443	11,833	2,717	347
McKinley Capital Management	126,294	7,810	8,849	2,032	260
New Amsterdam Partners	195,333	12,079	13,686	3,142	401
Next Century Growth Investors, LLC	99,427	6,148	6,966	1,600	204
Peregrine Capital Management	448,562	27,739	31,429	7,216	922
Sands Capital Management, Inc.	286,393	17,710	20,067	4,607	589
Systematic Financial Management, L.P.	234,574	14,506	16,436	3,774	482
Turner Investment Partners	187,756	11,611	13,155	3,021	386
UBS Global Asset Management	327,329	20,242	22,935	5,266	673
Winslow Capital Management, Inc.	122,412	7,570	8,577	1,969	252
Zevenbergen Capital, Inc.	119,071	7,363	8,343	1,916	245
	300,718	18,596	21,070	4,838	618
<b>Totals</b>	<u>\$3,706,403</u>	<u>\$229,201</u>	<u>\$259,692</u>	<u>\$59,627</u>	<u>\$7,618</u>
<b>Domestic Equity - Semi-Passive Managers</b>					
BlackRock Institutional Trust Co., N.A.	\$486,808	\$30,104	\$34,109	\$7,832	\$1,000
Mellon Capital Management	256,647	15,871	17,982	4,129	527
J.P. Morgan Investment Management	512,920	31,718	35,938	8,252	1,054
INTECH Investment Management, LLC	278,052	17,194	19,482	4,473	571
<b>Totals</b>	<u>\$1,534,427</u>	<u>\$94,887</u>	<u>\$107,511</u>	<u>\$24,686</u>	<u>\$3,152</u>
<b>Domestic Equity - Passive Managers</b>					
BlackRock Institutional Trust Co., N.A.	\$168,289	\$10,407	\$11,791	\$2,707	\$346

\*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, 2011

Investment Manager	Defined Benefit Retirement Fund				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
<b>International Equity Managers</b>					
Acadian Asset Management, LLC	\$237,770	\$14,703	\$16,660	\$3,825	\$489
Alliance Bernstein, L.P.	221,331	13,687	15,508	3,561	455
Columbia Management Investment Advisors, LLC	169,759	10,498	11,894	2,731	349
AQR Capital Management, LLC	276,854	17,120	19,398	4,454	569
Capital International, Inc.	1,100,328	68,043	77,096	17,702	2,261
Pyramis Global Advisors Trust Company - Select	258,622	15,993	18,121	4,161	531
Pyramis Global Advisors Trust Company - Growth	155,213	9,598	10,875	2,497	319
Invesco Global Asset Management	148,935	9,210	10,435	2,396	306
J.P. Morgan Investment Management	207,369	12,824	14,530	3,336	426
Marathon Asset Management	341,554	21,121	23,931	5,495	702
McKinley Capital Management, Inc.	203,265	12,570	14,242	3,270	418
Morgan Stanley Investment Management	1,176,381	72,746	82,425	18,926	2,418
State Street Global Advisors Alpha	228,829	14,151	16,033	3,681	470
State Street Global Advisors Passive	87,785	5,429	6,151	1,412	180
<b>Totals</b>	<u>\$4,813,995</u>	<u>\$297,693</u>	<u>\$337,299</u>	<u>\$77,447</u>	<u>\$9,893</u>
<b>Domestic Bond (Fixed Income) Managers</b>					
Columbia Management Investment Advisors, LLC	\$185,389	\$11,464	\$12,990	\$2,983	\$381
BlackRock, Inc.	174,310	10,779	12,213	2,804	358
Aberdeen Asset Management	282,084	17,444	19,765	4,538	580
Dodge & Cox Investment Management Managers	206,783	12,787	14,489	3,327	425
Goldman Sachs Asset Management	246,095	15,218	17,243	3,959	506
Neuberger Investment Management	108,503	6,710	7,602	1,746	223
Western Asset Management	231,207	14,298	16,200	3,720	475
Pacific Investment Management Co. LLC (PIMCO)	453,993	28,075	31,810	7,304	933
<b>Totals</b>	<u>\$1,888,364</u>	<u>\$116,775</u>	<u>\$132,312</u>	<u>\$30,381</u>	<u>\$3,881</u>
<b>Other Investment Expenses</b>					
State Board of Investment	\$550,214	\$34,313	\$38,263	\$8,914	\$1,210
Financial Control Systems	81,247	5,094	5,615	1,320	187
Pension Consultants	6,859	430	474	111	16
Nuveen Investment Consultants	70,492	4,420	4,872	1,145	162
<b>Totals</b>	<u>\$708,812</u>	<u>\$44,257</u>	<u>\$49,224</u>	<u>\$11,490</u>	<u>\$1,575</u>
<b>Total Investment Expenses</b>	<u>\$12,820,290</u>	<u>\$793,220</u>	<u>\$897,829</u>	<u>\$206,338</u>	<u>\$26,465</u>

# Investment Summary at Fair Value

As of June 30, 2010 and 2011  
(Dollars in thousands)

Description	Fair Value June 30, 2010	Fair Value June 30, 2011	Percent of Portfolio
<b>State Employees Retirement Fund</b>			
Growth Share Pool	\$2,014,401	\$2,483,308	28%
Common Stock Index Pool	1,226,619	1,634,284	18
International Equity Pool	1,184,353	1,446,527	16
Fixed Income Pool	1,888,987	2,029,888	23
Alternative Investments Pool	1,197,798	1,344,120	15
<b>Totals</b>	<b><u>\$7,512,158</u></b>	<b><u>\$8,938,127</u></b>	<b><u>100%</u></b>
<b>State Patrol Retirement Fund</b>			
Growth Share Pool	\$128,028	\$153,565	28%
Common Stock Index Pool	77,960	101,063	18
International Equity Pool	75,274	89,452	16
Fixed Income Pool	120,057	125,526	23
Alternative Investments Pool	76,128	83,119	15
<b>Totals</b>	<b><u>\$477,447</u></b>	<b><u>\$552,725</u></b>	<b><u>100%</u></b>
<b>Correctional Employees Retirement Fund</b>			
Growth Share Pool	\$136,993	\$173,996	28%
Common Stock Index Pool	83,419	114,508	18
International Equity Pool	80,544	101,353	16
Fixed Income Pool	128,464	142,227	23
Alternative Investments Pool	81,459	94,177	15
<b>Totals</b>	<b><u>\$510,879</u></b>	<b><u>\$626,261</u></b>	<b><u>100%</u></b>
<b>Judges Retirement Fund</b>			
Growth Share Pool	\$32,867	\$39,951	28%
Common Stock Index Pool	20,013	26,292	18
International Equity Pool	19,323	23,271	16
Fixed Income Pool	30,820	32,657	23
Alternative Investments Pool	19,543	21,624	15
<b>Totals</b>	<b><u>\$122,566</u></b>	<b><u>\$143,795</u></b>	<b><u>100%</u></b>
<b>Legislators Retirement Fund</b>			
Growth Share Pool	\$5,138	\$5,103	28%
Common Stock Index Pool	3,129	3,359	18
International Equity Pool	3,021	2,973	16
Fixed Income Pool	4,818	4,171	23
Alternative Investments Pool	3,056	2,762	15
<b>Totals</b>	<b><u>\$19,162</u></b>	<b><u>\$18,368</u></b>	<b><u>100%</u></b>

## ACTUARIAL SECTION



The benefit adjustments enacted in 2010, along with two consecutive years of strong investment returns, have improved and stabilized MSRS' funding.

# Actuary's Certification Letter and Important Notices



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

December 15, 2011

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, 2011.

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. 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 40% of the large asset loss that occurred during the 2009 fiscal year for all plans except the LRF and the ESORF; they also do not recognize 80% of the large asset gain that occurred during the 2011 fiscal year. On a market value of assets basis, the funding ratios are slightly higher and the deficiencies are lower. 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	86.32%	86.96%	1.03%	0.86%	2040
SPRF	80.33%	81.08%	5.25%	4.75%	2036
CERF	70.23%	71.29%	5.30%	5.02%	2038
JRF	58.72%	59.73%	5.17%	4.78%	2038
LRF	22.51%	22.51%	502.51%	502.51%	2021
ESORF	0.00%	0.00%	\$748,000 per year*		2017

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

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Results shown above are based on prescribed assumptions. Results based on alternate assumptions are listed below for LRF and ESORF. The alternate assumptions are detailed on the following pages.

Results Based on Alternate Assumptions					
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	
LRF	8.84%	8.84%	1,311.95%	1,311.95%	2021
ESORF	0.00%	0.00%	\$1,269,000 per year*		2017

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

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

For the SPRF, member contributions increased from 10.4% to 12.4% of pay and employer contributions increased from 15.6% to 18.6% of pay as of July 1, 2011.

There were no changes in plan provisions for the SERF, CERF, JRF, LRF or ESORF.

#### Changes in Actuarial Assumptions and Methods

For the SERF, the following changes in actuarial assumptions were recognized this year:

- The salary scale was changed from an age related table to a service related table that generally reflects lower expected salary increases.
- The payroll growth assumption was changed from 4.50% to 3.75% per year.

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

# Actuary's Certification Letter and Important Notices



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For the LRF and ESORF, the current prescribed assumptions may not comply with GASB standards for financial reporting. For GASB purposes, MSRS has directed us to use an alternative assumption set, as follows:

	<b>Prescribed assumptions</b>	<b>Alternate assumptions</b>
Discount rate	8.5% pre-retirement 6.5% post-retirement	0% pre-retirement 0% post-retirement
Post-retirement benefit increase	Implicit in 6.5% post-retirement rate	2.0% annual increase
Mortality	1983 Group Annuity Mortality Pre-retirement: males set back four years, females set back two years Post-retirement: no set backs	RP 2000 generational mortality, white collar Pre-retirement: non-annuitant table, males set forward three years, females set back one year Post-retirement: annuitant table with no set backs
Amortization method (LRF only)	Level percent of payroll amortization assuming payroll increases of 4.5% per year	Level dollar amortization
Retirement rates (LRF only)	Age 62 or, if over age 62, one year from valuation date	40% at age 62, 30% at ages 63 and 64, 40% at age 65, 30% at age 66, 25% at ages 67, 68, and 69, 30% at age 70, 100% at age 71, one year from valuation date if over age 71

All other assumptions not noted above are the same under the Alternate assumptions as the Prescribed assumptions.

Neither the July 1, 2011 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.

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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



## 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. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in the valuation reports. At MSRS' request, Mercer is available to perform such a sensitivity analysis.

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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.

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# Summary of Actuarial Methods and Assumptions

The actuarial methods and assumptions that follow are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement (LCPR) and the MSRS Board of Directors. This list is not all-inclusive. Additional disclosures on the actuarial methods and assumptions used in the July 1, 2011 actuarial valuations of the MSRS defined benefit funds are found in the Financial Section of this CAFR. Please refer to note 5 in the *Notes to the Financial Statements and the Required Supplementary Information*.

## Actuarial Methods

**Actuarial Cost Method** – Individual Entry Age Normal Cost Method, which is prescribed by *Minnesota Statutes*, Section 356.215.

**Asset Valuation Methods** – For all MSRS defined benefit funds except the Legislators and Elective State Officers Retirement Funds, fair market value smoothed over five years is the actuarial asset valuation method. For the Legislators and Elective State Officers Retirement Funds, market value is the actuarial asset valuation method, consistent with the valuations since July 1, 2000.

**Funding Objectives** – For all MSRS defined benefit funds except the Legislators and Elective State Officers Retirement Funds, the fundamental financing objective is to establish contribution rates, which when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding. The Legislators and Elective State Officers Retirement Funds are funded on a pay-as-you-go basis, with benefits and the fund's share of administrative expenses financed primarily by state of Minnesota General Fund appropriations.

**Changes in Methods** – There have been no changes in actuarial methods since the July 1, 2010 actuarial valuations.

## Actuarial Assumptions

**Investment Return** – All MSRS defined benefit retirement funds assume an 8.5 percent investment rate of return<sup>(5)</sup>.

**Benefit Increases After Retirement<sup>(8)</sup>** – All defined benefit funds except the State Patrol Retirement Fund, assume a 2.0 percent annual benefit increase. The State Patrol Retirement Fund assumes a 1.5 percent annual benefit increase. These annual benefit increases will revert to 2.5 percent when each of the funds, except for the Legislators and Elective State Officers Retirement Funds, is 90 percent fully funded on a market value basis. For the Legislators and Elective State Officers Retirement Funds, the annual benefit increase will revert to 2.5 percent when the State Employees Retirement Fund reaches the 90 percent full funding level, determined on a market value basis.

**Salary Increases** – Reported salary for prior fiscal year, with new hires annualized, increased to current fiscal year and annually for each future year according to service-related rates that generally reflect lower expected salary increases for the State Employees Retirement Fund<sup>(8)</sup> and age-related rates for the State Patrol and Correctional Employees Retirement Funds<sup>(3)</sup>. Salary increases for the Judges and Legislators Retirement Funds are assumed to be 4.0 and 5.0 percent per year, respectively<sup>(3)</sup>. For the Elective State Officers Retirement Fund, this assumption is not applicable since the plan is closed with no active contributing members.

**Mortality** – The State Employees<sup>(9)</sup>, Legislators and Elective State Officers Retirement Funds use various RP 2000 Mortality Tables with white collar adjustment set back or set forward, expressed in years as shown in **Table 1**. The State Patrol, Correctional Employees, and Judges Retirement Funds use the 1983 Group Annuity Mortality Tables<sup>(4)</sup>. These tables also are set back or set forward (expressed in years) to match fund experience as depicted in **Table 2**.

**Table 1: Set Back/Forward Rates for RP 2000**

**Mortality Tables**

Retirement Fund	Healthy		Healthy	
	Pre-retirement		Post-retirement	
	Male	Female	Male	Female
State Employees	3	-1	0	0
Legislators	3	-1	0	0
Elective State Officers	3	-1	0	0

**Legend**  
 Years set back = negative values  
 Years set forward = positive values

respectively, for individuals eligible for Rule of 90 retiring each year, and from 5 percent to 100 percent for all other employees not eligible for Rule of 90.

**Correctional Employees Retirement Fund:<sup>(2)</sup>**

Age-based rates ranging from 5 percent at age 50 to 100 percent at age 65 and over.

**State Patrol Retirement Fund:<sup>(2)</sup>**

Age-based rates ranging from 7 percent at age 50 to 100 percent at age 60 and over.

**Judges Retirement Fund:<sup>(7)</sup>**

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

**Legislators Retirement Fund:<sup>(2)</sup>**

Age 62, or if over age 62, one year from valuation date.

**Elective State Officers Retirement Fund:<sup>(2)</sup>**

No retirement assumption applies since no active members remain in the Fund. Current terminated deferred members are assumed to begin receiving benefits at age 62.

**Withdrawal<sup>(6)</sup>** – Select and ultimate rates based on actual plan experience are used for the State Employees, State Patrol and Correctional Employees Retirement Funds. For the Judges Retirement Fund, no withdrawal assumption applies. For the Legislators Retirement Fund, withdrawal rates are based on years of service.

**Disability** – Age-related rates based on actual experience are used for the State Employees, State Patrol, Correctional Employees, and Judges Retirement Funds. For the State Patrol Retirement Fund, benefits were calculated assuming future disabilities are occupational disabilities. The Legislators and Elective State Officers Retirement Funds do not provide disability benefits.

**Table 2: Set Back/Forward Rates for 1983 Group Annuity Mortality Tables**

Retirement Fund	Healthy		Healthy	
	Pre-retirement		Post-retirement*	
	Male	Female	Male	Female
State Patrol <sup>(5)</sup>	-5	-2	-2	-1
Correctional Employees	-5	-2	-2	-1
Judges	-4	-2	**	**

**Legend**  
 Years set back = negative values  
 \* All post-retirement tables used are statutorily gender neutral.  
 \*\* For healthy post-retirement, the Judges Retirement Fund uses the RP 2000 Combined Annuity Mortality Table<sup>(7)</sup> projected eight years with no collar adjustment.

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

**State Employees Retirement Fund:<sup>(7)</sup>**

Graded rates ranging from age 55 to age 71 and over, with varying percentages from 20 percent to 100 percent,

# Summary of Actuarial Assumptions and Methods

**Payroll Growth** – Including an assumed 3.0 percent annual inflation rate, the payroll growth assumption is 3.75 percent per year for the State Employees Retirement Fund<sup>(8)</sup>, 4.0 percent per year for the Judges Retirement Fund<sup>(7)</sup>, and 4.5 percent per year for the State Patrol, Correctional Employees, and Legislators Retirement Funds<sup>(7)</sup>. For the Elective State Officers Retirement Fund, no payroll growth assumption applies since this is a closed plan with no contributing members.

**Allowance for Combined Service Annuity** – For the State Employees Retirement Fund, liabilities for active members are increased by 1.2 percent and liabilities for former members are increased by 40.0 percent to account for the effect of some members having eligibility for a Combined Service Annuity. For all other MSRS defined benefit retirement funds, liabilities for former members are increased by 30.0 percent to account for the effect of some members having eligibility for a Combined Service Annuity.

**Administrative Expenses** - Prior year administrative expenses expressed as a percentage of prior year payroll; for the Elective State Officers Retirement Fund, \$1,000 per year<sup>(3)</sup>.

**Contribution Refund** – Employees who withdraw are assumed to take the larger of a refund or a deferred benefit<sup>(1)</sup>.

**Changes in Actuarial Assumptions<sup>(8)</sup>** - For the State Employees Retirement Fund, two changes in actuarial assumptions were recognized in the July 1, 2011 actuarial valuation process. First, the salary scale was changed from an age-related table to a service-related table that generally reflects lower expected salary increases. Second, the payroll growth assumption was changed from 4.50 percent to 3.75 percent per year. There were no changes in prescribed actuarial assumptions for the State Patrol, Correctional Employees, Judges, Legislators, or Elective State Officers Retirement Funds.

**Use of Alternative Actuarial Assumptions in July 1, 2011 Valuations<sup>(9)</sup>** – For the Legislators and Elective State Officers Retirement Funds, the current prescribed actuarial assumptions are not compliant with Governmental Accounting Standards Board (GASB) standards for financial reporting. For GASB purposes, MSRS directed its consulting actuary to use an alternative set of assumptions in preparing the July 1, 2011 actuarial valuations for these funds. The alternate assumptions are presented in **Exhibit 18** in the *Notes to the Financial Statements* found in the *Financial Section* of this CAFR.

## Independent Actuarial Review

The Legislative Commission on Pensions and Retirement has retained an independent actuary to audit or review the actuarial valuation and experience study results of MSRS' consulting actuary.

## Experience Studies

Experience studies are conducted as needed for all MSRS defined benefit retirement funds except the Legislators and Elective State Officers Retirement Funds, which are closed to new members. The most recent studies and the periods covered are noted in **Table 3**. MSRS has authorized experience studies covering the period July 1, 2006 through June 30, 2011 for the State Patrol and Correctional Employees Retirement Funds. Results of these experience studies will be finalized by June 30, 2012.



**Table 3: Experience Studies**

<b>Retirement Fund</b>	<b>Fiscal Years Covered</b>
State Employees	2004-2008
State Patrol	1998-2003
	2006-2011 (In process)
Correctional Employees	1998-2003
	2006-2011 (In process)
Judges	2000-2007
	Assumption review is in process.

**Changes in Plan Provisions**

For the State Patrol Retirement Fund<sup>(8)</sup>, member contributions increased from 10.4 percent to 12.4 percent of pay and employer contributions increased from 15.6 percent to 18.6 percent of pay as of July 1, 2011.

There were no changes in plan provisions for the State Employees, Correctional Employees, Judges, Legislators and Elective State Officers Retirement Funds.

**Footnote References**

Effective dates these actuarial assumptions were adopted:

- (1) June 30, 1978
- (2) June 30, 1984
- (3) June 30, 1994
- (4) June 30, 1997
- (5) June 30, 2000
- (6) June 30, 2008
- (7) June 30, 2009
- (8) June 30, 2010
- (9) June 30, 2011

# Required Reserves

As of June 30, 2011  
(Dollars in thousands)

	Defined Benefit Retirement Fund					
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Elective State Officers
<b>Active Members</b>						
Retirement Annuities	\$4,106,228	\$224,667	\$362,365	\$96,574	\$9,151	\$0
Disability Benefits	141,769	10,505	34,475	2,380	0	0
Survivor Benefits	83,020	3,582	7,036	3,171	107	0
Deferred Retirements	59,633	896	9,813	0	(18)	0
Refunds	(10,143)	(264)	(421)	200	(27)	0
<b>Total Active Members</b>	<b>\$4,380,507</b>	<b>\$239,386</b>	<b>\$413,268</b>	<b>\$102,325</b>	<b>\$9,213</b>	<b>\$0</b>
Deferred Retirements	1,186,128	6,632	75,037	4,543	12,818	311
Former Members Not Vested	13,587	69	1,597	0	36	0
Annuitants	4,982,212	454,811	417,110	141,762	62,967	3,382
<b>Unclassified Plan</b>						
Contingent Liability	14,047	0	0	0	0	0
<b>Total Required Reserves</b>	<b>\$10,576,481</b>	<b>\$700,898</b>	<b>\$907,012</b>	<b>\$248,630</b>	<b>\$85,034*</b>	<b>\$3,693*</b>

\*The total required reserves under alternate GASB-compliant actuarial assumptions for the Legislators and Elective State Officers Retirement Funds are \$216,559 and \$7,610, respectively.

## 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, 2011	5.00%	5.00%	10.00%	11.03%	(1.03)%
State Patrol	July 1, 2011	12.40	18.60	31.00	36.25	(5.25)
Correctional Employees	July 1, 2011	8.60	12.10	20.70	26.00	(5.30)
Judges*	July 1, 2011	7.48	20.50	27.98	33.15	(5.17)
Legislators	July 1, 2011	9.00	0.00	9.00	511.51**	(502.51)
Elective State Officers ***	July 1, 2011	N/A	N/A	N/A	N/A	N/A

\* The employee and total rates reflect the fact that member contributions for Judges at the maximum benefit are directed to the Unclassified Employees Retirement Fund. If these contributions were not directed to the Unclassified Employees Retirement Fund, the employee and total rates would be 8.00 percent and 28.50 percent, respectively, instead of 7.48 and 27.98 percent as shown above..

\*\* The recommended rate under alternate GASB-compliant actuarial assumptions (with level dollar amortization) increases to 1,320.95 percent for Legislators Retirement Fund.

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

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

For the Fiscal Year Ended June 30, 2011  
(Dollars in thousands)

	Defined Benefit Retirement Fund					Elective State Officers
	State Employees	State Patrol	Correctional Employees	Judges	Legislators	
<b>A. UAAL, at the Beginning of the Year</b>	\$1,303,680	\$116,149	\$247,223	\$95,851	\$59,415	\$3,568
<b>B. Change Due to Interest Requirements and Current Rate of Funding</b>						
1. Normal Cost and Expenses	\$197,664	\$15,529	\$37,544	\$7,105	\$316	\$1
2. Contributions	(240,592)	(16,451)	(40,894)	(11,307)	(2,965)	(460)
3. Interest on A, B1, and B2	108,988	9,833	20,872	7,969	4,938	283
4. Totals (B1+B2+B3)	\$66,060	\$8,911	\$17,522	\$3,767	\$2,289	\$(176)
<b>C. Expected UAAL at End of the Year (A+B)</b>	\$1,369,740	\$125,060	\$264,745	\$99,618	\$61,704	\$3,392
<b>D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from the Expected</b>						
1. Salary Increases	\$(108,331)	\$(9,766)	\$(12,936)	\$(3,256)	\$17	\$0
2. Investment Return	300,962	19,651	18,445	4,458	(2,654)	0
3. Mortality of Benefit Recipients	9,174	3,072	159	1,630	989	91
4. Restatement of July 1, 2010 Assets	0	0	0	0	7,293	214
5. Other Items	(3,912)	(165)	(428)	184	(1,455)*	(4)
6. Totals	\$197,893	\$12,792	\$5,240	\$3,016	\$4,190	\$301
<b>E. UAAL at End of Year Before Plan Amendments and Changes in Actuarial Assumptions (C + D)</b>	\$1,567,633	\$137,852	\$269,985	\$102,634	\$65,894	\$3,693
<b>F. Change in UAAL Due to Changes in Plan Provisions</b>	0	0	0	0	0	0
<b>G. Change in UAAL Due to Changes in Actuarial Assumptions</b>	(121,163)	0	0	0	0	0
<b>H. Change in UAAL Due to Changes in Actuarial Asset Method</b>	0	0	0	0	0	0
<b>H. UAAL at the End of the Year</b>	<u>\$1,446,470</u>	<u>\$137,852</u>	<u>\$269,985</u>	<u>\$102,634</u>	<u>\$65,894</u>	<u>\$3,693</u>

\*For the Legislators Retirement Fund, "Other Items" reflects actuarial gains due to fewer than expected retirements of both the active and deferred vested members. In addition, after reviewing actual data, an adjustment was made to the Assumed Average Salary for deferred vested members who were reported without a benefit; this modification accounts for approximately \$1.1 million of the total "Other Items" actuarial gain.

# Schedule of Active Member Valuation Data

As of June 30, 2011

Valuation Date	Number (A)	Annual Payroll (B)	Average Annual Pay (A/B)	Percent Increase In Average Pay
<b>State Employees Retirement Fund</b>				
06/30/02	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
06/30/11	47,955	2,440,580,000	48,191	0.41
<b>State Patrol Retirement Fund</b>				
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
06/30/11	862	63,250,000	71,369	(4.31)
<b>Correctional Employees Retirement Fund</b>				
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
06/30/11	4,332	197,702,000	44,200	(1.97)

# Schedule of Active Member Valuation Data

As of June 30, 2011

Valuation Date	Number (A)	Annual Payroll (B)	Average Annual Pay (A/B)	Percent Increase In Average Pay
<b>Judges Retirement Fund</b>				
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)
06/30/11	308	40,473,000	127,032	0.87
<b>Legislators Retirement Fund</b>				
06/30/02	134	\$5,089,000	\$37,978	(9.89)%
06/30/03	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)
06/30/11	38	1,774,000	41,241	3.27
<b>Elective State Officers Retirement Fund*</b>				
06/30/02	0	\$0	\$0	N/A
06/30/03	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
06/30/11	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)

Year Ended	Added to Rolls		Removed from Rolls		Rolls at Fiscal Year End		% Change in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		

## State Employees Retirement Fund

06/30/02	1,738	N/A	911	N/A	20,805	\$296,687,000	9.66%	\$14,260
06/30/03	1,366	N/A	717	N/A	21,454	311,472,000	4.99	14,518
06/30/04	2,024	N/A	824	N/A	22,654	339,323,000	8.94	14,979
06/30/05	1,687	N/A	974	N/A	23,367	347,959,000	2.55	14,891
06/30/06	1,945	\$16,683	1,108	\$6,254	24,204	366,797,000	1.77	15,154
06/30/07	2,090	20,344	948	6,223	25,346	392,058,000	6.89	15,468
06/30/08	2,107	21,456	1,007	7,102	26,446	418,757,000	6.81	15,834
06/30/09	1,873	18,931	976	7,210	27,343	445,792,000	6.46	16,304
06/30/10	2,071	23,023	979	8,116	28,435	473,447,000	6.20	16,650
06/30/11	2,699	27,821	970	9,607	30,164	505,573,000	6.79	16,761

## State Patrol Retirement Fund

06/30/02	48	N/A	31	N/A	762	\$33,031,000	10.34%	\$43,348
06/30/03	44	N/A	21	N/A	785	34,316,000	3.90	43,715
06/30/04	42	N/A	23	N/A	804	35,518,000	3.50	44,177
06/30/05	53	N/A	32	N/A	825	36,956,000	4.05	44,795
06/30/06	69	\$1,614	48	\$569	846	38,767,000	2.30	45,824
06/30/07	69	1,506	39	326	876	40,581,000	4.68	46,325
06/30/08	49	1,503	29	414	896	42,804,000	5.48	47,772
06/30/09	33	1,080	21	434	908	44,480,000	3.92	48,987
06/30/10	37	1,041	21	413	924	46,119,000	3.68	49,912
06/30/11	36	1,064	28	723	932	47,844,000	3.74	51,335

## Correctional Employees Retirement Fund

06/30/02	156	N/A	26	N/A	938	\$17,105,000	14.71%	\$18,236
06/30/03	143	N/A	21	N/A	1,060	19,256,000	12.57	18,166
06/30/04	148	N/A	20	N/A	1,188	22,020,000	14.35	18,535
06/30/05	128	N/A	37	N/A	1,279	23,816,000	8.16	18,621
06/30/06	143	\$1,650	47	\$160	1,375	26,161,000	2.17	19,026
06/30/07	174	2,061	47	317	1,502	28,565,000	9.19	19,018
06/30/08	135	1,580	37	284	1,600	30,932,000	8.29	19,332
06/30/09	139	1,871	30	190	1,709	33,239,000	7.46	19,449
06/30/10	173	2,116	23	175	1,859	36,078,000	8.54	19,407
06/30/11	195	2,103	38	330	2,016	39,116,000	8.42	19,403

N/A = Data is not available for prior years.

# Schedule of Retirees and Beneficiaries

(Fiscal Year End Totals)

Year Ended	Added to Rolls		Removed from Rolls		Rolls at Fiscal Year End		% Change in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
<b>Judges Retirement Fund</b>								
06/30/02	22	N/A	13	N/A	256	\$13,202,000	7.97%	\$51,570
06/30/03	11	N/A	14	N/A	253	13,558,000	2.70	53,589
06/30/04	13	N/A	12	N/A	254	13,520,000	(0.28)	53,228
06/30/05	11	N/A	10	N/A	255	13,750,000	1.70	53,922
06/30/06	26	\$769	20	\$546	261	14,260,000	1.32	54,636
06/30/07	22	542	20	427	263	14,516,000	1.80	55,194
06/30/08	25	833	9	272	279	15,116,000	4.13	54,179
06/30/09	17	580	11	187	285	16,261,000	7.57	57,056
06/30/10	20	933	14	223	291	17,058,000	4.90	58,619
06/30/11	25	780	19	831	297	17,585,000	3.09	59,209
<b>Legislators Retirement Fund</b>								
06/30/02	15	N/A	11	N/A	293	\$5,243,000	7.97%	\$17,653
06/30/03	22	N/A	5	N/A	310	5,539,000	5.65	17,868
06/30/04	12	N/A	7	N/A	315	5,766,000	4.10	18,305
06/30/05	21	N/A	17	N/A	319	5,942,000	3.01	18,627
06/30/06	12	\$537	12	\$65	319	6,094,000	2.56	19,103
06/30/07	34	341	13	46	340	6,390,000	4.86	18,794
06/30/08	17	177	11	85	346	6,786,000	6.20	19,613
06/30/09	22	289	10	159	358	7,016,000	3.39	19,598
06/30/10	19	164	18	224	359	7,159,000	2.00	19,942
06/30/11	23	340	14	144	368	7,464,000	4.26	20,283
<b>Elective State Officers Retirement Fund*</b>								
06/30/02	0	\$0	0	\$0	13	\$353,000	6.97%	\$27,154
06/30/03	1	N/A	0	0	14	370,000	4.82	26,429
06/30/04	0	0	1	N/A	13	381,000	2.97	29,308
06/30/05	2	N/A	0	0	15	391,000	2.62	26,067
06/30/06	0	0	0	0	15	409,000	4.60	27,267
06/30/07	0	0	0	0	15	419,000	2.44	27,933
06/30/08	0	0	0	0	15	430,000	2.63	28,667
06/30/09	0	0	0	0	15	440,000	2.33	29,333
06/30/10	0	0	0	0	15	451,000	2.50	30,067
06/30/11	1	12	2	32	14	460,000	2.00	32,857

N/A = Data is not available for prior years.

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

# Solvency Test-Funding Ratio

(Dollars in thousands)

Actuarial Valuation Date	Aggregate Accrued Liabilities			Reported Assets	Portion Covered by Reported Assets			Funding Ratio
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Member (Employer Financed) (3)		(1)	(2)	(3)	
<b>State Employees Retirement Fund</b>								
07/01/02	\$807,966	\$3,015,568	\$3,516,863	\$7,673,028	100%	100%	109.5%	104.5%
07/01/03	855,953	3,116,008	3,858,710	7,757,292	100	100	98.1	99.1
07/01/04	888,028	3,287,223	3,703,112	7,884,984	100	100	100.2	100.0
07/01/05	928,590	3,487,930	4,038,816	8,081,736	100	100	90.8	95.6
07/01/06	966,951	3,689,443	4,162,767	8,486,756	100	100	92.0	96.2
07/01/07	1,001,316	3,963,536	4,662,453	8,904,517	100	100	84.5	92.5
07/01/08	1,041,731	4,251,341	4,701,530	9,013,456	100	100	79.1	90.2
07/01/09	1,102,082	4,496,247	4,914,431	9,030,401	100	100	69.8	85.9
07/01/10	1,155,473	4,535,401	4,573,197	8,960,391	100	100	71.5	87.3
07/01/11	982,365	4,982,212	4,611,904	9,130,011	100	100	68.6	86.3
<b>State Patrol Retirement Fund</b>								
07/01/02	\$38,508	\$325,756	\$146,080	\$591,383	100%	100%	155.5%	115.9%
07/01/03	40,619	334,069	164,292	591,521	100	100	132.0	112.9
07/01/04	42,185	344,033	159,026	594,785	100	100	131.2	109.1
07/01/05	44,413	357,998	164,353	601,220	100	100	121.0	106.1
07/01/06	45,709	413,424	182,346	618,990	100	100	87.7	103.6
07/01/07	47,365	431,969	194,110	617,901	100	100	71.4	91.8
07/01/08	49,380	445,217	199,089	595,082	100	100	50.5	85.8
07/01/09	52,557	466,817	205,960	584,501	100	100	31.6	80.6
07/01/10	56,699	441,901	184,760	567,211	100	100	37.1	83.0
07/01/11	55,513	454,811	190,574	563,046	100	100	27.7	80.3
<b>Correctional Employees Retirement Fund</b>								
07/01/02	\$51,324	\$172,606	\$222,496	\$457,416	100%	100%	104.9%	102.5%
07/01/03	55,441	192,732	236,801	470,716	100	100	94.0	97.1
07/01/04	58,960	223,239	242,016	486,617	100	100	84.5	92.8
07/01/05	62,573	223,544	260,001	503,573	100	100	83.6	92.2
07/01/06	67,221	290,370	289,889	535,357	100	100	61.3	82.7
07/01/07	72,259	319,813	316,220	559,852	100	100	53.1	79.0
07/01/08	81,233	338,511	340,619	572,719	100	100	44.9	75.3
07/01/09	90,572	368,390	362,288	590,339	100	100	36.3	71.9
07/01/10	100,323	383,387	367,376	603,863	100	100	32.7	71.0
07/01/11	93,251	417,110	396,651	637,027	100	100	31.9	70.2



# Solvency Test-Funding Ratio

(Dollars in thousands)

Actuarial Valuation Date	Aggregate Accrued Liabilities			Reported Assets	Portion Covered by Reported Assets			Funding Ratio
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Member (Employer Financed) (3)		(1)	(2)	(3)	

## Judges Retirement Fund

07/01/02	\$16,243	\$110,690	\$44,988	\$131,379	100%	100.0%	9.9%	76.4%
07/01/03	18,313	106,673	51,305	134,142	100	100.0	17.8	76.1
07/01/04	20,252	107,846	62,240	138,948	100	95.7	17.4	73.0
07/01/05	22,205	104,600	64,609	144,465	100	100.0	27.3	75.5
07/01/06	23,179	112,627	64,495	151,850	100	100.0	24.9	75.1
07/01/07	24,562	114,005	75,730	153,562	100	100.0	9.8	71.7
07/01/08	25,450	124,780	81,393	147,542	100	98.6	0.0	63.7
07/01/09	27,419	133,356	81,040	147,120	100	89.8	0.0	60.8
07/01/10	28,685	135,184	76,710	144,728	100	85.8	0.0	60.2
07/01/11	25,328	141,762	81,540	145,996	100	85.1	0.0	58.7

## Legislators Retirement Fund

07/01/02	\$7,093	\$49,491	\$21,486	\$45,501	100%	77.6%	0.0%	58.3%
07/01/03	Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03.							
07/01/04	6,749	52,637	23,811	46,155	100	74.9	0.0	55.5
07/01/05	6,892	49,115	25,829	45,523	100	78.7	0.0	55.6
07/01/06	7,050	48,955	25,356	48,504	100	84.7	0.0	59.6
07/01/07	6,543	53,180	25,356	44,869	100	72.1	0.0	51.9
07/01/08	6,266	54,926	24,939	39,209	100	60.0	0.0	45.5
07/01/09	6,059	61,327	23,045	28,663	100	36.9	0.0	31.7
07/01/10	5,993	59,229	21,014	26,821	100	35.2	0.0	31.1
07/01/11	2,622	62,967	19,445*	19,140	100	26.2	0.0	22.5*

## Elective State Officers Retirement Fund\*\*

07/01/02	\$194	\$3,196	\$685	\$201	100%	0.2%	0.0%	4.9%
07/01/03	Actuarial valuation of this fund was not prepared for fiscal year ended 06/30/03.							
07/01/04	80	3,550	372	204	100	0.0	0.0	5.0
07/01/05	36	3,850	179	204	100	4.4	0.0	5.0
07/01/06	36	3,716	218	207	100	4.6	0.0	5.2
07/01/07	36	3,691	242	212	100	4.8	0.0	5.3
07/01/08	36	3,605	267	212	100	4.9	0.0	5.4
07/01/09	36	3,570	280	213	100	5.0	0.0	5.5
07/01/10	36	3,476	56	214	100	5.1	0.0	5.7
07/01/11	0	3,381***	312***	0	0	0	0.0	0.0

\* The actuarial accrued liability and related funding ratio derived from the July 1, 2011 Legislators Retirement Fund actuarial valuation using GASB-compliant alternative assumptions are \$216,559 and 8.8 percent respectively. Accordingly, under the alternative assumption results, the "Retiree and Beneficiaries" and "Active Member (Employer Financed)" portions of the aggregate accrued liability are \$139,157 and \$74,780, respectively.

\*\* The Elective State Officers Retirement Fund is a closed plan. There are no active contributing members.

\*\*\* The actuarial accrued liability derived from the July 1, 2011 Elective State Officers Retirement Fund valuation using GASB-compliant alternative assumptions is \$7,610. Accordingly, under the alternative assumption results, the "Retiree and Beneficiaries" and "Active Member (Employer Financed)" portions of the aggregate accrued liability are \$6,816 and \$794, respectively.

# Summary of Unfunded Actuarial Accrued Liabilities (UAAL)

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Accrued Liabilities	Actuarial Value of Assets	Unfunded Actuarial Accrued Liabilities	Member Payroll	UAAL as a Percent of Payroll
<b>State Employees Retirement Fund</b>					
07/01/02	\$7,340,397	\$7,673,028	\$(332,631)	\$1,915,350	(17.37)%
07/01/03	7,830,671	7,757,292	73,379	2,009,975	3.65
07/01/04	7,878,363	7,884,984	(6,621)	1,965,546	(0.34)
07/01/05	8,455,336	8,081,736	373,600	1,952,320	19.14
07/01/06	8,819,161	8,486,756	332,405	2,016,588	16.48
07/01/07	9,627,305	8,904,517	722,788	2,095,310	34.50
07/01/08	9,994,602	9,013,456	981,146	2,256,528	43.48
07/01/09	10,512,760	9,030,401	1,482,359	2,329,499	63.63
07/01/10	10,264,071	8,960,391	1,303,680	2,327,398	56.01
07/01/11	10,576,481	9,130,011	1,446,470	2,440,580	59.27
<b>State Patrol Retirement Fund</b>					
07/01/02	\$510,344	\$591,383	\$(81,039)	\$49,278	(164.45)%
07/01/03	538,980	591,521	(52,541)	54,175	(96.98)
07/01/04	545,244	594,785	(49,541)	51,619	(95.97)
07/01/05	566,764	601,220	(34,456)	55,142	(62.49)
07/01/06	641,479	618,990	22,489	57,765	38.93
07/01/07	673,444	617,901	55,543	61,498	90.32
07/01/08	693,686	595,082	98,604	60,029	164.26
07/01/09	725,334	584,501	140,833	61,511	228.96
07/01/10	683,360	567,211	116,149	63,250	183.63
07/01/11	700,898	563,046	137,852	63,250	217.95
<b>Correctional Employees Retirement Fund</b>					
07/01/02	\$446,426	\$457,416	\$(10,990)	\$124,373	(8.84)%
07/01/03	484,974	470,716	14,258	131,328	10.86
07/01/04	524,215	486,617	37,598	133,172	28.23
07/01/05	546,118	503,573	42,545	132,335	32.15
07/01/06	647,480	535,357	112,123	145,879	76.86
07/01/07	708,292	559,852	148,440	167,727	88.50
07/01/08	760,363	572,719	187,644	194,391	96.53
07/01/09	821,250	590,399	230,851	193,445	119.34
07/01/10	851,086	603,863	247,223	192,450	128.46
07/01/11	907,012	637,027	269,985	197,702	136.56

# Summary of Unfunded Actuarial Accrued Liabilities (UAAL)

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Accrued Liabilities	Actuarial Value of Assets	Unfunded Actuarial Accrued Liabilities	Member Payroll	UAAL as a Percent of Payroll
<b>Judges Retirement Fund</b>					
07/01/02	\$171,921	\$131,379	\$40,542	\$31,078	130.45%
07/01/03	176,291	134,142	42,149	33,771	124.81
07/01/04	190,338	138,948	51,390	34,683	148.17
07/01/05	191,414	144,465	46,949	35,941	130.63
07/01/06	202,301	151,850	50,451	36,529	138.11
07/01/07	214,297	153,562	60,735	36,195	167.80
07/01/08	231,623	147,542	84,081	38,296	219.56
07/01/09	241,815	147,120	94,695	39,444	240.07
07/01/10	240,579	144,728	95,851	39,291	243.95
07/01/11	248,630	145,996	102,634	40,473	253.59

## Legislators Retirement Fund

07/01/02	\$78,070	\$45,501	\$32,569	\$5,089	639.99%
07/01/03	An actuarial valuation of this fund was not prepared for the fiscal year ended 06/30/03.				
07/01/04	83,197	46,155	37,042	3,815	970.96
07/01/05	81,836	45,523	36,313	3,014	1,204.81
07/01/06	81,361	48,504	32,857	2,894	1,135.35
07/01/07	86,449	44,869	41,580	2,380	1,747.06
07/01/08	86,131	39,209	46,922	1,993	2,354.34
07/01/09	90,431	28,663	61,768	1,963	3,146.61
07/01/10	86,236	26,821	59,415	1,877	3,165.42
07/01/11	216,559*	19,140	197,419*	1,774	11,128.47*

## Elective State Officers Fund\*\*

07/01/02	\$4,075	\$201	\$3,874	\$0	N/A
07/01/03	An actuarial valuation of this fund was not prepared for the fiscal year ended 06/30/03.				
07/01/04	4,002	204	3,798	0	N/A
07/01/05	4,065	204	3,861	0	N/A
07/01/06	3,970	207	3,763	0	N/A
07/01/07	3,969	212	3,757	0	N/A
07/01/08	3,908	212	3,696	0	N/A
07/01/09	3,886	213	3,673	0	N/A
07/01/10	3,782	214	3,568	0	N/A
07/01/11	7,610*	0	7,610*	0	N/A

\* Amounts reported are based on actuarial valuation results using GASB-compliant alternative assumptions.

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

# Sample Assumed Annual Rates of Termination

As of June 30, 2011

Per 10,000 Members and Assumed Salary Increases

## State Employees Retirement Fund

Age	Mortality Rates (%)				Ultimate		Disability	
	Healthy Pre-Retirement*		Disabled		Withdrawal			
	Male	Female	Male	Female	Male	Female	Male	Female
20	0.0251%	0.0173%	2.2571%	0.7450%	6.90%	8.55%	0.010%	0.010%
25	0.0296	0.0183	2.2571	0.7450	5.90	7.80	0.010	0.010
30	0.0455	0.0233	2.2571	0.7450	4.90	7.05	0.010	0.010
35	0.0717	0.0389	2.2571	0.7450	3.90	5.10	0.030	0.030
40	0.0995	0.0508	2.2571	0.7450	3.20	4.38	0.080	0.080
45	0.1433	0.0781	2.2571	1.1535	2.70	3.75	0.130	0.130
50	0.1920	0.1198	2.8975	1.6544	2.20	3.05	0.288	0.288
55	0.2969	0.1958	3.5442	2.1839	0.00	0.00	0.504	0.432
60	0.4827	0.3232	4.2042	2.8026	0.00	0.00	0.780	0.624
65	0.7300	0.5153	5.0174	3.7635	0.00	0.00	0.000	0.000
70	2.2619	0.7746	6.2583	5.2230	0.00	0.00	0.000	0.000
75	4.1579	2.1491	8.2067	7.2312				

\* Rates shown are RP 2000 non-annuitant mortality, projected to 2011, white collar adjustment, set forward three years for males and set back one year for females. The generational mortality tables assumed for pre-retirement and post-retirement mortality incorporate improvements in mortality in each future year.

Age	Retirement		Salary Scale	
	Rule of 90 Eligible	All Others	Service Years	Salary Increase
55	20%	5%	1	10.75%
56	15	5	2	8.35
57	15	5	3	7.15
58	15	5	4	6.45
59	20	6	5	5.95
60	20	7	6	5.55
61	22	12	7	5.25
62	40	22	8	4.95
63	30	16	9	4.75
64	30	18	10	4.65
65	40	40	11	4.45
66	30	30	12	4.35
67	25	25	13	4.25
68	25	25	14	4.05
69	25	25	15	3.95
70	30	30	16	3.85
71+	100	100	17+	3.75

# Sample Assumed Annual Rates of Termination

As of June 30, 2011

Per 10,000 Members and Assumed Salary Increases

## State Patrol Retirement Fund

Rates (%)						
Age	Healthy		Disability Mortality	Withdrawal	Disability	Salary Increases
	Pre-Retirement Mortality					
	Male	Female				
20	0.03%	0.02%	0.21%	1.47%	0.04%	7.75%
25	0.04	0.02	0.22	1.13	0.06	7.00
30	0.05	0.03	0.24	0.80	0.80	7.00
35	0.06	0.04	0.31	0.47	0.11	7.00
40	0.09	0.06	0.46	0.40	0.18	6.50
45	0.12	0.08	0.69	0.40	0.29	5.75
50	0.22	0.14	1.04	0.00	0.50	5.50
55	0.39	0.21	1.55	0.00	0.88	5.25
60	0.61	0.34	2.30	0.00	1.41	5.25
65	0.92	0.58	3.43	0.00	0.00	5.25
70	1.56	0.97	5.08	0.00	0.00	5.25

Members retiring from active status are assumed to retire to the following age-related rates:

Ages	Rates
50-54	7%
55	60
56	40
57-59	20
60 and over	100

## Correctional Employees Retirement Fund

Rates (%)									
Age	Healthy		Disability Mortality		Withdrawal		Disability Retirement		Salary Increases
	Pre-Retirement Mortality		Male	Female	Male	Female	Male	Female	
	Male	Female							
20	0.03%	0.02%	.21%	.21%	12.00%	8.00%	0.05%	0.08%	6.75%
25	0.04	0.02	.22	.22	7.35	7.00	0.08	0.12	6.50
30	0.05	0.03	.24	.24	4.55	6.75	0.11	0.16	6.50
35	0.06	0.04	.31	.31	3.00	6.45	0.15	0.22	6.50
40	0.09	0.06	.46	.46	2.20	5.20	0.24	0.36	6.00
45	0.12	0.08	.54	.44	1.70	3.20	0.39	0.58	5.25
50	0.22	0.14	.62	.42	1.20	2.35	0.67	1.00	5.00
55	0.39	0.21	.69	.40	0.70	1.65	1.17	1.76	4.75
60	0.61	0.34	.77	.38	0.00	0.00	1.88	2.82	4.75
65	0.92	0.58	1.24	.64	0.00	0.00	0.00	0.00	4.75
70	1.56	0.97	2.22	1.09	0.00	0.00	0.00	0.00	0.00

Members retiring from active status are assumed to retire to the following age-related rates:

Ages	Rates
50-54	5%
55	60
56-61	10
62-64	25
65 and over	100

# Sample Assumed Annual Rates of Termination

As of June 30, 2011

Per 10,000 Members and Assumed Salary Increases

## Judges Retirement Fund\*

Rates (%)									
Age	Pre-Retirement Mortality		Disability		Withdrawal		Salary Increases	Retirement	
	Male	Female	Male	Female	Male	Female		Age	Rate
20	0.03%	0.02%	0.00%	0.00%	0.00%	0.00%	4.00%	62	10%
25	0.04	0.02	0.00	0.00	0.00	0.00	4.00	63	10
30	0.05	0.03	0.02	0.00	0.02	0.00	4.00	64	5
35	0.06	0.04	0.02	0.01	0.00	0.00	4.00	65	20
40	0.09	0.06	0.02	0.02	0.00	0.00	4.00	66	20
45	0.14	0.08	0.03	0.05	0.00	0.00	4.00	67	20
50	0.25	0.14	0.14	0.10	0.00	0.00	4.00	68	30
55	0.43	0.21	0.34	0.24	0.00	0.00	4.00	69	30
60	0.66	0.34	0.76	0.62	0.00	0.00	4.00	70	100
65	1.01	0.58	0.00	0.00	0.00	0.00	4.00		
70	1.76	0.97	0.00	0.00	0.00	0.00	4.00		

\*By *Minnesota Statute* all judges must retire by age 70.

Members retiring from active status are assumed to retire to the following age-related rates:

Ages	Rates
62-63	10%
64	5
65-67	20
68-69	30
70	100

## 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
9+	0	0	

\*\*For the Legislators Retirement Fund, the retirement rate is 100 percent at age 62 under prescribed actuarial assumptions. For GASB purposes, MSRS directed Mercer to use an alternative assumption set with the following retirement rates:

40% at age 62  
 30% at ages 63 and 64  
 40% at age 65  
 30% at age 66  
 25% at ages 67-69  
 30% at age 70  
 100% at age 71; and  
 one year from valuation date if over age 71.

## 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.

## STATISTICAL SECTION



Since MSRS was founded 82 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*, issued in May 2004, established the requirements for the information required to be presented in this section of the comprehensive annual financial report. The information that follows is intended to provide financial statement users with additional historical perspectives, context and details. This information contained in this section supplements the financial information provided in the preceding sections, and displays trends where they exist, to help readers gain a better understanding of MSRS' overall financial condition.

The *Schedule of Changes in Net Assets* shows a 10-year history of the asset growth of the various funds. This data allows readers of this report to review trends in revenue sources and expense categories for all MSRS defined benefit and defined contribution funds.

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 Seven Fiscal Years Ended June 30, 2011

(Dollars in thousands)

### Deferred Compensation Fund\*

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

\*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 Six Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

## Hennepin County Supplemental Retirement Fund\*

	2006	2007	2008	2009	2010	2011
<b>Additions</b>						
Plan Member Contributions	\$426	\$639	\$601	\$570	\$514	\$467
Employer Contributions	426	640	601	570	515	466
Investment Income (Net of Expenses)	6,668	20,688	(9,625)	(20,951)	12,288	21,710
Other Income	24	53	50	34	48	49
<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>	<u>\$22,692</u>
<b>Deductions</b>						
Ongoing Withdrawals	\$3,703	\$5,830	\$5,885	\$4,260	\$3,514	\$4,069
Refunds	378	1,677	227	322	2,244	2,490
Administrative Expenses	5	5	6	5	17	11
Other Expenses	0	59	41	32	35	39
<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>	<u>\$6,609</u>
<b>Change in Plan Net Assets</b>	<u><u>\$3,458</u></u>	<u><u>\$14,449</u></u>	<u><u>\$(14,532)</u></u>	<u><u>\$(24,396)</u></u>	<u><u>\$7,555</u></u>	<u><u>\$16,083</u></u>

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

2010	2011
\$228,190	\$222,031
308,697	652,762
<u>2,305</u>	<u>5,819</u>
<u>\$539,192</u>	<u>\$880,612</u>
\$30,353	\$28,549
114,889	162,756
2,726	3,370
<u>1,715</u>	<u>1,630</u>
<u>\$149,683</u>	<u>\$196,305</u>
<u><u>\$389,509</u></u>	<u><u>\$684,307</u></u>

# Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

## State Employees Retirement Fund

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

## State Patrol Retirement Fund

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

2006	2007	2008	2009	2010	2011
\$85,379	\$89,447	\$99,280	\$108,866	\$115,181	\$122,029
82,645	86,492	96,746	107,211	113,716	118,563
915,632	1,503,390	(474,845)	(1,674,387)	1,040,873	1,764,307
11,760	17,609	13,532	15,246	14,939	24,975
<u>\$1,095,416</u>	<u>\$1,696,938</u>	<u>\$(265,287)</u>	<u>\$(1,443,064)</u>	<u>\$1,284,709</u>	<u>\$2,029,874</u>
\$366,797	\$392,058	\$418,757	\$445,792	\$473,447	\$505,573
12,555	11,102	11,676	10,907	9,733	14,206
4,588	4,916	5,152	5,320	5,771	6,064
1,495	2,898	2,993	939	345	325
<u>\$385,435</u>	<u>\$410,974</u>	<u>\$438,578</u>	<u>\$462,958</u>	<u>\$489,296</u>	<u>\$526,168</u>
<u>\$709,981</u>	<u>\$1,285,964</u>	<u>\$(703,865)</u>	<u>\$(1,906,022)</u>	<u>\$795,413</u>	<u>\$1,503,706</u>

2006	2007	2008	2009	2010	2011
\$4,719	\$4,987	\$5,595	\$6,216	\$6,726	\$6,578
7,055	7,461	8,279	9,178	10,104	9,873
64,911	100,147	(30,579)	(110,073)	68,184	110,908
0	3	0	13	41	0
<u>\$76,685</u>	<u>\$112,598</u>	<u>\$(16,705)</u>	<u>\$(94,666)</u>	<u>\$85,055</u>	<u>\$127,359</u>
\$38,767	\$40,581	\$42,804	\$44,480	\$46,119	\$47,844
52	133	6	0	3	0
101	112	109	104	123	92
190	98	178	69	0	14
<u>\$39,110</u>	<u>\$40,924</u>	<u>\$43,097</u>	<u>\$44,653</u>	<u>\$46,245</u>	<u>\$47,950</u>
<u>\$37,575</u>	<u>\$71,674</u>	<u>\$(59,802)</u>	<u>\$(139,319)</u>	<u>\$38,810</u>	<u>\$79,409</u>

# Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

## Correctional Employees Retirement Fund

	2002	2003	2004	2005
<b>Additions</b>				
Plan Member Contributions	\$7,207	\$7,611	\$7,748	\$7,943
Employer Contributions	9,925	10,480	10,627	11,016
Investment Income (Net of Expenses)	(32,596)	5,390	57,155	39,104
Other Additions	727	529	80	1
<b>Total Additions to Plan Net Assets</b>	<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	\$17,105	\$19,256	\$21,299	\$23,816
Refunds	634	607	722	649
Administrative Expenses	265	286	275	298
Other Expenses	322	327	253	277
<b>Total Deductions From Plan Net Assets</b>	<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>\$(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

	2002	2003	2004	2005
<b>Additions</b>				
Plan Member Contributions	\$2,345	\$2,574	\$2,643	\$2,662
Employer Contributions	6,371	6,923	7,110	7,225
Investment Income (Net of Expenses)	(8,938)	2,588	16,922	12,354
Other Additions	2,008	10	12	10
<b>Total Additions to Plan Net Assets</b>	<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	\$13,202	\$13,558	\$13,520	\$13,750
Refunds	0	0	0	111
Administrative Expenses	57	37	31	37
Other Expenses	89	38	35	41
<b>Total Deductions From Plan Net Assets</b>	<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>\$(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	2011
\$8,964	\$10,032	\$12,775	\$14,031	\$15,267	\$17,002
12,152	13,927	18,623	20,126	21,988	23,892
59,786	84,830	(30,673)	(107,787)	68,880	121,413
0	131	1,845	40	30	19
<u>\$80,902</u>	<u>\$108,920</u>	<u>\$2,570</u>	<u>\$(73,590)</u>	<u>\$106,165</u>	<u>\$162,326</u>
\$26,162	\$28,565	\$30,932	\$33,239	\$36,078	\$39,116
730	752	795	1,016	1,170	1,509
336	405	410	402	455	356
340	358	310	150	0	8
<u>\$27,568</u>	<u>\$30,080</u>	<u>\$32,447</u>	<u>\$34,807</u>	<u>\$37,703</u>	<u>40,989</u>
<u>\$53,334</u>	<u>\$78,840</u>	<u>\$(29,877)</u>	<u>\$(108,397)</u>	<u>\$68,462</u>	<u>\$121,337</u>

2006	2007	2008	2009	2010	2011
\$2,866	\$2,792	\$2,859	\$2,978	\$2,988	\$3,010
7,336	7,571	7,935	8,219	8,283	8,297
15,456	25,523	(8,874)	(26,283)	17,339	28,644
0	0	0	0	1	0
<u>\$25,658</u>	<u>\$35,886</u>	<u>\$1,920</u>	<u>\$(15,086)</u>	<u>\$28,611</u>	<u>\$39,951</u>
\$14,260	\$14,516	\$15,116	\$16,261	\$17,058	\$17,585
0	45	0	0	0	30
60	49	54	36	42	32
78	63	24	16	0	1
<u>\$14,398</u>	<u>\$14,673</u>	<u>\$15,194</u>	<u>\$16,313</u>	<u>\$17,100</u>	<u>\$17,648</u>
<u>\$11,260</u>	<u>\$21,213</u>	<u>\$(13,274)</u>	<u>\$(31,399)</u>	<u>\$11,511</u>	<u>\$22,303</u>

# Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

## Legislators Retirement Fund

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

## Elective State Officers Retirement Fund

	2002	2003	2004	2005
<b>Additions</b>				
Plan Member Contributions	\$0	\$0	\$0	\$0
Employer Contributions	0	0	0	0
Investment Income (Net of Expenses)	0	0	0	0
Other Additions	355	371	383	395
<b>Total Additions to Plan Net Assets</b>	<u>\$355</u>	<u>\$371</u>	<u>\$383</u>	<u>\$395</u>
<b>Deductions</b>				
Annuity Benefits	\$353	\$370	\$381	\$391
Refunds	0	0	0	0
Administrative Expenses	1	1	1	3
Other Expenses	0	0	0	0
<b>Total Deductions From Plan Net Assets</b>	<u>\$354</u>	<u>\$371</u>	<u>\$382</u>	<u>\$394</u>
<b>Change in Plan Net Assets</b>	<u><u>\$1</u></u>	<u><u>\$0</u></u>	<u><u>\$1</u></u>	<u><u>\$1</u></u>

2006	2007	2008	2009	2010	2011
\$264 0	\$239 0	\$180 0	\$248 0	\$171 0	\$160 0
3,539 5,704	6,808 1,783	(1,233) 2,217	(5,021) 1,269	3,199 1,975	4,142 2,807
<u>\$9,507</u>	<u>\$8,830</u>	<u>\$1,164</u>	<u>\$(3,504)</u>	<u>\$5,345</u>	<u>\$7,109</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	\$7,464 11 22 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>	<u>\$7,497</u> <u>\$(388)</u>

2006	2007	2008	2009	2010	2011
\$0 0	\$0 0	\$0 0	\$0 0	\$0 0	\$0 0
0 417	0 428	0 434	0 442	0 453	0 460
<u>\$417</u>	<u>\$428</u>	<u>\$434</u>	<u>\$442</u>	<u>\$453</u>	<u>\$460</u>
\$409 0 5 0	\$419 0 4 0	\$430 0 4 0	\$440 0 1 0	\$451 0 1 0	\$459 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>	<u>\$460</u> <u>\$0</u>

# Schedule of Changes in Plan Net Assets

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

## Unclassified Employees Retirement Fund

	2002	2003	2004	2005
<b>Additions</b>				
Plan Member Contributions	\$4,951	\$4,642	\$4,258	\$4,296
Employer Contributions	6,310	6,165	5,877	5,821
Investment Income (Net of Expenses)	(26,236)	6,182	31,352	19,794
Other Additions	1,361	824	552	535
<b>Total Additions to Plan Net Assets</b>	<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	\$5,655	\$5,203	\$6,206	\$8,947
Administrative Expenses	215	200	196	183
Other Expenses	6,005	9,626	7,498	12,112
<b>Total Deductions From Plan Net Assets</b>	<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>\$(25,489)</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>



2006	2007	2008	2009	2010	2011
\$4,368	\$5,476	\$5,209	\$4,660	\$4,472	\$5,417
5,932	6,258	6,362	6,514	6,333	6,360
20,844	68,142	(3,949)	(46,746)	28,860	51,977
<u>828</u>	<u>2,028</u>	<u>878</u>	<u>426</u>	<u>259</u>	<u>311</u>
<u>\$31,972</u>	<u>\$81,904</u>	<u>\$8,500</u>	<u>\$(35,146)</u>	<u>\$39,924</u>	<u>\$64,065</u>
\$6,173	\$29,994	\$23,256	\$5,009	\$5,691	\$7,799
256	166	157	229	164	174
<u>11,531</u>	<u>17,255</u>	<u>13,282</u>	<u>14,850</u>	<u>14,652</u>	<u>24,777</u>
<u>\$17,960</u>	<u>\$47,415</u>	<u>\$36,695</u>	<u>\$20,088</u>	<u>\$20,507</u>	<u>\$32,750</u>
<u>\$14,012</u>	<u>\$34,489</u>	<u>\$(28,195)</u>	<u>\$(55,234)</u>	<u>\$19,417</u>	<u>\$31,315</u>

2006	2007	2008	2009	2010	2011
\$52,562	\$59,515	\$73,082	\$82,920	\$90,445	\$132,526
5,092	12,698	(2,336)	(13,942)	13,032	26,499
502	1,031	1,318	1,438	63	1,989
<u>\$58,156</u>	<u>\$73,244</u>	<u>\$72,064</u>	<u>\$70,416</u>	<u>\$103,540</u>	<u>\$161,014</u>
\$18,300	\$23,470	\$27,548	\$31,088	\$35,613	\$44,740
724	844	1,090	1,523	1,388	794
0	0	0	0	743	1,396
<u>\$19,024</u>	<u>\$24,314</u>	<u>\$28,638</u>	<u>\$32,611</u>	<u>\$37,744</u>	<u>\$46,930</u>
<u>\$39,132</u>	<u>\$48,930</u>	<u>\$43,426</u>	<u>\$37,805</u>	<u>\$65,796</u>	<u>\$114,084</u>

# Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

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

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
2011	122,029	118,563	1,764,307	24,975	2,029,874	2,440,580	5.00

## State Patrol Retirement Fund

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
2011	6,578	9,873	110,908	0	127,359	63,250	18.60

## Correctional Employees Retirement Fund

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
2011	17,002	23,892	121,413	19	162,326	197,702	12.10

\*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, 2011  
(Dollars in thousands)

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

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
2011	3,010	8,297	28,644	0	39,951	40,473	20.50

## Legislators Retirement Fund

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
2011	160	N/A	4,142	2,807	7,109	1,774	N/A

## Elective State Officers Retirement Fund\*\*

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
2011	0	0	0	460	460	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 contributing active members.

# Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
<b>State Employees Retirement Fund</b>					
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
2011	505,573	6,064	14,206	325	526,168
<b>State Patrol Retirement Fund</b>					
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
2011	47,844	92	0	14	47,950
<b>Correctional Employees Retirement Fund</b>					
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
2011	39,116	356	1,509	8	40,989

# Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
<b>Judges Retirement Fund</b>					
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
2011	17,585	32	30	1	17,648
<b>Legislators Retirement Fund</b>					
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
2011	7,464	22	11	0	7,497
<b>Elective State Officers Retirement Fund</b>					
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
2011	459	1	0	0	460

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, 2011  
(Dollars in thousands)

## State Employees Retirement Fund

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

## State Patrol Retirement Fund

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

## Correctional Employees Retirement Fund

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

2006	2007	2008	2009	2010	2011
\$310,380	\$331,464	\$354,317	\$377,343	\$400,703	\$428,731
38,758	41,816	44,403	47,345	50,822	54,029
17,659	18,778	20,037	21,104	21,922	22,813
<u>\$366,797</u>	<u>\$392,058</u>	<u>\$418,757</u>	<u>\$445,792</u>	<u>\$473,447</u>	<u>\$505,573</u>

\$7,270	\$6,462	\$6,657	\$5,484	\$5,556	\$7,329
864	937	1,162	1,478	756	948
4,421	3,703	3,857	3,945	3,421	5,929
<u>\$12,555</u>	<u>\$11,102</u>	<u>\$11,676</u>	<u>\$10,907</u>	<u>\$9,733</u>	<u>\$14,206</u>

2006	2007	2008	2009	2010	2011
\$32,539	\$33,911	\$35,561	\$37,167	\$38,560	\$40,246
4,667	5,079	5,510	5,560	5,600	5,562
1,561	1,591	1,733	1,753	1,959	2,036
<u>\$38,767</u>	<u>\$40,581</u>	<u>\$42,804</u>	<u>\$44,480</u>	<u>\$46,119</u>	<u>\$47,844</u>

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

2006	2007	2008	2009	2010	2011
\$21,981	\$24,069	\$26,133	\$28,167	\$30,637	\$33,062
1,150	1,307	1,404	1,515	1,618	1,793
3,031	3,189	3,395	3,557	3,823	4,261
<u>\$26,162</u>	<u>\$28,565</u>	<u>\$30,932</u>	<u>\$33,239</u>	<u>\$36,078</u>	<u>\$39,116</u>

\$569	\$568	\$631	\$724	\$758	\$1,100
0	36	13	64	62	19
161	148	151	228	350	390
<u>\$730</u>	<u>\$752</u>	<u>\$795</u>	<u>\$1,016</u>	<u>\$1,170</u>	<u>\$1,509</u>

# Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2011  
(Dollars in thousands)

## Judges Retirement Fund

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

## Legislators Retirement Fund\*

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

## Elective State Officers Retirement Fund\*

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

### Refunds by Type

There were no refunds for the past ten years.

\*The Legislators and Elective State Officers Retirement Funds do 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	2011
\$10,359	\$10,467	\$10,959	\$10,528	\$10,996	\$11,525
3,314	3,427	3,520	3,906	4,202	4,195
587	622	637	1,827	1,860	1,865
<u>\$14,260</u>	<u>\$14,516</u>	<u>\$15,116</u>	<u>\$16,261</u>	<u>\$17,058</u>	<u>\$17,585</u>
\$0	\$38	\$0	\$0	\$0	\$27
0	0	0	0	0	0
0	7	0	0	0	3
<u>\$0</u>	<u>\$45</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30</u>

2006	2007	2008	2009	2010	2011
\$5,275	\$5,496	\$5,837	\$5,983	\$6,007	\$6,231
819	894	949	1,033	1,152	1,233
<u>\$6,094</u>	<u>\$6,390</u>	<u>\$6,786</u>	<u>\$7,016</u>	<u>\$7,159</u>	<u>\$7,464</u>
\$0	\$19	\$1	\$0	\$0	\$5
27	0	0	0	0	0
51	16	0	0	0	6
<u>\$78</u>	<u>\$35</u>	<u>\$1</u>	<u>\$0</u>	<u>\$0</u>	<u>\$11</u>

2006	2007	2008	2009	2010	2011
\$324	\$332	\$340	\$348	\$347	\$353
85	87	90	92	94	106
<u>\$409</u>	<u>\$419</u>	<u>\$430</u>	<u>\$440</u>	<u>\$451</u>	<u>\$459</u>

# Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2011

(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

06/30/02	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
06/30/11	36.4	36.9	36.7	33.8	32.9	33.3	47.7	46.6	47.1	13.1	12.2	12.6

## State Patrol Retirement Fund

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
06/30/11	29.6	33.4	30.0	29.1	29.0	29.1	41.8	41.0	41.7	12.6	11.8	12.6

# Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2011

(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

06/30/02	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
06/30/11	32.1	33.3	32.7	31.9	34.0	32.7	41.6	41.3	41.5	9.4	7.0	8.5

## Judges Retirement Fund

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
06/30/11	49.8	45.3	48.3	47.3	44.7	46.4	58.2	53.8	56.7	10.8	9.0	10.2

# Schedule of Retired Members by Type of Benefit

As of June 30, 2011

## State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	7,042	5,877	375	790	4,327	2,314	258	137
\$500-\$999	5,973	4,553	496	924	3,340	2,310	232	92
\$1,000-\$1,499	5,024	3,928	402	694	2,734	2,086	152	52
\$1,500-\$1,999	3,963	3,256	264	443	1,971	1,873	83	36
\$2,000-\$2,499	3,103	2,723	122	258	1,446	1,599	34	24
\$2,500-\$2,999	2,032	1,806	42	184	885	1,110	23	14
\$3,000-\$3,499	1,276	1,169	13	94	540	711	12	13
\$3,500-\$3,999	755	686	6	63	301	451	2	1
\$4,000-\$4,499	439	400	2	37	175	251	5	8
\$4,500-\$4,999	282	256	1	25	105	170	2	5
\$5,000+	275	246	0	29	93	181	0	1
<b>Totals</b>	<u>30,164</u>	<u>24,900</u>	<u>1,723</u>	<u>3,541</u>	<u>15,917</u>	<u>13,056</u>	<u>803</u>	<u>383</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

## State Patrol Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	17	9	0	8	8	4	5	0
\$500-\$999	26	8	2	16	6	10	10	0
\$1,000-\$1,499	30	11	0	19	14	9	7	0
\$1,500-\$1,999	34	11	4	19	13	18	3	0
\$2,000-\$2,499	59	15	5	39	15	35	9	0
\$2,500-\$2,999	49	19	4	26	17	28	4	0
\$3,000-\$3,499	74	49	9	16	28	44	2	0
\$3,500-\$3,999	74	56	8	10	29	43	2	0
\$4,000-\$4,499	98	84	5	9	32	64	2	0
\$4,500-\$4,999	112	102	4	6	40	71	1	0
\$5,000+	359	336	7	16	187	169	3	0
<b>Totals</b>	<u>932</u>	<u>700</u>	<u>48</u>	<u>184</u>	<u>389</u>	<u>495</u>	<u>48</u>	<u>0</u>

**Type:**

- 1 Retired members
- 2 Disabilitants
- 3 Survivors

**Option:**

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

# Schedule of Retired Members by Type of Benefit

As of June 30, 2011

## Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
\$0-\$499	304	251	9	44	209	69	22	4
\$500-\$999	343	278	20	45	243	82	17	1
\$1,000-\$1,499	352	231	86	35	257	83	10	2
\$1,500-\$1,999	321	230	65	25	227	83	6	4
\$2,000-\$2,499	249	209	32	8	191	55	2	1
\$2,500-\$2,999	169	154	11	4	132	36	1	0
\$3,000-\$3,499	141	133	6	2	112	29	0	0
\$3,500-\$3,999	68	67	1	1	60	9	0	0
\$4,000-\$4,499	37	37	0	0	24	13	0	0
\$4,500-\$4,999	18	17	0	1	17	1	0	0
\$5,000+	14	14	0	0	13	1	0	0
<b>Totals</b>	<u>2,016</u>	<u>1,621</u>	<u>230</u>	<u>165</u>	<u>1,485</u>	<u>461</u>	<u>58</u>	<u>12</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	8	5	0	3	2	2	2	2
\$1,500-\$1,999	12	6	0	6	6	6	0	0
\$2,000-\$2,499	12	4	0	8	5	5	2	0
\$2,500-\$2,999	21	8	0	13	5	14	3	0
\$3,000-\$3,499	22	10	1	11	6	13	2	0
\$3,500-\$3,999	21	6	2	13	5	12	4	0
\$4,000-\$4,499	24	13	1	10	7	15	2	0
\$4,500-\$4,999	29	18	4	7	8	18	3	0
\$5,000+	146	106	17	23	51	81	6	8
<b>Totals</b>	<u>297</u>	<u>176</u>	<u>25</u>	<u>96</u>	<u>95</u>	<u>166</u>	<u>26</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, 2011

## Legislators Retirement Fund

Monthly Benefit Amount	Number of Retirees	Legislators		Option Selected		
		Member	Survivor	Life	I	II
\$0-\$499	26	14	12	10	4	12
\$500-\$999	85	59	26	39	21	25
\$1,000-\$1,499	87	71	16	47	25	15
\$1,500-\$1,999	56	47	9	24	23	9
\$2,000-\$2,499	43	35	8	28	8	7
\$2,500-\$2,999	20	19	1	9	10	1
\$3,000-\$3,499	18	14	4	13	1	4
\$3,500-\$3,999	9	9	0	6	3	0
\$4,000-\$4,499	9	7	2	7	0	2
\$4,500-\$4,999	7	6	1	2	4	1
\$5,000+	8	7	1	4	3	1
<b>Totals</b>	<u>368</u>	<u>288</u>	<u>80</u>	<u>189</u>	<u>102</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	5	4	1	4	0	1
\$1,000-\$1,499	0	0	0	0	0	0
\$1,500-\$1,999	1	1	0	1	0	0
\$2,000-\$2,499	1	0	1	0	0	1
\$2,500-\$2,999	1	0	1	0	0	1
\$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	0	0	0	0	0	0
\$5,000+	3	3	0	3	0	0
<b>Totals</b>	<u>14</u>	<u>10</u>	<u>4</u>	<u>10</u>	<u>0</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 Average Benefit Payments

Last Ten Years

## State Employees Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<b>Period 7/1/01 to 6/30/02:</b>								
Average Monthly Benefit	\$138	\$331	\$571	\$772	\$1,006	\$1,402	\$1,980	\$1,050
Number of New Retirees*	175	138	157	152	129	138	359	1,248
Average Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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
Number of New Retirees*	252	204	178	166	241	199	606	1,846
Average Final Average Salary**	\$4,548	\$3,849	\$3,607	\$3,992	\$4,111	\$4,237	\$4,778	\$4,315
<b>Period 7/1/10 to 6/30/11:</b>								
Average Monthly Benefit	\$169	\$452	\$752	\$1,159	\$1,498	\$1,772	\$2,534	\$1,527
Number of New Retirees*	219	246	240	258	294	260	782	2,299
Average Final Average Salary**	\$4,164	\$3,550	\$3,899	\$4,113	\$4,214	\$4,259	\$4,734	\$4,276
<b>Period 7/1/01 to 6/30/11:</b>								
Average Monthly Benefit	\$152	\$383	\$638	\$954	\$1,268	\$1,598	\$2,279	\$1,287
Number of New Retirees*	2,041	1,693	1,758	1,786	1,915	1,909	5,017	16,119
Average Final Average Salary**	\$4,160	\$3,426	\$3,534	\$3,726	\$3,855	\$4,039	\$4,518	\$4,028

**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 Final Average Salary is equivalent to the average of the five highest consecutive years of salary, based on service during which member contributions were made.

# Schedule of New Retirees and Average Benefit Payments

Last Ten Years

## State Patrol Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<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*	175	138	157	4	4	12	11	35
Average Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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
Number of New Retirees*	4	3	3	0	7	10	10	37
Average Final Average Salary**	\$5,677	\$3,993	\$5,557	\$0	\$6,061	\$6,858	\$7,092	\$6,305
<b>Period 7/1/10 to 6/30/11:</b>								
Average Monthly Benefit	\$0	\$0	\$2,406	\$0	\$3,484	\$5,083	\$4,670	\$4,422
Number of New Retirees*	0	0	2	0	6	12	7	27
Average Final Average Salary**	\$0	\$0	\$6,275	\$0	\$6,037	\$6,452	\$3,609	\$5,610
<b>Period 7/1/01 to 6/30/11:</b>								
Average Monthly Benefit	\$438	\$1,011	\$1,946	\$2,828	\$3,381	\$4,342	\$4,439	\$3,682
Number of New Retirees*	9	15	18	34	55	102	105	338
Average Final Average Salary**	\$5,652	\$5,211	\$5,782	\$5,457	\$5,570	\$5,943	\$5,716	\$5,714

**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 Final Average Salary is equivalent to the average of the five highest consecutive years of salary, based on service during which member contributions were made.



# Schedule of New Retirees and Average Benefit Payments

Last Ten Years

## Correctional Employees Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average Salary**	\$4,217	\$4,315	\$4,452	\$3,999	\$4,479	\$4,680	\$4,356	\$4,307
<b>Period 7/1/10 to 6/30/11:</b>								
Average Monthly Benefit	\$282	\$745	\$1,329	1,601	\$2,505	\$3,157	\$4,264	\$1,623
Number of New Retirees*	33	19	20	51	13	23	8	167
Average Final Average Salary**	\$4,421	\$4,081	\$4,161	\$4,011	\$4,594	\$4,294	\$5,408	\$4,269
<b>Period 7/1/01 to 6/30/11:</b>								
Average Monthly Benefit	\$348	\$747	\$1,218	1,500	\$2,097	\$2,790	\$3,199	\$1,559
Number of New Retirees*	190	220	220	264	192	179	107	1,372
Average Final Average Salary**	\$4,241	\$3,940	\$3,942	\$3,824	\$4,036	\$4,311	\$4,913	\$4,098

**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 Final Average Salary is equivalent to the average of the five highest consecutive years of salary, based on service during which member contributions were made.

# Schedule of New Retirees and Average Benefit Payments

Last Ten Years

## Judges Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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
Number of New Retirees*	0	1	1	2	12	0	0	16
Average Final Average Salary**	\$0	\$7,079	\$10,299	\$10,084	\$10,348	\$0	\$0	\$10,108
<b>Period 7/1/10 to 6/30/11:</b>								
Average Monthly Benefit	\$0	\$2,005	\$2,369	\$4,743	\$5,416	\$0	\$0	\$4,626
Number of New Retirees*	0	1	3	6	11	0	0	21
Average Final Average Salary**	\$0	\$8,020	\$8,092	\$9,163	\$9,014	\$0	\$0	\$8,878
<b>Period 7/1/01 to 6/30/11:</b>								
Average Monthly Benefit	\$642	\$1,863	\$2,579	\$3,986	\$5,320	\$4,131	\$4,636	\$4,359
Number of New Retirees*	1	7	19	29	64	15	12	147
Average Final Average Salary**	\$7,280	\$8,306	\$9,020	\$9,209	\$9,205	\$7,986	\$8,032	\$8,799

**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 Final Average Salary is equivalent to the average of the five highest consecutive years of salary, based on service during which member contributions were made.

# Schedule of New Retirees and Average Benefit Payments

Last Ten Years

## Legislators Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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
Number of New Retirees*	2	2	5	1	1	1	0	12
Average Final Average Salary**	\$6,741	\$4,410	\$3,433	\$3,275	\$4,378	\$3,284	\$0	\$4,200
<b>Period 7/1/10 to 6/30/11:</b>								
Average Monthly Benefit	\$0	\$1,700	\$1,552	\$1,837	\$1,999	\$2,226	\$2,451	\$1,765
Number of New Retirees*	0	7	9	1	3	2	1	23
Average Final Average Salary**	\$0	\$7,785	\$3,255	\$3,345	\$3,436	\$3,338	\$3,468	\$4,678
<b>Period 7/1/01 to 6/30/11:</b>								
Average Monthly Benefit	\$491	\$1,247	\$1,276	\$1,466	\$2,329	\$2,505	\$2,830	\$1,504
Number of New Retirees*	9	42	49	8	13	14	5	140
Average Final Average Salary**	\$7,132	\$4,554	\$3,493	\$3,176	\$3,827	\$3,265	\$3,231	\$4,026

### 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 Final Average Salary is equivalent to the average of the five highest consecutive years of salary, based on service during which member contributions were made.

# Schedule of New Retirees and Average Benefit Payments

Last Ten Years

## Elective State Officers Retirement Fund

Retirement Effective Dates	Years Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
<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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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 Final Average 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
Number of New Retirees*	0	0	0	0	0	0	0	0
Average Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/10 to 6/30/11:</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 Final Average Salary**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Period 7/1/01 to 6/30/11:</b>								
Average Monthly Benefit	\$0	\$694	\$0	\$3,757	\$0	\$0	\$0	\$1,715
Number of New Retirees*	0	2	0	1	0	0	0	3
Average Final Average 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 Final Average Salary is equivalent to the average of the five highest consecutive years of salary, based on service during which member contributions were made.

# Schedule of Principal Participating Employers

Current Year and Nine Years Ago

Participating Employer	Fiscal Year 2011			Fiscal Year 2002		
	Active Employees	Rank	% of Total Active Members	Active Employees	Rank	% of Total Active Members
<b>State Employees Retirement Fund</b>						
State of Minnesota	34,328	1	71.58%	34,214	1	69.68%
University of Minnesota	9,613	2	20.05	10,595	2	21.58
Metropolitan Council	3,500	3	7.30	3,670	3	7.47
Minnesota Historical Society	145	4	0.30	185	4	0.38
Minnesota State Fair	89	5	0.18	101	5	0.21
Gillette Children's Hospital	69	6	0.14	99	6	0.20
Amalgmated Transit Union	42	7	0.09	51	7	0.10
Foster-Wheeler, Inc.	22	8	0.05	46	8	0.09
Metropolitan Sports Facility Commission	19	9	0.04	39	9	0.08
Minnesota Safety Council	17	10	0.04	27	10	0.06
All Others	111		0.23	72		0.15
Totals	<u>47,955</u>		<u>100.00%</u>	<u>49,099</u>		<u>100.00%</u>
<b>State Patrol Retirement Fund*</b>						
State of Minnesota	<u>862</u>	1	<u>100.00%</u>	<u>810</u>	1	<u>100.00%</u>
<b>Correctional Employees Retirement Fund*</b>						
State of Minnesota	<u>4,322</u>	1	<u>100.00%</u>	<u>3,249</u>	1	<u>100.00%</u>
<b>Judges Retirement Fund*</b>						
State of Minnesota	<u>308</u>	1	<u>100.00%</u>	<u>283</u>	1	<u>100.00%</u>
<b>Legislators Retirement Fund</b>						
Minnesota House of Representatives	19	1	50.00%	59	2	44.03%
Minnesota Senate	19	2	50.00	75	1	55.97
Totals	<u>38</u>		<u>100.00%</u>	<u>134</u>		<u>100.00%</u>

## Elective State Officers Retirement Fund

This is a closed plan. There are no remaining active members.

Participating Employer	Fiscal Year 2011			Fiscal Year 2002		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Unclassified Employees Retirement Fund**</b>						
State of Minnesota	1,903	1	58.22%	1,033	1	53.52
Minnesota House of Representatives - Staff	489	2	14.96	302	2	15.65
Minnesota Senate - Staff	411	3	12.57	261	3	13.52
Minnesota House of Representatives - Members	139	4	4.25	55	6	2.85
Enterprise Minnesota, Inc.	90	5	2.75	90	4	4.66
Minnesota Senate - Members	64	6	1.96	13	10	0.68
Agricultural Utilization Research Institute	55	7	1.68	37	8	1.92
Metropolitan Council	37	8	1.13	24	9	1.24
Metropolitan Sports Facilities Commission	3	9	0.09			
Minnesota Crop Improvement Association	1	10	0.03			
Legislative Coordinating Commission				51	7	2.64
Revisor of Statutes				62	5	3.21
All Others	77		2.36	2		0.11
Totals	<u>3,269</u>		<u>100.00%</u>	<u>1,930</u>		<u>100.00%</u>

\*This is a single-employer plan.

\*\*Includes all members with account balances.

# Schedule of Principal Participating Employers

Current Year and Nine Years Ago

Participating Employer	Fiscal Year 2011			Fiscal Year 2002		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Health Care Savings Plan*</b>						
State of Minnesota	25,855	1	38.37%	354	1	58.03%
Metropolitan Council	3,498	2	5.19	36	3	5.90
Hennepin County	2,157	3	3.20			
Ramsey County	2,114	4	3.14			
Dakota County	2,014	5	2.99			
City of Minneapolis	1,849	6	2.75			
Independent School District (ISD) 1						
Minneapolis	1,450	7	2.15			
ISD 623 Roseville	1,250	8	1.85			
City of Duluth	985	9	1.46			
Scott County	965	10	1.43	15	6	2.46
Carver County				86	2	14.10
ISD 133 Oglivie				32	4	5.25
City of Maple Grove				29	5	4.75
City of Tracy				14	7	2.29
City of New Ulm				12	8	1.97
Wadena County				10	9	1.64
ISD 196 Rosemount-Apple Valley-Eagan				8	10	1.31
All Others	25,249		37.47	14		2.30
Totals	<u>67,386</u>		<u>100.00%</u>	<u>610</u>		<u>100.00%</u>

Participating Employer	Fiscal Year 2011			Fiscal Year 2009**		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Deferred Compensation Fund (MNDCP)*</b>						
State of Minnesota	40,109	1	50.43%	37,245		45.09%
ISD 1 Minneapolis	5,249	2	6.60	5,237		6.34
Ramsey County	3,155	3	3.97	2,925		3.54
Metropolitan Council	2,511	4	3.16	2,283		2.76
Hennepin County	2,101	5	2.64	2,086		2.52
ISD 625 St. Paul	1,940	6	2.44	1,742		2.11
City of St. Paul	1,916	7	2.41	1,858		2.25
ISD 279 Osseo	1,237	8	1.55	1,197		1.45
Anoka County	1,186	9	1.49	1,056		1.28
Dakota County	1,169	10	1.47	1,145		1.39
All Others	18,963		23.84	25,832		31.27
Totals	<u>79,536</u>		<u>100.00%</u>	<u>82,606</u>		<u>100.00%</u>

\*\*MSRS did not assume financial reporting responsibility for MNDCP until 2005.

Fiscal year 2005 data is unavailable from previous recordkeeper.

Participating Employer	Fiscal Year 2011			Fiscal Year 2009***		
	Covered Employees	Rank	% of Total Fund	Covered Employees	Rank	% of Total Fund
<b>Hennepin County Supplemental Retirement Fund</b>						
Hennepin County	1,365	1	74.96%	1,820	1	78.01%
Hennepin County Medical Center	456	2	25.04	513	2	21.99
Totals	<u>1,821</u>		<u>100.00%</u>	<u>2,333</u>		<u>100.00%</u>

\*\*\*MSRS did not assume financial reporting responsibility for this plan until 2006. Fiscal year 2002 is unavailable.

\* Includes all members with account balances.

# Schedule of Participating Employers

As of June 30, 2011

## State of Minnesota Employers

State of Minnesota  
Minnesota House of Representatives - Employees  
Minnesota House of Representatives - Members  
Minnesota State Senate - Employees  
Minnesota State Senate - Members

## University of Minnesota

## Metropolitan Agency Employers

Metro Airports Commission  
Metropolitan Council  
Metropolitan Sports Facilities Commission

## Unions

AFSCME  
Amalgamated Transit Union  
Middle Management Association

## Cities

City of Adrian  
City of Akeley  
City of Albert Lea  
City of Albertville  
City of Alexandria  
City of Anoka  
City of Aurora  
City of Austin  
City of Babbitt  
City of Balaton  
City of Baudette  
City of Baxter  
City of Bertha  
City of Blaine  
City of Bloomington  
City of Blue Earth  
City of Bovey  
City of Brainerd  
City of Breezy Point  
City of Brooklyn Park  
City of Browerville  
City of Buffalo  
City of Burnsville  
City of Caledonia  
City of Cambridge  
City of Chanhassen  
City of Chatfield  
City of Chisholm  
City of Circle Pines  
City of Cloquet  
City of Cohasset  
City of Cold Spring  
City of Cologne  
City of Columbia Heights  
City of Columbus  
City of Coon Rapids  
City of Corcoran  
City of Cottage Grove  
City of Cottonwood  
City of Crookston  
City of Crosby  
City of Crosslake  
City of Crystal  
City of Dawson  
City of Deephaven  
City of Deer River  
City of Detroit Lakes  
City of Dilworth  
City of Dodge Center  
City of Duluth  
City of Eagan  
City of East Bethel  
City of Eden Prairie  
City of Eden Valley

City of Edina  
City of Elk River  
City of Ely  
City of Eveleth  
City of Faribault  
City of Farmington  
City of Fergus Falls  
City of Forest Lake  
City of Gaylord  
City of Gilbert  
City of Glencoe  
City of Golden Valley  
City of Grand Marais  
City of Grand Rapids  
City of Ham Lake  
City of Hanover  
City of Hermantown  
City of Hibbing  
City of Hinckley  
City of Holdingford  
City of Hopkins  
City of Howard Lake  
City of Hoyt Lakes  
City of Hutchinson  
City of International Falls  
City of Isanti  
City of Jackson  
City of Jordan  
City of Kasson  
City of La Crescent  
City of Lake Shore  
City of Lakeville  
City of Le Sueur  
City of Lester Prairie  
City of Lino Lakes  
City of Litchfield  
City of Little Falls  
City of Long Lake  
City of Long Prairie  
City of Madelia  
City of Mahtomedi  
City of Mankato  
City of Maple Grove  
City of Maplewood  
City of Marble  
City of Marietta  
City of McGregor  
City of Medina  
City of Melrose  
City of Mendota Heights  
City of Milaca  
City of Minneapolis  
City of Minnetonka  
City of Montevideo  
City of Montgomery  
City of Moorhead  
City of Moose Lake  
City of Mora & Public Utilities  
City of Mound  
City of Mounds View  
City of Mountain Iron  
City of Nashwauk  
City of Nevis  
City of New Hope  
City of New Prague  
City of New Ulm  
City of New York Mills  
City of Nisswa  
City of North Oaks  
City of North St. Paul  
City of Northfield  
City of Oak Grove  
City of Oak Park Heights  
City of Oakdale

City of Orono  
City of Osseo  
City of Owatonna  
City of Pierz  
City of Pine City  
City of Plainview  
City of Preston  
City of Prior Lake  
City of Proctor  
City of Ramsey  
City of Red Lake Falls  
City of Redwood Falls  
City of Richfield  
City of Rochester  
City of Rockford  
City of Rogers  
City of Rosemount  
City of Roseville  
City of Rush City  
City of Rushford  
City of Sandstone  
City of Sartell  
City of Sauk Centre  
City of Savage  
City of Scandia  
City of Shakopee  
City of Silver Bay  
City of Slayton  
City of Spring Lake Park  
City of Spring Valley  
City of Springfield  
City of St. Anthony  
City of St. Cloud  
City of St. James  
City of St. Louis Park  
City of St. Michael  
City of St. Paul  
City of St. Paul Park  
City of St. Peter  
City of Staples  
City of Stillwater  
City of Thief River Falls  
City of Tracy  
City of Truman  
City of Two Harbors  
City of Vadnais Heights  
City of Vernon Center  
City of Victoria  
City of Virginia  
City of Wabasha  
City of Wadena  
City of Waite Park  
City of Warroad  
City of Waseca  
City of Wells  
City of West Concord  
City of West St. Paul  
City of White Bear Lake  
City of Willmar  
City of Windom  
City of Winona  
City of Woodbury  
City of Worthington  
City of Zumbrota

## Townships

Breitung Township  
Town of Fayal  
Town of Thomson  
Town of White  
White Bear Township

# Schedule of Participating Employers

As of June 30, 2011

## Counties

Anoka County  
 Becker County  
 Beltrami County  
 Benton County  
 Blue Earth County  
 Brown County  
 Carlton County  
 Carver County  
 Chisago County  
 Clay County  
 Clearwater County  
 Cook County  
 Crow Wing County  
 Dakota County  
 Douglas County  
 Faribault County  
 Fillmore County  
 Goodhue County  
 Grant County  
 Hennepin County  
 Houston County  
 Hubbard County  
 Isanti County  
 Itasca County  
 Kanabec County  
 Koochiching County  
 Lake County  
 Lake of the Woods County  
 Le Sueur County  
 Lyon County  
 Marshall County  
 McLeod County  
 Meeker County  
 Mille Lacs County  
 Mower County  
 Murray County  
 Nicollet County  
 Nobles County  
 Norman County  
 Olmstead County  
 Ottertail County  
 Pine County  
 Pipestone County  
 Ramsey County  
 Redwood County  
 Renville County  
 Rice County  
 Rock County  
 Scott County  
 Sherburne County  
 Sibley County  
 St. Louis County  
 Stearns County  
 Steele County  
 Todd County  
 Wadena County  
 Waseca County  
 Washington County  
 Wilkin County  
 Winona County  
 Wright County

## Independent School Districts (ISD)

ISD 1 Aitkin  
 ISD 1 Minneapolis  
 ISD 100 Wrenshall  
 ISD 11 Anoka - Hennepin  
 ISD 112 Chaska  
 ISD 12 Centennial  
 ISD 13 Columbia Heights  
 ISD 138 North Branch  
 ISD 139 Rush City

ISD 14 Fridley  
 ISD 15 St. Francis  
 ISD 152 Moorhead  
 ISD 16 Spring Lake Park  
 ISD 162 Bagley  
 ISD 166 Cook County  
 ISD 182 Crosby-Ironton  
 ISD 191 Burnsville-Eagan-Savage  
 ISD 194 Lakeville  
 ISD 196 Rosemount-Apple Valley-Eagan  
 ISD 197 West St. Paul  
 ISD 199 Inver Grove Heights  
 ISD 200 Hastings  
 ISD 203 Hayfield  
 ISD 2135 Maple River Schools  
 ISD 2142 St. Louis County  
 ISD 2155 Wadena Deer Creek  
 ISD 2164 Dilworth-Glyndon-Felton  
 ISD 2170 Staples-Modley  
 ISD 22 Detroit Lakes  
 ISD 2364 Belgrade-Brooten-Elrosa  
 ISD 239 Rushford-Peterson  
 ISD 2396 Atwater-Grouby City-Cosmos  
 ISD 253 Goodhue  
 ISD 2534 Bold  
 ISD 255 Pine Island  
 ISD 2580 East Central Schools  
 ISD 270 Hopkins  
 ISD 272 Eden Prairie  
 ISD 273 Edina  
 ISD 276 Minnetonka  
 ISD 277 Westonka  
 ISD 278 Orono  
 ISD 279 Osseo  
 ISD 280 Richfield  
 ISD 281 Robbinsdale  
 ISD 282 St. Anthony-New Brighton  
 ISD 283 St. Louis Park  
 ISD 284 Wayzata  
 ISD 2859 Glencoe-Silver Lake  
 ISD 286 Brooklyn Center  
 ISD 2895 Jackson County Central  
 ISD 2898 Westbrook Walnut Grove  
 ISD 2903 Ortonville  
 ISD 300 La Crescent-Hoka  
 ISD 308 Nevis  
 ISD 309 Park Rapids  
 ISD 31 Bemidji  
 ISD 316 Greenway  
 ISD 317 Deer River  
 ISD 361 International Falls  
 ISD 362 Littlefork  
 ISD 363 South Koochiching  
 ISD 381 Lake Superior School  
 ISD 402 Hendricks  
 ISD 403 Ivanhoe  
 ISD 463 Eden Valley-Watkins  
 ISD 465 Litchfield  
 ISD 466 Dassel-Cokato  
 ISD 47 Sauk Rapids  
 ISD 473 Isle  
 ISD 480 Onamia  
 ISD 484 Pierz  
 ISD 487 Upsala Area Schools  
 ISD 492 Austin  
 ISD 51 Foley  
 ISD 534 Stewartville  
 ISD 535 Rochester  
 ISD 544 Fergus Falls Public Schools  
 ISD 553 New York Mills  
 ISD 564 Thief River Falls  
 ISD 6 South St. Paul  
 ISD 6076 Northland Learning Center  
 ISD 621 Mounds View  
 ISD 622 North St. Paul-Maplewood  
 ISD 623 Roseville  
 ISD 624 White Bear Lake  
 ISD 625 St. Paul  
 ISD 656 Faribault  
 ISD 682 Roseau  
 ISD 695 Chisholm  
 ISD 698 Floodwood  
 ISD 700 Hermantown  
 ISD 701 Hibbing  
 ISD 706 Virginia  
 ISD 709 Duluth  
 ISD 712 Buhl-Mountain Iron  
 ISD 716 Belle Plaine  
 ISD 717 Jordan  
 ISD 719 Prior Lake-Savage  
 ISD 720 Shakopee  
 ISD 721 New Prague  
 ISD 727 Big Lake Schools  
 ISD 728 Elk River  
 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 761 Owatonna  
 ISD 77 Mankato  
 ISD 786 Bertha-Hewitt  
 ISD 813 Lake City  
 ISD 820 Sebeka  
 ISD 829 Waseca  
 ISD 833 South Washington County  
 ISD 834 Stillwater  
 ISD 861 Winona Area  
 ISD 877 Buffalo  
 ISD 879 Delano  
 ISD 88 New Ulm  
 ISD 881 Maple Lake  
 ISD 885 St. Michael-Albertville  
 ISD 91 Barnum  
 ISD 912 Milaca Public Schools  
 ISD 916 NE Metro  
 ISD 917 Rosemount  
 ISD 93 Carlton  
 ISD 94 Cloquet  
 ISD 95 Cromwell-Wright  
 Benton Sterns Education District #6383  
 Big Lake Schools  
 Eagle Valley Public Schools  
 East Metro Integration District 6067  
 Freshwater Education District  
 Independent School  
 Intermediate School District 287 Plymouth  
 New Visions Academy  
 Northwest Passage High School  
 Region 1-ESV (Educational Secondary Vocational)  
 Saint Paul Conservatory for Performing Arts  
 Technology & Information Educ. Svcs. (TTES)



# Schedule of Participating Employers

As of June 30, 2011

## Other Employers

Adrian Public Utilities Commission	Middle Mississippi River Watershed Management	Western Lake Superior Sanitation District
Agricultural Utilization Research Institute	Mid-Minnesota Development Commission	Willmar Municipal Utilities
Aitkin Public Utilities Commission	Mille Lacs SWCD	Windom Area Hospital
Alexandria Light & Power	Minnesota Crop Improvement Association	
Arrowhead Library System	Minnesota Historical Society	
Arrowhead Regional Computing Consortium	Minnesota Safety Council	
Arrowhead Regional Development Commission	Minnesota Valley Transit Authority	
Austin Utilities	Moose Lake Municipal Power	
Becker County SWCD (Sewer and Water Conversation District)	New Prague Golf Course	
Beltrami Area Service Collaborative	New River Medical Center	
Benton County SWCD	New Ulm Public Utilities	
Blue Earth Light & Water	Nicollet SWCD	
Brainerd Housing & Redevelopment Authority (HRA)	Norman County SWCD	
Brainerd Public Utilities	North St. Louis SWCD	
Brown County SWCD	Northeast Service Cooperative #927	
Capitol Region Watershed District	Northern Dakota County Cable Communications (NDC4)	
Carlton County SWCD	Owatonna Public Utilities	
Carver County CDA (Community Development Agency)	Paynesville Area Health Care System	
Carver County SWCD	Pennington County SWCD	
CCLNS Joint Powers Board #3	Pine County SWCD	
Centennial Lakes Police Dept	Pioneerland Library System	
Chippewa County SWCD	Pipestone County Medical Center	
Chippewa County-Montevideo Hospital	Port Authority of City of St. Paul	
Chisholm Hibbing Airport Commission	Preston Public Utilities	
Comfort Lake Forest Lake Watershed District	Prior Lake Spring Lake Watershed District	
Cook County North Shore Hospital	Public Housing Agency-St. Paul	
Cook Hospital	Ramsey-Washington Metro Watershed District	
Crosslake Communications	Red River Valley Conservation Service Area	
Dakota Communications Center	Red Rock Rural Water System	
Dawson Municipal Liquor Store	Redwood County SWCD	
Delano Municipal Utilities	Regions Hospital (St. Paul Ramsey)	
Douglas County Hospital	Renville County SWCD	
Duluth Entertainment Convention Center - DECC	Rice County District One Hospital	
Duluth Housing & Redevelopment Authority	Rice County SWCD	
Duluth Seaway Port Authority	Rice Creek Watershed District	
Duluth Teachers Retirement Fund Association	Rice Memorial Hospital	
Duluth Transit Authority	River's Edge Hospital & Clinic	
East Central Regional Development Commission	Scott County SWCD	
East Central Regional Library	Shakopee Public Utilities Commission	
Elk River Municipal Utilities	Sleepy Eye Medical Center	
Enterprise Minnesota	South Country Health Alliance	
Fillmore County SWCD	South Metro Fire Dept	
Foster-Wheeler (Twin Cities)	South St. Louis County SWCD	
Freeborn County SWCD	South Washington Watershed District	
Glencoe Light and Power Commission	Southern MN Municipal Power Agency	
Grand Marais Public Utilities Commission	Southwest Health & Human Services	
Grand Rapids-Public Utilities Commission	Southwest Regional Development Commission	
Great River Regional Library	Spirit Mountain Recreation Area	
Hennepin County Medical Center	St. Cloud Area Planning Organization	
Heritage Living Center - Hubbard County	St. Cloud HRA	
Hibbing Public Utilities	St. Cloud Metropolitan Transit Commission	
Hinckley Firehouse Liquor	St. Michael's Hospital & Nursing Home	
Itasca Nursing Home – Grand Village	State Fair	
Kanabec Hospital	Stearns County SWCD	
Kandiyohi Area Transit	Steele County SWCD	
Kandiyohi County SWCD	Sunnyside Care Center-Becker County	
Lake Agassiz Regional Library	Three Rivers Park District	
Lakes Area Police	Todd County SWCD	
League of Minnesota Cities	United Hospital District	
Lincoln County SWCD	Upper Minnesota Valley Regional Development Commission	
Littlefork Medical Center	Utilities Plus	
LOGIS (Local Government Information Systems)	Viking Library System	
Madelia Municipal Light and Power	Virginia Public Utilities	
Mahnomen SWCD	Virginia Regional Medical Center	
Marshall County SWCD	Waseca-LeSueur Regional Library	
Marshall Municipal Utilities	Washington County HRA	
Marshall-Lyon County Library	Washington County SWCD	
Menahga Nursing Home	Wells Public Utilities	
	West Metro Fire Rescue	
	West Ottertail County SWCD	

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