Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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




Together We Achieve OUR MISSION

FINANCIALLY SECURE RETIREMENT PLANS ★ TIMELY BENEFIT PAYMENTS

PROACTIVE IN PUBLIC PENSION POLICIES ★ EXEMPLARY CUSTOMER SERVICE

MSRS Minnesota State Retirement System
Your Foundation for Retirement

About our cover...

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

This year's Comprehensive Annual Financial Report (CAFR) is about MSRS fulfilling its mission for ***you*** – our members and participants.

On each section page throughout this report, you'll see photos of some MSRS team members who play a very special role in achieving our mission daily. Our mission is at the center of everything we do at MSRS, guiding our actions and decisions. Please allow us to demonstrate:

- Our Finance Division processing benefit payments;
- Our Records Division making address changes;
- Our Service Center staff answering phone calls;
- Our retirement counselors meeting with members;
- Our technology and information systems professionals making sure our systems are functional and data is secure;
- Our field representatives holding educational seminars;
- Our Publications Department producing our forms and brochures; and
- Our Executive Director and Board of Directors formulating funding policy and legislative initiatives.

Together We Achieve Our Mission!

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, 2014

Prepared by MSRS Finance, Information Systems and Executive Division Staff

Retirement Systems of Minnesota Building
60 Empire Drive, Suite 300 | St. Paul, Minnesota 55103-3000
1-800-657-5757 | 651-296-2761 | www.msrs.state.mn.us
Email: info@msrs.us

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

Table of Contents

Introductory Section

Financial Section

Investment Section

Actuarial Section

Statistical Section

This page is intentionally left blank.

Introductory Section

MSRS 2014 Comprehensive Annual Financial Report

Administer Financially Secure Retirement Plans

Achievement Awards


PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2014

Presented to

Minnesota State Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Board Chairperson's Report

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

December 30, 2014

Dear Members, Benefit Recipients, and Employers:

Welcome to the 2014 Comprehensive Annual Financial Report for the Minnesota State Retirement System. This year, we celebrate the teamwork that makes our mission possible. The Board of Directors and staff are committed to fulfilling our mission for you. Our goal is to make every phone call, every office visit, and every interaction with us a positive experience. That's our promise to you.

Our mission statement guides the decisions and actions of the Board and staff. And, it is working. The proof is evident by the improved funding levels of our plans. Just five years ago, MSRS' largest plan—the General Employees Retirement Plan—was 65 percent funded on a market value of assets basis. This year the funding level exceeds 90 percent. This is a remarkable improvement! For the last five years, we have all worked together to ensure the financial security of the plans. Changes were made to increase pension plan revenues and decrease liabilities.

The Board's proactive legislative proposals have improved funding levels of all the retirement plans that MSRS administers and we appreciate your support in making these changes. Legislation enacted at our initiative over the last five years, including contribution rate increases and benefit adjustments, are working well. The shared sacrifices you have made are paying off and will continue to move MSRS' retirement funds toward our goal of full funding. We are confident that this can be accomplished within the current defined benefit system.

The State Board of Investment achieved strong investment returns of 18.6 percent over the past fiscal year, which substantially increased our financial position. As of June 30, 2014, our fiduciary net position exceeds $20 billion, which is an increase of $2.6 billion.

The Board closely monitors MSRS' financial condition and will continue to take proactive measures to ensure we have financially secure retirement plans to pay for promised benefits now and in the future. We are doing everything in our power to "stay the course," ensuring that both working and retired members will receive their defined benefit retirement throughout their lifetime.

We are here for you from the beginning of your career to your retirement, providing information and guidance to help you make sound retirement decisions. We are fully aware of our fiduciary responsibility to you and to the economic stability of individuals, families and communities throughout Minnesota, and we will continue to work hard to bring you the best in retirement services and protection of your assets.

We stand ready to help you with your retirement, Minnesota Deferred Compensation Plan, or Health Care Savings Plan. We truly offer a one-stop shopping source for you.

As always, we appreciate your continued support and your important feedback.

Sincerely,

Mary Benner

Mary Benner, Chair
Board of Directors

Letter of Transmittal

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

December 30, 2014

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, 2014, our 85th year of operation. The theme of the report is *Together We Achieve Our Mission*. The information contained in the report demonstrates the commitment of MSRS staff to be focused on the mission statement in all that we do. The initiatives undertaken during the fiscal year and the work we do every day are all part of a concerted effort to fulfill our mission: to administer financially secure retirement plans, ensure timely benefit payments, be proactive in public pension policies, and provide exemplary customer service.

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, 2014. 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* on pages 46-55 for financial highlights and an overview of MSRS' financial statements for fiscal year 2014.

MSRS' financial activities are also reflected in the pension trust fund financial statements included in the *Fiduciary Funds* section of the *State of Minnesota's Comprehensive Annual Financial Report*. This report is available online at http://www.mn.gov/mmb/accounting/reports.

About MSRS Funds

MSRS administers five defined benefit and four defined contribution funds, which are identified below. The fiduciary net position (total assets minus total liabilities to vendors, bondholders, and other parties) of these funds that is reserved for payments of pension benefits totaled over $20 billion as of June 30, 2014.

Defined Benefit Funds

- 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, which includes members of the Legislators Retirement Plan and the Elective State Officers Retirement Plan

Defined Contribution Funds

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

For the defined benefit funds and the Unclassified Employees Retirement Fund, MSRS serves approximately 56,800 active employees from over 20 employer units and component units, 39,000 benefit recipients, and 25,800 members who are no longer contributing, but are eligible for either future monthly benefits or a lump-sum distribution. The fiduciary net position for these funds exceeded $13.55 billion as of June 30, 2014.

MSRS also serves over 83,200 participants in the MNDCP with net assets totaling $5.66 billion as of June 30, 2014. Almost 90,900 members participate in the Health Care Savings Fund with a fiduciary net position at fiscal year-end exceeding $687.4 million. Nearly 1,600 members participate in the Supplemental Retirement Fund for Hennepin County with a fiduciary net position of $149.3 million as of June 30, 2014.

Major Initiatives

A number of major initiatives began or continued in 2014, and are listed in the bullets below. Each of these initiatives contributed significantly to making MSRS a more efficient and financially secure retirement system.

- Effective July 1, 2013, the Elective State Officers Retirement Plan merged with the Legislators Retirement Plan for administrative cost savings purposes. Under this new arrangement, the financial activities of the two plans are reported in a single fund, the Legislators Retirement Fund, beginning with fiscal year 2014. Benefit provisions for both retirement plans remain unaffected by the merger.

- In August of 2012, Computer Sciences Corporation (CSC) was selected to provide professional/technical services for our Aurora Migration Project (AMP). This multi-year, multi-phase project involves the conversion of our mainframe-based COBOL batch applications to a more current and flexible technology platform, JAVA. It also provides an opportunity to streamline critical business processes to improve overall efficiency and productivity. Many controls are built into the new processes which ensure that adequate separation of duties and reviews are in place for every critical activity. The iterations released during the fiscal year included the processing of both new and ongoing annuity benefit payments, refund processing, workflows for both disability and death transactions, system-generated fiscal year-end reports, and a streamlined process for generating an annual census file for actuarial valuations. Each of these major releases has eliminated countless manual transactions, ensuring the consistency and reliability of both the computations and the processes. Application development and testing for the iteration that includes the calculation of retirement estimates was complete and deployed in July 2014.

- The Record Keeping and Custodial Services contract for MSRS' defined contribution plans, initially scheduled to expire on June 30, 2014, was extended to December 31, 2014, to allow for continued contract negotiations. Every five years MSRS is required by state law to solicit responses to a Request for Proposal and to enter into a contract with the selected vendor. This is the largest contract administered by MSRS, so vendor selection and contract negotiations are critical to the success of the defined contribution plans at MSRS.

- In June 2012 the Governmental Accounting and Standards Board (GASB) issued two new standards for pension accounting and financial reporting: **GASB Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25,** and **GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.** The standards are a monumental change, breaking the link between accounting and funding measures. Due to the new standards, each defined benefit plan will now have two actuarial valuations performed on an annual basis, one for traditional funding purposes, and one for purposes of complying with the financial reporting requirements of the new GASB statements. MSRS implemented the first of the new standards, GASB Statement

Continued on next page

No. 67, with the publication of this CAFR. Changes include enhanced note disclosures and new required supplementary information. GASB Statement No. 68 must be implemented for fiscal year 2015 by MSRS participating governmental employers, including the state of Minnesota.

- Business continuity efforts progressed during the fiscal year, with the testing of the newly established redundant data center. This center will serve as a hot site, helping to ensure that business will be minimally impacted in the event of a business interruption. The MSRS phone system was also upgraded, which helps to avoid a business interruption in the event of the severance of phone lines. In addition, new processes related to the AMP project were documented, which will be used both for business continuity and for training purposes.

- A focus on enhancing the website for an improved member experience began with the development of videos for the website, which help explain benefit calculations to members. In addition, a consultant has been hired to develop a content-managed website. This website will be rolled out in fiscal year 2015, and will feature improved navigation and more robust information for members.

- Several legislative initiatives were enacted during the 2014 Minnesota legislative session, with the focus on reducing contribution deficiencies for the State Employees (General Plan) and Correctional Employees Retirement Funds. Employer and employee contribution rates were increased for both plans, effective in fiscal year 2015. New legislation also requires the funding level trigger for any adjustment to the post-retirement increase percentage for MSRS' defined benefit plans to be achieved for two consecutive years rather than one. This action results in less fluctuation of post-retirement benefit increases from year to year.

Future plans include the completion of the Aurora Migration Project. Remaining iterations to be released include an improved employer payroll process, an automatic integration of participant account data with the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) for combined service annuities, and production of annual member statements. The project is expected to be completed in early calendar year 2015.

Other technology initiatives that will be addressed in early calendar year 2015 include moving Aurora, the MSRS participant account system, to a new, long-term hosting solution, before the state decommissions the mainframe that currently hosts Aurora. Millions of records that have been maintained on microfiche will be converted to an electronic format and stored in Aurora. The new MSRS website will be deployed. And there will be additional focus on enhancing systems and data security through continued development of a comprehensive security management plan.

MSRS governmental employers participating in the defined benefit plans will be implementing GASB Statement No. 68 subsequent to the 2015 fiscal year end, so the coming months will be busy preparing for the change and educating employers and stakeholders. The new standard requires employers to report a net pension liability and pension expense or income on the face of the financial statements for the first time. The MSRS CAFR for 2014 includes key schedules that employers will be using for this implementation.

Financial Information

Accounting System and Reports

MSRS prepares its financial statements in accordance with generally accepted accounting principles promulgated by GASB. Transactions are reported on the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is made. Most financial transactions are processed through the Statewide Integrated Financial Tools (SWIFT) 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, the *Independent Auditor's Report*, is presented in the *Financial Section* of this CAFR.

Financial Summary

The schedule below is a comparative summary of total additions and total deductions that determine the change in fiduciary net position for MSRS' defined benefit and defined contribution funds for the fiscal years ended June 30, 2014 and 2013. Total additions represent employee and employer contributions and net investment income. Total deductions include annuity payments, health care reimbursements, ongoing deferred compensation and other defined contribution plan withdrawals, refunds, and administrative expenses. With an 18.6 percent investment return for fiscal year 2014 (following a 14.2 percent investment return for fiscal year 2013), MSRS realized an increase of nearly $2.57 billion in the fiduciary net position for all MSRS pension trust funds for fiscal year 2014. This amount includes an increase of nearly $1.69 billion for MSRS' defined benefit funds and an increase of over $881 million for its defined contribution funds.

Summary Statement of Changes in Fiduciary Net Position
All MSRS Pension Trust Funds
For the Fiscal Years Ended June 30, 2014 and 2013
(Dollars in thousands)

	Defined Benefit Funds		Defined Contribution Funds	
Source	**FY 2014**	**FY 2013**	**FY 2014**	**FY 2013**
Total Additions	$2,466,864	$1,810,681	$1,243,917	$1,082,758
Total Deductions	780,737	737,118	362,535	325,609
Net Increase (Decrease) in Fiduciary Net Position	$1,686,127	$1,073,563	$881,382	$757,149

Actuarial Valuations

MSRS contracted with Gabriel Roeder Smith & Company (GRS) of Minneapolis, Minnesota to perform two annual actuarial valuations for each MSRS defined benefit plan and to provide other actuarial consulting and advisory services during fiscal year 2014.

The first set of actuarial valuations is to determine actuarial valuation information necessary to prepare financial reports in compliance with GASB Statement No. 67 and Statement No. 68, including the computation of the net pension liability, enhanced note disclosures, and expanded *Required Supplementary Information* (RSI). More detail regarding these financial reporting actuarial valuations may be found in the *Notes to the Financial Statements* in the *Finance Section* of this CAFR.

The second set of actuarial valuations, the traditional funding valuations, report funded progress, the required contribution rate, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position.

Continued on next page

Funding Status

The traditional funding actuarial valuations for each defined benefit plan measures current costs and contribution requirements to determine how much employers and members should contribute to maintain appropriate funding levels to pay future benefits. These traditional funding actuarial valuations also measure assets and liabilities to determine the funded status for each defined benefit plan that MSRS administers. Improvement in the funding status leads to a larger ratio of assets to accrued liabilities, and a greater level of investment income potential. A high funded ratio gives members more assurance that their pensions are financially secure, and that existing 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 except for Legislators Retirement Fund, which is expressed in dollars because it is a closed plan) for each defined benefit fund as of the latest actuarial valuation date, June 30, 2014.

Highlights of the 2014 Actuarial Valuations
(Dollars in thousands)

Defined Benefit Retirement Fund	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Contribution Deficiency
State Employees	$10,326,272	$12,445,126	82.97%	1.82%
State Patrol	597,870	800,421	74.69	8.58%
Correctional Employees	790,304	1,122,474	70.41	4.48%
Judges	157,528	298,233	52.82	10.24%
Legislators*	8,258	250,860	3.29	$21,463

** Unlike the other defined benefit retirement funds, the Legislators Retirement Fund is financed on a pay-as-you-go basis.*

For all of the defined benefit funds, except the Legislators Retirement Fund, the contribution deficiencies, determined on an actuarial value of assets basis as of the July 1, 2014, valuation date, decreased in comparison to the contribution deficiencies one year earlier due, in part, to the improved investment performance and contribution rate increases. For all funds, these contribution deficiencies remain sizeable. The MSRS Board of Directors continues to monitor funding status and contribution deficiency rates and will take appropriate action, as necessary, to ensure the financial security of the retirement funds.

For the State Patrol Retirement Fund, the current contribution deficiency reflects state contributions of $1 million made annually on October 1 beginning in 2013 and continuing until both the Public Employees Retirement Association Police and Fire and the MSRS State Patrol Retirement Funds reach a 90 percent funding ratio determined on a market value of assets basis. For the State Patrol Fund, the contribution deficiency includes additional member and employer contributions totaling 2.5 percent that are scheduled to take effect over the next three years to July 1, 2016.

For the Judges Retirement Fund, the two-tier benefit program that took effect July 1, 2013, is expected to ultimately reduce the cost of the plan. Similarly, for the Correctional Employees Retirement Fund, plan changes affecting members first hired after June 30, 2010 (e.g., 10-year phased vesting requirements and a lower benefit formula) are expected to ultimately reduce the cost of the plan, but have not yet impacted 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.

Additionally, current law for the General State Employees, Correctional Employees, and State Patrol Retirement Funds allows the MSRS Board of Directors to change employee and employer contribution rates to eliminate contribution deficiencies over time, unless the Legislative Commission on Pensions and Retirement denies or modifies any rate changes. Specifically, for the General State Employees Retirement Fund, which experienced two consecutive actuarial valuations with contribution deficiencies between 2 and 4 percent of covered payroll, the MSRS Board approved increases in both the employee and employer contribution rates. The contribution rate increased to 5.5 percent for both the employee and employer effective the first full pay period in July 2014. Similarly, for the Correctional Employees Retirement Fund, which experienced two consecutive actuarial valuations with contribution deficiencies greater than four percent of covered payroll, the MSRS Board approved increases to employee and employer contribution rates that also took effect the first full pay period in July 2014. The employee contribution rate increased from 8.60 percent to 9.10 percent and the employer contribution rate increased from 12.10 percent to 12.85 percent. Lastly, for the State Patrol Retirement Fund, which experienced two consecutive actuarial valuations with contribution deficiencies greater than four percent of covered payroll, employer and employee contribution rate increases also took effect the first full pay period in July 2014. The employee contribution rate increased from 12.4 percent to 13.4 percent and the employer contribution rate increased from 18.6 percent to 20.1 percent.

The assumptions and actuarial methods used in the traditional funding valuations are in accordance with *Minnesota Statutes,* Section 356.215. The actuarial method used to determine the actuarial accrued liabilities and required contribution was the individual entry age normal cost method. For fiscal year 2014, separate pre-retirement and post-retirement investment return rates were changed to a single investment return assumption. Post-retirement benefit increase assumptions were changed to explicit rates for all plans. All other actuarial methods and assumptions remained the same as those used in the July 1, 2013 actuarial valuations. The actuarial methods, assumptions, and funding status of MSRS' defined benefit retirement plans are detailed in the *Actuarial Section* of this report.

Investment Results

In accordance with the Minnesota Constitution, the State Board of Investment (SBI) invests the assets of MSRS' funds. The Board includes Governor Mark Dayton, Attorney General Lori Swanson, Secretary of State Mark Ritchie, and State Auditor Rebecca Otto. For all investments under the 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 consultation with the IAC and the 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 the SBI. During fiscal year 2014, the domestic stock pool reported a 25.9 percent return, greater than the Russell 3000 Index by .7 percentage points. The bond pool posted a 5.0 percent return for fiscal year 2014, higher than the Barclays Capital Aggregate Bond Index of 4.4 percent. The International Stock Pool reported a 21.4 percent return for the fiscal year, slightly under 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.) for the fiscal year. Within this investment environment, the Combined Funds, which represent all defined benefit pension assets under the SBI's control, reported an 18.6 percent return (net of fees) for the 2014 fiscal year. Annualized over the latest ten-year period, the Combined Funds generated an 8.4 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 on the next page) by 0.3 percentage points.

Continued on next page

Combined Funds Asset Mix and Market Indices

Investment Type	Market Indicator	Long-Term Policy Target
Domestic Equity	Russell 3000 Index	45.0%
International Equity	Morgan Stanley Capital International World All County World Index Ex-U.S.	15.0
Alternative Assets	Alternative investments are measured against themselves using actual portfolio returns	20.0
Bonds	Barclays Capital Aggregate Bond Index	18.0
Unallocated Cash	3-Month Treasury Bills	2.0
		100.0%

Please refer to the *Investment Section* for additional details on the investment results of MSRS' largest defined benefit retirement funds for fiscal year 2014.

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, 2013. This was the fifth 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 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 received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2014 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 twelve 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 at http://www.msrs.state.mn.us/financial-information. A summary of the CAFR will be published in the next issue of the *Messenger,* MSRS' newsletter.

Acknowledgements

In keeping with the theme of this CAFR, *Together We Achieve Our Mission,* five very special people merit recognition:

We wish to extend our utmost appreciation to four remarkable individuals for their time and effort in preparation of this report: Accounting Director, Joan Weber, for her strong financial management and reporting skills; Finance Project Manager, Cheryl Jahnke, for her exceptional leadership and technical expertise that were critical to our achieving a successful GASB Statements No. 67 and No. 68 implementation; and Communications Officer, Deb Otto, with assistance from Maureen McIlhargey, an outside consultant, for their extraordinary artistic creativity and publishing talents as demonstrated in the layout and design of this CAFR. This report is a reflection of their relentless ambition, tremendous dedication, and superior stamina.

We appreciate the many years of excellent service Rick Fox, a senior accounting officer, provided to MSRS' Finance Division prior to his retirement in July 2014. Underneath his quiet demeanor, Rick displayed strong compassion for members' interests and maintained the integrity of members' accounts. We are so blessed to have had the honor to work with Rick, and we miss his analytical insight, his team-player attitude, and his great sense of humor.

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 significant contributions, MSRS continues to experience the success it has enjoyed year after year.

Respectfully submitted,

David Bergstrom
Executive Director

Judith M. Hunt
Assistant Executive Director –
Finance, Records, and Contract Administration

MSRS Board of Directors, Administrative Staff and Professional Consultants

As of June 30, 2014

Board of Directors

All board member positions are four-year terms, unless specified otherwise.

Mary Benner, Chair
Appointed by Governor
Term expires: January 3, 2015

Mathew Hodapp, Vice Chair
Elected State Patrol Representative
Term expires: May 5, 2018

Joseph Strunk
Elected Correctional Plan Representative
Term expires: May 2, 2016

Chester Jorgenson
Elected by General Plan Membership
Term expires: May 5, 2018

Tommy Bellfield
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

Jim Schowalter, Commissioner
Minnesota Management and Budget
Appointed by Governor
Term expires: January 3, 2015

Allen E. Hoppe
Elected by General and Unclassified Plans Membership
Term expires: May 2, 2016

Dave Senf
Elected by General Plan Membership
Term expires: May 5, 2018

Sally (R.W.) Olsen
Appointed by Governor
Term expires: January 2, 2017

Wes Skoglund
Elected Retiree Representative
Term expires: May 2, 2016

Michael Schweyen
Elected by General and Unclassified Plans Membership
Term expires: May 2, 2016

Key Administrative Staff

Executive Director:
David Bergstrom

Assistant Executive Director - Finance, Records and Contract Administration:
Judith M. Hunt

Assistant Executive Director - Retirement Services:
Erin M. Leonard

Professional Consultants

Actuary:
Gabriel Roeder Smith & Company

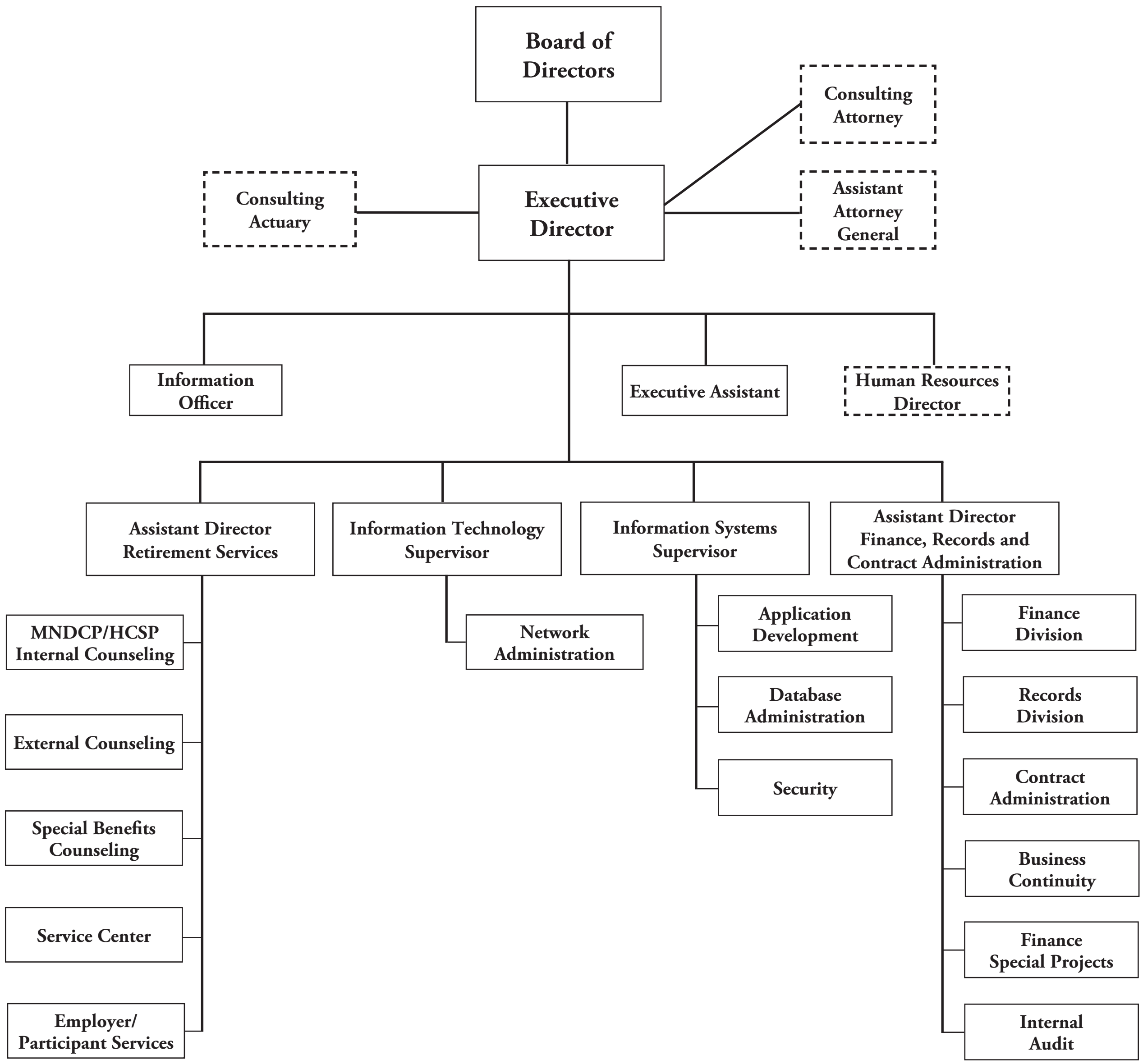
Legal Counsel:
Assistant Attorney General Rory Foley
Assistant Attorney General Kevin Finnerty

Medical Advisor:
Minnesota Department of Health

NOTE: MSRS invests its funds in various investment pools administered by the Minnesota State Board of Investment (SBI). The SBI retains various investment advisors whose fees are paid by the pool participants, including MSRS. A schedule of these advisors and MSRS' share of their fees is included on page 117 of the *Investment Section* of this CAFR.

Organization Chart

As of June 30, 2014



Mission Statement

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

Summary of Plan Provisions
Defined Benefit Retirement Funds

The following is a summary of the major plan provisions for MSRS' defined benefit retirement plans. Within the General Employees Retirement Plan are three special groups: Military Affairs, Transportation Pilots, and Fire Marshals Retirement Plans. These special groups have the same plan provisions as the General Employees Retirement Plan, except as noted below.

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

GENERAL EMPLOYEES	MILITARY AFFAIRS, TRANSPORTATION PILOTS, AND FIRE MARSHALS	STATE PATROL
STATUTORY OR LEGAL REFERENCES:		
Minn. Stat. §352.01 - 352.76	Minn. Stat. §352.85 - 352.87	Minn. Stat. §352B
COVERAGE:		
• Most state employees, University of Minnesota non-instructional employees, and selected metropolitan agency employees	• **Military Affairs:** Minnesota Department of Military Affairs personnel on active duty • **Transportation Pilots:** pilots and chief pilots employed by the Minnesota Department of Transportation • **Fire Marshals:** employees of the Department of Public Safety, State Fire Marshal Division, who are employed as deputy state fire marshal, fire or arson investigator	• State troopers, conservation officers, and certain crime bureau and gambling enforcement agents

Effective July 1, 2013, the Elective State Officers Retirement Plan is a special group within the Legislators Retirement Fund. This special group has the same plan provisions as the Legislators Retirement Plan, except as noted below.

Plan provisions specific to MSRS' defined contribution plans follow this section.

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS
STATUTORY OR LEGAL REFERENCES:			
Minn. Stat. §352.90 - 352.955	Minn. Stat. §490.121 - 490.18	Minn. Stat. §3A	Minn. Stat. §3A.17
COVERAGE:			
• Certain state employees who spend at least 75 percent working time in direct contact with inmates or patients at Minnesota Correctional Facilities, the state-operated forensic services program, or the Minnesota Sex Offender Program	• District, appellate and supreme court judges • Retirees include former municipal and county court judges • Members belong to either the Tier 1 or Tier 2 benefit program • Tier 1 includes judges first appointed or elected before July 1, 2013 • Tier 2 includes judges first appointed or elected after June 30, 2013 • A judge with less than five years of allowable service as of December 30, 2013, may make a one-time irrevocable election into the Tier 2 benefit program.	• Legislators first elected before July 1, 1997 • Effective July 1, 1997, newly-elected legislators are covered by the Unclassified Employees Retirement Plan.	• Constitutional Officers first elected prior to July 1, 1997, and who chose to retain coverage under this plan • Effective July 1, 1997, newly-elected constitutional officers are covered by the Unclassified Employees Retirement Plan. • All current constitutional officers were elected after July 1, 1997; therefore, this plan is closed.

Continued on next page

Summary of Plan Provisions
Defined Benefit Retirement Funds (continued)

GENERAL EMPLOYEES	MILITARY AFFAIRS, TRANSPORTATION PILOTS, AND FIRE MARSHALS	STATE PATROL
CONTRIBUTION RATES:		
• **Employee:** 5.0 percent of salary • **Employer:** 5.0 percent of salary • Both employee and employer rates increase to 5.5 percent effective the first full pay period after July 1, 2014. • Employee contributions are "picked up" according to the provisions of Internal Revenue Code 414(h)	**Military Affairs:** • **Employee:** 6.6 percent of salary • **Employer:** 6.6 percent of salary • Both employee and employer rates increase to 7.1 percent effective the first full pay period after July 1, 2014. **Transportation Pilots:** • **Employee:** 6.6 percent of salary • **Employer:** 6.6 percent of salary • Both employee and employer rates increase to 7.1 percent effective the first full pay period after July 1, 2014. **Deputy Fire Marshals:** • **Employee:** 7.78 percent of salary • Increases to 8.28 percent effective the first full pay period after July 1, 2014 • **Employer:** 9.20 percent of salary • Increases to 9.70 percent effective the first full pay period after July 1, 2014	• **Employee:** 12.4 percent of salary • Increases to 13.4 percent effective the first full pay period after July 1, 2014 • Increases to 14.4 percent July 1, 2016 • **Employer:** 18.6 percent of salary • Increases to 20.1 percent effective the first full pay period after July 1, 2014 • Increases to 21.6 percent July 1, 2016 • A supplemental state aid of $1 million is paid annually to the fund until both the Public Employees Retirement Association (PERA) Police and Fire Retirement Fund and the MSRS State Patrol Retirement Fund become 90 percent funded on a market value of assets basis.
VESTING:		
Members hired before July 1, 2010: • Three years of allowable service **Members hired after June 30, 2010:** • Five years of allowable service	• Same as General Employees	**Members hired before July 1, 2013:** • Three years of allowable service **Members hired after June 30, 2013:** • Ten years of allowable service

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS
CONTRIBUTION RATES:			
• **Employee:** 8.6 percent of salary • Increases to 9.1 percent effective the first full pay period after July 1, 2014 • **Employer:** 12.1 percent of salary • Increases to 12.85 percent effective the first full pay period after July 1, 2014	**Tier 1:** • **Employee:** 9.0 percent of salary • **Employer:** 22.5 percent of salary • Tier 1 employee contributions are redirected to the Unclassified Employees Retirement Plan after the member reaches the maximum retirement benefit limit. **Tier 2:** • **Employee:** 7.0 percent of salary • **Employer:** 22.5 percent of salary	• **Employee:** 9.0 percent of salary • **Employer:** funded by annual appropriation, as needed, from the State's General Fund	• Plan is funded by annual appropriation from the State's General Fund
VESTING:			
Members hired before July 1, 2010: • 100 percent vested after three years of allowable service **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	• Five years of allowable service	• Six years of allowable service	• Same as Legislators

Continued on next page

Summary of Plan Provisions
Defined Benefit Retirement Funds (continued)

GENERAL EMPLOYEES	MILITARY AFFAIRS, TRANSPORTATION PILOTS, AND FIRE MARSHALS	STATE PATROL
RETIREMENT ELIGIBILITY:		
Vested employees hired before July 1, 1989: • Full retirement benefits at age 65 • Full retirement benefits if age plus years of service total 90 or more (Rule of 90) • Reduced benefits at age 55 • Reduced benefits at any age with 30 years of service **Vested employees hired after June 30, 1989:** • Full retirement benefits at the age eligible for full Social Security retirement benefits (but not later than age 66) • Reduced benefits at age 55	**For vested Military Affairs members:** • Full retirement benefits at age 60 **For vested Transportation Pilots:** • Full retirement benefits at age 62 **For vested Fire Marshals:** • Full retirement benefits at age 60	**For vested employees:** • Full retirement benefits at age 55 • Reduced retirement benefits at age 50
ANNUITY OPTIONS:		
Single-Life annuity: • Benefit for the life of the member only **50, 75, or 100 percent Joint-and-Survivor with a bounce-back feature:** • Monthly benefits for the life of the member, then benefits at the chosen percentage for the life of the survivor after the member death • Monthly benefits increase (bounce back) to the higher, single-life amount if the survivor dies before the member **15-Year Certain and Life Thereafter:** • Lifetime benefit for the member for a minimum of 15 years • If the member dies before he or she has received a benefit for 15 years, the named survivor receives a benefit for the balance of the 15 years.	• Same as General Employees	• Same as General Employees

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS
RETIREMENT ELIGIBILITY:			
For vested employees: • Full retirement benefits at age 55 • Reduced retirement benefits at age 50	**For vested employees:** **Tier 1:** • Normal retirement age is 65; mandatory retirement is at age 70. **Tier 2:** • Normal retirement age is 66; mandatory retirement is at age 70. **Tier 1 and Tier 2:** • Reduced retirement benefits at age 60.	**For vested employees:** • Full retirement benefits at age 62 • Reduced retirement benefits at age 55	**For vested employees:** • Full retirement benefits at age 62 • Reduced retirement benefits at age 60
ANNUITY OPTIONS:			
• Same as General Employees	• Single-Life annuity • 50, 75, or 100 percent Joint-and-Survivor with the bounce-back feature • 50, 75, or 100 percent Joint-and-Survivor without the bounce-back feature - monthly benefits will remain the same if the survivor dies before the member (without the bounce-back feature) • 15-year Certain and Life Thereafter	• Single-Life annuity with automatic 50% survivor coverage • 100 percent Joint-and-Survivor with the bounce-back feature	• Single-Life annuity with automatic 50% survivor coverage

Continued on next page

Summary of Plan Provisions
Defined Benefit Retirement Funds (continued)

GENERAL EMPLOYEES	MILITARY AFFAIRS, TRANSPORTATION PILOTS, AND FIRE MARSHALS	STATE PATROL
BENEFIT FORMULA:		
Employees hired before July 1, 1989: • The benefit formula is the greater of: (a) 1.2 percent of a high-five average salary for the first 10 years of allowable service, plus 1.7 percent of high-five average salary for each subsequent year. Benefit is reduced for each month the member is under age 65 at the time of retirement, or reduced for each month the member is under age 62 with 30 years of allowable service. <u>OR</u> (b) 1.7 percent of high-five average salary for each year of allowable service. Benefit is reduced for each month the member is under age 65. • There is no reduction if the member's age plus years of allowable service total 90 or more (Rule of 90). **Employees hired after June 30, 1989:** • 1.7 percent of high-five average salary for each year of allowable service. Benefit is reduced for each month the member is under the normal retirement age. **For all benefit calculations:** • Salary includes wages or other periodic compensation, but excludes lump sum payments at separation, employer contributions to deferred compensation and tax sheltered annuity plans, and benevolent vacation and sick leave donation programs. • The high-five average salary is the average salary from the sixty successive month period with the highest gross salary.	• Same as General Employees	• 3.0 percent of high-five average salary for each year of allowable service up to 33 years. Contributions above the service cap are refunded at retirement. • Members with at least 28 years of service as of July 1, 2013, are not subject to the allowable service limit.

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS

BENEFIT FORMULA:

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS
Employees hired before July 1, 2010: • 2.4 percent of high-five average salary for each year of allowable service **Employees hired after June 30, 2010:** • 2.2 percent of high-five average salary for each year of allowable service **For all benefit calculations:** • Members have the option of choosing an accelerated annuity to age 62 or 65, with an actuarially-adjusted benefit thereafter. This will provide a higher benefit until the chosen age, then a lower, permanent amount to cover the remaining retirement years.	**Tier 1 Benefit Program:** • 2.7 percent of high-five average salary for each year of allowable service prior to July 1, 1980, plus 3.2 percent of high-five average salary for each year of allowable service after June 30, 1980 • The maximum benefit is capped at 76.8 percent of the high-five average salary. **Tier 2 Benefit Program: Judges elected before July 1, 2013:** • 3.2 percent of high-five average salary for each year of allowable service prior to January 1, 2014, plus 2.5 percent of high-five average salary for each year of allowable service after December 31, 2013 **Judges elected after June 30, 2013:** • 2.5 percent of high-five average salary for each year of allowable service • No maximum benefit limit applies to Tier 2 members. **Tier 1 and Tier 2 Benefit Programs:** • The high-five average salary is determined using only the final ten years of employment.	**Legislators elected prior to January 1, 1979:** • 5.0 percent of high-five average salary for the first eight years of allowable service prior to January 1, 1979, plus 2.5 percent for subsequent years **Legislators elected after December 31, 1978:** • 2.5 percent of high-five average salary	• 2.5 percent of high-five average salary

Continued on next page

Summary of Plan Provisions
Defined Benefit Retirement Funds (continued)

GENERAL EMPLOYEES	MILITARY AFFAIRS, TRANSPORTATION PILOTS, AND FIRE MARSHALS	STATE PATROL
POST-RETIREMENT BENEFIT INCREASES:		
• Benefit recipients receive annual 2.0 percent benefit increases on January 1. • Annual benefit increases will revert to 2.5 percent when the Plan's funded ratio reaches 90 percent determined on a market value of assets (instead of an actuarial value of assets) basis for two consecutive years. • Retirees who have been receiving a benefit for at least 18 full months before January 1 will receive the full increase. Members receiving benefits for at least six months, but less than 18 full months as of the January 1 increase date will receive a pro rata increase.	• Same as General Employees	• Benefit recipients receive annual 1.0 percent benefit increases on January 1. • Annual benefit increases will revert to 1.5 percent when the Plan's funded ratio reaches 85 percent determined on a market value of assets basis for two consecutive years. • Annual benefit increases will revert to 2.5 percent when the Plan's funded ratio reaches 90 percent determined on a market value of assets basis for two consecutive years.
SURVIVOR BENEFITS:		
• If a member dies while still an active employee, the spouse is eligible for a 100 percent survivor annuity or a refund if: (a) The member was hired prior to July 1, 2010, and had at least three years of service at death, OR (b) The member was hired after June 30, 2010, and had at least five years of service at death. • Dependent children are eligible for the monthly benefit until age 20 if there is no surviving spouse.	• Same as General Employees	• If a member dies while still an active employee, the spouse is eligible for 50 percent of the final average salary if: (a) The member was hired before July 1, 2013, had three or more years of allowable service, and died before attaining age 55, OR (b) The member was hired after June 30, 2013, and had at least five years of allowable service. • The spouse's benefit changes to a 100 percent Joint-and-Survivor annuity when the employee would have reached age 55. • A dependent child's benefit is 10 percent of the member's final average salary plus $20 per month prorated among all dependent children.

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS
POST-RETIREMENT BENEFIT INCREASES:			
• Same as General Employees	• Benefit recipients receive annual 1.75 percent benefit increases beginning January 1, 2014. • Annual benefit increases will revert to 2.0 percent when the Plan's funded ratio reaches 70 percent determined on a market value of assets basis for two consecutive years. • Annual benefit increases will revert to 2.5 percent when the Plan's funded ratio reaches 90 percent determined on a market value of assets basis for two consecutive years.	• Benefit recipients receive annual 2.0 percent benefit increases on January 1. • Annual benefit increases will revert to 2.5 percent when the funded ratio of the State Employee Retirement Fund reaches 90 percent determined on a market value of assets basis for two consecutive years.	• Same as Legislators
SURVIVOR BENEFITS:			
• Generally, the spouse of a vested employee is eligible for a 100 percent survivor annuity.	• If a member dies while still an active employee, the spouse is eligible for the larger of: (a) 25 percent of average salary <u>OR</u> (b) 60 percent of the normal retirement benefit, had the member retired at the date of death. • If a vested judge is 60 or over, the surviving spouse may elect to receive a 100 percent Joint-and-Survivor benefit.	• The spouse is eligible for 50 percent of the benefit if, upon death, the legislator was serving as a member, or was a former member with six years of service. The survivor benefit is computed as though the member were age 62 on date of death and is based on the member's allowable service or eight years, whichever is greater. • First child's benefit is 25 percent of the retirement benefit (computed as for surviving spouse) with 12.5 percent of the retirement benefit for each additional child. • The maximum benefit payable to children and the spouse is 100 percent of the retirement benefit.	• Same as Legislators

Continued on next page

Summary of Plan Provisions
Defined Benefit Retirement Funds (continued)

GENERAL EMPLOYEES	MILITARY AFFAIRS, TRANSPORTATION PILOTS, AND FIRE MARSHALS	STATE PATROL
DISABILITY ELIGIBILITY AND BENEFIT CALCULATION:		
Disability Eligibility: • (a) At least three years of allowable service and meeting the definition of disability OR (b) At least five years of service if hired on or after June 30, 2010, and meeting the definition of disability. • Totally and permanently disabled is defined as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that has existed or is expected to continue for a period of at least one year. **Calculation:** • Disability benefits are calculated following the same formula as a regular retirement benefit.	**Disability Eligibility:** • At least three years of service and unable to perform duties **Calculation:** • **Military Affairs:** Benefit calculation follows the General Plan formula with no reduction. • **Pilots:** 75 percent of salary for a maximum of five years • **Deputy Fire Marshals:** Minimum benefit is calculated as though the member had 20 years of service for a job-related disability, 15 years of service for a non job-related disability	**Disability Eligibility:** • **Job-related:** Unable to perform job duties as a direct result of a disability relating to an act of duty. There is no service time requirement. • **Regular (non job-related):** At least one year of service and unable to perform duties **Calculation:** • **Job Related:** 60 percent of high-five average salary, plus 3 percent for each year beyond 20 years of allowable service • **Regular:** Normal State Patrol benefit based on salary and years of service. If disability occurs before 15 years of service, the benefit is calculated with a service credit of 15 years.

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS

DISABILITY ELIGIBILITY AND BENEFIT CALCULATION:

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS
Disability Eligibility: • **Job-related:** The disability must result from an incident while performing duties of the job which present inherent dangers to the employee. There is no service time requirement • **Regular (non job-related):** • For employees hired before July 1, 2009: one year of covered correctional service • For employees hired after June 30, 2009: employee must be vested • **Both Regular and Job Related:** Member is reclassified from disabled to retired at age 55 (age 65 if disabled prior to July 1, 2009) **Calculation:** • **Job Related:** 50 percent of the average of the five highest successive years of salary plus 2.4 percent (2.2 percent if hired after June 30, 2010) for each year beyond 20 years and ten months of allowable service • **Regular:** Normal Correctional benefit based on salary and years of service. If hired before July 1, 2009, the benefit is calculated with a minimum of 15 years service. If hired after June 30, 2009, there is no minimum benefit.	**Disability Eligibility:** • Member is permanently unable to perform duties of a judge. **Calculation:** • Prior to commencement of disability benefits, the member will receive a continuation of full salary for one year, but not beyond age 70. • If disability continues after one year, disability benefits are equal to the normal retirement benefit or 25 percent of high-five average salary, whichever is larger. There is no early-retirement reduction applied.	• None	• None

Continued on next page

Summary of Plan Provisions
Defined Benefit Retirement Funds (concluded)

GENERAL EMPLOYEES	MILITARY AFFAIRS, TRANSPORTATION PILOTS, AND FIRE MARSHALS	STATE PATROL
REFUNDS:		
• When a member ends employment with the state, member contributions can be refunded. Refund will include 6.0 percent interest compounded daily until June 30, 2011, and 4.0 percent thereafter.	• Same as General Employees	• Same as General Employees
FUND STRUCTURE CHANGE:		
• Not applicable	• Not applicable	• Not applicable

CORRECTIONAL EMPLOYEES	JUDGES	LEGISLATORS	ELECTIVE STATE OFFICERS
REFUNDS:			
• Same as General Employees	• Same as General Employees	• Same as General Employees	• Same as General Employees
FUND STRUCTURE CHANGE:			
• Not applicable	• Not applicable	• Effective July 1, 2013, the Elective State Officers Retirement Fund is administratively consolidated with the Legislators Retirement Fund. Benefit provisions for both retirement plans remain unaffected by the merger.	• Effective July 1, 2013, the Elective State Officers Retirement Fund is administratively consolidated with the Legislators Retirement Fund. Benefit provisions for both retirement plans remain unaffected by the merger.

Continued on next page

Summary of Plan Provisions
Defined Contribution Retirement Funds

The following is a summary of the major plan provisions for MSRS' defined contribution retirement plans.

Plan provisions specific to MSRS' defined benefit plans begin on page 20 of this section.
Plan descriptions are not all inclusive. Descriptions provide general information only.

UNCLASSIFIED EMPLOYEES	HEALTH CARE SAVINGS
STATUTORY OR LEGAL REFERENCES:	
Minn. Stat. §352D • Internal Revenue Code (IRC) Section 401(a) Plan • Internally administered by MSRS prior to July 1, 2009	Minn. Stat. §352.98 • Plan document is available online at www.msrs.state.mn.us/pdf/HCSP-Plan.pdf • Created in 2001 through state legislation • The trust is exempt from federal income tax through Private Letter Ruling. • Internally administered by MSRS prior to July 1, 2009
COVERAGE:	
• Specified employees in unclassified positions	• Available to all public employees in the state of Minnesota • Negotiated by bargaining unit or personnel department
CONTRIBUTION RATES:	
Employee: 5.0 percent of salary • Increases to 5.5 percent effective the first full pay period after July 1, 2014 **Employer:** 6.0 percent of salary	• Employee or negotiated employer funding criteria is bargained per labor contract • May include severance pay
BENEFITS:	
• Account balance (contributions and investment gains or losses) or annuity benefit withdrawal based on age and 6.0 percent interest assumption	• Account balance which must be used for qualifying health-related expenses • Effective January 1, 2013, the annual maximum Health Care Savings Plan reimbursement limit increased from $25,000 to $27,000 for non-insurance premium, qualified health care expenses.
REFUNDS:	
• Account value	• None • After participant's death, legal dependents, or if none exist, beneficiaries, may use the remaining account balance for eligible healthcare reimbursements, as designated in the Internal Revenue Code. • Non-dependent beneficiary reimbursements are taxable.

MN DEFERRED COMPENSATION	HENNEPIN COUNTY SUPPLEMENTAL
STATUTORY OR LEGAL REFERENCES:	
Minn. Stat. §352.965 - 352.97 • IRC Section 457(b) Plan • Plan document is available online at www.mndcplan.com/PlanDocument.htm	Minn. Stat. §383B.46 - 383B.52 • Non-qualified Plan • Internally administered by MSRS from December 1, 2005 through July 1, 2009
COVERAGE:	
• Optional for all state employees and political subdivision employees	• Optional for employees of Hennepin County, Minnesota, who began employment prior to April 14, 1982
CONTRIBUTION RATES:	
• Member selected tax-deferred amount, with a $10 per pay period minimum • After-tax Roth contribution option is available for eligible employees. • Subject to annual calendar year 2014 IRS contribution limit of $17,500 for members under 50 years old, $23,000 for members over 50	• **Employee:** 1.0 percent of salary • **Employer:** 1.0 percent of salary
BENEFITS:	
• Account balance	• Account balance
REFUNDS:	
• None	• None

Continued on next page

Summary of Plan Provisions
Defined Contribution Retirement Funds (continued)

UNCLASSIFIED EMPLOYEES	HEALTH CARE SAVINGS
INVESTMENT OPTIONS:	
Supplemental Investment Fund (SIF) Investment Options: • Money Market Account • Fixed Interest Account • Bond Market Account • Income Share Account • Common Stock Index Account • Growth Share Account • International Account	**Supplemental Investment Fund (SIF) Investment Options:** • Money Market Account • Fixed Interest Account • Bond Market Account • Income Share Account • Common Stock Index Account • Growth Share Account • International Account
ADMINISTRATIVE FEES:	
Through December 31, 2013: • $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 **Effective January 1, 2014:** • $2 per month for an account balance $10,000 or less • $4 per month for an account balance that is $10,000.01 to $30,000 • $6 per month for an account balance that is $30,000.01 to $90,000 • $8 per month for an account balance exceeding $90,000 • Plan fees only apply to contributions made after July 1, 1992. Prior to July 1, 1992, participants were charged a front-end fee.	• 0.65 percent of each participant's account balance, prorated and deducted from participant accounts on a monthly basis • Maximum annual fee: $140
WHEN USED / WITHDRAWAL EVENTS:	
• Termination of employment (lump-sum distribution) • Age 55 retirement with any length of service (monthly benefits)	• Termination of employment • After retirement • Upon receiving a disability retirement • Employees rehired in a position with their previous public employer and who are not eligible for employer-sponsored medical insurance can request reimbursements with funds credited to their HCSP account prior to January 1, 2014.
WITHDRAWAL OPTIONS:	
• Single-Life Annuity • 50, 75, or 100 percent Joint-and-Survivor with a bounce-back feature • 15-Year Certain and Life Thereafter	• Reimbursements for qualified health care expenses

MN DEFERRED COMPENSATION	HENNEPIN COUNTY SUPPLEMENTAL
INVESTMENT OPTIONS:	
• Various retail mutual funds contracted by the Minnesota State Board of Investment (SBI) • Self-directed brokerage account through TD Ameritrade • The SBI Supplemental Investment Fund Fixed Interest Account and Money Market Account • Target Date Retirement Funds managed by State Street Global Advisors	**Supplemental Investment Fund (SIF) Investment Options:** • Money Market Account • Bond Market Account • Income Share Account • Common Stock Index Account • Growth Share Account • International Account
ADMINISTRATIVE FEES:	
• 0.05 percent of participant's account balance, prorated and deducted from participant accounts on a monthly basis • Maximum annual fee: $50 on the first $100,000 in the participant's account • $30 annual fee for members opting to use the Self-directed brokerage account option through TD Ameritrade • Program fee charged on the managed account balance for participants who opt to use a professional account manager through the record keeper	• 0.04 percent of each participant's account balance, prorated and deducted from participant accounts on a monthly basis • Effective July 1, 2014, administrative fees increase to 0.05 percent of each participant's account balance, prorated and deducted from the participant accounts on a monthly basis. • Effective July 1, 2015, administrative fees increase to 0.06 percent of each participant's account balance, prorated and deducted from the participant accounts on a monthly basis.
WHEN USED / WITHDRAWAL EVENTS:	
• Termination of service or death • Unforeseeable emergency	• Termination of service or death • Retirement • Unforeseeable emergency
WITHDRAWAL OPTIONS:	
• Lump-sum or rollover to qualified financial institution • Ongoing withdrawals • Various annuities, including a fixed annuity provided through an insurance company • Combinations of the above options • Required minimum distributions begin in the year participant reaches age 70½.	• Lump-sum • Monthly withdrawals for five years • Annual withdrawals for five years

Continued on next page

Summary of Plan Provisions
Defined Contribution Retirement Funds (concluded)

UNCLASSIFIED EMPLOYEES	HEALTH CARE SAVINGS
ANNUITY AND DISABILITY OPTIONS FOR EMPLOYEES ELECTING COVERAGE IN 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 in the Unclassified Plan. • Employees appointed after June 30, 2010, may elect to be covered by the General Plan within seven years of their appointment.	• Not applicable

GENERAL INFORMATION FOR ALL DEFINED CONTRIBUTION PLANS:

- Effective July 1, 2009, ING provides recordkeeping services, and MSRS counsels plan participants and processes all distributions and other requests.

- Effective May 2013, ING U.S. was renamed Voya Financial™ after an initial public offering (listed in the New York Stock Exchange under the symbol VOYA) to become an independent, stand-alone U.S.-based company. In 2014 the company started an operational rebranding effort.

- MSRS representatives are also representatives of Voya Retirement Advisors, LLC (member SIPC). The Minnesota State Retirement System and the Minnesota Deferred Compensation Plan are not members of the Voya™ family of companies.

MN DEFERRED COMPENSATION	HENNEPIN COUNTY SUPPLEMENTAL
ANNUITY AND DISABILITY OPTIONS FOR EMPLOYEES ELECTING COVERAGE IN GENERAL EMPLOYEES RETIREMENT PLAN:	
• Not applicable	• Not applicable

This page is intentionally left blank.

Financial Section

MSRS 2014 Comprehensive Annual Financial Report

Administer a tax-free health care savings plan, low-cost deferred compensation plan

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. Dave Bergstrom, Executive Director
Minnesota State Retirement System

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Minnesota State Retirement System (MSRS) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to MSRS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on

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

the effectiveness of MSRS's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Retirement System as of June 30, 2014, and the changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis about a Matter – GASB and Statutory Financial Reporting Requirements

In its fiscal year 2014 financial statements, MSRS implemented a new accounting standard issued by the Governmental Accounting Standards Board (GASB). This new standard, Statement Number 67, *Financial Reporting for Pension Plans*, requires MSRS to determine its net pension liability using assumptions that conform to actuarial standards of practice issued by the Actuarial Standards Board. The net pension liability is the difference between the present value of pension benefits earned by employees through the end of the fiscal year and the market value of investments at the end of the fiscal year. See Note 4.F. in the Notes to the Financial Statements for further information about MSRS's net pension liability.

Minnesota Statutes 2014, 356.20, require MSRS to also include in its annual financial report information using funding-focused statutory assumptions and methodologies. Following are the main reasons for the differences between MSRS's statutory funding-focused information and its GASB-based information:

(1) The discount rate required by statute for funding purposes was different from the discount rate used for financial reporting purposes. The discount rate is the rate used to bring the projected pension benefits to the present value of those benefits. The statutory discount rate used for funding purposes was 8.0 percent through 2017 and 8.5 percent thereafter. The discount rate used for GASB financial reporting purposes was 7.9 percent. This rate was within the range of reasonable discount rates determined by MSRS's actuary in accordance with actuarial standards of practice. Because professional judgment varies among actuaries, different actuaries may arrive at different reasonable discount rates.

Members of the Board of Trustees
Mr. Dave Bergstrom, Executive Director
Page 3

(2) The statutory asset valuation method required for funding purposes was different from the GASB asset valuation method required for financial reporting purposes. For funding purposes, statutes require investment gains and losses be recognized over a five-year period to "smooth" the volatility that can occur from year to year. For GASB financial reporting purposes, assets are valued at market value as of the end of the fiscal year.

It may be confusing to some users of the financial report that MSRS included information determined using assumptions and methodologies required by statute and using assumptions and methodologies required by GASB. However, including this information was necessary for MSRS to both comply with state law and GASB requirements. This dual reporting had no effect on our audit opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Included with the Financial Statements

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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the Minnesota State Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 22, 2014
Saint Paul, Minnesota

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, 2014. We encourage you to read the information contained in this narrative in conjunction with the transmittal letter that begins on page 10, the financial statements with explanatory notes, and required supplementary information contained in this section of the Comprehensive Annual Financial Report (CAFR).

Financial Highlights

• Overall, MSRS' financial condition improved significantly during fiscal year 2014. MSRS' fiduciary net position for all pension trust funds increased $2.57 billion, or 14.68 percent, from $17.49 billion as of June 30, 2013, to almost $20.06 billion as of June 30, 2014.

• Total additions to all MSRS pension trust funds increased $817 million or 28.25 percent during fiscal year 2014, from $2.89 billion for fiscal year 2013 to $3.71 billion for fiscal year 2014. This increase is primarily the result of favorable market performance.

• For MSRS' defined benefit retirement funds, the investment rate of return (net of fees) for the state of Minnesota's Combined Funds, the investment pool of which MSRS owns a share, increased substantially, from 14.2 percent for fiscal year 2013 to 18.6 percent for fiscal year 2014. Additional information about all MSRS retirement fund investment activities can be found in the *Investment Section* of this report.

• For MSRS' defined contribution retirement funds, participants' fiscal year 2014 investment performance varied depending upon the types of assets held in their securities portfolio. The average fiscal year 2014 rates of return ranged from a low of 0.1 percent for the Money Market Fund to a high of 26.3 percent for the Janus Twenty Fund (a large cap equity investment option) and the Vanguard Mid-Cap Index Fund.

• Total deductions from all MSRS pension trust funds increased $80.55 million or 7.58 percent from $1.06 billion for fiscal year 2013 to $1.14 billion for fiscal year 2014. Most of this change was due to defined benefit annuity payments which increased $45.08 million, due to the growth in the number of retirees, and annual post-retirement benefit increases of up to 2 percent.

• First-time Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68 actuarial valuation results indicated that on June 30, 2014, MSRS' governmental employers, participating in MSRS' largest cost-sharing defined benefit retirement plans that compose the State Employees Retirement Fund, incurred a Net Pension Liability of $1.6 billion. As of this measurement date, Fiduciary Net Position for this fund as a percentage of the Total Pension Liability was 87.64 percent.

• "Funding" actuarial valuation results revealed the funding progress for MSRS' four largest defined benefit retirement funds improved during fiscal year 2014, primarily due to favorable investment performance and contribution rate increases. On an actuarial value of assets basis, MSRS' largest defined benefit fund, the State Employees Retirement Fund, was 82.97 percent funded as of the July 1, 2014, actuarial valuation in comparison to 82.04 percent funded as of the July 1, 2013, actuarial valuation.

Overview of the Financial Statements

MSRS administers five defined benefit retirement funds and four defined contribution funds. The defined benefit funds include the State Employees, State Patrol, Correctional Employees, Judges and Legislators Retirement Funds. The defined contribution funds include the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Minnesota Deferred Compensation Fund, and the Hennepin County Supplemental Retirement Fund. All of these pension trust funds are fiduciary funds for governmental accounting and financial reporting purposes.

This CAFR includes two basic financial statements for MSRS' pension trust funds:

• The *Statement of Fiduciary Net Position*, found on pages 56-57, and
• The *Statement of Changes in Fiduciary Net Position*, found on pages 58-59.

Consistent with *Minnesota Statutes*, Chapter 356.20, the purpose of these financial statements, along with the accompanying *Notes to the Financial Statements* (found on pages 60-88) and *Required Supplementary Information* (pages 90-97), is to present the financial position and results of operations of MSRS retirement funds to our membership, participating employers, and other financial statements users. This CAFR also provides readers with financial information in a format that is reasonably comparable to that of other public employee pension trust funds. These financial statements and explanatory notes are prepared in conformance with generally accepted governmental accounting principles. As indicated in Note 1.A., MSRS' financial statements are reported using the accrual basis of accounting.

The *Statement of Fiduciary Net Position* provides a snapshot of the financial resources and obligations for all of MSRS' pension trust funds on June 30, the last day of each fiscal year. The assets available and the liabilities owed are reported at fair value as of that date. The difference between the sum of total assets and deferred outflows of resources and the sum of total liabilities and deferred inflows of resources is net position restricted for pensions; this amount is available for payment of future pension benefits or other obligations. Comparisons of total assets and deferred outflows, total liabilities and deferred inflows, and net position restricted for pensions as of June 30, 2014, and 2013 are depicted in the table below.

Summary Statement of Fiduciary Net Position – All MSRS Pension Trust Funds
As of June 30, 2014 and 2013
(Dollars in thousands)

	FY 2014	FY 2013	Change	% Change
Total Assets and Deferred Outflows	$21,590,766*	$18,696,137	$2,894,629	15.48%
Total Liabilities and Deferred Inflows	1,537,329	1,210,148	327,181	27.04%
Net Position Restricted for Pensions	$20,053,437*	$17,485,989	$2,567,448	14.68%

** Amounts reported reflect a change in accounting principle that took effect July 1, 2013.*

Total assets as of June 30, 2014, equal to $21.59 billion, increased $2.89 billion (15.48 percent) from the prior year. This growth was primarily the result of a substantial investment return of 18.6 percent for fiscal year 2014, in comparison to a 14.2 percent investment return for fiscal year 2013. Other factors also contributed to our asset growth. Total Receivables increased 22 percent as of fiscal year end due to several conditions including increased contribution rates for the Judges Retirement Fund and increased growth in the Health Care Savings Plan. Securities lending collateral increased 27.22 percent. The asset amounts reported for computer software increased primarily due to our capitalization of new computer software, developed internally for our participant account system.

Total liabilities of $1.54 billion as of June 30, 2014, increased $327 million (27.04 percent) from the prior year primarily due to larger amounts of security lending collateral.

This fiscal year, the increase in the net position restricted for pensions was $2.57 billion, or 14.68 percent. This substantial increase was primarily due to investment income resulting from the 18.6 percent investment return for the fiscal year.

MSRS had no deferred outflows or inflows of resources as of June 30, 2014.

The *Statement of Changes in Fiduciary Net Position* summarizes the financial transactions that occurred during the fiscal year. Additions include contributions, net investment income, and other revenue sources. Deductions include annuity benefit payments from our defined benefit funds, ongoing withdrawals from our defined contribution funds, refunds, and other administrative expenses.

Total additions by major source and total deductions by type for the fiscal years ended June 30, 2014 and 2013 are depicted on the following page.

Continued on next page

Summary Statement of Changes in Fiduciary Net Position – All MSRS Pension Trust Funds
For the fiscal years ended June 30, 2014 and 2013
(Dollars in thousands)

	FY 2014	FY 2013	Change	% Change
Additions (by Major Source)				
Plan Member Contributions	$518,973	$499,431	$19,542	3.91%
Employer Contributions	182,194	172,059	10,135	5.89
Investment Income (Net)	2,975,030	2,189,298	785,732	35.89
Other (includes transfers)	34,584	32,651	1,933	5.92
Total Additions	**$3,710,781**	**$2,893,439**	**$817,342**	**28.25%**
Deductions (by Type)				
Benefits	$857,388	$808,274	$49,114	6.08%
Refunds	241,458	214,824	26,634	12.40
Recordkeeper and Custodian Expenses	2,885	2,696	189	7.01
Administrative Expenses	14,400	14,207	193	1.36
Other (includes transfers)	27,141	22,726	4,415	19.43
Total Deductions	**$1,143,272**	**$1,062,727**	**$80,545**	**7.58%**
Change in Accounting Principle	$(61)	$0	$(61)	N/A
Net Increase (Decrease) in Net Position Restricted for Pensions	**$2,567,448**	**$1,830,712**	**$736,736**	**40.24%**

Total additions increased over $817 million, or 28.25 percent, to $3.71 billion, primarily due to the significant increase in net investment income during fiscal year 2014.

For MSRS' defined benefit retirement funds, the state of Minnesota's Combined Funds, the investment pool of which MSRS owns a share, reported an 18.6 percent investment rate of return (net of fees) for fiscal year 2014. Domestic and international equity pools experienced significant investment growth of 25.9 percent and 21.4 percent, respectively, during fiscal year 2014. Alternative investments (e.g., real estate investments, private equity investments, resource investments and yield-oriented investments) produced an 18.9 percent rate of return, and the bond pool earned 5 percent for the same period. In comparison, the Combined Funds earned a 14.2 percent investment rate of return (net of fees) for fiscal year 2013.

For MSRS' defined contribution retirement funds, the average fiscal year 2014 rates of return for investment options ranged from a low of 0.1 percent for the Money Market Fund to a high of 26.3 percent for the Janus Twenty Fund and the Vanguard Mid-Cap Index Fund.

Total plan member and employer contributions increased by $29.68 million, or 4.42 percent, for fiscal year 2014. This increase is due, in part, to membership and payroll growth. It also results from plan member and employer contribution rate increases for the Judges Retirement Fund, which took effect July 1, 2013.

Total deductions increased $80.55 million (7.58 percent), from $1.06 billion for fiscal year 2013 to $1.14 billion for fiscal year 2014. This change was due largely to an increase in annuity benefits, health care reimbursements, and refunds to members. Annual benefit increase adjustments of 2 percent became effective January 1, 2014, for all defined benefit retirement funds, except the State Patrol Retirement Fund, which provided a 1.0 percent annual benefit adjustment. Annuity benefits also increased due to growth in the number of benefit recipients, from about 37,400 as of June 30, 2013, to nearly 39,000 as of June 30, 2014. 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.

Total assets as of July 1, 2013, were restated by $61 thousand due to a change in accounting principle resulting from the implementation of **GASB Statement No. 65, Items Previously Reported as Liabilities.**

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. The notes are divided into six sections; each section is described below.

1. *Summary of Significant Accounting Policies* – This section provides a summary of significant accounting policies including the basis of financial statement presentation and accounting method applied in recording financial transactions, investment policies, and policies MSRS abides by in the valuation of assets, liabilities, income and expenses reported on the financial statements, where generally accepted accounting principles permit more than one approach.

2. *Accounting Changes* – This section identifies and describes the new governmental accounting and financial reporting principles, promulgated by the Governmental Accounting Standards Board (GASB), that MSRS implemented during fiscal year 2014.

3. *Description of System and Plans* – This section describes MSRS as an organization, and key membership, contribution, and benefit or distribution provisions for each of its retirement funds.

4. *Detailed Notes on All Activities and Funds* – This section elaborates on various investment-related risks, and provides computations for certain asset, liability and transfer amounts reported on the financial statements.

5. *Significant Effects of Subsequent Events* – This section identifies and explains any significant event or transactions that occurred subsequent to fiscal year end, but prior to the issuance of this comprehensive annual financial report that merit disclosure because they are essential to a user's understanding of the financial statements.

6. *Required Supplementary Information (RSI)* – This section of the notes identifies required supplementary information that follows the basic financial statements and the notes to the financial statements.

Required Supplementary Information consists of three new schedules, listed below, and related notes:

- *Schedule of Changes in the Employers' Net Pension Liability and Related Ratios*
- *Schedule of Employers' Contributions*
- *Schedule of Investment Returns*

These schedules are intended to show information for the most recent 10 years. However, for all but the *Schedule of Employers' Contributions*, only the information for the current year is presented. Additional yearly data will be displayed as it becomes available. The presentation of multi-year data is designed to provide some economic context regarding amounts reported in the financial statements, and to provide historical context for each pension plan's fiduciary net position related to the total pension liability. Significant assumptions used in the calculation of actuarially determined contributions and factors significantly affecting trends in the amounts reported are disclosed in the notes to RSI presented with each schedule.

Supplementary schedules include the *Schedule of Administrative Expenses*, the *Summary Schedule of Commissions and Payments to Consultants*, and the *Schedule of Investment Expenses*. These schedules summarize the operating expenses MSRS incurred during fiscal year 2014 to administer its defined benefit and defined contribution retirement funds.

With the GASB Statements No. 67 and No. 68 implementation, we added two new supplemental employer schedules to the *Financial Section* of this report: a *Schedule of Employer Allocations* for our cost-sharing pension plans (the State Employees and Correctional Employees Retirement Funds), and the *Schedule of Pension Amounts by Employer* for each defined benefit fund. These schedules contain essential financial data, including net pension liability, deferred outflows and inflows of resources, and pension income or expense for governmental employers participating in our defined benefit retirement plans to report in their financial statements for the fiscal year beginning after June 15, 2014.

Continued on next page

Management's Discussion and Analysis (continued)

Financial Analysis of MSRS' Individual Funds

Each of MSRS' defined benefit and defined contribution retirement funds has some characteristics that are different from the others, such as membership served. The MSRS retirement funds also have some characteristics in common, such as the shared investment pools. The following paragraphs highlight events or conditions that had a significant effect on each fund's financial position or results of operations during fiscal year 2014.

Analysis of the Defined Benefit Funds

The following two tables compare various performance measures of each of the following defined benefit funds to the previous fiscal year: the State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CORR) and the Judges Retirement Fund (JRF). The Legislators Retirement Fund is excluded from this analysis because the two plans that compose it, the Legislators and the Elective State Officers Retirement Plans, have been closed to new membership since July 1, 1997, and they are funded primarily by annual state of Minnesota General Fund appropriations.

Summary Statement of Fiduciary Net Position – MSRS Pension Trust Funds
Defined Benefit Plans
For the Fiscal Years Ended June 30, 2014 and 2013
(Dollars in thousands)

	SERF	SPRF	CORR	JRF
Total Assets, as of 06/30/2014	$12,756,375*	$739,975	$973,375	$194,636
Total Assets, as of 06/30/2013	11,023,278	651,430	820,816	170,650
Change in Total Assets	$1,733,097	$88,545	$152,559	$23,986
Percentage Change	15.72%	13.59%	18.59%	14.06%
Total Liabilities, as of 06/30/2014	$1,257,771	$72,635	$96,319	$19,080
Total Liabilities, as of 06/30/2013	989,779	58,229	73,659	15,252
Change in Total Liabilities	$267,992	$14,406	$22,660	$3,828
Percentage Change	27.08%	24.74%	30.76%	25.10%
Total Net Position Restricted for Pensions, as of 06/30/2014	$11,498,604*	$667,340	$877,056	$175,556
Total Net Position Restricted for Pensions, as of 06/30/2013	10,033,499	593,201	747,157	155,398
Change in Net Position Restricted for Pensions	$1,465,105*	$74,139	$129,899	$20,158
Percentage Change	14.60%	12.50%	17.39%	12.97%

** Amount includes a change in accounting principle of $(61).*

Summary Statement of Changes in Fiduciary Net Position – MSRS Pension Trust Funds
Defined Benefit Plans
For the Fiscal Years Ended June 30, 2014 and 2013
(Dollars in thousands)

	SERF	SPRF	CORR	JRF
Total Additions, year ended 06/30/2014	$2,109,705	$128,011	$182,846	$41,015
Total Additions, year ended 06/30/2013	1,542,696	95,500	135,585	31,157
Change in Total Additions	$567,009	$32,511	$47,261	$9,858
Percentage Change	36.75%	34.04%	34.86%	31.64%
Total Deductions, year ended 06/30/2014	$644,539	$53,872	$52,947	$20,857
Total Deductions, year ended 06/30/2013	607,294	52,255	47,951	19,845
Change in Total Deductions	$37,245	$1,617	$4,996	$1,012
Percentage Change	6.13%	3.09%	10.42%	5.10%
Change in Accounting Principle, 6/30/14	$(61)	$0	$0	$0
Change in Accounting Principle, 6/30/13	0	0	0	0
Change	$(61)	$0	$0	$0
Percentage Change	N/A	N/A	N/A	N/A
Net Increase (Decrease) for the Fiscal year ended 06/30/2014	$1,465,105	$74,139	$129,899	$20,158
Net Increase (Decrease) for the Fiscal year ended 06/30/2013	935,402	43,245	87,634	11,312
Change in Net Increase (Decrease) of Net Position Restricted for Pensions	$529,703	$30,894	$42,265	$8,846
Percentage Change	56.63%	71.44%	48.23%	78.20%

• *State Employees Retirement Fund*

Fiduciary net position for the State Employees Retirement Fund, MSRS' largest defined benefit retirement fund, increased $1.47 billion (14.60 percent) to $11.50 billion due to favorable investment performance during fiscal year 2014.

Total additions increased $567.01 million (36.75 percent) to $2.11 billion. Net investment income of $1.83 billion accounted for a substantial portion of total additions. Total plan member and employer contributions increased $13.25 million (5.39 percent) to $259.07 million, due to active membership and payroll growth. No contribution rate increases took effect during fiscal year 2014.

Total deductions increased $37.25 million (6.13 percent) to $644.54 million, largely due to annuity benefit distributions. Annuity benefits increased $37.69 million (6.43 percent) to $623.94 million due to growth in the number of retirees (retiree counts increased 5.68 percent to 29,225 members) and payment of a 2 percent post-retirement benefit increase to retirees and other benefit recipients in January 2014. Refunds decreased $236 thousand (1.93 percent) to $11.99 million during this fiscal year.

Unique to this fund's financial statements is the restatement of total assets as of July 1, 2013. Total assets were reduced by $61 thousand due to a change in accounting principle. The implementation of **GASB Statement No. 65, Items Previously Reported as Liabilities**, required the write-off of a previously deferred bond issuance charge of $66 thousand, net of $5 thousand in accumulated bond amortization.

Continued on next page

• *State Patrol Retirement Fund*

Similarly, fiduciary net position for the State Patrol Retirement Fund increased $74.14 million (12.50 percent) to $667.34 million due to favorable investment performance during fiscal year 2014.

Total additions increased $32.51 million (34.04 percent) to $128.01 million. Again, net investment income of $107.19 million accounted for a substantial portion of total additions. Total contributions increased $.64 million (3.33 percent) to $19.82 million, due to active membership and payroll growth. Other income includes $1 million supplemental state aid that will continue to be paid annually until the fund and the Public Employees Retirement Association's Police and Fire Fund both reach a 90 percent funded ratio, determined on a market value of assets basis. No contribution rate increases took effect during fiscal year 2014.

Total deductions increased $1.62 million (3.09 percent) to $53.87 million, largely due to annuity benefit distributions. Annuity benefits increased $1.64 million (3.15 percent) to $53.70 million due to growth in the number of retirees (3.74 percent increase to 776 retirees as of June 30, 2014) and payment of a 1 percent post-retirement benefit increase to retirees and other benefit recipients in January 2014. Refunds increased $18 thousand (257.14 percent) to $25 thousand during this fiscal year.

• *Correctional Employees Retirement Fund*

Fiduciary net position for the Correctional Employees Retirement Fund increased $129.90 million (17.39 percent) to $877.06 million due to favorable investment performance during fiscal year 2014.

Total additions increased $47.26 million (34.86 percent) to $182.85 million. Net investment income of $137.52 million accounted for approximately 75 percent of total additions. Total plan member and employer contributions increased $3.13 million (7.42 percent) to $45.32 million, due to active membership and payroll growth. No contribution rate increases took effect during fiscal year 2014.

Total deductions increased $5.00 million (10.42 percent) to $52.95 million, largely due to annuity benefit distributions and refunds. Annuity benefits increased $4.62 million (9.99 percent) to $50.84 million due to growth in the number of retirees (retiree counts in fiscal year 2014 increased 8.07 percent to 2,075 members) and payment of a 2.0 percent post-retirement benefit increase to retirees and other benefit recipients in January 2014. Refunds increased $415 thousand (40.21 percent) to $1.45 million during this fiscal year.

• *Judges Retirement Fund*

Fiscal year 2014's favorable investment performance also contributed significantly to the increase in fiduciary net position for the Judges Retirement Fund. As of June 30, 2014, fiduciary net position was $175.56 million, $20.16 million (12.97 percent) greater than the fiduciary net position of $155.40 million reported as of June 30, 2013. Total additions increased $9.86 million, and consisted 68.29 percent of net investment income and 31.71 percent of plan member and employer contributions. Net investment income of $28.01 million reflected an increase of $8.07 million (40.46 percent) during fiscal year 2014. Contributions increased $1.79 million (15.96 percent) to $13.00 million for fiscal year 2014, due to contribution rate increases that took effect the first full pay period after June 30, 2013. The employer contribution rate increased 2 percent, from 20.5 percent to 22.5 percent. Judges who are members of the Tier 1 benefit program experienced a 1 percent contribution increase, from 8 percent to 9 percent. For Judges who are members of the Tier 2 benefit program (judges elected or appointed after June 30, 2013), no change in the 7 percent contribution rate occurred during fiscal year 2014.

Total deductions increased $1.02 million to $20.86 million during fiscal year 2014 due to annuity benefits. Annuity benefits increased $1.03 million (5.21 percent) to $20.80 million for fiscal year 2014. The change results from growth in the number of retired judges (retiree counts increased 8.10 percent for fiscal year 2014 to 227 judges) and payment of a 1.75 percent post-retirement benefit increase to retirees and other benefit recipients in January 2014.

• *Legislators Retirement Fund*

Effective July 1, 2013, the Elective State Officers Retirement Plan was merged for administrative cost-savings purposes with the Legislators Retirement Plan; these plans constitute the Legislators Retirement Fund.

Fiduciary net position for the Legislators Retirement Fund decreased $3.24 million (28.15 percent) to $8.26 million as of June 30, 2014. Total assets decreased $4.62 million (32.33 percent) to $9.66 million. Since the Legislator's Fund consists of two retirement plans closed to new membership, the substantial asset reduction was expected and necessary to finance the annuity benefits of Legislator's Retirement Plan members who retired prior to July 1, 2003. When assets are fully depleted, expected in the next two years, these benefits will be financed with State General Fund appropriations.

Total additions of $5.29 million for fiscal year 2014 remained relatively constant in comparison to fiscal year 2013. Total additions consisted 64.99 percent of state General Fund appropriations to finance annuity benefits, 33.10 percent of net investment income, and 1.91 percent of contributions from active members of the Legislators Retirement Plan.

Total deductions decreased $1.25 million (12.80 percent) to $8.52 million during fiscal year 2014. Annuity benefits increased $112 thousand (1.35 percent) due primarily to payment of a 2 percent post-retirement benefit increase in January 2014. Other expenses for fiscal year 2014 decreased substantially in comparison to the prior year. In fiscal year 2013, the fund recognized a one-time expense of $1.34 million to repay the General Fund for unused appropriations.

Analysis of the Defined Contribution Funds

MSRS administers four defined contribution retirement funds: the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Minnesota Deferred Compensation Fund, and the Supplemental Retirement Fund for Hennepin County. Each of these funds were affected by the same favorable investment market conditions that impacted the MSRS defined benefit retirement funds. However, because individual members select their own investment options, comparisons of net participants' investment income between fiscal years 2014 and 2013 for each defined contribution fund are not meaningful. Instead, investment performance by individual security type offered to plan participants is highlighted below:

• Participants with assets in the Supplemental Investment Fund experienced investment returns ranging from a low of 0.1 percent for the Money Market Fund to a high of 26.1 percent for the Growth Share Account during fiscal year 2014.

• Participants with assets in the Minnesota Deferred Compensation Fund mutual funds also experienced investment returns ranging from a low of 4.3 percent for the Vanguard Total Bond Market Index Fund to a high of 26.3 percent for the Janus Twenty Fund (a large cap equity investment option) and the Vanguard Mid-Cap Index. MSRS' Target Date Retirement Funds earned various annual rates of return ranging from a low of 9.8 percent for the Income Fund to a high of 22.0 percent for the 2050 Fund, the 2055 Fund, and the 2060 Fund.

Certain non-investment related financial activities of MSRS' defined contribution funds merit mention.

• *Unclassified Employees Retirement Fund*

Fiduciary net position for the Unclassified Employees Retirement Fund increased $32.50 million (11.08 percent) to $325.74 million as of June 30, 2014. This growth was primarily due to favorable investment performance during the fiscal year. Total additions increased $13.78 million (29.11 percent) for the same reason, from $47.35 million for fiscal year 2013 to $61.13 million for fiscal year 2014. Contributions increased mainly due to payroll growth during the fiscal year. Other income rose 72.94 percent as a result of an increase in participant administrative fees that became effective January 1, 2014. Total deductions increased $1.14 million (4.15 percent) from $27.50 million for fiscal year 2013 to $28.64 million for fiscal year 2014, largely due to an increase in refunds. The increase in refunds was triggered by an increase in the number of terminated participants taking lump-sum withdrawals or rolling over their full account balance to other qualified financial institutions. Transfers to other plans, totaling $20.83 million for fiscal year 2014 decreased slightly during the fiscal year, as it had in fiscal year 2013. This decrease is due to fewer Unclassified Employees Retirement Fund participants electing defined benefit retirement coverage under the State Employees Retirement Fund (General Plan) during periods of favorable market performance.

• *Health Care Savings Fund*

For MSRS' fastest-growing plan, the Health Care Savings Fund, membership grew significantly during fiscal year 2014. Total participant counts increased over 7,200 (8.64 percent) to nearly 90,900 participants as of June 30, 2014. Fiduciary net position for the fund increased $99.71 million (16.97 percent) during fiscal year 2014 to $687.42 million. Membership and payroll growth during the fiscal year caused a $4.61 million (4.10 percent) increase in plan member contributions. This increase, coupled with the significant 2014 investment earnings, contributed to the $27.65 million (19.30 percent) increase in total additions of $170.91 million for the fiscal year. Total deductions of $71.20 million increased $6.27 million (9.66 percent). Health care reimbursements increased $2.28 million (3.65 percent) in fiscal year 2014 in comparison to fiscal year 2013, due primarily to growth in the number of retirees who became eligible for such distributions upon termination of state employment. Recordkeeping and custodial expenses increased $0.24 million (25.94 percent) also due to membership and asset growth during fiscal year 2014. Other expenses increased $3.43 million, which includes $3.18 million for participant-paid administrative fees and $0.25 million for a new federal tax assessed annually through 2019 to finance operations of the Patient-Centered Outcomes Research Institute.

Continued on next page

Management's Discussion and Analysis (concluded)

• ***Minnesota Deferred Compensation Fund***
Fiduciary net position for the Minnesota Deferred Compensation Fund increased $733 million (14.87 percent) from $4.93 billion to $5.66 billion as of June 30, 2013, and June 30, 2014, respectively. This increase was due to significant growth in participants' investment portfolios. Total additions increased $113.13 million (12.92 percent) primarily due to the outstanding fiscal year 2014 investment performance. Employee contributions also increased $5.62 million (2.45 percent) during fiscal year 2014. This increase correlates to a slight membership increase of 1,000 from 82,200 to 83,200 participants during the fiscal year. Total deductions increased $29.05 million, mostly due to the increase in refunds during the fiscal year. Refunds increased $25.72 million (13 percent) to $218.49 million due, in part, to terminated participants rolling over their full account balance to other qualified financial institutions, and to active participants purchasing prior service credit.

• ***Hennepin County Supplemental Retirement Fund***
Fiduciary net position for the Hennepin County Supplemental Retirement Fund increased $15.84 million (11.87 percent) from $133.43 million to $149.27 million due to favorable market performance of participants' investment portfolios. Total additions increased $6.56 million (40.03 percent) to $23.07 million due to substantial investment income during the fiscal year. Although the number of actively contributing members declined by 75 participants (17.56 percent) during the fiscal year to 352 participants, contributions increased $85 thousand (18.68 percent) to $540 thousand due to wage growth. Total deductions increased $460 thousand (6.80 percent) to $7.23 million. Ongoing withdrawals increased $957 thousand (22.65 percent) to $5.18 million due to growth in the number of participants receiving periodic retirement distributions.

Actuarial Valuation Results

Beginning in fiscal year 2014, MSRS' consulting actuaries conducted two actuarial valuations for each MSRS defined benefit retirement fund: one for traditional "funding" purposes, and the other for GASB-compliant "financial reporting" purposes. Each valuation type assumes a different set of actuarial methods and assumptions. Results of each are highlighted in the following paragraphs.

• ***GASB Statements No. 67 and No. 68 Actuarial Valuations***
This is the first year that MSRS implemented new pension accounting and financial reporting standards authorized by the Governmental Accounting Standards Board (GASB).

To comply with **GASB Statement No. 67, Financial Reporting for Pensions, an amendment of GASB Statement No. 25**, MSRS relied upon its consulting actuary to compute the total pension liability, net pension liability, pension expenses, and deferred outflows and inflows of resources for each of its defined benefit pension plans as of June 30, 2014. MSRS' participating governmental employers are required to report their respective shares of these amounts in their financial statements for fiscal years beginning after June 15, 2014, in compliance with **GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27**.

For MSRS' largest cost sharing, multiple-employer defined benefit plan, the State Employees Retirement Fund, the June 30, 2014, GASB-compliant actuarial valuation report revealed a net pension liability of $1.62 billion. Due to the difference between projected (at a 7.9 percent rate of return) and actual earnings (at an 18.6 percent rate of return) on pension plan investments, the actuarial valuation results reported pension income, instead of pension expense, of $257.89 million. The State of Minnesota, MSRS' principal participating employer, and its component units will recognize over 99 percent of the net pension liability and pension income in their financial statements for fiscal year 2015. As a result of this June 30, 2014, actuarial valuation, plan fiduciary net position as a percentage of the total pension liability was 87.64 percent.

Additional information on the GASB-compliant actuarial valuation results for MSRS' other defined benefit retirement funds, can be found in the *Actuarial Section* of this report, beginning on page 156.

• ***Funding Actuarial Valuations***
From a funding perspective as of July 1, 2014, the most recent actuarial valuation date, the contribution deficiencies for MSRS' four largest pension trust funds (the State Employees, State Patrol, Correctional Employees, and Judges Retirement Funds), decreased in comparison to the contribution deficiencies one year earlier due, in part, to the improved investment performance and contribution rate increases. For these funds, the contribution deficiencies remain sizeable. The MSRS Board of Directors continues to monitor funding status and contribution deficiency rates, and will take appropriate action, as necessary, to ensure the financial security of the retirement funds.

The July 1, 2014, actuarial valuation results also indicate the State Employees Retirement Fund was 82.97 percent funded, the State Patrol Retirement Fund was 74.69

percent funded, the Correctional Employees Retirement Fund was 70.41 percent funded, and the Judges Retirement Fund was 52.82 percent funded. These funded ratios are calculated using the actuarial value of assets. Except for the Legislators Retirement Fund, all of the funded ratios for the retirement funds improved in comparison to the July 1, 2013, funded ratios due to favorable investment performance and contribution rate increases. Structural changes to the State Employees and Correctional Employees Retirement Funds were made in 2010, including increased vesting periods, increased early retirement penalties, and reduced annual benefit increase adjustments. In 2013, changes to the plan provisions of the State Patrol and Judges Retirement Funds were made as financial solvency measures. Changes included increases to contribution rates, reduced annual benefit increase adjustments, increased vesting periods, and increased early retirement penalties. For the Judges Retirement Fund, 2013 legislation included establishment of a two-tier benefit program. As a result of the 2014 legislative session, the funded ratio threshold that must be attained to trigger a post-retirement benefit increase changed from one year to two consecutive years.

Driven largely by an 18.6 percent annual investment rate of return as of June 30, 2014, all of the MSRS defined benefit retirement funds, excluding the Legislators Retirement Fund, remain reasonably healthy, and with steady or improving market conditions, MSRS' funds will continue to be financially sound for 2014 and beyond.

Economic downturn could result in the deterioration of the funded status of the retirement funds. Investment losses could further increase contribution deficiencies and deplete assets. MSRS management will continue to closely monitor economic conditions, changes in funding ratios, contribution deficiency percentages, and actuarial experience, which all drive changes in the unfunded accrued actuarial liability. These elements will affect the financial security of our funds.

Additional information about the July 1, 2014, actuarial valuation results of each defined benefit fund can be found in the *Actuarial Section* of this report, beginning on page 119.

Request for Information

This financial report is intended to provide a general overview of MSRS' financial position as of June 30, 2014, and the results of financial activities for fiscal year 2014. If you have any questions or comments concerning the contents of this report, please contact Minnesota State Retirement System by mail at 60 Empire Drive, Suite 300, Saint Paul, MN 55103-3000, or by telephone toll-free at 1-800-657-5757, or via e-mail at info@msrs.us.

Statement of Fiduciary Net Position

As of June 30, 2014
(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
Assets				
Cash	$2,127	$85	$181	$34
Short-term investments	290,338	17,395	24,279	5,164
Total Cash & Short-term Investments	$292,465	$17,480	$24,460	$5,198
Receivables				
Accounts Receivable	$10,030	$679	$1,586	$52
Accrued Interest	1	0	0	0
Due from Other Plans	5,835	1	4	2
Due from the State's General Fund	0	0	0	0
Other Receivables	322	21	17	6
Total Receivables	$16,188	$701	$1,607	$60
Investments (at fair value)				
Fixed Income Pool	$2,683,530	$155,810	$204,488	$40,879
Growth Share Pool	3,469,715	201,457	264,396	52,855
Common Stock Index Pool	1,785,757	103,684	136,077	27,203
Alternative Investment Pool	1,450,587	84,223	110,536	22,097
International Equity Pool	1,797,462	104,364	136,968	27,381
Supplemental Investment Fund	0	0	0	0
Mutual Funds	0	0	0	0
Total Investments	$11,187,051	$649,538	$852,465	$170,415
Securities Lending Collateral	$1,244,402	$72,256	$94,843	$18,963
Capital Assets				
Land	$88	$0	$0	$0
Building, Improvements, Equip. (Net of Depr.)	5,566	0	0	0
Office Equipment and Fixtures (Net of Depr.)	49	0	0	0
Computer and VoIP System (Net of Amort.)	150	0	0	0
Computer Software (Net of Amortization)	10,416	0	0	0
Total Capital Assets	$16,269	$0	$0	$0
Total Assets	**$12,756,375**	**$739,975**	**$973,375**	**$194,636**
Deferred Outflows Of Resources				
Total Deferred Outflows of Resources	**$0**	**$0**	**$0**	**$0**
Liabilities				
Accounts Payable	$5,990	$237	$315	$65
Compensated Absences	841	0	0	0
Securities Lending Collateral	1,244,402	72,256	94,843	18,963
Due To Other Plans	8	142	649	52
Due to the State's General Fund	0	0	0	0
Accrued OPEB Liability	70	0	0	0
Bonds Payable	5,358	0	0	0
Other Payables	1,102	0	512	0
Total Liabilities	**$1,257,771**	**$72,635**	**$96,319**	**$19,080**
Deferred Inflows Of Resources				
Total Deferred Inflows of Resources	**$0**	**$0**	**$0**	**$0**
Net Position Restricted for Pensions	**$11,498,604**	**$667,340**	**$877,056**	**$175,556**

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

	Legislators	Unclassified Employees	Health Care Savings Plan	MN Deferred Compensation	Hennepin County Supplemental	Totals
		Defined Contribution Funds				
	$462	$0	$0	$0	$0	$2,889
	109	104	1,686	11,105	33	350,213
	$571	$104	$1,686	$11,105	$33	$353,102
	$0	$301	$7,499	$8,181	$21	$28,349
	0	0	0	0	0	1
	1	0	0	0	0	5,843
	0	0	0	0	0	0
	1	18	620	1,174	5	2,184
	$2	$319	$8,119	$9,355	$26	$36,377
	$1,962	$0	$0	$0	$0	$3,086,669
	2,537	0	0	0	0	3,990,960
	1,306	0	0	0	0	2,054,027
	1,061	0	0	0	0	1,668,504
	1,314	0	0	0	0	2,067,489
	0	325,847	680,581	1,419,513	149,274	2,575,215
	0	0	0	4,227,169	0	4,227,169
	$8,180	$325,847	$680,581	$5,646,682	$149,274	$19,670,033
	$909	$4,005	$8,365	$69,407	$1,835	$1,514,985
	$0	$0	$0	$0	$0	$88
	0	0	0	0	0	5,566
	0	0	0	0	0	49
	0	0	0	0	0	150
	0	0	0	0	0	10,416
	$0	$0	$0	$0	$0	$16,269
	$9,662	**$330,275**	**$698,751**	**$5,736,549**	**$151,168**	**$21,590,766**
	$0	**$0**	**$0**	**$0**	**$0**	**$0**
	$5	$57	$382	$1,072	$39	$8,162
	0	0	0	0	0	841
	909	4,005	8,365	69,407	1,835	1,514,985
	34	476	2,589	1,872	21	5,843
	454	0	0	0	0	454
	0	0	0	0	0	70
	0	0	0	0	0	5,358
	2	0	0	0	0	1,616
	$1,404	**$4,538**	**$11,336**	**$72,351**	**$1,895**	**$1,537,329**
	$0	**$0**	**$0**	**$0**	**$0**	**$0**
	$8,258	**$325,737**	**$687,415**	**$5,664,198**	**$149,273**	**$20,053,437**

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2014
(Dollars in thousands)

	Defined Benefit Funds			
	State Employees	State Patrol	Correctional Employees	Judges
Additions				
Contributions				
Plan Member Contributions	$131,033	$7,930	$18,855	$3,578
Employer Contributions	128,037	11,894	26,468	9,426
General Fund Contributions	0	0	0	0
Total Contributions	$259,070	$19,824	$45,323	$13,004
Investment Income				
Investment Income	$1,840,969	$107,847	$138,387	$28,185
Less Investment Expenses	15,986	929	1,217	244
Net Investment Income	$1,824,983	$106,918	$137,170	$27,941
Income from Securities Lending Activities				
Securities Lending Income	$6,908	$401	$526	$105
Securities Lending Expenses				
Borrower Rebates	$61	$4	$5	$1
Management Fees	2,209	128	168	34
Total Securities Lending Expenses	$2,270	$132	$173	$35
Net Income From Securities Lending Activities	$4,638	$269	$353	$70
Total Net Investment Income	$1,829,621	$107,187	$137,523	$28,011
Other Additions				
Transfers From Other Plans	$20,832	$0	$0	$0
Other Income	182	1,000	0	0
Total Other Additions	$21,014	$1,000	$0	$0
Total Additions	**$2,109,705**	**$128,011**	**$182,846**	**$41,015**
Deductions				
Annuity Benefits	$623,942	$53,697	$50,842	$20,802
Ongoing Withdrawals	0	0	0	0
Health Care Reimbursements	0	0	0	0
Refunds	11,986	25	1,447	0
Transfers to Other Plans	0	0	0	0
Recordkeeper and Custodian Expenses	0	0	0	0
Administrative Expenses	8,125	150	657	55
Other Expenses	486	0	1	0
Total Deductions	**$644,539**	**$53,872**	**$52,947**	**$20,857**
Net Increase (Decrease) in Net Position	**$1,465,166**	**$74,139**	**$129,899**	**$20,158**
Net Position Restricted for Pensions				
Beginning of Year, as Reported	**$10,033,499**	**$593,201**	**$747,157**	**$155,398**
Change in Accounting Principle	(61)	0	0	0
Beginning of Year, as Restated	**$10,033,438**	**$593,201**	**$747,157**	**$155,398**
End of Year	**$11,498,604**	**$667,340**	**$877,056**	**$175,556**

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

Legislators	Unclassified Employees	Health Care Savings Plan	MN Deferred Compensation	Hennepin County Supplemental	Totals
	Defined Contribution Funds				
$101	$5,430	$116,971	$234,805	$270	$518,973
0	6,099	0	0	270	182,194
3,436	0	0	0	0	3,436
$3,537	$11,529	$116,971	$234,805	$540	$704,603
$1,759	$49,649	$50,735	$752,011	$22,561	$2,992,103
12	207	433	3,596	95	22,719
$1,747	$49,442	$50,302	$748,415	$22,466	$2,969,384
$5	$22	$46	$382	$10	$8,405
$0	$0	$1	$6	$0	$78
2	7	14	116	3	2,681
$2	$7	$15	$122	$3	$2,759
$3	$15	$31	$260	$7	$5,646
$1,750	$49,457	$50,333	$748,675	$22,473	$2,975,030
$0	$0	$0	$0	$0	$20,832
0	147	3,610	5,320	57	10,316
$0	$147	$3,610	$5,320	$57	$31,148
$5,287	**$61,133**	**$170,914**	**$988,800**	**$23,070**	**$3,710,781**
$8,407	$0	$0	$0	$0	$757,690
0	0	0	29,754	5,182	34,936
0	0	64,762	0	0	64,762
79	7,496	0	218,492	1,933	241,458
0	20,832	0	0	0	20,832
0	23	1,175	1,673	14	2,885
36	140	1,838	3,372	27	14,400
0	146	3,425	2,178	73	6,309
$8,522	**$28,637**	**$71,200**	**$255,469**	**$7,229**	**$1,143,272**
$(3,235)	**$32,496**	**$99,714**	**$733,331**	**$15,841**	**$2,567,509**
$11,493	**$293,241**	**$587,701**	**$4,930,867**	**$133,432**	**$17,485,989**
0	0	0	0	0	(61)
$11,493	**$293,241**	**$587,701**	**$4,930,867**	**$133,432**	**$17,485,928**
$8,258	**$325,737**	**$687,415**	**$5,664,198**	**$149,273**	**$20,053,437**

Notes to the Financial Statements

These notes provide disclosures relevant to the basic financial statements on the preceding pages.

1. Summary of Significant Accounting Policies

A. Basis of Presentation and Basis of Accounting

Basis of Presentation

The accompanying financial statements were prepared in accordance with generally accepted accounting principles (GAAP). In doing so, the Minnesota State Retirement System (MSRS) adheres to accounting and financial reporting standards established by the Governmental Accounting Standards Board (GASB). GASB is the independent, not-for-profit, standards-setting organization and the official source of GAAP for state and local governmental entities in the United States of America.

MSRS implemented the following GASB Statements for the fiscal year ended June 30, 2014:

- **GASB Statement No. 65, Items Previously Reported as Assets and Liabilities** establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The Statement also improves financial reporting by clarifying the appropriate use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

- **GASB Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25**, revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of **GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans** and **GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27**, as they relate to pension plans administered through trust or similar arrangements that meet certain criteria. GASB Statement No. 67 builds upon the existing frame work for financial reports for defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position.

  This Statement enhances note disclosures and Required Supplementary Information (RSI) for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

MSRS' accounts are organized and presented on the basis of funds. All of the funds presented in the financial statements are fiduciary funds. These funds are classified as pension trust funds, and are maintained for the exclusive benefit of the members or their beneficiaries.

Basis of Accounting

The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. MSRS' financial statements are reported using the accrual basis of accounting. Plan member and employer contributions, and related receivables, are recognized as revenues when due, pursuant to formal commitments and statutory requirements. Annuity benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized when the liability is incurred.

B. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position Restricted for Pensions

• Cash and Cash Equivalents

For MSRS' defined benefit retirement funds, cash and cash equivalents include cash on deposit in the state's treasury, commingled with other state funds, and short-term investments. Cash on deposit consists of year-end receipts not yet processed as of the investment cutoff on June 30. Short-term investments, which the Minnesota State Board of Investment (SBI) staff manage, include U.S. Treasury issues, repurchase agreements, bankers' acceptances, commercial paper, and certificates of deposit.

For each MSRS defined contribution fund, cash equivalents represent the money market funds associated with a Plan Sponsor Account, or plan expense account. This is the account in which the recordkeeper deposits monthly participant administrative fees and pays authorized, allowable plan operating expenses.

• Accounts Receivable

Accounts receivable represents plan member and employer contributions, calculated as a percentage of each employee's salary as specified in *Minnesota Statutes*, which is received after fiscal year-end for services rendered during the fiscal year. The statutory employee and employer contribution rates in effect for fiscal year 2014 for MSRS' retirement funds are shown in **Exhibit 1.**

Exhibit 1: Fiscal Year 2014 Employee and Employer Statutory Contribution Rates for MSRS Retirement Funds, Where Applicable

Retirement Fund	Employee Contribution Rate	Employer Contribution Rate
State Employees (General Plan)	5.0%	5.0%
State Patrol *	12.4	18.6
Correctional Employees	8.6	12.1
Judges - Tier 1 Benefit Program	9.0	22.5
Judges - Tier 2 Benefit Program	7.0	22.5
Legislators	9.0	Funded by appropriation from the State's General Fund
Unclassified Employees	5.0	6.0
Hennepin County Supplemental	1.0	1.0

* Excludes $1 million supplemental state contribution, which will be received on an annual basis until the State Patrol Retirement Fund and the Public Employees Retirement Association Police and Fire Retirement Fund both reach a 90 percent funded level on a market value of assets basis.

For the defined contribution funds, accounts receivable also includes any plan administrative fees, determined as a percentage of each participant's account balance, that were earned during the fiscal year, but received after fiscal year-end. These fees are collected on the first business day of every month based on each participant's account balance at the end of the preceding month. They are used to pay for recordkeeping and custodial services, and to reimburse MSRS for expenses incurred to administer the plan. The plan administrative fee rate structure for each defined contribution fund is shown in **Exhibit 2** on the next page.

Continued on next page

Exhibit 2: Fiscal Year 2014 Plan Administrative Fee Schedule for MSRS Defined Contribution Retirement Funds

Defined Contribution Retirement Fund	Administrative Fee Rate Schedule
Unclassified Employees	Tiered rate structure effective through December 31, 2013: ◆ $1 per month for an account balance < $10,000 ◆ $2 per month for an account balance that is between $10,000 and $50,000 ◆ $3 per month for an account balance > $50,000 Tiered rate structure effective January 1, 2014: ◆ $2 per month for an account balance $10,000 or less ◆ $4 per month for an account balance that is $10,000.01 to $30,000 ◆ $6 per month for an account balance that is $30,000.01 to $90,000 ◆ $8 per month for an account balance > $90,000
Health Care Savings	.65% or 65 basis points of a participant's account balance ($140 annual maximum fee)
Minnesota Deferred Compensation	.05% or 5 basis points of the first $100,000 of a participant's account balance ($50 annual maximum fee)
Hennepin County Supplemental	.04% or 4 basis points of a participant's account balance

Interfund Receivables, Payables, and Transfers

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

Due From/To the State's General Fund

The Legislators Retirement Fund is primarily funded on a pay-as-you-go basis with annual appropriations from the State's General Fund. These appropriations, reported as revenue on the *Statement of Changes in Fiduciary Net Position*, are used to finance annuity benefits paid to retirees or their survivors, member refunds, and each retirement fund's share of MSRS' administrative expenses. The amount due from the State's General Fund as of fiscal year-end represents funds receivable to cover each fund's share of administrative expenses for the fiscal year. The amount due to the State's General Fund as of fiscal year-end represents the unused portion of the full appropriation that MSRS is obligated to return to the state.

● Investments

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. The membership is made up of Minnesota's Governor (who is desig nated as chair of the Board), State Auditor, Secretary of State, and Attorney General. The legislature has also established a 17-member Investment Advisory Council (IAC) to advise the SBI and its staff on investment related matters. MSRS' Executive Director is a permanent member of the IAC.

Investment Policy

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Within the requirements defined by *Minnesota Statutes*, Section 11A.04, the SBI, with assistance of the SBI staff and the Investment Advisory Council, has the authority for establishing and amending investment policy decisions for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards. Studies that the SBI staff perform guide the on-going management of the funds and are updated periodically.

Description of Significant Investment Policy Changes During the Year

The SBI made no significant changes to their investment policies during fiscal year 2014.

Participation in the State's Combined Investment Funds

The state's public retirement fund assets are commingled in various pooled investment accounts, commonly referred to as the Combined Funds. *Minnesota Statutes* Section 11A.14 establishes the Combined Funds, which the SBI administers. Each participating retirement plan or fund owns an undivided participation in all of the assets of the Combined Funds' pooled investment accounts.

As of June 30, 2014, MSRS Funds' share of the Combined Funds, at fair value, was approximately 22 percent ($12.9 billion for MSRS and $59.5 billion total, exclusive of short-term investments). **Exhibit 3** displays specific totals of MSRS' investment portfolio by category. *Minnesota Statutes*, Section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short-term obligations of specified high quality; restricted participation as a limited partner in venture capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments. Various alternative investments, including international securities, are limited by statute to 35 percent of the fund pool.

EXHIBIT 3: MSRS INVESTMENT PORTFOLIO – AT FAIR VALUE
(Dollars in thousands)

MSRS Fund Pooled Accounts	**Amount As of June 30, 2014**
Fixed Income Pool	$3,086,669
Growth Share Pool	3,990,960
Common Stock Index Pool	2,054,027
Alternative Investment Pool	1,668,504
International Equity Pool	2,067,489
Subtotal – MSRS' share of the SBI's Combined Funds	$12,867,649
Supplemental Investment Fund	2,575,215
Mutual Funds	4,227,169
Total Investment Pools	$19,670,033
Short-term Investments	350,213
Total MSRS Investment Portfolio	**$20,020,246**

Continued on next page

Valuation of Investments

Investments in the pooled accounts, assets of the Supplemental Investment Fund and the Minnesota Deferred Compensation Plan (mutual funds) are reported at fair value. Fair value is the proportionate share of the combined market value of the investment portfolio of the SBI investment pool in which the funds participate. All securities within the pools are valued at fair 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. The 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, the 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:

- 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.
- 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. The fair value of investments is based upon valuations provided by a recognized pricing service. Securities traded on a national or international exchange are valued using the last reported trade price. Short-term investments are reported at cost, which approximates fair value. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.

Investment Income

Investment income is recognized as it is earned. Accrued investment income of the pooled investment accounts is included in participation in the accounts. Gains and losses on sales or exchanges are recognized on the transaction date.

Investment Expenses

For financial reporting purposes, the cost of security transactions is included in the transaction price. Investment expenses include administrative expenses of the SBI to manage the state's comprehensive investment portfolio and investment management fees paid to the external money managers and the state's master custodian for pension fund assets. These expenses are allocated proportionately to the funds participating in the pooled investment accounts. MSRS' share of these expenses in fiscal year 2014 totaled $22,718,855: $15,985,575 for the State Employees Retirement Fund, $928,533 for the State Patrol Retirement Fund, $1,217,554 for the Correctional Employees Retirement Fund, $243,611 for the Judges Retirement Fund, $11,836 for the Legislators Retirement Fund, $207,499 for the Unclassified Employees Retirement Fund, $433,393 for the Health Care Savings Plan, $3,595,797 for the Minnesota Deferred Compensation Plan, and $95,057 for the Supplemental Retirement Plan for Hennepin County. Details of these expenses are presented in the *Schedule of Investment Manager Fees, Commissions, and Other Investment Expenses* found within the unaudited *Investment Section* of this comprehensive annual financial report. A more detailed schedule of fees and commissions the SBI paid to brokerage firms, along with the number of shares traded, total commissions, and commissions per share for the pooled investment accounts, and other investment information may be obtained from the Minnesota State Board of Investment at the Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 355, Saint Paul, Minnesota 55103.

Investment expenses exclude the plan administrative fees, self-directed brokerage account fees, investment advisory service fees, and any fund redemption fees deducted from participants' defined contribution retirement plan account balances. These investment-related fees are reported as Other Expenses in the *Statement of Changes in Fiduciary Net Position.*

Information about the primary government's (State of Minnesota) investments, including credit risk classification, can be obtained from Minnesota Management and Budget, 400 Centennial Building, 658 Cedar Street, Saint Paul, Minnesota 55155.

Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Combined Funds that includes allocations to domestic equity, international equity, bonds, alternative assets, and cash equivalents. The long-term asset allocation is shown in **Exhibit 4** on the following page.

EXHIBIT 4:
SBI TARGET ASSET ALLOCATIONS AND LONG TERM EXPECTED REAL RATE OF RETURN

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Stocks	45%	5.50%
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Unallocated Cash	2	0.50
Total	**100%**	
Portfolio Real Rate of Return		5.36%
SBI Assumed Inflation Rate		3.00
SBI Nominal Rate of Return		8.36%

If a 20 percent allocation to Alternative Investments cannot be achieved, the uncommitted allocation in Alternatives is invested in Fixed Income. When the actual asset allocation deviates beyond specified ranges, assets are redistributed to achieve the long-term allocation targets.

The SBI's long-term expected rate of return was determined using a building-block method. Best estimates of expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Annual Money-Weighted Rate of Return

The annual money-weighted rate of return is a method of calculating period-by-period returns on pension plan investments that adjusts for the changing amounts actually invested. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses. Inputs to the internal rate of return calculation are determined by actual date. Because the pension plans each have different cash flows throughout the year, they have different money-weighted rates of return. The money-weighted rate of return for each MSRS retirement plan is presented in **EXHIBIT 5**.

EXHIBIT 5: MONEY-WEIGHTED RATE OF RETURN
For the year ended June 30, 2014

Retirement Plan	Money-weighted rate of return
State Employees	18.674%
State Patrol	18.688
Correctional Employees	18.623
Judges	18.658
Legislators	19.302

Continued on next page

Notes to the Financial Statements (continued)

Capital Assets

Capital assets consist of land, building, building improvements, office equipment and fixtures, computer and VoIP (voice over internet protocol) phone system, deferred bond issuance charges, and internally developed or acquired software intended for MSRS use only. With the exception of internally developed or acquired computer software, capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated minimum useful life of two years. The capitalization threshold for internally developed or acquired software is $30,000 per application. All assets were capitalized at historical cost at the date of acquisition, issuance, or completion. All assets, except land, are depreciated or amortized when placed into operation using the straight-line method over the estimated useful lives shown in **Exhibit 6**.

Exhibit 6: Capital Assets Estimated Useful Lives

Capital Asset Types	Useful Life (In Years)
Land	N/A
Building	30
Building Improvements and Building Equipment	10
Office Equipment and Fixtures	3-10
Computer and VoIP System	5
Computer Software (for MSRS use only)	4-10
Deferred Bond Issuance Charges	30

Deferred Outflows/Inflows of Resources

In addition to assets, the *Statement of Fiduciary Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (an expense) until then.

In addition to liabilities, the *Statement of Fiduciary Net Position* also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Restricted for Pensions

Net position represents the sum of total assets and total deferred outflows of resources less the sum of total liabilities and total deferred inflows of resources. For each defined benefit and defined contribution retirement fund, the amount reported as net position is restricted for the future payment of benefits and refunds to members or their surviving spouses or beneficiaries, and administrative expenses.

Accrued Compensated Absences

In accordance with various collective bargaining unit agreements, MSRS employees earn vacation, sick, and compensatory leave benefits. Earned but unused benefits are eligible for payment upon separation from state government service. At fiscal year-end, MSRS recognizes an obligation for future payment to the extent that the right to receipt is vested or expected to become vested.

Other Income

Other income for MSRS' defined benefit retirement funds represents its proportionate ownership share (26.8 percent) of the Retirement Services Building office space lease income, room rental fees, and parking fee revenues. Other income for these funds also includes employer late fees submitted with payroll contributions and fees received for fulfilling data requests.

Other income for MSRS' defined contribution retirement funds represents participant plan administrative fee income earned during the fiscal year. For the Minnesota Deferred Compensation Fund, other income also includes administrative expense reimbursements from various mutual fund companies.

For all defined contribution funds, except the Supplemental Retirement Fund for Hennepin County, this revenue is primarily used to cover fees for recordkeeping and custodial services, and to reimburse MSRS for administrative costs incurred to counsel members, adjudicate health care reimbursement claims, and perform various business support services. For the Supplemental Retirement Fund for Hennepin County, the excess of participant plan administrative fee income over recordkeeping, custodial, and MSRS' administrative expenses is returned to the County.

- **Refunds**

  For defined benefit plans, refunds represent distributions to members, separated from service, of their retirement deductions with interest compounded daily at six percent through June 30, 2011, and at four percent thereafter. It excludes employer contribution amounts. When a member takes a refund, the member forfeits the right to retirement, survivor, and disability benefits. Refunds also include rollovers to an individual retirement account or another qualified retirement plan.

  For defined contribution funds, refunds represent distributions to plan participants equal to all or a portion of their account balances, which are composed of contributions plus any investment gains or losses. Refunds may be in the form of cash withdrawals or rollovers to other qualified plans.

- **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.

2. Accounting Changes

A. Changes in Accounting Principles

The implementation of **GASB Statement No. 65, Items Previously Reported as Assets and Liabilities** resulted in the write-off of a previously deferred bond issuance charge of $65,834 and the related accumulated bond amortization of $4,703 for the State Employees Retirement Fund. The cumulative effect of this change in accounting principle is $61,131. This amount is presented separately in the *Statement of Changes in Fiduciary Net Position* for the State Employees Retirement Fund, and restates the beginning balance of Net Position Restricted for Pensions accordingly.

B. Additional Financial Reporting Standards

GASB recently issued two other pronouncements that affect MSRS, as described in the bullets below. The new standards apply to governmental employers who provide pensions to their employees through MSRS. While these standards apply to the employers, and not to MSRS directly, MSRS is responsible for providing employers with the data they require to implement the new standards.

- **GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27**, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. This Statement replaces the requirements of **GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers** and **GASB Statement No. 50 Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27** as they relate to governments that provide pension through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability on their financial statements for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. MSRS governmental employers are required to implement this Statement for the fiscal year beginning after June 15, 2014. MSRS has provided supplemental employer schedules within the *Finance Section* of this comprehensive annual financial report to supply data required for the employer GASB implementation.

- **GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68**, addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The Statement eliminates some potential understatement of balances that could arise with the restatement of beginning balances under GASB Statement No. 68. MSRS governmental employers are required to implement this Statement for the fiscal year beginning after June 15, 2014.

Continued on next page

3. Description of System and Plans

A. Organization

The Minnesota State Retirement System (MSRS) is the administrator of a multiple-employer, cost-sharing public employee retirement system. It consists of five 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 Sections 490.121-490.18)*; and
- **Legislators Retirement Fund** *(MS Chapter 3A)*

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)*;
- **Minnesota (MN) 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.

Responsibility for the organization is vested in MSRS' Board of Directors, which consists of eleven members. Four members are elected by the membership at large of the State Employees Retirement Fund (e.g., General Employees Retirement Plan) and the Unclassified Employees Retirement Plans. Three members are appointed by the Governor, one of which must be a constitutional officer or an appointed state official, and two of whom must be public members knowledgeable in pension matters. The remaining four members represent the State Patrol Retirement Plan, the Correctional Employees Plan, the Transit Division of the Metropolitan Council, and the retired and disabled members of all plans that MSRS administers. MSRS employees are ineligible for membership on the board of directors.

B. Participating Employers

MSRS members are employed by the State of Minnesota, the University of Minnesota (non-instructional), and approximately 69 counties, 245 cities, 227 school districts and 186 additional miscellaneous entities.

C. Reporting Entity

MSRS functions as a separate statutory entity. The system 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. Defined Benefit Plans

Membership Statistics, Fund Descriptions, and Contribution Information for the Defined Benefit Funds

Membership statistics as of June 30, 2014, for all MSRS defined benefit funds are shown in **Exhibit 7** on the following page. Specific descriptions of each of these funds, including employee and employer contribution rate information, are contained on the pages that follow.

Exhibit 7: Membership Statistics – Defined Benefit Funds

As of June 30, 2014	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Totals
Members Receiving Benefits						
Retirees	29,225	776	2,075	227	301	32,604
Disabilitants	1,818	54	268	24	N/A	2,164
Beneficiaries	3,686	155	174	84	74	4,173
Total Members Receiving Benefits	**34,729**	**985**	**2,517**	**335**	**375**	**38,941**
Terminated Members						
Vested, Not Receiving	16,472	44	1,232	16	63	17,827
Nonvested	5,818	17	384	0	0	6,219
Total Terminated Members	**22,290**	**61**	**1,616**	**16**	**63**	**24,046**
Active Members						
Vested	35,535	746	3,163	262	24	39,730
Nonvested	14,128	112	1,341	54	0	15,635
Total Active Members	**49,663**	**858**	**4,504**	**316**	**24**	**55,365**
Grand Total Members	**106,682**	**1,904**	**8,637**	**667**	**462**	**118,352**
Participating Employers	16	1	3	1	1	

Note: These retirement funds have no nonemployer contributing entities.

State Employees Retirement Fund

The State Employees Retirement Fund includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing plan, and three single-employer plans: the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan. Only certain employees of the Departments of Military Affairs and 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. The Transportation Pilots Plan has been closed to new entrants since July 1, 2008. The General Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

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. Effective the first day of the first full pay period beginning after July 1, 2014, these contribution rates will increase to 5.5 percent for both the employee and the employer.

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; members hired 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, whichever is greater. 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 average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also 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 average salary for all years of covered service, and full benefits are available at normal retirement age.

Annuitants receive post-retirement increases of 2.0 percent each year. When the State Employees Retirement Fund reaches a 90 percent funded status for two consecutive years (on a market value of assets basis), the post-retirement adjustment will increase to 2.5 percent each year. The State Employees Retirement Fund's funded status, on a market value of assets basis, is actuarially calculated on an annual basis.

Continued on next page

Notes to the Financial Statements (continued)

As of June 30, 2014, all MSRS employees are members of the General Plan. MSRS employee and employer contributions, as reported in **Exhibit 8**, were funded at 100 percent of the required contributions set by statute.

Exhibit 8: MSRS Contributions to the State Employees Retirement Fund

For Fiscal Year Ended	Employee	Employer
June 30, 2011	$272,715	$272,715
June 30, 2012	272,077	272,077
June 30, 2013	307,737	307,737
June 30, 2014	340,776	340,776

Total covered payroll for MSRS employees was approximately $6.6 million for fiscal year 2014.

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 agents. The State Patrol Retirement Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Minnesota Statutes, Section 352B.02 requires that eligible employees contribute 12.40 percent of their total compensation, with the employer contributing 18.60 percent. Effective the first day of the first full pay period beginning after July 1, 2014, these rates will increase to 13.40 percent and 20.10 percent, respectively. Effective after June 30, 2016, these rates will increase to 14.40 percent and 21.60 percent, respectively.

All active and deferred members are fully vested to the extent of their contributions plus interest at a rate of six percent through June 30, 2011, and four percent thereafter. For monthly retirement benefits, members hired before July 1, 2013, become vested after three years of allowable service; members hired after June 30, 2013, are vested after ten years of allowable service. Vesting for survivor purposes for members hired after June 30, 2013, is five years of allowable service.

Members become eligible for normal retirement benefits at age 55. The benefit formula is three percent of the high five-year average salary for each year of allowable service. Allowable service used to determine benefits is limited to 33 years, with a refund of employee contributions for excess years of service. Members with at least 28 years of service as of July 1, 2013, are not subject to this service limit.

Annuitants receive post-retirement increases of 1.0 percent each year. When the State Patrol Retirement Fund reaches an 85 percent funded status for two consecutive years (on a market value of assets basis), the post-retirement adjustment will increase to 1.5 percent each year. When the funded status reaches 90 percent for two consecutive years, the post-retirement adjustment will increase to 2.5 percent each year. The State Patrol Retirement Fund's funded status, on a market value of assets basis, is actuarially calculated on an annual basis.

A state contribution of $1 million will be made annually to the State Patrol Retirement Fund until the State Patrol Retirement Fund and the Public Employees Retirement Association Police and Fire Retirement Fund both reach a 90 percent funded ratio, determined on the market value of assets basis.

Correctional Employees Retirement Fund

The Correctional Employees Retirement Fund includes only the Correctional Plan, a multiple-employer, cost-sharing 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, the state-operated forensic services program, or the Minnesota Sex Offenders Program. The Correctional Employees Retirement Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

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. Effective the first day of the first full pay period beginning after July 1, 2014, these rates will increase to 9.10 percent and 12.85 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, 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.

Vested members become eligible for normal retirement benefits at age 55. For employees hired before July 1, 2010, the benefit formula is 2.4 percent of the high-five average salary for each year of allowable service, prorated for completed months. For employees hired after June 30, 2010, the benefit formula is 2.2 percent of the high-five salary for each year of allowable service, prorated for completed months. The monthly benefit can be received either as level lifelong payments or accelerated payments until a reversion age of 62 or 65. Upon attaining the reversion age, the benefit is adjusted actuarially to a lower, permanent amount.

Annuitants receive post-retirement increases of 2.0 percent each year. When the Correctional Employees Retirement Fund reaches a 90 percent funded status for two consecutive years (on a market value of assets basis), the post-retirement adjustment will increase to 2.5 percent each year. The Correctional Employees Retirement Fund's funded status, on a market value of assets basis, is actuarially calculated on an annual basis.

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. Retirees also include former municipal and county court judges. The Judges Retirement Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Judges Retirement Plan provides a Tier 1 and a Tier 2 benefit program depending upon a judge's appointment or election date. Tier 1 program judges are those first appointed or elected before July 1, 2013, and Tier 2 program judges are those first appointed or elected after June 30, 2013. Judges with less than five years of service as of December 31, 2013, may make a one-time irrevocable election into the Tier 2 benefit program.

Minnesota Statutes, Section 490.123 requires that eligible judges in the Tier 1 program contribute nine percent of their total compensation. A Tier 1 program judge's contributions are redirected to the Unclassified Employees Retirement Plan after the judge's maximum retirement benefit is reached. Tier 2 program judges are required to contribute seven percent of their total compensation. The employer contributes 22.5 percent of salary for both tiers.

Tier 1 members become eligible for retirement benefits at age 65 with five years of allowable service. Tier 2 members become eligible for retirement benefits at age 66 with five years of allowable service. Reduced retirement benefits are available to all members at age 60 with five years of allowable service. Mandatory retirement age is age 70 for both tiers.

The retirement benefit for Tier 1 program judges is 2.7 percent of the high-five average salary for each year of allowable service prior to July 1, 1980, plus 3.2 percent for each year of allowable service after June 30, 1980. The retirement benefit for Tier 2 program judges is 2.5 percent of the high-five average salary for each year of allowable service. The maximum benefit a Tier 1 program member receives is 76.80 percent of high-five average salary. There is no maximum benefit for Tier 2 program members.

Annuitants receive post-retirement increases of 1.75 percent each year. When the Judges Retirement Fund reaches a 70 percent funded status for two consecutive years (on a market value of assets basis), the post-retirement adjustment will increase to 2.0 percent each year. When the funded status reaches 90 percent for two consecutive years, the post-retirement adjustment will increase to 2.5 percent each year. The Judges Retirement Fund's funded status, on a market value of assets basis, is actuarially calculated on an annual basis.

Legislators Fund

The Legislators Fund includes two state of Minnesota General Fund plans: the Legislators Retirement Plan and the Elective State Officers Retirement Plan. Each is a single employer plan that is closed to new entrants. Effective July 1, 2013, these plans were merged for administrative cost savings purposes. The General Fund plans provide retirement and death benefits to plan members and their beneficiaries.

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 participants in the Unclassified Employees Retirement Plan, a defined contribution plan. 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 between July 1, 1967, and July 1, 1997, and chose to retain coverage under this plan.

Continued on next page

Notes to the Financial Statements (continued)

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 nine percent of their salary to the state's General Fund. There are no active contributing participants in the Elective State Officers Retirement Plan.

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 five 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 members elected after December 31, 1978, the retirement benefit is computed at 2.5 percent of the high-five average salary for each year of allowable service.

Elective State Officers are eligible for full retirement benefits at age 62 with six years of allowable service. Reduced retirement benefits are available at age 60 with the same service requirement. The retirement benefit is computed at 2.5 percent of high-five average salary.

Benefits for both plans are financed on a pay-as-you-go basis, funded primarily by annual appropriations from the state's General Fund. Annual retirement benefits to Legislators who retired prior to July 1, 2003, are financed by the remaining assets of the Legislators Retirement Fund, which are expected to be depleted within the next three 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.

Annuitants receive post-retirement increases of 2.0 percent each year. When the State Employees Retirement Fund reaches a 90 percent funded status for two consecutive years (on a market value of assets basis), the post-retirement adjustment will increase to 2.5 percent each year. As previously mentioned, the State Employees Retirement Fund's funded status, on a market value of assets basis, is actuarially calculated on an annual basis.

- **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. By statute, the Legislators Retirement Fund automatically provides a 50 percent benefit continuance to a surviving spouse. Also, legislators can choose 100 percent survivor coverage with an actuarially reduced benefit.

E. Defined Contribution Plans

Membership Statistics, Fund Descriptions, and Contribution Information for the Defined Contribution Funds

MSRS contracts with a third-party administrator, Voya (formerly known as ING), to provide various recordkeeping services for administering its four defined contribution funds. Membership statistics are provided in **Exhibit 9**.

Exhibit 9: Membership Statistics – Defined Contribution Funds
(Dollars in thousands)

	Defined Contribution Retirement Fund			
As of June 30, 2014	Unclassified Employees	Health Care Savings	MN Deferred Compensation	Hennepin County Supplemental
Active Members	1,447	51,853	49,128	352
Inactive Members	1,814	28,875	29,776	1,038
Withdrawing Members	0	10,146	4,337	187
Total Members	3,261	90,874	83,241	1,577
Annual Payroll	$108,605	N/A	N/A	$27,010
Participating Employers	9	527	685	2

Unclassified Employees Retirement Fund

The Unclassified Employees Retirement Fund is a tax-deferred, defined contribution fund entirely composed 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 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 Employees Retirement Plan (General Plan). Effective the first day of the first full pay period beginning after July 1, 2014, the employee contribution rate will increase to 5.5 percent. 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 ten 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 Plan provided the employee has at least 10 years of allowable service in the Unclassified and/or the General Plan if hired prior to July 1, 2010, or has no more than seven years of service if hired after June 30, 2010. This conversion 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, 2014, in the amount of $8,653,000.

Health Care Savings Fund

The Health Care Savings Fund is a defined contribution fund entirely composed 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-free 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 a result of various Internal Revenue Service (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.

Minnesota Deferred Compensation Fund

The Minnesota Deferred Compensation Fund is a defined contribution fund entirely composed of the Minnesota Deferred Compensation Plan. *Minnesota Statutes* Section 352.965 establishes this plan. It is a voluntary plan offered to all state employees and political subdivisions located in Minnesota. Authorized under Section 457(b) 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 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(b) plan participants who take a distribution before reaching age 59-1/2 are not subject to the IRS ten percent early withdrawal penalty.

Hennepin County Supplemental Retirement Fund

MSRS is responsible for providing recordkeeping 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 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 employer contributions of one percent of salary.

Continued on next page

4. Detailed Notes on All Activities and Funds

A. Assets

- **Cash Deposits with Financial Institutions**

Custodial Credit Risk - Deposits

In the case of deposits, there is risk that in the event of a bank failure, the organization's deposits may not be returned to it. *Minnesota Statutes*, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. Such insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 2014, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all MSRS deposits, eliminating exposure to custodial credit risk.

- **Investment Risks**

The Minnesota State Board of Investments (SBI) is responsible for investing various MSRS funds under the authority of *Minnesota Statutes*, Section 11A.24. The following disclosures apply to those investments.

Credit Risk

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

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

The 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, 2014, MSRS' proportionate share of the SBI's exposure to credit risk, based on the lower of Standard and Poor's or Moody's Quality Ratings for debt securities and short-term investments, is shown in **Exhibit 10.**

Exhibit 10: Credit Risk Exposure
(Dollars in thousands)

Quality Rating *	Fair Value As of June 30, 2014
AAA	$200,214
AA	53,461
A	237,514
BBB	550,091
BB	213,378
B	45,156
CCC	20,203
CC	12,083
C	384
D	5,465
Unrated	862,945
Agencies	985,890
U.S. Government	763,750
Total	**$3,950,534**

*The exposure to credit risk is based on the lower of Standard and Poor's or Moody's Quality Ratings. For clarity of reporting, Moody's ratings are displayed in this exhibit using the comparable Standard and Poor's rating.

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. The SBI determined the concentration of credit risk based on security identification number. MSRS' defined benefit retirement funds do not have exposure to a single issuer that equals or exceeds 5 percent of any MSRS retirement fund's fiduciary net position. Therefore, there is no concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments could adversely affect the fair value of an investment. The SBI controls interest rate risk through guidelines established for each portfolio. MSRS' share of debt securities are held in external investment pools and as of June 30, 2014, had the weighted-average maturities shown in **Exhibit 11**. Explanations of various security types follow the exhibit on the next page.

Exhibit 11: Interest Rate Risk
As of June 30, 2014
(Dollars in thousands)

	Defined Benefit Funds		Defined Contribution Funds	
Security Type	**Fair Value**	**Weighted Average Maturity in Years**	**Fair Value**	**Weighted Average Maturity in Years**
U.S. Agencies	$176,055	5.80	$3,748	5.45
Asset-Backed Securities	123,020	2.93	3,718	2.54
Short-Term Investment Securities	637,228	0.38	49,879	0.18
Commercial Mortgage-Backed Securities	1,039	0.90	23	0.90
Collateralized Mortgage Obligations	324,885	4.47	11,449	8.84
Corporate Debt	715,949	9.31	52,719	7.84
Foreign Country Bonds	34,944	4.84	760	4.84
Yankee Bonds	216,760	9.13	5,654	8.24
Mortgage-Backed Securities (non-commercial)	754,390	4.92	30,678	5.04
State and Local Government Bonds	40,345	15.04	863	15.23
Preferred Stock	2,004	0.00	43	0.00
Private Placement	36	0.42	595	5.86
U.S. Treasury	747,249	8.42	16,501	8.42
Total Fair Value	**$3,773,904**		**$176,630**	
Portfolio Weighted Average Maturity		**5.96**		**5.17**

Continued on next page

EXHIBIT 11 (CONTINUED)
SECURITY TYPE EXPLANATIONS

U.S. Agencies are low-risk debt obligations that are issued by U.S. Government-sponsored entities (GSEs) and other federally related bodies. GSEs were created to reduce the costs associated with borrowing for certain areas of the economy, including homeowners, students and farmers.

Asset-Backed Securities are securities issued by a Special Purpose Entity, substantially all of the assets of which, by their terms, may convert into cash within a finite time period. Asset-backed securities include, but are not limited to, credit cards, student loans, and automobile loans. Asset-backed securities do not include government-issued or government-guaranteed securities.

Short-Term Investment Securities include investment securities that are short-term, have high credit quality, and are highly liquid. The securities have a low-risk, low-return profile and include U.S. Government Treasury bills, bank certificates of deposit, bankers' acceptances, corporate commercial paper, and other money market instruments.

Commercial Mortgage-Backed Securities include any security, debt instrument, or offering collateralized primarily by commercial mortgage-backed securities, regardless of issuer.

Collateralized Mortgage Obligations are a type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Corporate Debt includes, but is not limited to, commercial paper of U.S. and non-U.S. companies, floating rate notes, master notes, medium term notes, or other corporate debt obligations.

Foreign Country Bonds are bonds that are issued in a domestic market by a foreign entity, in the domestic market's currency.

Yankee Bonds are dollar-denominated bonds issued in the U.S. by a foreign entity.

Mortgage-Backed Securities (non-commercial) are securities backed by pools of U.S. or non-U.S. mortgage loans issued by governmental, government-related or private organizations, and securities issued by Special Purpose Entities sponsored or associated with governmental, government-related or private organizations.

State and Local Government Bonds are debt obligations of a state or local government entity. The funds may support general government needs or special projects.

Preferred Stock is a class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock generally has a dividend that must be paid out before dividends to common stockholders are paid. The preferred shares usually do not have voting rights.

Private Placements represent sales of securities to a relatively small number of select investors as a way of raising capital. Investors are usually large banks, mutual funds, insurance companies and pension funds. Private placement is the opposite of a public issue, in which securities are made available for sale on the open market.

U.S. Treasuries are negotiable debt obligations of the U.S. government secured by its full faith and credit, and issued at various schedules and maturities.

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 the SBI's international equity investment holdings. To reduce foreign currency risk, the SBI implements several 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. The SBI has less than a 15 percent exposure to currency risk. Various investments at June 30, 2014, were distributed among the following currencies shown in **Exhibit 12**.

Exhibit 12: Foreign Currency Risk
(Dollars in thousands)

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Investment Totals
Australian Dollar	$1,875	$105,119	$0	$106,994
Brazilian Real	26	27,079	0	27,105
Canadian Dollar	2,477	151,673	137	154,287
Chilean Peso	1	2,920	0	2,921
Columbian Peso	0	5,133	0	5,133
Czech Koruna	3	1,717	0	1,720
Danish Krone	77	30,097	0	30,174
Euro Currency	6,980	516,454	33,966	557,400
Hong Kong Dollar	1,070	130,251	0	131,321
Hungarian Forint	6	1,479	0	1,485
Indian Rupee	116	42,188	0	42,304
Indonesian Rupiah	16	6,523	0	6,539
Israeli Shekel	17	3,549	0	3,566
Japanese Yen	6,489	322,134	0	328,623
Malaysian Ringgit	15	12,942	0	12,957
Mexican Peso	0	12,685	0	12,685
New Taiwan Dollar	1	33,752	0	33,753
New Zealand Dollar	7	2,658	1,510	4,175
Norwegian Krone	29	15,635	0	15,664
Philippine Peso	2	8,808	0	8,810
Polish Zloty	1	7,121	0	7,122
Pound Sterling	5,264	340,072	5,598	350,934
Qatari Rial	2	972	0	974
Singapore Dollar	331	18,927	0	19,258
South African Rand	62	18,943	0	19,005
South Korean Won	(19)	56,845	0	56,826
Swedish Krona	966	44,465	0	45,431
Swiss Franc	60	134,085	0	134,145
Thailand Baht	2	13,502	0	13,504
Turkish Lira	1	1,179	0	1,180
Other	7	337	0	344
Totals	**$25,884**	**$2,069,244**	**$41,211**	**$2,136,339**

Examples of other currency include Egyptian Pound, Moroccan Dirham, New Israeli Sheqel, UAE Dirham, and Yuan Renminbi. Timing issues resulted in an overdrawn account and negative cash and cash equivalents in South Korean Wons.

Continued on next page

Derivative Financial Instruments

On behalf of MSRS, the 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 the 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 (sell) and call (buy) 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.

The fair value balances and notional amounts (or face value) at June 30, 2014, 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 2014 are shown in **Exhibit 13.** Explanations of each derivative instrument type are included in the exhibit.

Exhibit 13: Derivative Financial Instruments
As of June 30, 2014
(Dollars in thousands)

Derivative Investment Type	Changes in Fair Value During FY 2014	Fair Value at June 30, 2014	Notional Amount
Futures			
Equity Futures – Long	$14,902	$0	$474
Equity Futures – Short	(1,056)	0	(72)
Fixed Income Futures – Long	4,488	0	170,967
Fixed Income Futures - Short	(2,716)	0	(100,412)
Options			
Futures Options Bought (Puts)	$(533)	$54	$1,149
Futures Options Written (Calls)	802	(65)	(567)
Currency Forwards			
Foreign Exchange (FX) Forwards	$(1,259)	$(235)	$174,833
Stock Warrants and Rights			
Stock Rights	$135	$94	$181
Stock Warrants	24	53	57

Derivative Instrument Type Explanations

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

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

Currency 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.

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 five years or more before expiration. 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.

The 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, 2014, the SBI's portfolio of well-diversified, high quality, investment grade fixed income securities had a fair value of $1,348,011,653 that is $31,134,906 in excess of the value protected by the wrap contract. The Fixed Income Account also includes liquid investment pools with a combined fair value of $232,379,817.

Derivative Credit Risk

The 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 the SBI would have recognized as of June 30, 2014, if all counterparties failed to perform as contracted is $666,048. These counterparties have Standard and Poor's ratings of A or better. There is no collateral held or any liabilities included in netting arrangements with those counterparties that would have reduced the SBI's exposure to credit risk.

• Securities Lending Transactions

MSRS does not own specific securities, but instead owns shares in various pooled funds invested by the 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 the SBI, of these investment pools. The types and amounts of securities loaned are presented in **Exhibit 14.**

Exhibit 14: Securities Loaned
(Dollars in thousands)

Investment Type	Amount as of June 30, 2014
Domestic Equities	$1,462,835
U.S. Government Bonds	768,926
International Equities	265,680
Domestic Corporate Bonds	98,626
International Corporate Bonds	3,065
Total	$2,599,132

Minnesota Statutes, section 356A.06, subdivision 7, allows the SBI to participate in securities lending transactions. The SBI has, by way of a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, on behalf of the SBI, certain securities held by State Street as custodian and received cash 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 the SBI in the event of default by the borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the 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 qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2014, the investment pool had an average duration of 12.64 days and an average weighted final maturity of 44.22 days for U.S. dollars. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2014, the SBI had no credit risk exposure to borrowers. MSRS' share of the collateral held and the fair value of securities on loan (in U.S. dollars) as of June 30, 2014, was $2,715,692,959 and $2,599,131,751, respectively. Cash collateral totaling $1,514,985,000 is reported on the *Statement of Fiduciary Net Position* as an asset and correspondingly on the statement as a liability.

Continued on next page

Notes to the Financial Statements (continued)

- **Capital Assets**

Capital asset activity for the year ended June 30, 2014, is reported in **Exhibit 15**.

Exhibit 15: Capital Assets
(Dollars in thousands)

Capital Asset Types	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Capital Assets, Not Depreciated:				
Land	$88	$0	$0	$88
Capital Assets, to be Depreciated or Amortized:				
Building, Improvements, and Building Equipment	$8,028	$0	$(2)	$8,026
Office Equipment and Fixtures	814	0	0	814
Computer and VoIP System	403	51	0	454
Computer Software	3,452	7,338	0	10,790
Deferred Bond Issuance Charges	66	0	(66)	0
Total Capital Assets, to be Depreciated or Amortized	$12,763	$7,389	$(68)	$20,084
Total Capital Assets	$12,851	$7,389	$(68)	$20,172
Less Accumulated Depreciation or Amortization for:				
Building, Improvements and Building Equipment	$(2,245)	$(216)	$1	$(2,460)
Office Equipment and Fixtures	(759)	(6)	0	(765)
Computer and VoIP System	(222)	(82)	0	(304)
Computer Software	(107)	(267)	0	(374)
Deferred Bond Issuance Charges	(5)	0	5	0
Total Accumulated Depreciated or Amortization	**$(3,338)**	**$(571)**	**$6**	**$(3,903)**
Total Capital Assets, Net of Accumulated Depreciation or Amortization	**$9,513**	**$6,818**	**$(62)**	**$16,269**

B. Liabilities

- **Lease Obligations**

MSRS' main office is in the Retirement Systems of Minnesota (RSM) building located in St. Paul. MSRS, Public Employees Retirement Association (PERA), and Teachers Retirement Association (TRA), jointly own this building under the terms of a co-tenancy agreement. MSRS also leases space for branch offices in Mankato, Detroit Lakes, Duluth, counseling space in the Hennepin County Government Center, and additional office space in the Retirement Services Building. Effective January 1, 2014, MSRS has an interagency agreement with TRA to reimburse TRA for one-half of the lease costs for office space located in St. Cloud, Minnesota. As of June 30, 2014, future obligations under the terms of those leases are scheduled in **Exhibit 16** on the following page.

EXHIBIT 16: LEASE OBLIGATIONS

Fiscal Year Ending June 30	Locations Mankato	St. Cloud	Duluth	Detroit Lakes	Hennepin County Govt. Center	St. Paul RSM Building	Totals
2015	$75,609	$8,565	$24,854	$16,767	$5,200	$80,235	$211,230
2016	75,609	8,565	25,230	4,192	5,200	0	118,796
2017	75,609	4,282	25,613	0	2,600	0	108,104
2018	82,221	0	25,995	0	0	0	108,216
2019	83,542	0	15,294	0	0	0	98,836
2020-2023	264,552	0	0	0	0	0	264,552
Totals	**$657,142**	**$21,412**	**$116,986**	**$20,959**	**$13,000**	**$80,235**	**$909,734**

Long-term Debt

Legislation was passed in 1999 allowing MSRS, TRA and PERA to purchase land and construct a 140,000 square foot building to house all three retirement systems. Ownership of the facility is prorated based on the proportionate share of the building's useable space in square feet. On June 1, 2000, the state Department of Finance (currently known as Minnesota Management and Budget) issued $29,000,000 in 30-year revenue bonds to finance the building construction.

In the fall of 2012, the remaining bonds were refunded with the proceeds of a new, lower-interest rate bond issue. The bonds are secured by the value of the total assets of the retirement systems, excluding all amounts contributed to and deposited for the Elective State Officers Retirement Plan (MSRS), the Legislators Retirement Plan (MSRS), the Supplemental Investment Fund for participants in the Unclassified Employees Retirement Plan (MSRS), the Minnesota Deferred Compensation Plan (MSRS), the Hennepin County Supplemental Retirement account (MSRS), the Health Care Savings Plan (MSRS), the Public Employees Defined Contribution Plan (PERA), the Volunteer Firefighters Lump Sum Retirement Plan (PERA), and any fund related to or dedicated to defined contribution plans administered by the retirement systems.

Through the issuance of the refunding bonds, which received an AAA rating in late July 2012, the bond term has been reduced by five years and the present value of the savings to the three systems is $9,582,538. The MSRS portion of the savings is $2,568,120.

EXHIBIT 17 on the following page 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 premium balances of the bonds, plus the interest accrued for the month of June, a total of $19,993,383. Bonds Payable on the *Statement of Fiduciary Net Position* is the MSRS share of the outstanding debt at the current building ownership interest, 26.8 percent. Bonds Payable includes the principal balance as of June 30, 2014, the premium balance as of June 30, 2014, and interest accrued for the month of June.

Continued on next page

Notes to the Financial Statements (continued)

Exhibit 17: Debt Repayment Schedule by Fiscal Year

Fiscal Year	Principal	Interest	Premium	Total Principal, Premium & Interest
2015	$431,480	$82,894	$42,610	$556,984
2016	440,860	75,740	41,134	557,734
2017	448,900	68,431	39,627	556,958
2018	458,280	60,988	38,092	557,360
2019	471,680	53,389	36,525	561,594
2020	478,380	45,569	34,912	558,861
2021	491,780	37,637	33,276	562,693
2022	502,500	29,483	31,594	563,577
2023	513,220	21,151	29,876	564,247
2024	494,460	12,642	17,857	524,959
2025	268,000	4,443	6,276	278,719
Totals	**$4,999,540**	**$492,367**	**$351,779**	**$5,843,686**

Total Unpaid Principal, June 30, 2014	$4,999,540	
Total Unpaid Premium, June 30, 2014	351,779	
Accrued Interest for June 2014	6,908	
Total, per Statement of Fiduciary Net Position	**$5,358,227**	**$5,358 (in 000s)**

• Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions

All MSRS employees are covered by the State Employees Group Insurance Plan (SEGIP), a multiple-employer cost-sharing defined benefit plan, administered by Minnesota Management and Budget (MMB). 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. Based on the results of a July 1, 2012, actuarial valuation, the SEGIP had an actuarially determined unfunded net obligation for future benefits of $226,173,000 at June 30, 2014, to be funded on a pay-as-you-go basis. MSRS' allocated portion of this liability is $70,000. The MSRS share of the required contributions and the net Other Post-Employment Benefit (OPEB) obligation is presented in **Exhibit 18** on the following page.

Exhibit 18: Required OPEB Contributions and Net OPEB Obligation

State Employee Group Insurance Plan OPEB Disclosures:

Fiscal Year Ended June 30	**Annual Required Contribution** (a)	**Employer Contribution** (b)	**Percent** (b)/(a)	**Net OPEB Obligation**
2010	$57,000	$36,000	63.16%	$65,000
2011	62,000	48,000	77.42	80,000
2012	65,000	78,000	120.00	67,000
2013	52,000	60,000	115.00	60,000
2014	53,000	43,000	81.13	70,000

C. Interfund Receivables and Payables

Interfund receivables and payables as of June 30, 2014, are detailed in **Exhibit 19**.

Exhibit 19: Due From/To Other Plans as of June 30, 2014
(Dollars in thousands)

	Due From Other Plans (Interfund Receivables)	**Due To Other Plans (Interfund Payables)**
Defined Benefit Retirement Funds		
State Employees	$5,835	$8
State Patrol	1	142
Correctional Employees	4	649
Judges	2	52
Legislators	1	34
Defined Contribution Retirement Funds		
Unclassified Employees	0	476
Health Care Savings	0	2,589
Minnesota Deferred Compensation	0	1,872
Hennepin County Supplemental	0	21
Totals	**$5,843**	**$5,843**

Continued on next page

Notes to the Financial Statements (continued)

D. Revenues and Expenses

- ### Administrative Expenses

  Administrative expenses by fund for the fiscal year ended June 30, 2014, are detailed in the *Schedule of Administrative Expenses* found on page 98.

- ### Reemployed Retirees' Earnings Limitations

  MSRS members whose age is under the Social Security full retirement age, and who return to work in an 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 limits for calendar years 2013 and 2014 for individuals under the full retirement age are $15,120 and $15,480, respectively. For individuals that reach full retirement age during 2013 or 2014, the maximum earnings limits are $40,080 and $41,400, respectively.

  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. Funds held in abeyance are included in Other Payables in the respective fund's *Statement of Fiduciary Net Position*. As of June 30, 2014, MSRS had 64 re-employed retirees with funds held in abeyance, which totaled $1,595,161 ($1,083,395 for the State Employees Retirement Fund and $511,766 for the Correctional Employees Retirement Fund).

  Retirees must wait one year following termination of their post-retirement employment to be eligible to receive a distribution of these funds. At the time of distribution, the retiree 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. MSRS processed 17 distributions of these funds, totaling $485,954 ($389,012 the State Employees Retirement Fund and $96,942 for the Correctional Employees Retirement Fund) during fiscal year 2014.

E. Interfund Transfers

Interfund transfers during the fiscal year ended June 30, 2014, are shown in **Exhibit 20.**

Exhibit 20: Fiscal Year 2014 Interfund Transfers
(Dollars in thousands)

	Transfers In	Transfers Out
Defined Benefit Retirement Funds		
State Employees	$20,832	$0
State Patrol	0	0
Correctional Employees	0	0
Judges	0	0
Legislators	0	0
Defined Contribution Funds		
Unclassified Employees	0	20,832
Health Care Savings	0	0
Minnesota Deferred Compensation	0	0
Hennepin County Supplemental	0	0
Totals	**$20,832**	**$20,832**

F. Net Pension Liability of Participating Employers

Beginning in 2014, two actuarial valuations for each MSRS defined benefit retirement fund are performed annually: a traditional funding actuarial valuation and a GASB-compliant actuarial valuation. The purpose of the traditional funding actuarial valuation is to measure funded progress, and to determine the required contribution rate, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The purpose of the GASB-compliant actuarial valuation is to determine actuarial information necessary to prepare financial reports in compliance with GASB Statements No. 67 and No. 68. This includes computation of the net pension liability. Net pension liability is computed as the total pension liability for each MSRS defined benefit retirement fund, determined in accordance with GASB Statement No. 67, less the fiduciary net position of the respective fund.

Exhibit 21 presents the components of the net pension liability of the participating employers for each MSRS defined benefit retirement fund as of June 30, 2014. This exhibit also depicts each retirement fund's net position as a percentage of the total pension liability.

Exhibit 21: Net Pension Liability of Participating Employers
As of June 30, 2014
(Dollars in thousands)

	Defined Benefit Retirement Fund				
Component of Net Pension Liability	**State Employees**	**State Patrol**	**Correctional Employees**	**Judges**	**Legislators**
Total Pension Liability	$13,120,176	$826,673	$1,353,386	$381,511	$146,499
Fiduciary Net Position	11,498,604	667,340	877,056	175,556	8,258
Employers' Net Pension Liability	$1,621,572	$159,333	$476,330	$205,955	$138,241
Fiduciary Net Position as a percentage of the Total Pension Liability	87.64%	80.73%	64.80%	46.02%	5.64%

Actuarial Methods and Assumptions

The total pension liability for each MSRS defined benefit retirement fund was determined by an actuarial valuation as of June 30, 2014, using the key actuarial assumptions shown in **Exhibit 22** on the following page, applied to all prior periods included in the measurement.

Continued on next page

Exhibit 22: Summary of Key Actuarial Methods and Assumptions

	Defined Benefit Retirement Fund				
	State Employees	State Patrol	Correctional Employees	Judges	Legislators
Actuarial Valuation Date	June 30, 2014 for all funds				
Actuarial Cost Method	Entry Age Normal for all funds				
Asset Valuation Method	Fair Value for all funds				
Long-Term Expected Rate of Return	7.90% for all funds				
Inflation	2.75% for all funds				
Salary Increases	Service related rates			2.75%	4.75%
Payroll Growth	3.50%			2.75%	Not applicable
Mortality Rates	RP-2000 generational mortality tables projected with mortality improvement scale AA. These tables are set back or set forward to match fund experience.				
Annual post-retirement benefit increases (e.g., cost of living adjustments)	2.0% through 2015; 2.5% thereafter	1.0% through 2018; 1.5% from January 1, 2019-2045; 2.5% thereafter	2.0% through 2065; 2.5% thereafter	1.75% indefinitely	2.0% through 2015; 2.5% thereafter
Retirement	Age-related rates				
Withdrawal	Select and Ultimate rates based on actual experience			None	Ultimate rates based on actual experience
Disability	Age-based table of rates based on experience				None

Actuarial assumptions are based on experience studies, generally conducted every four years for the State Employees Retirement Plan, and every six to eight years for the smaller MSRS defined benefit plans. An experience study will be completed for the State Employees Retirement Fund in May 2015. The most recent studies and the periods covered are presented in **Exhibit 23** on the following page. In addition to the experience studies listed below, a study of economic assumptions took place in the fall of 2014. This study reviewed assumptions for inflation, salary increases, payroll growth, and the long-term expected rate of return, which are central to the calculations of the net pension liability for each fund.

Exhibit 23: Experience Study Dates	
Retirement Fund	**Fiscal Years Covered**
State Employees	2004 – 2008
State Patrol	2006 – 2011
Correctional Employees	2006 – 2011
Judges	2007 – 2011

For additional actuarial assumptions used in determination of the June 30, 2014, valuation results, please refer to pages 166-168 of the *Actuarial Section* of this comprehensive annual financial report.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return used in the determination of the net pension liability is 7.9 percent. This rate assumption was selected as the result of a 2014 actuarial review of economic assumptions. The review combined the SBI's asset class target allocations and long-term rate of return expectation with return expectations from eight other investment consultants. The review also factored in information from the Social Security Trustees Report, U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns. All calculations in the review were made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

MSRS' consulting actuary, as a result of the review, recommended a reasonable range of 6.99 percent to 7.92 percent for the long-term expected rate of return on investments. Within this range MSRS selected 7.9 percent for purposes of the GASB-compliant financial reporting actuarial valuations because (1) the SBI has historically garnered higher than average rates of return, and (2) the SBI reacts quickly to market performance, shifting asset allocations through periodic rebalancing or other SBI Board-approved action to maximize returns. The MSRS Board of Directors approved the 7.9 percent long-term expected rate of return assumption at its September 18, 2014, board meeting.

Single Discount Rate

Projected benefit payments are discounted to their actuarial present values using a single discount rate. As long as assets are projected to be on hand to pay future benefits, the long-term expected rate of return is used as the discount rate. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" municipal bond rate is required in the calculation of the single discount rate.

The single discount rate reflects (1) the long-term expected rate of return on pension plan investments for the period in which assets are projected to be available to pay benefits, and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating for the remaining years.

All MSRS defined benefit funds use a long-term expected rate of return assumption of 7.9 percent, and a municipal bond rate of 4.29 percent, as published by the Federal Reserve Board in June 2014.

The projection of cash flows used to determine the single discount rates assumes that plan member and employer contributions will be made at the current statutory contribution rates.

Based on the assumptions noted above, for the State Employees and State Patrol Retirement Funds, the respective plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate is the long-term expected rate of return on pension plan investments, which was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability was 7.9 percent.

For the Correctional Employees, Judges, and Legislators Retirement Funds, the plan's fiduciary net position was projected to be insufficient to finance the projected future benefit payments of current plan members. Therefore, a single discount rate was applied, which blends the long-term expected rate of return on pension plan investments (7.9 percent) with the tax-exempt municipal bond rate, based on an index of 20-year general obligation bonds with an average AA credit rating (4.29 percent). This single discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

For the Correctional Employees Retirement Fund, the long-term expected rate of return was used to project benefit payments through 2055 and partially in 2056, and the municipal bond rate was used partially in 2056 and all of the following years, resulting in the single blended rate of 6.82 percent. For the Judges Retirement Fund, the long-term expected rate of return was used to project benefit payments through 2034 and partially in 2035, and the municipal bond rate was used partially in 2035 and all of the following years, resulting in the single blended rate of 5.78 percent. For the Legislators Retirement Fund, the long term expected rate of return was used to project benefit payments for the period 2014, and the municipal bond rate was used for the period after 2014, resulting in the single blended rate of 4.29 percent.

Continued on next page

Further detail on the calculation of the single discount rates can be found in the unaudited *Actuarial Section* of this comprehensive annual financial report.

A similar discount rate analysis was performed as of July 1, 2013. Based on a long-term expected rate of return of 7.90 percent and a municipal bond rate of 4.63 percent the State Employees Retirement Fund was projected to have assets to pay benefits through 2045, with a resulting single discount rate of 6.63 percent. The State Patrol Retirement Fund was projected to have assets to pay all benefits, thus the resulting single discount rate was the long-term expected rate of return of 7.90 percent. The Correctional Employees Retirement Fund was projected to have assets to pay all benefits through 2043, and partial benefits in 2044, with a resulting single discount rate of 6.08 percent. The Judges Retirement Fund was projected to have assets to pay all benefits through 2028 and partial benefits in 2029, with a resulting discount rate of 5.57 percent. The Legislators Retirement Fund was not projected to have assets to pay benefits in any future year, thus the resulting discount rate was the municipal bond rate of 4.63 percent.

Sensitivity Analysis

GASB Statement No. 67 requires the disclosure of the sensitivity of the net pension liability to changes in the discount rates. **Exhibit 24** presents the June 30, 2014, net pension liability for each of MSRS' defined benefit retirement funds calculated using the current single discount rates, as well as what each fund's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Exhibit 24: Sensitivity of the FY2014 Net Pension Liability to changes in the Discount Rates
(Dollars in thousands)

	With 1% Decrease		Current Discount Rate		With 1% Increase	
Retirement Fund	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability
State Employees	6.90%	$3,272,613	7.90%	$1,621,572	8.90%	$249,639
State Patrol	6.90	256,433	7.90	159,333	8.90	78,388
Correctional Employees	5.82	681,822	6.82	476,330	7.82	309,149
Judges	4.78	248,832	5.78	205,955	6.78	169,607
Legislators	3.29	155,270	4.29	138,241	5.29	124,014

5. Significant Effects of Subsequent Events

No events occurred subsequent to June 30, 2014, that would have had a significant impact on the amounts reported in the financial statements.

6. Required Supplementary Information

Required supplementary information for each defined benefit retirement fund, listed in the bullets below, is presented in the pages that follow these notes.

- *Schedule of Changes in the Employers' Net Pension Liability and Related Ratios* (and notes thereto)
- *Schedules of Employer Contributions* (and notes thereto)
- *Schedule of Investment Returns*

Other supplementary information presented in the succeeding sections of this comprehensive annual financial report is for the benefit of financial statement users and is not a required part of the basic financial statements.

This page is intentionally left blank.

Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

For the Year Ended June 30, 2014*

(Dollars in thousands)

	State Employees Retirement Fund
Total Pension Liability	
Service Cost	$256,155
Interest on the Total Pension Liability	922,181
Changes of Benefit Terms	0
Differences between Expected and Actual Experience	(44,023)
Changes of Assumptions	(1,477,308)
Benefit Payments, Including Refunds of Member Contributions in the Measurement of the total Pension Liability	(635,928)
Net Change in Total Pension Liability	$(978,923)
Total Pension Liability - Beginning	$14,099,099
Total Pension Liability - Ending	**$13,120,176**
Plan Fiduciary Net Position	
Contributions - Employer	$128,037
Contributions - Plan Member	131,033
Contributions - State General Fund Appropriation	0
Net Investment Income	1,829,621
Benefit Payments, Including Refunds of Member Contributions	(635,928)
Administrative Expense	(8,125)
Other	20,528
Net Change in Plan Fiduciary Position	$1,465,166
Plan Fiduciary Net Position - Beginning, as Restated	10,033,438
Plan Fiduciary Net Position - Ending	**$11,498,604**
Net Pension Liability - Ending	**$1,621,572**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.64%
Covered-Employee Payroll	$2,620,660
Net Pension Liability as a Percentage of Covered-Employee Payroll	61.88%

Notes to Schedule

Assumption Changes:

Changes in the discount rate between July 1, 2013, and June 30, 2014, were:

- State Employees: 6.63% (2013) changed to 7.90% (2014)
- State Patrol: There was no change in this assumption.
- Correctional Employees: 6.08% (2013) changed to 6.82% (2014)
- Judges: 5.57% (2013) changed to 5.78% (2014)
- Legislators: 4.63% (2013) changed to 4.29% (2014)

State Patrol Retirement Fund	Correctional Employees Retirement Fund	Judges Retirement Fund	Legislators Retirement Fund
$14,514	$54,443	$12,075	$398
60,183	85,702	20,535	6,177
0	0	0	0
(5,771)	4,103	5,080	(237)
30,058	(147,067)	(8,416)	11,201
(53,722)	(52,289)	(20,802)	(8,486)
$45,262	$(55,108)	$8,472	$9,053
$781,411	$1,408,494	$373,039	$137,446
$826,673	**$1,353,386**	**$381,511**	**$146,499**
$12,894**	$26,468	$9,426	$0
7,930	18,855	3,578	101
0	0	0	3,436
107,187	137,523	28,011	1,750
(53,722)	(52,289)	(20,802)	(8,486)
(150)	(657)	(55)	(36)
0	(1)	0	0
$74,139	$129,899	$20,158	$(3,235)
593,201	747,157	155,398	11,493
$667,340	**$877,056**	**$175,556**	**$8,258**
$159,333	**$476,330**	**$205,955**	**$138,241**
80.73%	64.80%	46.02%	5.64%
$63,952	$219,244	$41,893	$1,122
249.14%	217.26%	491.62%	12,320.94%

Changes in the Post-Retirement Benefit Increase between July 1, 2013, and June 30, 2014, were:

- State Employees and Legislators: 2.0% indefinitely (2013) changed to 2.0% through 2015, then 2.5% beginning January 1, 2016 (2014)
- State Patrol: 1.0% indefinitely (2013) changed to 1.0% through 2018, then 1.5% beginning January 1, 2019 through 2045, then 2.5% beginning January 1, 2046 (2014)
- Correctional Employees: 2.0% indefinitely (2013) changed to 2.0% through 2065, then 2.5% beginning January 1, 2066 (2014)
- Judges: There was no change in this assumption.

Additional Notes

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** Includes supplemental state aid of $1,000

Required Supplementary Information
Schedule of Employer Contributions

For the Last Ten Fiscal Years
(Dollars in thousands)

State Employees Retirement Fund

Fiscal Year Ended June 30	Actuarially Determined Contribution (1) a	Contributions Recognized by Plan in Relation to the Actuarially Determined Contribution b	Contribution Deficiency (Sufficiency) c=a-b	Covered-Employee Payroll d	Contributions as a Percentage of Covered-Employee Payroll e=b/d
2005	$99,051	$80,312	$18,739	$1,952,323	4.11%
2006	127,371	82,645	44,726	2,016,588	4.10
2007	122,389	86,492	35,897	2,095,310	4.13
2008	166,088	96,746	69,342	2,256,528	4.29
2009	179,759	107,211	72,548	2,329,499	4.60
2010	230,439	113,716	116,723	2,327,398	4.89
2011	146,191	118,563	27,628	2,440,580	4.86
2012	142,740	115,159	27,581	2,367,160 (2)	4.86
2013	181,756	121,673	60,083	2,483,000 (2)	4.90
2014	195,239	128,037	67,202	2,620,660 (2)	4.89

Notes to Schedule

(1) The Actuarially Determined Contribution is calculated as of July 1 each year using the actuarial methods and assumptions listed below. For additional actuarial assumptions, please refer to pages 126-140 of the *Actuarial Section* of this report.

Valuation Date:	June 30, 2014
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed period
Remaining Amortization Period:	26 years
Asset Valuation Method:	Market value smoothed over 5 years
Investment Rate of Return:	8% through June 30, 2017; 8.5% thereafter
Projected Salary Increases:	Service-related rates ranging from 10.5% (one year of service) to 3.5% (17 or more years of service), including inflation
Inflation Rate:	3.00%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2010 valuation pursuant to an experience study of the period 2004-2008.
Healthy Post-Retirement Mortality:	RP-2000 annuitant generational mortality tables, projected with mortality improvement scale AA with a white collar adjustment
Post-Retirement Benefit Increases:	2.0% per year through 2015, 2.5% beginning January 1, 2016

(2) Assume equal to actual member contributions divided by employee contribution rate

State Patrol Retirement Fund

Fiscal Year Ended June 30	Actuarially Determined Contribution (1) a	Contributions Recognized by Plan in Relation to the Actuarially Determined Contribution b	Contribution Deficiency (Sufficiency) c=a-b	Covered-Employee Payroll d	Contributions as a Percentage of Covered-Employee Payroll e=b/d
2005	$5,491	$6,670	$(1,179)	$55,142	12.10%
2006	6,741	7,055	(314)	57,765	12.21
2007	11,427	7,461	3,966	61,498	12.13
2008	12,355	8,279	4,076	60,029	13.79
2009	14,999	9,178	5,821	61,511	14.92
2010	17,410	10,104	7,306	63,250	15.97
2011	14,826	9,873	4,953	63,250	15.61
2012	14,912	11,620	3,292	62,524 (2)	18.58
2013	18,711	11,482	7,229	62,121 (2)	18.48
2014	18,444	12,894 (3)	5,550	63,952 (2)	20.16

Notes to Schedule

(1) The Actuarially Determined Contribution is calculated as of July 1 each year using the actuarial methods and assumptions listed below. For additional actuarial assumptions, please refer to pages 126-140 of the *Actuarial Section* of this report.

Valuation Date:	June 30, 2014
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed period
Remaining Amortization Period:	23 years
Asset Valuation Method:	Market value smoothed over 5 years
Investment Rate of Return:	8% through June 30, 2017; 8.5% thereafter
Projected Salary Increases:	Service-related rates ranging from 8% (one year of service) to 4% (21 or more years of service), including inflation
Inflation Rate:	3.00%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2011.
Healthy Post-Retirement Mortality:	RP-2000 annuitant generational mortality tables, projected with mortality improvement scale AA with a white collar adjustment, set back 2 years for males and set forward 1 year for females
Post-Retirement Benefit Increases:	1.0% per year through 2018, 1.5% from January 1, 2019 through 2045; 2.5% beginning January 1, 2046.

(2) Assume equal to actual member contributions divided by employee contribution rate

(3) Includes supplemental state aid of $1,000

Required Supplementary Information
Schedule of Employer Contributions

For the Last Ten Fiscal Years
(Dollars in thousands)

Correctional Employees Retirement Fund

Fiscal Year Ended June 30	Actuarially Determined Contribution (1) a	Contributions Recognized by Plan in Relation to the Actuarially Determined Contribution b	Contribution Deficiency (Sufficiency) c=a-b	Covered-Employee Payroll d	Contributions as a Percentage of Covered-Employee Payroll e=b/d
2005	$15,189	$11,016	$4,173	$132,335	8.32%
2006	16,871	12,152	4,719	145,879	8.33
2007	29,115	13,927	15,188	167,727	8.30
2008	34,734	18,623	16,111	194,391	9.58
2009	31,738	20,126	11,612	193,445	10.40
2010	32,557	21,988	10,569	192,450	11.43
2011	33,274	23,892	9,382	197,702	12.08
2012	34,806	24,188	10,618	200,035 (2)	12.09
2013	34,060	24,632	9,428	204,198 (2)	12.06
2014	38,390	26,468	11,922	219,244 (2)	12.07

Notes to Schedule

(1) The Actuarially Determined Contribution is calculated as of July 1 each year using the actuarial methods and assumptions listed below. For additional actuarial assumptions, please refer to pages 126-140 of the *Actuarial Section* of this report.

Valuation Date:	June 30, 2014
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed period
Remaining Amortization Period:	24 years
Asset Valuation Method:	Market value smoothed over 5 years
Investment Rate of Return:	8% through June 30, 2017; 8.5% thereafter
Projected Salary Increases:	Service-related rates ranging from 6% (one year of service) to 3.75% (19 or more years of service), including inflation
Inflation Rate:	3.00%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2011.
Healthy Post-Retirement Mortality:	RP-2000 annuitant generational mortality tables, projected with mortality improvement scale AA with a white collar adjustment set forward 1 year for males and set back 1 year for females
Post-Retirement Benefit Increases:	2.0% per year through 2033, 2.5% beginning January 1, 2034

(2) Assume equal to actual member contributions divided by employee contribution rate

Judges Retirement Fund

Fiscal Year Ended June 30	Actuarially Determined Contribution (1) a	Contributions Recognized by Plan in Relation to the Actuarially Determined Contribution b	Contribution Deficiency (Sufficiency) c=a-b	Covered-Employee Payroll d	Contributions as a Percentage of Covered-Employee Payroll e=b/d
2005	$7,912	$7,225	$687	$35,941	20.10%
2006	7,779	7,336	443	36,529	20.08
2007	8,331	7,572	759	36,195	20.92
2008	10,045	7,936	2,109	38,296	20.72
2009	8,985	8,219	766	39,444	20.84
2010	9,400	8,283	1,117	39,291	21.08
2011	9,804	8,297	1,507	40,473	20.50
2012	9,879	7,922	1,957	38,644 (2)	20.50
2013	13,524	8,177	5,347	39,888 (2)	20.50
2014	14,193	9,426	4,767	41,893 (2)	22.50

Notes to Schedule

(1) The Actuarially Determined Contribution is calculated as of July 1 each year using the actuarial methods and assumptions listed below. For additional actuarial assumptions, please refer to pages 126-140 of the *Actuarial Section* of this report.

Valuation Date:	June 30, 2014
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed period
Remaining Amortization Period:	25 years
Asset Valuation Method:	Market value smoothed over 5 years
Investment Rate of Return:	8% through June 30, 2017; 8.5% thereafter
Projected Salary Increases:	3.00%
Inflation Rate:	3.00%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2007-2011.
Healthy Post-Retirement Mortality:	RP-2000 annuitant generational mortality tables, projected with mortality improvement scale AA with a white collar adjustment, set back 1 year for males and set back 2 years for females
Post-Retirement Benefit Increases:	1.75% indefinitely

(2) Assume equal to actual employer contributions divided by employer contribution rate

Required Supplementary Information
Schedule of Employer Contributions

For the Last Ten Fiscal Years
(Dollars in thousands)

Legislators Retirement Fund*

Fiscal Year Ended June 30	Actuarially Determined Contribution (1) a	Contributions Recognized by Plan in Relation to the Actuarially Determined Contribution (2) b	Contribution Deficiency (Sufficiency) c=a-b	Covered-Employee Payroll d	Contributions as a Percentage of Covered-Employee Payroll e=b/d
2005	$2,773	$1,822	$951	$3,014	60.45%
2006	2,995	5,684	(2,689)	2,894	196.41
2007	2,408	1,772	636	2,380	74.45
2008	3,230	2,217	1,013	1,993	111.24
2009	4,526	1,269	3,257	1,963	64.65
2010	7,582	1,975	5,607	1,877	105.22
2011	7,520	2,805	4,715	1,774	158.12
2012	18,079	3,935	14,144	1,378 (3)	285.56
2013	16,411	3,399	13,012	1,233 (3)	275.67
2014	22,157	3,436	18,721	1,122 (3)	306.24

Notes to Schedule

(1) The Actuarially Determined Contribution is calculated as of July 1 each year using the actuarial methods and assumptions listed below. For additional actuarial assumptions, please refer to pages 126-140 of the *Actuarial Section* of this report.

Valuation Date:	June 30, 2014
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level dollar, closed period
Remaining Amortization Period:	12 years
Asset Valuation Method:	Market value of assets
Investment Rate of Return:	0.0%
Projected Salary Increases:	5.0% including inflation
Inflation Rate:	3.0%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study.
Mortality Rates:	RP-2000 annuitant generational mortality tables, projected with mortality improvement scale AA with a white collar adjustment
Benefit Increases Post Retirement:	2.0% per year through 2015, 2.5% thereafter, based on State Employees Retirement Fund results

(2) Contributions to the Legislators Retirement Fund include appropriations from the State's General Fund. The state of Minnesota is the employer for this Retirement Fund.

(3) Assume equal to actual member contributions divided by employee contribution rate.

* Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for cost-savings purposes. Only the 2014 figures in the schedule above represent the combined totals for both funds.

Elective State Officers Retirement Fund*

Fiscal Year Ended June 30	Actuarially Determined Contribution (1) a	Contributions Recognized by Plan in Relation to the Actuarially Determined Contribution b	Contribution Deficiency (Sufficiency) c=a-b	Covered-Employee Payroll d	Contributions as a Percentage of Covered-Employee Payroll e=b/d
2005	$437	$395	$42	$0	N/A
2006	465	417	48	0	N/A
2007	477	427	50	0	N/A
2008	506	435	71	0	N/A
2009	558	442	116	0	N/A
2010	601	453	148	0	N/A
2011	644	460	184	0	N/A
2012	1,269	466	803	0	N/A
2013	991	470	521	0	N/A

Notes to Schedule

(1) The Actuarially Determined Contribution is calculated as of July 1 each year using the actuarial methods and assumptions listed below. For additional actuarial assumptions, please refer to pages 126-140 of the *Actuarial Section* of this report.

* Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.

Required Supplementary Information

Schedule of Investment Returns

For the Year Ended June 30, 2014**

Annual Money-Weighted Rate of Return (Net of Investment Expense)

Fiscal Year	State Employees	State Patrol	Correctional Employees	Judges	Legislators
2014	18.674%	18.688%	18.623%	18.658%	19.302%

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Administrative Expenses

Supplementary Information
For the Fiscal Year Ended June 30, 2014
(Dollars in thousands)

Personnel Services	
Staff Salaries	$6,000
Health Insurance	1,346
Social Security and Medicare	483
Retirement	341
Other Personnel Services	50
Total	**$8,220**
Communication-Related Expenses	
Printing	$289
Postage	264
Telephone	204
Subscriptions and Memberships	19
Total	**$776**
Office Building and Maintenance Expenses	
Building Services	$388
Building and Building Improvement Depreciation	217
Office Space Rentals	152
Bond Interest and Issuance Expense	89
Other Building and Maintenance Expenses	9
Total	**$855**
Professional Services	
Data Processing	$1,116
Application Development Testing	463
Application Development Support	242
Actuarial	217
Remodeling Services	190
Succession Planning	101
Network System Development	63
Disability Examinations	58
Board Election	50
Legal Counsel	47
Penetration Testing	43
Computer Support	38
Design Services	30
Public Relations	21
Video Productions	19
Web Redesign	15
Medical Evaluations	13
Other Professional Services	286
Total	**$3,012**

Miscellaneous	
Equipment Depreciation and Software Amortization	$357
Computer Components and Supplies	284
Statewide Indirect Costs	276
Equipment Repairs and Maintenance Expenses	171
Travel	153
Training and Licenses	127
Office Supplies	98
State and Local Sales Taxes	58
Other Rentals	7
Department Head and Board Member Expenses	4
Other Expenses	2
Total	**$1,537**
Total Administrative Expenses	**$14,400**

Allocation of Administrative Expenses by Fund

State Employees	$8,125
State Patrol	150
Correctional Employees	657
Judges	55
Legislators	36
Unclassified Employees	140
Health Care Savings	1,838
Minnesota Deferred Compensation	3,372
Hennepin County Supplemental	27
Total Administrative Expenses	**$14,400**

Summary Schedule of Commissions and Payments to Consultants

Supplementary Information
For the Fiscal Year Ended June 30, 2014
(Dollars in thousands)

Individual or Firm Name	Services Received	Fees Paid
CSC Consulting	Application Development Support	$7,085
Gabriel Roeder Smith and Company	Actuarial Services	217
A & L Construction, Inc.	Remodeling Services	163
Corporate Programming, USA	Application Development Support	157
Iris Consulting	Application Development Support	145
Aeritae Consulting Group	Network System Development	63
Tech-Pro	Technical Writing Services	57
CliftonLarsonAllen	Computer Penetration Testing	43
Enclipse Corp	Technical Writing Services	43
Examworks	Medical Evaluations	27
Perficient	Web Redesign	15
Insight Public Sector	Computer Support Services	10
Stubbe & Associates	Medical Evaluations	6
BDH & Young	Remodeling Services	3
State of Minnesota		
Office of Legislative Auditor	Financial Audit	161
MINNCOR Industries	Design Services	30
Attorney General	Legal Advice	26
Department of Health	Medical Evaluations	24
Office of Administrative Hearings	Legal Advice	19
Minnesota State Colleges and Universities (Century College)	Video Production Services	19

Schedule of Investment Expenses*

Supplementary Information
For the Fiscal Year Ended June 30, 2014
(Dollars in thousands)

	State Employees	State Patrol	Correctional Employees	Judges	Legislators	Defined Contribution Funds	Totals
External Managers							
Domestic Equity	$5,673	$329	$432	$87	$4	$240	$6,765
International Equity	4,964	288	378	76	4	206	5,916
Semi-Passive	2,000	116	152	31	2	85	2,386
Passive Equity	165	10	12	2	0	31	220
Fixed Income	0	0	0	0	0	3,654	3,654
Domestic Bond	2,349	137	179	36	1	58	2,760
Other Investment Expenses							
MN State Board of Investment	678	40	51	10	1	57	837
Pension Consulting Alliance	7	0	1	0	0	0	8
Callan Investment	87	5	7	1	0	0	100
QED Consulting	63	4	5	1	0	0	73
Total Investment Expenses	**$15,986**	**$929**	**$1,217**	**$244**	**$12**	**$4,331**	**$22,719**

* 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 pro rata portions of the expenses charged to the investment pools in which MSRS participates.

GASB Statements No. 67 and No. 68 Supplemental Employer Schedules

The schedules that follow on pages 103-107 are provided for financial reporting purposes for the employer units of the defined benefit plans of MSRS.

Schedule of Employer Allocations

As of the Measurement Date of June 30, 2014

Unaudited

State Employees Retirement Fund

Employer	2014 Employer Contributions	Employer Allocation Percentage
State of Minnesota	$94,806,213	74.073%
State of Minnesota Component Units:		
University of Minnesota	20,518,164	16.031
Metropolitan Council	11,548,901	9.023
Minnesota Sports Facilities Authority	65,171	0.051
Total State of Minnesota and its Component Units	**$126,938,449**	**99.178%**
Minnesota Historical Society	272,476	0.213
Minnesota State Fair	264,502	0.207
Gillette Children's Hospital	207,242	0.162
Minnesota Association of Professional Employees (MAPE)	74,927	0.059
Minnesota Safety Council	61,786	0.048
Minnesota Crop Improvement Association	30,078	0.024
Amalgamated Transit Union	23,459	0.018
American Federation of State, County and Municipal Employees (AFSCME)	14,446	0.011
Middle Management Association (MMA)	14,402	0.011
Minnesota State Horticultural Society	14,009	0.011
Veolia Environment North America	54,637	0.043
Kandiyohi County	6,881	0.005
Minnesota Government Engineers Council (MGEC)	5,636	0.004
Enterprise Minnesota	4,935	0.004
Agricultural Utilization Research Institute	2,290	0.002
Total	**$127,990,155**	**100.000%**

Correctional Employees Retirement Fund

Employer	2014 Employer Contributions	Employer Allocation Percentage
State of Minnesota	$26,415,397	99.802%
AFSCME	46,615	0.176
MAPE	5,864	0.022
Total	**$26,467,876**	**100.000%**

Employers listed above are defined in Minnesota Statutes.

Schedule of Pension Amounts by Employer

As of and For the Year Ended June 30, 2014
(Dollars in thousands)
Unaudited

State Employees Retirement Fund

Employer	Employer Allocation Percentage	Net Pension Liability	Deferred Outflows of Resources: Differences Between Expected and Actual Experience*	Deferred Outflows of Resources: Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	Deferred Outflows of Resources: Changes of Assumptions	Deferred Outflows of Resources: Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions
State of Minnesota	74.073%	$1,201,147	$0	$0	$0	$24,429
State of Minnesota Component Units:						
University of Minnesota	16.031	259,954	0	0	0	0
Metropolitan Council	9.023	146,315	0	0	0	10,604
Minnesota Sports Facilities Authority	0.051	827	0	0	0	97
Total State of Minnesota and its Component Units	**99.178%**	**$1,608,243**	**$0**	**$0**	**$0**	**$35,130**
Minnesota Historical Society	0.213	3,454	0	0	0	0
Minnesota State Fair	0.207	3,357	0	0	0	131
Gillette Children's Hospital	0.162	2,627	0	0	0	0
MAPE	0.059	957	0	0	0	1,594
Minnesota Safety Council	0.048	778	0	0	0	0
Minnesota Crop Improvement Association	0.024	389	0	0	0	0
Amalgamated Transit Union	0.018	292	0	0	0	0
AFSCME	0.011	178	0	0	0	0
MMA	0.011	178	0	0	0	32
Minnesota State Horticultural Society	0.011	178	0	0	0	0
Veolia Environment North America	0.043	697	0	0	0	1,398
Kandiyohi County	0.005	81	0	0	0	0
MGEC	0.004	65	0	0	0	0
Enterprise Minnesota	0.004	65	0	0	0	33
Agricultural Utilization Research Institute	0.002	33	0	0	0	0
Foster Wheeler Twin Cities**	0.000	0	0	0	0	45
Total	**100.000%**	**$1,621,572**	**$0**	**$0**	**$0**	**$38,363**

* *In the measurement of the Total Pension Liability*
** *Foster Wheeler was a contributing employer during the first 11 months of fiscal year 2014. This employer was not allocated a percentage of Net Pension Liability because it was not active at fiscal year end.*

	Deferred Inflows of Resources					Pension Expense (Income)		
Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience*	Changes of Assumptions	Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
$24,429	$26,087	$875,429	$623,029	$0	$1,524,545	$(191,025)	$6,108	$(184,917)
0	5,646	189,462	134,837	35,036	364,981	(41,342)	(8,758)	(50,100)
10,604	3,178	106,638	75,892	3	185,711	(23,269)	2,650	(20,619)
97	18	603	429	0	1,050	(132)	24	(108)
$35,130	**$34,929**	**$1,172,132**	**$834,187**	**$35,039**	**$2,076,287**	**$(255,768)**	**$24**	**$(255,744)**
0	75	2,517	1,792	683	5,067	(549)	(171)	(720)
131	73	2,446	1,741	0	4,260	(534)	32	(502)
0	57	1,915	1,363	716	4,051	(418)	(179)	(597)
1,594	21	697	496	0	1,214	(152)	398	246
0	17	567	404	65	1,053	(124)	(16)	(140)
0	8	284	202	1	495	(62)	0	(62)
0	6	213	151	65	435	(47)	(16)	(63)
0	4	130	92	0	226	(28)	0	(28)
32	4	130	92	0	226	(28)	8	(20)
0	4	130	92	0	226	(28)	0	(28)
1,398	15	508	362	38	923	(111)	340	229
0	2	59	42	0	103	(13)	0	(13)
0	1	47	34	0	82	(10)	0	(10)
33	1	47	34	0	82	(10)	8	(2)
0	1	24	17	0	42	(5)	0	(5)
45	0	0	0	1,756	1,756	0	(428)	(428)
$38,363	**$35,218**	**$1,181,846**	**$841,101**	**$38,363**	**$2,096,528**	**$(257,887)**	**$0**	**$(257,887)**

Refer to page 90-91 of Required Supplementary Information *for details of actuarial assumption changes.*

Schedule of Pension Amounts by Employer

As of and For the Year Ended June 30, 2014
(Dollars in thousands)
Unaudited

			Deferred Outflows of Resources			
Employer	**Employer Allocation Percentage**	**Net Pension Liability**	**Differences Between Expected and Actual Experience***	**Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments**	**Changes of Assumptions**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions**
State Patrol Retirement Fund						
State of Minnesota	**100%**	**$159,333**	**$0**	**$0**	**$25,048**	**$0**
Correctional Employees Retirement Fund						
State of Minnesota	99.802%	$475,387	$3,412	$0	$0	$4
AFSCME	0.176	838	6	0	0	6
MAPE	0.022	105	1	0	0	121
Total	**100.000%**	**$476,330**	**$3,419**	**$0**	**$0**	**$131**
Judges Retirement Fund						
State of Minnesota	**100%**	**$205,955**	**$4,064**	**$0**	**$0**	**$0**
Legislators Retirement Fund						
State of Minnesota	**100%**	**$138,241**	**$0**	**$0**	**$0**	**$0**

** In the measurement of the Total Pension Liability*

Refer to page 90-91 of Required Supplementary Information *for details of actuarial assumption changes.*

	Deferred Inflows of Resources					Pension Expense (Income)		
Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience*	Changes of Assumptions	Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
$25,048	**$4,809**	**$0**	**$49,304**	**$0**	**$54,113**	**$13,082**	**$0**	**$13,082**
$3,416	$0	$122,313	$62,914	$127	$185,354	$23,590	$(24)	$23,566
12	0	216	111	0	327	42	1	43
122	0	27	14	4	45	5	23	28
$3,550	**$0**	**$122,556**	**$63,039**	**$131**	**$185,726**	**$23,637**	**$0**	**$23,637**
$4,064	**$0**	**$6,733**	**$12,837**	**$0**	**$19,570**	**$13,246**	**$0**	**$13,246**
$0	**$0**	**$0**	**$831**	**$0**	**$831**	**$16,555**	**$0**	**$16,555**

This page is intentionally left blank.

Investment Section

MSRS 2014 Comprehensive Annual Financial Report

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

Mansco Perry

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

An Equal Opportunity Employer

INVESTMENT AUTHORITY

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

INVESTMENT POLICY

Investment policy states 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 fund.

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 Minnesota 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 and ensure that sufficient funds are available to finance promised benefits at the time of retirement. The 2012 legislature lowered the actuarial return assumption from 8.5 percent to 8.0 percent annually for the period July 1, 2012 through June 30, 2017.

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%

Based on values on June 30, 2014, the Combined Funds returned 6.6 percentage points above the CPI over the last 20 years and returned 0.3 percentage point above the composite index over the past 10 years. Investment returns ranked in the 6th percentile over the past five years and in the 14th percentile over the past 10 years, compared to similar funds in the Trust Universe Comparison Service.

INVESTMENT PRESENTATION

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

Respectfully submitted,

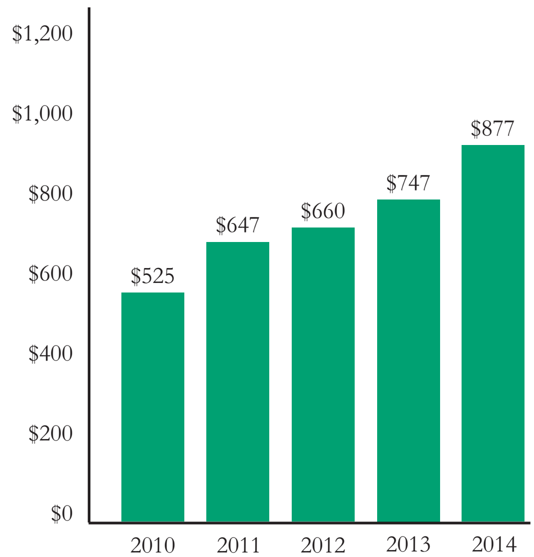
Mansco Perry III
Executive Director
Minnesota State Board of Investment

Fair Value of Net Assets

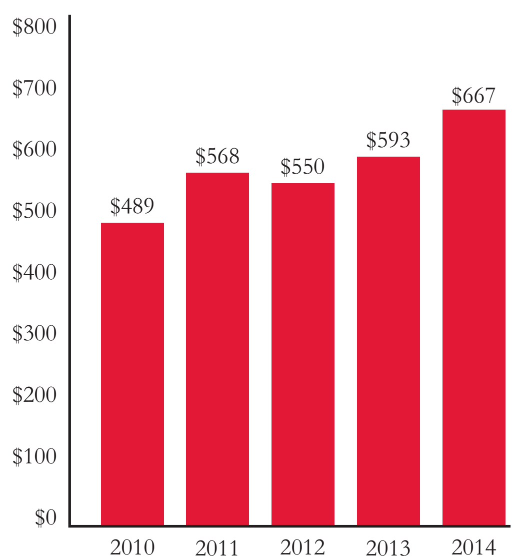
Four Largest MSRS Defined Benefit Retirement Funds
As of June 30, 2014
(Dollars in millions)

State Employees Retirement Fund

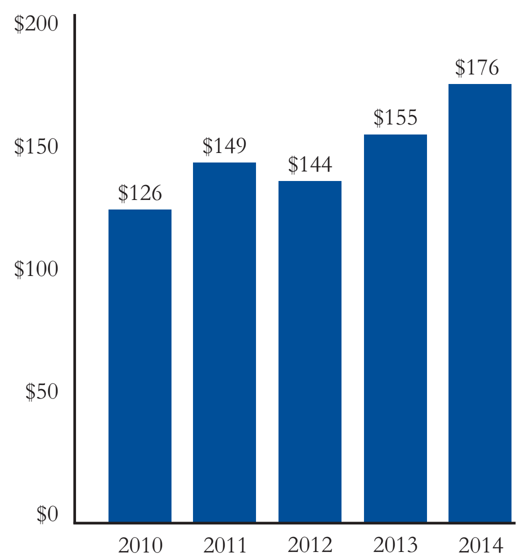
Correctional Employees Retirement Fund



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) FY 2014	Three-Year	Five-Year	Ten-Year
Domestic Stock Pool	25.9%	16.5%	19.5%	8.2%
Russell 3000 Index	25.2	16.5	19.3	8.2
Bond Pool	5.0%	4.5%	6.6%	5.3%
Barclays Capital Aggregate Bond Index	4.4	3.7	4.9	4.9
International Stock Pool	21.4%	6.3%	11.7%	8.0%
MSCI ACWI Free ex U.S. (Net)	21.7	5.7	11.1	7.8
Alternative Investments	18.9%	13.2%	14.7%	15.5%
Inflation	2.1	1.8	2.0	2.2
(Note: This is the target rate of return; there is no comparable index available.)				
Real Estate Investments Pool (Equity emphasis)	18.0%	12.0%	5.9%	7.4%
Inflation +5%	7.1	6.8	7.0	7.2
(Note: This is the target rate of return over the life of the investment; there is no comparable index available.)				
Private Equity Investments Pool (Equity emphasis)	20.3%	13.6%	17.6%	16.2%
Inflation +10%	12.1	11.8	12.0	12.2
(Note: This is the target rate of return over the life of the investment; there is no comparable index available.)				
Resource Investments Pool (Equity emphasis)	11.7%	10.7%	14.5%	27.4%
Inflation +5%	7.1	6.8	7.0	7.2
(Note: This is the target rate of return over the life of the investment; there is no comparable index available.)				
Yield Oriented Investments Pool (Debt emphasis)	22.1%	16.5%	14.2%	17.5%
Inflation +5.5%	7.6	7.3	7.5	7.7
(Note: This is the target rate of return over the life of the investment; there is no comparable index available.)				

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

Asset Allocation

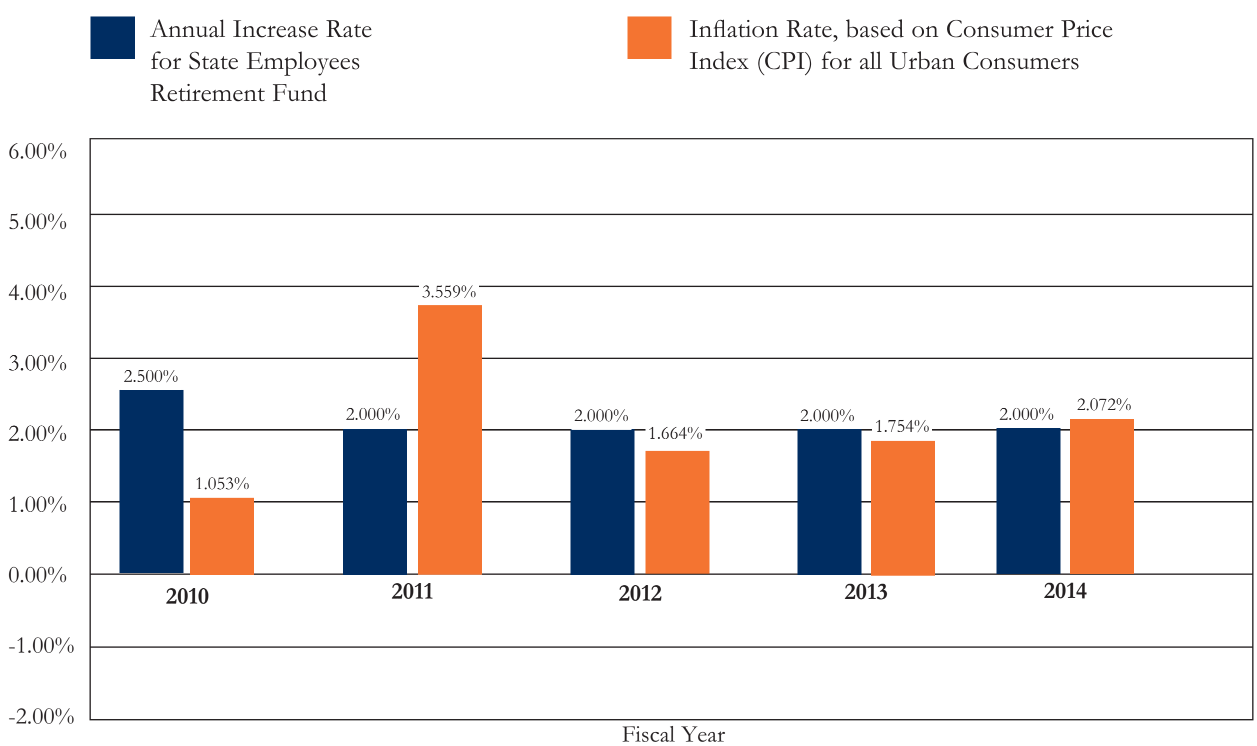
Asset allocation can have a significant effect on investment returns. To achieve the best results, investment allocations are periodically reviewed and adjusted to reflect changing market conditions and revised investment objectives.

	Combined Funds	
Investment Type	Actual Asset Mix 06/30/2014	Long-Term Policy Target
Domestic Stocks	45.8%	45.0%
International Stocks	15.6	15.0
Bonds	23.4	18.0
Alternative Investments*	12.6	20.0
Cash	2.6	2.0
Totals	100.0%	100.0%

*Alternative investments are real estate, venture capital and resource funds. Uninvested allocations are held in bonds.

Investment Results
Benefit Increases vs. Inflation (Last Five Years)

Annual post-retirement benefit increases awarded to MSRS retirees have been greater than inflation during three of the past five years: 2010, 2012, and 2013. Benefit increases and inflation are measured as of June 30. Benefit increases are effective January 1 of the following year.



Please note: As a sustainability measure, post-retirement benefit increases are set at 2% for all defined benefit plans, except State Patrol Retirement Fund, which is set at 1%, and Judges Retirement Fund, which is set at 1.75%. These limits will remain in effect until designated funding thresholds are achieved.

Investment Results by Investment Pool

Investment Performance

Funds	Rates of Return (Annualized) FY2014	Three-Year	Five-Year	Ten-Year
Combined Funds	18.6%	11.5%	14.5%	8.4%
Combined Composite Market Index	18.0	11.1	13.7	8.1

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

Investment Type	Market Indicator
Domestic Stocks	Russell 3000
International Stocks	Morgan Stanley Capital International All Country World Index Ex-U.S.
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, 2014
(Dollars in thousands)

Composite of Top Ten Equity Holdings (by Fair Value)

Company	Fair Value	Percent of Portfolio
Apple, Inc.	$131,215	0.83%
Exxon Mobil Corporation	96,257	0.61
Johnson & Johnson	85,186	0.54
Microsoft Corporation	82,570	0.52
Wells Fargo & Company	74,939	0.47
Pfizer, Inc.	62,933	0.40
Chevron Corporation	61,628	0.39
JP Morgan Chase & Co.	60,756	0.39
Verizon Communications Inc.	59,427	0.38
General Electric Company	54,733	0.35

Composite of Top Ten Bond Holdings (by Fair Value)

Security	Coupon Rate	Maturity Date	Fair Value	Percent of Portfolio
U.S. Treasury Bond	0.875%	06/15/2017	$59,427	0.38%
FNMA TBA Jul 30Yr Single Family	4.000	12/01/2099	46,160	0.29
FNMA TBA 30Yr Single Family	3.500	12/01/2099	38,963	0.25
U.S. Treasury Bond	2.000	05/31/2021	36,222	0.23
U.S. Treasury Bond	1.500	01/31/2019	34,273	0.22
U.S. Treasury Bond	0.500	06/30/2016	30,999	0.20
FNMA TBA Jul 15Yr Single Family	3.000	12/01/2099	27,146	0.17
U.S. Treasury Bond	0.250	10/31/2015	26,797	0.17
U.S. Treasury Bond	3.375	05/15/2044	25,412	0.16
U.S. Treasury Bond	3.625	02/15/2044	24,602	0.16

Legend: FNMA = Federal National Mortgage Association TBA = To be Announced

MSRS assets are commingled in various pooled investment accounts administered by the Minnesota State Board of Investment (SBI). MSRS does not own specific values of the underlying assets. The percentages and fair value shown are those attributable to the MSRS funds based on MSRS's participation in the pools. Information on the SBI investment activity and a listing of specific investments held by the various investment pools is available from the SBI.

Investment Results by Defined Contribution Investment Options

	Rates of Return (Annualized)		
	FY 2014	Three-Year	Five-Year
Supplemental Investment Fund Accounts			
Income Share Account	16.7%	11.7%	13.9%
Growth Share Account	26.1	16.5	19.6
Common Stock Index Account	25.2	16.4	19.4
International Share Account	21.4	6.3	11.7
Bond Market Account	5.0	4.5	6.6
Money Market Account	0.1	0.2	0.2
Fixed Interest Account	1.9	2.5	3.1
Deferred Compensation Plan Accounts			
Large Cap Equity			
Vanguard Index Institutional Plus (passive)	24.6	16.6	18.8
Janus Twenty (active)	26.3	14.8	14.3
Mid Cap Equity			
Vanguard Mid Cap Index (passive)	26.3	15.4	22.0
Small Cap Equity			
T. Rowe Price Small Cap (active)	24.0	15.9	23.2
International Equity			
Fidelity Diversified International (active)	23.0	8.7	12.1
Vanguard Total International Stock Index (passive)	22.5	5.9	N/A
Balanced			
Vanguard Balanced Index (passive)	16.4	11.4	13.7
Fixed Income			
Dodge & Cox Income Fund (active)	6.6	4.9	6.6
Vanguard Total Bond Market Index (passive)	4.3	3.6	4.8
Money Market Account	0.1	0.2	0.2
Fixed Interest Account	1.9	2.5	3.1
MN Target Retirement Accounts			
Income Fund	9.8	6.7	8.8
2015 Fund	10.6	8.0	10.7
2020 Fund	13.9	10.2	12.8
2025 Fund	16.6	11.5	14.2
2030 Fund	18.3	12.2	15.0
2035 Fund	19.6	12.6	15.6
2040 Fund	20.7	12.5	15.9
2045 Fund	21.8	12.6	16.1
2050 Fund	22.0	12.7	16.1
2055 Fund	22.0	12.6	16.1
2060 Fund	22.0	12.7	N/A

Schedule of Investment Manager Fees, Commissions and Other Investment Expenses

For the Fiscal Year Ended June 30, 2014
(Dollars in thousands)

SBI and Consultants

MN State Board of Investment	$837
Pension Consulting Alliance	8
Callan Investment	100
QED Financial Systems Fees	73
Total	**$1,018**

Outside Money Managers

Domestic Equity - Active Managers

Barrow, Hanley, Mewhinney & Strauss, Inc.	$315
Earnest Partners, LLC	223
INTECH Investment Management, LLC	354
Goldman Sachs Asset Management	436
Hotchkis & Wiley Capital Management	608
Jacobs Levy Equity Management, Inc.	405
Knelman Asset Management, LLC	43
LSV Asset Management	492
Martingale Asset Management	299
McKinley Capital Management	478
Next Century Growth Investors, LCC	636
Peregrine Capital Management	541
Sands Capital Management, Inc.	637
Systematic Financial Management, L.P.	355
Turner Investment Partners	267
Winslow Capital Management, Inc.	213
Zevenbergen Capital, Inc.	463
Total	**$6,765**

Domestic Equity - Semi Passive Managers

BlackRock Institutional Trust Co., N.A.	$628
Mellon Capital Management	525
J.P. Morgan Investment Management	700
INTECH Investment Management, LLC	533
Total	**$2,386**

Fixed Income Manager

Galliard Capital Management, Inc.	**$3,654**

Domestic Equity - Passive Managers

BlackRock Institutional Trust Co., N.A.	**$220**

International Equity Managers

Acadian Asset Management LLC	$342
State Street Emerging Markets	70
Columbia Management Investment Advisors, LLC	256
AQR Capital Management, LLC	416
Capital International, Inc.	1,238
Pyramis Global Advisors Trust Company - Select	371
Pyramis Global Advisors Trust Company - Growth	224
Invesco Global Asset Management	6
J.P. Morgan Investment Management Inc.	308
Marathon Asset Management	542
McKinley Capital Management, Inc.	302
Morgan Stanley Investment Management	1,377
State Street Global Advisors ALPHA	326
State Street Global Advisors Passive	138
Total	**$5,916**

Domestic Bond Managers

Columbia Management Investment Advisors, LLC	$254
BlackRock, Inc.	230
Aberdeen Asset Management	368
Dodge & Cox Investment Management Managers	335
Goldman Sachs Asset Management	374
Neuberger Investment Management	162
Western Asset Management	324
Pacific Investment Management Co. LLC (PIMCO)	713
Total	**$2,760**

Total Investment Expenses $22,719

Investment Summary at Fair Value

As of June 30, 2013 and 2014
(Dollars in thousands)

Description	Fair Value June 30, 2013	Fair Value June 30, 2014	Percent of Portfolio
State Employees Retirement Fund			
Growth Share Pool	$3,067,498	$3,469,715	31%
Common Stock Index Pool	1,449,325	1,785,757	15
International Equity Pool	1,491,536	1,797,462	15
Fixed Income Pool	2,303,788	2,683,530	24
Alternative Investment Pool	1,454,553	1,450,587	15
Totals	**$9,766,700**	**$11,187,051**	**100%**
State Patrol Retirement Fund			
Growth Share Pool	$181,388	$201,457	31%
Common Stock Index Pool	85,703	103,684	15
International Equity Pool	88,198	104,364	15
Fixed Income Pool	136,228	155,810	24
Alternative Investment Pool	86,011	84,223	15
Totals	**$577,528**	**$649,538**	**100%**
Correctional Employees Retirement Fund			
Growth Share Pool	$228,007	$264,396	31%
Common Stock Index Pool	107,729	136,077	15
International Equity Pool	110,866	136,968	15
Fixed Income Pool	171,241	204,488	24
Alternative Investment Pool	108,117	110,536	15
Totals	**$725,960**	**$852,465**	**100%**
Judges Retirement Fund			
Growth Share Pool	$47,428	$52,855	31%
Common Stock Index Pool	22,409	27,203	15
International Equity Pool	23,061	27,381	15
Fixed Income Pool	35,620	40,879	24
Alternative Investment Pool	22,490	22,097	15
Totals	**$151,008**	**$170,415**	**100%**
Legislators Retirement Fund			
Growth Share Pool	$3,541	$2,537	31%
Common Stock Index Pool	1,673	1,306	15
International Equity Pool	1,722	1,314	15
Fixed Income Pool	2,659	1,962	24
Alternative Investment Pool	1,679	1,061	15
Totals	**$11,274**	**$8,180**	**100%**

Actuarial Section

MSRS 2014 Comprehensive Annual Financial Report

Proactive in Public Pension Policies

Actuarial Section

The following section is divided into two parts:

Actuarial Valuation information for funding purposes.

Typically, these valuations include the calculations for funded ratio and annual required contribution, which are necessary for developing and monitoring funding policy.

The valuation results can be found on pages 122-155.

Actuarial Valuation information for GASB-compliant accounting and financial reporting purposes.

These valuations provide information necessary for the MSRS employers to record pension related transactions in their accounting system and financial statements, including year-end actuarially determined pension amounts and related note disclosures.

The valuation results can be found on pages 156-168.

Funding Actuarial Valuation Results

Actuary's Certification Letter

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
100 South Fifth Street
Suite 1900
Minneapolis, MN 55402-1267
612.605.6200 phone
612.605.6203 fax
www.gabrielroeder.com

December 15, 2014

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

Re: 2014 Comprehensive Annual Financial Report (CAFR)

Dear 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) and the Legislators Retirement Fund (LRF) as of July 1, 2014.

In this Comprehensive Annual Financial Report (CAFR), all supporting schedules in the Actuarial Section have been prepared by MSRS based on the information included in reports on the annual actuarial valuation prepared by Gabriel Roeder Smith & Company (GRS). Annual actuarial valuation reports for funding purposes as well as for accounting and financial reporting purposes are available on the MSRS website. In order to gain a full understanding of the actuarial condition of the system, it is important to read and understand the full actuarial reports for each of the aforementioned funds.

Valuation Results

The results of the valuations are summarized in the following table. For all plans, except LRF, because the asset returns are smoothed over five years in the valuation, the actuarial value of assets is less than the market value of assets. The funded ratios on that basis are lower and the deficiencies are higher than the market value results. The LRF valuation is based on the market value of assets, consistent with valuations since July 1, 2000.

	Accrued Liability Funded Ratio		Contribution Deficiency/ (Sufficiency) (% of Pay)		
Plan	**Actuarial Value of Assets**	**Market Value of Assets**	**Actuarial Value of Assets**	**Market Value of Assets**	**Statutory Amortization Date**
SERF	82.97%	92.39%	1.82%	(1.02)%	2041
SPRF	74.69%	83.37%	8.58%	1.52%	2038
CERF	70.41%	78.14%	4.48%	1.86%	2038
JRF	52.82%	58.87%	10.24%	7.27%	2039
LRF	3.29%	3.29%	$21,463,000 per year*	$21,463,000 per year*	2026

* *This fund is closed to new hires and the deficiency is expressed as a dollar amount rather than a percent of payroll.*

Members of the Board
December 15, 2014
Page 2

The fundamental financing objective of the fund is to establish contribution rates which will remain approximately level as a percentage of active member payroll from generation to generation and meet the required deadline for full funding.

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. All of the plans currently have contribution deficiencies on an actuarial value of assets basis. However, SERF has a contribution sufficiency on a market value of assets basis and the SPRF is projected to have a contribution sufficiency on a market value of assets basis when the scheduled additional 2.5% of pay in member and employer contributions is reflected. For the CERF and JRF, plan changes affecting members hired after June 30, 2010 and June 30, 2013, respectively, are also expected to ultimately reduce the cost of the plan.

The following actuarial assumption and plan changes were recognized this year in the valuations for funding purposes:

- For all Funds except LRF, separate pre-retirement and post-retirement investment return rates which implicitly valued the post-retirement benefit increases were changed to a single investment return assumption and an explicit assumption for post-retirement benefit increases.
- The assumed post-retirement benefit increase rate was changed from 2.0% per year indefinitely to 2.0% per year through 2015 in the SERF and LRF and through 2033 in the CERF, and 2.5% per year thereafter. The assumed post-retirement benefit increase rate was changed from 1.0% per year indefinitely to 1.0% per year through 2017, 1.5% per year from 2018 through 2032, and 2.5% per year thereafter in the SPRF. (There was no change to the Judges assumed post-retirement benefit increase; it remains at 1.75% indefinitely.)
- Effective July 1, 2014, for all funds, the funding ratio threshold, on a market value of assets basis, that must be attained to pay an increased post-retirement benefit increase to benefit recipients was changed from one year to two consecutive years.
- As a result of the additional liability from the post-retirement benefit increase rate assumption change, the amortization date was extended by 1 year in SERF and SPRF, per Minnesota Statutes, Section 356.215, Subdivision 11(c).
- In the SERF, member and employer contribution rates as a percent of pay increased from 5.0% to 5.5% beginning the first day of the first full pay period beginning July 1, 2014. In the CERF member contribution rates as a percent of pay increased from 8.60% to 9.10% and employer contribution rates as a percent of pay increased from 12.10% to 12.85% beginning the first day of the first full pay period beginning July 1, 2014.
- In the SPRF, the interest assumption used to determine optional form conversion factors was changed from an actuarial equivalent rate consistent with the post-retirement discount rate to a fixed rate of 6.5%.

Gabriel Roeder Smith & Company

Actuary's Certification Letter

Members of the Board
December 15, 2014
Page 3

- In the JRF, the 10-year certain and life thereafter optional form of payment is no longer available.
- The Elective State Officers Retirement Fund (ESORF) was administratively consolidated with the Legislators Retirement Fund (LRF) on July 1, 2013. This change first affects financial reporting for the fiscal year ending June 30, 2014. The current actuarial valuation includes a separate calculation of the ESORF actuarial accrued liabilities. Benefit provisions for both retirement plans are unaffected by the merger.

In the aggregate, the basic financial and membership data provided to us as of June 30, 2014 by MSRS appears reasonable in comparison to last year, and we have relied upon the data as submitted in performing the actuarial valuation and in preparing trend data schedules. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the prior actuary, adopted by the MSRS Board, and approved by the Legislative Commission on Pensions and Retirement (LCPR). The assumptions and methods used meet the parameters set by Actuarial Standards of Practice.

Guidance regarding the selection of economic assumptions for measuring pension obligations is provided by Actuarial Standards of Practice (ASOP) No. 27. A revision of ASOP No. 27, applicable to valuation dates on or after September 30, 2014, will guide assumption setting for future valuations. Currently, the investment return assumption is select and ultimate, with a rate of 8% per year to June 30, 2017, and 8.5% thereafter. A recent review of inflation and investment return assumptions for accounting purposes developed a recommended range of 6.99% to 7.92% for assumed investment return. For future actuarial valuations, the impact of using economic assumptions within the reasonable range to measure costs for funding purposes will be to increase liabilities, unfunded liabilities, and required contribution rates. The impact will vary by plan, but as an indication of the potential impact of changes in assumed economic assumptions, SERF actuarial accrued liabilities determined for accounting purposes (based on assumed investment return of 7.90% and assumed inflation of 2.75%) were approximately 5.5% greater than the liabilities determined for funding purposes. Absent any other assumption changes, the increase could potentially be two or three times greater, depending upon where the economic assumptions fall within the reasonable range. Additional review and discussion will be required before the next valuation.

To the best of our knowledge and belief, the valuations were performed in accordance with generally accepted actuarial principles and procedures, the requirements of Minnesota Statutes, Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR. 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.

Gabriel Roeder Smith & Company

Members of the Board
December 15, 2014
Page 4

Brian B. Murphy and Bonita J. Wurst are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. In addition, Mr. Murphy meets the requirements of "approved actuary" under Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (c). The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Respectfully submitted,

Brian B. Murphy

Brian B. Murphy, FSA, EA, MAAA

Bonita J. Wurst

Bonita J. Wurst, ASA, EA, MAAA

BBM/BJW:ah

Gabriel Roeder Smith & Company

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. MSRS uses these methods and assumptions to monitor funding progress and the sufficiency of plan member and employer contribution rates. These assumptions are also used on computation of Actuarially Determined Contributions found in *Required Supplementary Information* on pages 92-97. Methods and assumptions used for financial reporting purposes, if they differ, are found in the *Actuarial Section*, beginning on page 166. Additional actuarial methods and assumptions used in the July 1, 2014, funding actuarial valuations can be found online at www.msrs.state.mn.us/financial-information.

State Employees Retirement Fund

Actuarial Methods

1. **Actuarial Cost Method:** Entry age normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2013 Valuation:** The methodology for valuing future post-retirement increases was clarified in *Minnesota Statutes*.

Actuarial Assumptions*

1. **Investment Return:**
   Select and Ultimate Rates:
   July 1, 2014, through June 30, 2017: 8% per year
   July 1, 2017, and later: 8.5% per year (2014)
   The equivalent single interest rate is 8.40%
2. **Benefit Increases After Retirement:** 2% per year through 2015 and 2.5% per year thereafter (2014)
3. **Salary Increases:** Service-related rates as shown in the table on page 133 of this section (2012)
4. **Payroll Growth:** 3.75% per year (2010)
5. **Mortality Rates:**
   a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set forward three years; females-set back one year (2010)
   b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment (2010)
   c. Disabled: RP-2000 disabled mortality table; males-no setback; females-set forward five years (2010)
6. **Retirement:** Age-based rates as shown in the table on page 137 of this section (2010)
7. **Withdrawal:** Select and Ultimate rates based on actual experience;
   Males-45% in year 1, 14% in year 2, and 9% in year 3;
   Females-48% in year 1, 15% in year 2, and 10% in year 3;
   Rates after the third year are shown on page 139 of this section (2008)
8. **Disability:** Age-related rates based on actual experience, as shown in the table on page 138 of this section (2008)
9. **Allowance for Combined Service Annuity:** Liabilities for active members are increased by 1.2% and liabilities for former members are increased by 40% to account for the effect of some participants having eligibility for a Combined Service Annuity
10. **Administrative Expenses:** Prior year administrative expenses expressed as a percentage of prior year projected payroll (1994)
11. **Refund of Contributions:** Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978)

* *Year in parentheses is the date of adoption.*

State Patrol Retirement Fund

Actuarial Methods

1. **Actuarial Cost Method:** Entry age normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2013 Valuation:** The methodology for valuing future post-retirement increases was clarified in *Minnesota Statutes*.

Actuarial Assumptions*

1. **Investment Return:**
   Select and Ultimate Rates:
   July 1, 2013, through June 30, 2017: 8.0% per year
   July 1, 2017, and later: 8.5% per year (2014)
   The equivalent single interest rate is 8.40%
2. **Benefit Increases After Retirement:**
   1.0% per year through 2017, then 1.5% per year from 2018 to 2032, and 2.5% per year thereafter (2014)
3. **Salary Increases:** Service-related rates as shown in the table on page 133 of this section (2012)
4. **Payroll Growth:** 3.75% per year (2012)
5. **Mortality Rates:**
   a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
   b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back two years; females-set forward one year (2012)
   c. Disabled: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back 2 years; females-set forward 1 year (2012)
6. **Retirement:** Age-based rates as shown in the table on page 137 of this section (2012)
7. **Withdrawal:** Select and Ultimate rates based on actual experience; 5% in year 1, 2% in year 2, and 2% in year 3; Rates after the third year are shown on page 139 of this section (2012)
8. **Disability:** Age-related rates based on experience as shown in the table on page 138 of this section, assuming all incidences are duty-related (2012)
9. **Allowance for Combined Service Annuity:** Liabilities for former members are increased by 30% to account for the effect of some participants having eligibility for a Combined Service Annuity
10. **Administrative Expenses:** Prior year administrative expenses expressed as a percentage of prior year projected payroll (1994)
11. **Refund of Contributions:** Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978)

* *Year in parentheses is the date of adoption.*

Continued on next page

Summary of Actuarial Methods and Assumptions

Correctional Employees Retirement Fund

Actuarial Methods

1. **Actuarial Cost Method:** Entry age normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2013 Valuation:** The methodology for valuing future post-retirement increases was clarified in *Minnesota Statutes*.

Actuarial Assumptions*

1. **Investment Return:**
   Select and Ultimate Rates:
   July 1, 2013, through June 30, 2017: 8% per year
   July 1, 2017, and later: 8.5% per year (2014)
   The equivalent single interest rate is 8.41%
2. **Benefit Increases After Retirement:** 2% per year through 2033 and 2.5% per year thereafter (2014)
3. **Salary Increases:** Service-related rates as shown in the table on page 133 of this section (2012)
4. **Payroll Growth:** 3.75% per year (2012)
5. **Mortality Rates**
   a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
   b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set forward one year; females-set back one year (2012)
   c. Disabled: RP-2000 disabled mortality table (2012)
6. **Retirement:** Age-based rates as shown in the table on page 137 of this section (2012)
7. **Withdrawal:** Select and Ultimate rates based on actual experience; 20% in year 1, 15% in year 2, and 8% in year 3; Rates after the third year are shown on page 139 of this section (2012)
8. **Disability:** Age-related rates based on experience as shown in the table on page 138 of this section, assuming all incidences are duty-related (2012)
9. **Allowance for Combined Service Annuity:** Liabilities for former members are increased by 30% to account for the effect of some participants having eligibility for a Combined Service Annuity
10. **Administrative Expenses:** Prior year administrative expenses expressed as a percentage of prior year projected payroll (1994)
11. **Refund of Contributions:** Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978)

** Year in parentheses is the date of adoption.*

Judges Retirement Fund

Actuarial Methods

1. **Actuarial Cost Method:** Entry age normal
2. **Asset Valuation Method:** Market value smoothed over five years
3. **Funding Objective:** 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
4. **Change in Methods since the 7/1/2013 Valuation:** The methodology for valuing future post-retirement increases was clarified in *Minnesota Statutes*.

Actuarial Assumptions*

1. **Investment Return:**
   Select and Ultimate Rates:
   July 1, 2013, through June 30, 2017: 8.0% per year
   July 1, 2017, and later: 8.5% per year (2014)
   The equivalent single interest rate is 8.38%
2. **Benefit Increases After Retirement:** 1.75% per year (2014)
3. **Salary Increases:** 3.0% per year (2012)
4. **Payroll Growth:** 3.0% per year (2012)
5. **Mortality Rates:**
   a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
   b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back one year; females-set back two years (2012)
   c. Disabled: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set back one year; females-set back two years (2012)
6. **Retirement:** Age-based rates as shown in the table on page 137 of this section (2012)
7. **Withdrawal:** None
8. **Disability:** Age-related rates are based on actual experience; see table of sample rates on page 138 of this section (2012)
9. **Administrative Expenses:** Prior year administrative expenses expressed as a percentage of prior year projected payroll
10. **Refund of Contributions:** Account balances for deferred members accumulate interest until normal retirement date and are discounted back to the valuation date

** Year in parentheses is the date of adoption.*

Continued on next page

Summary of Actuarial Methods and Assumptions

Legislators Retirement Fund*

Actuarial Methods

1. **Actuarial Cost Method:** Entry age normal
2. **Asset Valuation Method:** Market value
3. **Funding Objective:** Pay-as-you-go, with annual benefit payments and administrative expenses financed primarily by State of Minnesota General Fund appropriations
4. **Change in Methods since the 7/1/2013 Valuation:** The methodology for valuing future post-retirement increases was clarified in *Minnesota Statutes*.

Actuarial Assumptions**

1. **Investment Return:** 0% per year pre-retirement and post-retirement (2011)
2. **Benefit Increases After Retirement:** 2% per year through 2015, and 2.5% per year thereafter (2014)
3. **Salary Increases:** 5% annually (1994)
4. **Payroll Growth:** Not applicable; closed plan with decreasing payroll
5. **Mortality Rates:**
   a. Healthy Pre-retirement: RP-2000 employee generational mortality table projected with mortality improvement scale AA; white collar adjustment; males-set forward three years; females-set back one year (2012)
   b. Healthy Post-retirement: RP-2000 annuitant generational mortality table projected with mortality improvement scale AA; white collar adjustment (2012)
   c. Disabled: Not applicable
6. **Retirement:** Age-based rates as shown in the table on page 137 of this section (2012)
7. **Withdrawal:** Ultimate rates based on actual experience as shown on page 139 of this section
8. **Disability:** No disability benefits
9. **Allowance for Combined Service Annuity:** Liabilities for former members are increased by 30% to account for the effect of some participants having eligibility for a Combined Service Annuity
10. **Administrative Expenses:** Prior year administrative expenses expressed as a percentage of prior year projected payroll (1994)
11. **Refund of Contributions:** Employees who withdraw are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit (1978)

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

** *Year in parentheses is the date of adoption.*

Changes in Actuarial Assumptions

The following changes in funding actuarial assumptions have occurred since the July 1, 2013, actuarial valuations:

State Employees Retirement Fund

- Separate pre-retirement and post-retirement investment return rates which implicitly valued the post-retirement benefit increases were changed to a single investment return assumption and an explicit assumption for post-retirement benefit increases.
- The assumed post-retirement benefit increase rate was changed from 2.0% per year to 2.0% per year through 2015 and 2.5% per year thereafter.

State Patrol Retirement Fund

- Separate pre-retirement and post-retirement investment return rates which implicitly valued the post-retirement benefit increases were changed to a single investment return assumption and an explicit assumption for post-retirement benefit increases.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2017, 1.5% per year from 2018 to 2032, and 2.5% per year thereafter.

Correctional Employees Retirement Fund

- Separate pre-retirement and post-retirement investment return rates which implicitly valued the post-retirement benefit increases were changed to a single investment return assumption and an explicit assumption for post-retirement benefit increases.
- The assumed post-retirement benefit increase rate was changed from 2.0% per year to 2.0% per year through 2033 and 2.5% per year thereafter.

Judges Retirement Fund

- Separate pre-retirement and post-retirement investment return rates which implicitly valued the post-retirement benefit increases were changed to a single investment return assumption and an explicit assumption for post-retirement benefit increases.

Legislators Retirement Fund

- The assumed post-retirement benefit increase rate was changed from 2.0% per year to 2.0% per year through 2015 and 2.5% thereafter.

Other Assumptions

Form of Payment

Annuity Option Selected

Retirement Fund	Benefit Option: 50% Joint and Survivor	75% Joint and Survivor	100% Joint and Survivor	Straight Life
State Employees				
Male-Married	15%	10%	50%	25%
Female-Married	15	0	25	60
All Unmarried/ Terminated Deferred	0	0	0	100
State Patrol				
Male-Married	15%	25%	35%	25%
Female-Married	25	30	5	40
All Unmarried	0	0	0	100
Correctional Employees				
Male-Married	10%	10%	40%	40%
Female-Married	10	10	30	50
All Unmarried/ Terminated Deferred*	0	0	0	100
Judges				
All	0	0	0	100%
Legislators				
Active Married	100%	0%	0%	0%
Active Single	0	0	0	100
All Deferred	0	0	0	100

** Current deferred members who terminated prior to July 1, 1997, are assumed to receive the Level Social Security option to age 62.*

Member Information

Percentage Married and Beneficiary Age

Retirement Fund	Percent Married: Males	Percent Married: Females	Age of Beneficiaries for: Males	Age of Beneficiaries for: Females
State Employees	85%	70%	3 years younger	2 years older
State Patrol	85	85	2 years younger	2 years older
Correctional Employees	85	85	3 years younger	3 years older
Judges	Marital status as indicated in member data file		3 years younger	3 years older
Legislators**	85	85	3 years younger	3 years older

*** Legislators in payment status are assumed to be 100% married for purposes of a death benefit, except with a joint and survivor benefit. 100% of Elective State Officers members are assumed to be eligible for the automatic survivor benefit.*

Actuarial Tables

June 30, 2014

Salary Increase Rates

State Employees Retirement Fund

Salary Scale	
Service Years	**Increase**
1	10.50%
2	8.10
3	6.90
4	6.20
5	5.70
6	5.30
7	5.00
8	4.70
9	4.50
10	4.40
11	4.20
12	4.10
13	4.00
14	3.80
15	3.70
16	3.60
17+	3.50

Correctional Employees Retirement Fund

Salary Scale	
Service Years	**Increase**
1	6.00%
2	5.85
3	5.70
4	5.55
5	5.40
6	5.25
7	5.10
8	4.95
9	4.80
10	4.65
11	4.55
12	4.45
13	4.35
14	4.25
15	4.15
16	4.05
17	3.95
18	3.85
19+	3.75

State Patrol Retirement Fund

Salary Scale	
Service Years	**Increase**
1	8.00%
2	7.50
3	7.00
4	6.75
5	6.50
6	6.25
7	6.00
8	5.85
9	5.70
10	5.55
11	5.40
12	5.25
13	5.10
14	4.95
15	4.80
16	4.65
17	4.50
18	4.35
19	4.20
20	4.05
21+	4.00

Judges Retirement Fund

3.00% per year

Legislators Retirement Fund

5.00% per year

Continued on next page

Actuarial Tables (continued)

June 30, 2014

Mortality Rates

State Employees Retirement Fund

Age	Rates (%)* Healthy Pre-Retirement Mortality** Male	Female	Healthy Post-Retirement Mortality** Male	Female	Disability Mortality Male	Female
20	0.04%	0.02%	0.03%	0.02%	2.26%	0.75%
25	0.04	0.02	0.04	0.02	2.26	0.75
30	0.05	0.02	0.04	0.03	2.26	0.75
35	0.08	0.04	0.06	0.05	2.26	0.75
40	0.11	0.06	0.09	0.06	2.26	0.75
45	0.17	0.09	0.13	0.10	2.26	1.15
50	0.24	0.15	0.60	0.24	2.90	1.65
55	0.35	0.22	0.54	0.35	3.54	2.18
60	0.56	0.34	0.66	0.56	4.20	2.80
65	0.85	0.54	1.16	0.91	5.02	3.76
70	2.67	0.82	1.93	1.52	6.26	5.22

State Patrol Retirement Fund

Age	Rates (%)* Healthy Pre-Retirement Mortality** Male	Female	Healthy Post-Retirement Mortality** Male	Female	Disability Mortality Male	Female
20	0.03%	0.02%	0.03%	0.02%	0.03%	0.02%
25	0.04	0.02	0.04	0.02	0.04	0.02
30	0.04	0.03	0.04	0.03	0.04	0.03
35	0.06	0.05	0.05	0.05	0.05	0.05
40	0.09	0.06	0.08	0.07	0.08	0.07
45	0.13	0.10	0.11	0.11	0.11	0.11
50	0.20	0.16	0.17	0.25	0.17	0.25
55	0.27	0.24	0.57	0.39	0.57	0.39
60	0.43	0.38	0.57	0.61	0.57	0.61
65	0.67	0.59	0.92	1.01	0.92	1.01
70	0.98	0.88	1.58	1.69	1.58	1.69

* *Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and Projection Scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.*

** *These rates were adjusted for mortality improvements using Projection Scale AA.*

Correctional Employees Retirement Fund

	Rates (%)*					
	Healthy Pre-Retirement Mortality**		Healthy Post-Retirement Mortality**		Disability Mortality	
Age	Male	Female	Male	Female	Male	Female
20	0.03%	0.02%	0.04%	0.02%	2.26%	0.75%
25	0.04	0.02	0.04	0.02	2.26	0.75
30	0.04	0.03	0.04	0.02	2.26	0.75
35	0.06	0.05	0.06	0.04	2.26	0.75
40	0.09	0.06	0.10	0.06	2.26	0.75
45	0.13	0.10	0.15	0.09	2.26	0.75
50	0.20	0.16	0.60	0.15	2.90	1.15
55	0.27	0.24	0.54	0.32	3.54	1.65
60	0.43	0.38	0.73	0.51	4.20	2.18
65	0.67	0.59	1.30	0.82	5.02	2.80
70	0.98	0.88	2.14	1.37	6.26	3.76

Judges Retirement Fund

	Rates (%)*					
	Healthy Pre-Retirement Mortality**		Healthy Post-Retirement Mortality**		Disability Mortality	
Age	Male	Female	Male	Female	Male	Female
20	0.03%	0.02%	0.03%	0.02%	0.03%	0.02%
25	0.04	0.02	0.04	0.02	0.04	0.02
30	0.04	0.03	0.04	0.02	0.04	0.02
35	0.06	0.05	0.05	0.04	0.05	0.04
40	0.09	0.06	0.08	0.06	0.08	0.06
45	0.13	0.10	0.12	0.08	0.12	0.08
50	0.20	0.16	0.18	0.13	0.18	0.13
55	0.27	0.24	0.56	0.29	0.56	0.29
60	0.43	0.38	0.61	0.47	0.61	0.47
65	0.67	0.59	1.04	0.74	1.04	0.74
70	0.98	0.88	1.74	1.24	1.74	1.24

* *Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and Projection Scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.*

** *These rates were adjusted for mortality improvements using Projection Scale AA.*

Continued on next page

Actuarial Tables (continued)

June 30, 2014

Mortality Rates

Legislators Retirement Fund

	Rates (%)*			
	Healthy Pre-Retirement Mortality**		Healthy Post-Retirement Mortality**	
Age	Male	Female	Male	Female
20	0.04%	0.02%	0.03%	0.02%
25	0.04	0.02	0.04	0.02
30	0.05	0.02	0.04	0.03
35	0.08	0.04	0.06	0.05
40	0.11	0.06	0.09	0.06
45	0.17	0.09	0.13	0.10
50	0.24	0.15	0.60	0.24
55	0.35	0.22	0.54	0.35
60	0.56	0.34	0.66	0.56
65	0.85	0.54	1.16	0.91
70	2.67	0.82	1.93	1.52

* *Generally, mortality rates are expected to increase as age increases. Due to the combination of pre-retirement rates, post-retirement rates, the white collar adjustment, and Projection Scale AA, the prescribed mortality tables have a few ages where assumed mortality decreases slightly instead of increases. The actuaries have used the rates as prescribed, but note that the prescribed assumption may not be reasonable at every age. If the rates were reasonably adjusted so that they decreased at all ages, the actuaries would not expect the valuation results to be materially different.*

** *These rates were adjusted for mortality improvements using Projection Scale AA.*

Retirement Rates

State Employees Retirement Fund

Age	Percent Retiring: Rule of 90 Eligible	Percent Retiring: All Others
55	20.00%	5.00%
56	15.00	5.00
57	15.00	5.00
58	15.00	5.00
59	20.00	6.00
60	20.00	7.00
61	22.00	12.00
62	40.00	22.00
63	30.00	16.00
64	30.00	18.00
65	40.00	40.00
66	30.00	30.00
67	25.00	25.00
68	25.00	25.00
69	25.00	25.00
70	30.00	30.00
71+	100.00	100.00

State Patrol Retirement Fund

Age	Percent Retiring
50	7.00%
51	6.00
52	6.00
53	6.00
54	3.00
55	65.00
56	50.00
57	30.00
58	20.00
59	20.00
60+	100.00

Correctional Employees Retirement Fund

Age	Percent Retiring
50	5.00%
51	3.00
52	3.00
53	3.00
54	5.00
55	55.00
56	12.00
57	12.00
58	10.00
59	10.00
60	10.00
61	10.00
62	30.00
63	30.00
64	30.00
65	50.00
66	50.00
67	50.00
68	50.00
69	50.00
70+	100.00

Judges Retirement Fund

Age	Percent Retiring
60	0.00%
61	0.00
62	8.00
63	5.00
64	8.00
65	25.00
66	20.00
67	10.00
68	30.00
69	10.00
70	100.00

Legislators Retirement Fund

Age	Percent Retiring
60	0.00%
61	0.00
62	40.00
63	30.00
64	30.00
65	40.00
66	30.00
67	25.00
68	25.00
69	25.00
70	30.00
71+	100.00

Continued on next page

Actuarial Tables (concluded)

June 30, 2014

Disability Retirement Rates

State Employees Retirement Fund

	Disability Retirement Rates	
Age	Male	Female
20	0.01%	0.01%
25	0.01	0.01
30	0.01	0.01
35	0.03	0.03
40	0.08	0.08
45	0.13	0.13
50	0.29	0.29
55	0.50	0.43
60	0.78	0.62
65	0.00	0.00

State Patrol Retirement Fund

	Disability Retirement Rates	
Age	Male	Female
20	0.03%	0.03%
25	0.05	0.05
30	0.06	0.06
35	0.09	0.09
40	0.14	0.14
45	0.23	0.23
50	0.40	0.40
55	0.70	0.70
60	1.13	1.13
65	0.00	0.00

Correctional Employees Retirement Fund

	Disability Retirement Rates	
Age	Male	Female
20	0.05%	0.05%
25	0.08	0.08
30	0.11	0.11
35	0.15	0.15
40	0.24	0.24
45	0.39	0.39
50	0.67	0.67
55	1.17	1.17
60	1.88	1.88
65	0.00	0.00

Judges Retirement Fund

	Disability Retirement Rates	
Age	Male	Female
20	0.00%	0.00%
25	0.00	0.00
30	0.00	0.00
35	0.01	0.00
40	0.01	0.01
45	0.02	0.03
50	0.07	0.05
55	0.17	0.12
60	0.38	0.31
65	0.00	0.00
70	0.00	0.00

Legislators Retirement Fund

No disability benefits are available with this plan.

Withdrawal Rates*

State Employees Retirement Fund

Age	Withdrawal Rates After Third Year Male	Female
20	6.90%	8.55%
25	5.90	7.80
30	4.90	7.05
35	3.90	5.10
40	3.20	4.38
45	2.70	3.75
50	2.20	3.05
55	0.00	0.00
60	0.00	0.00
65	0.00	0.00

State Patrol Retirement Fund

Age	Withdrawal Rates After Third Year Male	Female
20	1.47%	1.47%
25	1.13	1.13
30	0.80	0.80
35	0.47	0.47
40	0.40	0.40
45	0.40	0.40
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00
65	0.00	0.00

Correctional Employees Retirement Fund

Age	Withdrawal Rates After Third Year Male	Female
20	13.20%	8.80%
25	8.10	7.80
30	5.00	7.45
35	3.45	7.10
40	2.55	5.70
45	1.95	3.50
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00
65	0.00	0.00

Legislators Retirement Fund

Years of Service	Withdrawal Rates House	Senate
1	0.00%	0.00%
2	30.00	0.00
3	0.00	0.00
4	20.00	25.00
5	0.00	0.00
6	10.00	0.00
7	0.00	0.00
8	5.00	10.00
9+	0.00	0.00

Judges Retirement Fund

Members in the Judges Plan are assumed not to withdraw.

* *Withdrawal rates for the first three years of employment in the State Employees, State Patrol, and Correctional Employees Retirement Funds are found in the* Summary of Actuarial Methods and Assumptions *on pages 126-128.*

Changes in Plan Provisions

The following changes in plan provisions have occurred since the July 1, 2013, actuarial valuations:

State Employees Retirement Fund

- Member and employer contribution rates increased from 5.0% to 5.5% of pay effective the first day of the first full pay period beginning after July 1, 2014.
- The funding ratio threshold that must be attained to pay a 2.5% post-retirement benefit increase to benefit recipients was changed from 90% for one year to 90% for two consecutive years.

State Patrol Retirement Fund

- The funding ratio threshold that must be attained to pay a 1.5% post-retirement benefit increase to benefit recipients was changed from 85% for one year to 85% for two consecutive years. The funding ratio threshold that must be attained to pay a 2.5% post-retirement benefit increase to benefit recipients was changed from 90% for one year to 90% for two consecutive years.
- For purposes of computing a joint and survivor annuity benefit, the interest assumption used to determine optional form conversion factors was changed from an actuarial equivalent rate consistent with the post-retirement discount rate to a fixed rate of 6.5%.

Correctional Employees Retirement Fund

- Member contribution rates increased from 8.6% to 9.1% of pay and employer contribution rates increased from 12.1% to 12.85% of pay effective the first day of the first full pay period beginning after July 1, 2014.
- The funding ratio threshold that must be attained to pay a 2.5% post-retirement benefit increase to benefit recipients was changed from 90% for one year to 90% for two consecutive years.

Judges Retirement Fund

- The funding ratio threshold that must be attained to pay a 2.0% post-retirement benefit increase to benefit recipients was changed from 70% for one year to 70% for two consecutive years. The funding ratio threshold that must be attained to pay a 2.5% post-retirement benefit increase to benefit recipients was changed from 90% for one year to 90% for two consecutive years.
- The 10-year certain and life thereafter optional form of payment is no longer available.

Legislators Retirement Fund

- The funding ratio threshold that must be attained by the State Employees Retirement Fund to pay a 2.5% post-retirement benefit increase to benefit recipients in this plan was changed from 90% for one year to 90% for two consecutive years.

There were no other changes in plan provisions during fiscal year 2014.

A description of the system and plans may be found in Note 3 beginning on page 68. Additional plan provisions are summarized in the *Introductory Section* beginning on page 20.

Actuarial Accrued Liability (AAL)

As of June 30, 2014
(Dollars in thousands)

	Defined Benefit Retirement Funds				
	State Employees	**State Patrol**	**Correctional Employees**	**Judges**	**Legislators***
Active Members					
Retirement Annuities	$4,506,012	$244,072	$435,151	$100,539	$17,167
Disability Benefits	145,021	8,723	24,723	1,503	0
Survivor Benefits	72,533	1,531	5,396	1,814	350
Deferred Retirements	48,985	673	14,921	0	(112)
Refunds	(53,621)	(195)	(6,531)	123	(15)
Total Active Members	$4,718,930	$254,804	$473,660	$103,979	$17,390
Deferred Retirements	1,239,741	7,711	104,863	3,684	70,532
Former Members Not Vested	5,804	40	902	0	0
Benefit Recipients	6,471,998	537,866	543,049	190,570	162,938
Unclassified Employees					
Retirement Fund					
Contingent Liability	8,653	0	0	0	0
Total AAL	**$12,445,126**	**$800,421**	**$1,122,474**	**$298,233**	**$250,860**

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

Actual Contribution Rates as Compared to Actuarially Recommended Rates

As of June 30, 2014

Retirement Fund	Actuarial Valuation Date	Actual Contribution Rates Employee	Employer	State	Total	Recommended Rate	Sufficiency/ (Deficiency)
State Employees	July 1, 2014	5.50%	5.50%	N/A	11.00%	12.82%	(1.82)%
State Patrol*	July 1, 2014	13.40	20.10	1.48%	34.98	43.56	(8.58)%
Correctional Employees	July 1, 2014	9.10	12.85	N/A	21.95	26.43	(4.48)%
Judges**	July 1, 2014	8.52	22.50	N/A	31.02	41.26	(10.24)%
Legislators***	July 1, 2014	9.00	0.00	N/A	9.00	$21,548,000	$(21,463,000)

* *State contribution is statutorily required only until the Public Employee Retirement Association Police and Fire Retirement Fund and the MSRS State Patrol Retirement Fund both reach 90% funded on a market value of assets basis.*

** *The statutory contribution rate for Judges in the Tier 1 benefit program is 9 percent of salary. The statutory contribution rate for Judges in the Tier 2 benefit program is 7 percent of salary. Tier 1 member contributions at the maximum benefit level are redirected to the Unclassified Employees Retirement Fund. The employee and total rates reflect the fact that member contributions for Tier 1 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 8.86 percent and 31.36 percent, respectively, instead of 8.52 and 31.02 percent as shown above. The distinction between the Tier 1 and Tier 2 benefit programs is explained on page 71 of the* Financial Section.

*** *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes. Both are closed to new hires and the deficiency is expressed as a dollar amount rather than a percent of payroll.*

Schedule of Changes in Unfunded Actuarial Accrued Liabilities (UAAL)

For the Fiscal Year Ended June 30, 2014
(Dollars in thousands)

	Defined Benefit Retirement Funds				
	State Employees	**State Patrol**	**Correctional Employees**	**Judges**	**Legislators**
A. UAAL at the Beginning of the Year	$2,052,861	$189,531	$325,007	$139,595	$224,384
B. Change Due to Interest Requirements and Current Rate of Funding					
1. Normal Cost and Expenses	$185,570	$13,477	$33,880	$7,382	$1,326
2. Contributions	(259,070)	(20,824)	(45,323)	(13,004)	(3,537)
3. Interest on A, B1, and B2	202,742	17,539	29,508	11,915	0
4. Totals (B1+B2+B3)	$129,242	$10,192	$18,065	$6,293	$(2,211)
C. Expected UAAL at End of the Year (A+B4)	$2,182,103	$199,723	$343,072	$145,888	$222,173
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from the Expected					
1. Age and Service Requirements	$(13,597)	$(699)	$13	$751	$(133)
2. Disability Requirements	194	1,071	(750)	(122)	0
3. Death-in-Service Benefits	542	(192)	(105)	(97)	28
4. Withdrawals	5,558	69	(1,472)	(392)	0
5. Salary Increases	(17,716)	(2,485)	1,933	760	(781)
6. Investment Return	(592,362)	(35,579)	(40,370)	(9,126)	(1,714)
7. Mortality of Annuitants	20,793	(2,925)	1,505	(1,072)	18
8. Other items	(47,246)	(1,710)	(3,532)	2,494	586
9. Totals	$(643,834)	$(42,450)	$(42,778)	$(6,804)	$(1,996)
E. UAAL at End of Year Before Plan Amendments and Changes in Actuarial Assumptions (C + D9)	$1,538,269	$157,273	$300,294	$139,084	$220,177
F. Change in UAAL Due to Changes in Plan Provisions	0	0	0	0	0
G. Change in UAAL Due to Changes in Actuarial Assumptions	580,585	45,278	31,876	1,621	14,481
H. Change in UAAL Due to Changes in Decrement Timing and Miscellaneous Methodology	0	0	0	0	0
I. Administrative Consolidation of the Elective State Officers Retirement Fund	0	0	0	0	7,944
J. UAAL at the End of the Year	**$2,118,854**	**$202,551**	**$332,170**	**$140,705**	**$242,602**

Schedule of Actuarial and Fair Value Funding Progress

Four Largest MSRS Defined Benefit Retirement Funds
Last Ten Fiscal Years
(Dollars in thousands)

	Actuarial Basis			Fair Value Basis		
Actuarial Valuation Date	Assets	Funded Ratio	Contribution Sufficiency/ (Deficiency)	Assets	Funded Ratio	Contribution Sufficiency/ (Deficiency)
State Employees Retirement Fund						
07/01/05	$8,081,736	95.58%	(2.55)%	$7,511,060	88.83%	N/A*
07/01/06	8,486,756	96.23	(2.11)	8,221,041	93.22	N/A
07/01/07	8,904,517	92.49	(3.26)	9,507,005	98.75	N/A
07/01/08	9,013,456	90.18	(3.39)	8,803,140	88.08	N/A
07/01/09	9,030,401	85.90	(5.35)	6,897,118	65.61	(15.08)%
07/01/10	8,960,391	87.30	(0.99)	7,692,531	74.95	(3.90)
07/01/11	9,130,011	86.32	(1.03)	9,197,664	86.96	(0.86)
07/01/12	9,162,301	82.67	(2.32)	9,098,097	82.09	(2.48)
07/01/13	9,375,780	82.04	(2.45)	10,033,499	87.79	(0.80)
07/01/14	10,326,272	82.97	(1.82)	11,498,604	92.39	1.02
State Patrol Retirement Fund						
07/01/05	$601,220	106.08%	1.16%	$539,932	95.27%	N/A
07/01/06	618,990	96.49	(5.69)	577,507	90.03	N/A
07/01/07	617,901	91.75	(7.20)	649,181	96.40	N/A
07/01/08	595,082	85.79	(10.09)	589,379	84.96	N/A
07/01/09	584,501	80.58	(12.16)	450,060	62.05	(24.21)%
07/01/10	567,211	83.00	(7.84)	488,870	71.54	(15.05)
07/01/11	563,046	80.33	(5.25)	568,279	81.08	(4.75)
07/01/12	554,244	72.84	(11.52)	549,956	72.27	(11.95)
07/01/13	552,319	74.45	(8.68)	593,201	79.96	(4.33)
07/01/14	597,870	74.69	(8.58)	667,340	83.37	(1.52)

** Data not available.*

Actuarial Valuation Date	Actuarial Basis: Assets	Actuarial Basis: Funded Ratio	Actuarial Basis: Contribution Sufficiency/ (Deficiency)	Fair Value Basis: Assets	Fair Value Basis: Funded Ratio	Fair Value Basis: Contribution Sufficiency/ (Deficiency)
Correctional Employees Retirement Fund						
07/01/05	$503,573	92.21%	(4.04)%	$462,883	84.76%	N/A
07/01/06	535,357	82.68	(9.67)	516,217	79.73	N/A
07/01/07	559,852	79.04	(8.94)	595,057	84.01	N/A
07/01/08	572,719	75.32	(6.56)	565,180	74.33	N/A
07/01/09	590,339	71.88	(6.05)	456,783	55.62	(9.77)%
07/01/10	603,863	70.95	(4.73)	525,245	61.71	(6.99)
07/01/11	637,027	70.23	(5.30)	646,582	71.29	(5.02)
07/01/12	663,713	68.55	(4.58)	659,523	68.12	(4.71)
07/01/13	701,091	68.33	(5.41)	747,157	72.82	(3.97)
07/01/14	790,304	70.41	(4.48)	877,056	78.14	(1.86)
Judges Retirement Fund						
07/01/05	$144,465	75.47%	(0.97)%	$126,890	66.29%	N/A
07/01/06	151,850	75.06	(2.64)	138,150	68.29	N/A
07/01/07	153,562	71.66	(5.63)	159,363	74.37	N/A
07/01/08	147,542	63.70	(2.45)	146,088	63.07	N/A
07/01/09	147,120	60.84	(3.73)	114,690	47.43	(8.50)%
07/01/10	144,728	60.16	(3.62)	126,201	52.46	(6.41)
07/01/11	145,996	58.72	(5.17)	148,504	59.73	(4.78)
07/01/12	144,898	51.46	(13.50)	144,086	51.17	(13.68)
07/01/13	144,918	50.94	(11.46)	155,398	54.62	(9.64)
07/01/14	157,528	52.82	(10.24)	175,556	58.87	(7.27)

Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes. The Legislators Retirement Fund is financed primarily on a pay-as-you-go basis, so it is not presented here.

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

Last Ten Years
(Dollars in thousands)

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contributions [(A)x(B)]-(C)]	Actual Employer Contributions	Percent Contributed
State Employees Retirement Fund						
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
2012	11.03	2,367,160	118,358	142,740	115,159	80.68
2013	12.32	2,483,000	124,150	181,756	121,673	66.94
2014	12.45	2,620,660	131,033	195,239	128,037	65.58
State Patrol Retirement Fund						
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
2012	36.25	62,524	7,753	14,912	11,620	77.92
2013	42.52	62,121	7,703	18,711	11,482	61.37
2014	41.24	63,952	7,930	18,444	12,894*	69.91
Correctional Employees Retirement Fund						
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
2012	26.00	200,035	17,203	34,806	24,188	69.49
2013	25.28	204,198	17,561	34,060	24,632	72.32
2014	26.11	219,244	18,855	38,390	26,468	68.95

** Includes supplemental state aid of $1 million*

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contributions [(A)x(B)]-(C)]	Actual Employer Contributions**	Percent Contributed

Judges Retirement Fund

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
2012	33.15	38,644	2,931	9,879	7,922	80.19
2013	41.52	39,888	3,037	13,524	8,177	60.46
2014	42.42	41,893	3,578	14,193	9,426	66.41

Legislators Retirement Fund*

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
2012	1,320.95	1,378	124	18,079	3,935	21.77
2013	1,340.00	1,233	111	16,411	3,399	20.71
2014	1,887.98	1,122	101	21,082	3,436	16.30

Elective State Officers Retirement Fund*

2005	$437	$0	$0	$437	$395	90.37%
2006	465	0	0	465	417	89.66
2007	477	0	0	477	427	89.57
2008	506	0	0	506	435	85.92
2009	558	0	0	558	442	79.28
2010	601	0	0	601	453	75.37
2011	644	0	0	644	460	71.54
2012	1,269	0	0	1,269	466	36.73
2013	991	0	0	991	470	47.43

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

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

Schedule of Active Member Valuation Data

Last Ten Fiscal Years

Actuarial Valuation Date	Active Member Count	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay
State Employees Retirement Fund				
07/01/05	47,125	$1,952,323,000	$41,429	(1.15)%
07/01/06	48,000	2,016,588,000	42,012	1.41
07/01/07	48,379	2,095,310,000	43,310	3.09
07/01/08	48,823	2,256,528,000	46,219	6.71
07/01/09	48,989	2,329,499,000	47,551	2.88
07/01/10	48,494	2,327,398,000	47,994	0.93
07/01/11	47,955	2,440,580,000	48,191	0.41
07/01/12	48,207	2,367,160,000	48,815	1.29
07/01/13	49,121	2,483,000,000	49,601	1.61
07/01/14	49,663	2,620,660,000	50,952	2.72
State Patrol Retirement Fund				
07/01/05	831	$55,142,000	$66,356	7.21%
07/01/06	851	57,765,000	67,879	2.29
07/01/07	844	61,498,000	72,865	7.35
07/01/08	840	60,029,000	71,463	(1.92)
07/01/09	876	61,511,000	70,218	(1.74)
07/01/10	848	63,250,000	74,587	6.22
07/01/11	862	63,250,000	71,369	(4.31)
07/01/12	823	62,524,000	76,883	7.73
07/01/13	845	62,121,000	72,171	(6.13)
07/01/14	858	63,952,000	74,727	3.54
Correctional Employees Retirement Fund				
07/01/05	3,607	$132,335,000	$36,688	(8.37)%
07/01/06	3,910	145,879,000	37,309	1.69
07/01/07	4,332	167,727,000	38,718	3.78
07/01/08	4,520	194,391,000	43,007	11.08
07/01/09	4,403	193,445,000	43,935	2.16
07/01/10	4,268	192,450,000	45,091	2.63
07/01/11	4,332	197,702,000	44,200	(1.97)
07/01/12	4,276	200,035,000	47,358	7.14
07/01/13	4,384	204,198,000	46,411	(2.00)
07/01/14	4,504	219,244,000	48,153	3.75

Actuarial Valuation Date	Active Member Count	Annual Payroll	Average Annual Pay	Percent Increase In Average Pay

Judges Retirement Fund

07/01/05	295	$35,941,000	$121,834	3.28%
07/01/06	303	36,529,000	120,558	(1.05)
07/01/07	308	36,195,000	117,516	(2.52)
07/01/08	308	38,296,000	124,338	5.80
07/01/09	312	39,444,000	126,423	1.68
07/01/10	312	39,291,000	125,933	(0.39)
07/01/11	308	40,473,000	127,032	0.87
07/01/12	308	38,644,000	127,844	0.64
07/01/13	309	39,888,000	127,391	(0.35)
07/01/14	316	41,893,000	133,732	4.98

Legislators Retirement Fund*

07/01/05	78	$3,014,000	$38,641	(11.88)%
07/01/06	76	2,894,000	38,079	(1.45)
07/01/07	54	2,380,000	44,074	15.74
07/01/08	52	1,993,000	38,327	(13.04)
07/01/09	48	1,963,000	40,900	6.71
07/01/10	47	1,877,000	39,936	(2.35)
07/01/11	38	1,774,000	41,241	3.27
07/01/12	34	1,378,000	38,328	(7.06)
07/01/13	24	1,233,000	39,033	1.84
07/01/14	24	1,122,000	37,384	(4.22)

Elective State Officers Retirement Fund*

07/01/05	0	$0	$0	N/A
07/01/06	0	0	0	N/A
07/01/07	0	0	0	N/A
07/01/08	0	0	0	N/A
07/01/09	0	0	0	N/A
07/01/10	0	0	0	N/A
07/01/11	0	0	0	N/A
07/01/12	0	0	0	N/A
07/01/13	0	0	0	N/A

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

Schedule of Retirees and Beneficiaries

Last Ten Fiscal Years

Valuation 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								
06/30/05	1,687	$12,525,129	974	$7,170,529	23,367	$347,959,000	2.55%	$14,891
06/30/06	1,945	16,683,000	1,108	6,254,000	24,204	366,797,000	1.77	15,154
06/30/07	2,090	20,344,000	948	6,223,000	25,346	392,058,000	6.89	15,468
06/30/08	2,107	21,456,000	1,007	7,102,000	26,446	418,757,000	6.81	15,834
06/30/09	1,873	18,931,000	976	7,210,000	27,343	445,792,000	6.46	16,304
06/30/10	2,071	23,023,000	979	8,116,000	28,435	473,447,000	6.20	16,650
06/30/11	2,699	27,821,000	970	9,607,000	30,164	505,573,000	6.79	16,761
06/30/12	2,971	32,057,768	1,160	11,467,895	31,975	552,088,000	9.20	17,266
06/30/13	2,291	24,459,318	980	9,758,992	33,286	586,256,000	6.19	17,613
06/30/14	2,611	19,878,596	1,168	9,734,906	34,729	623,942,000	6.43	17,966
State Patrol Retirement Fund								
06/30/05	53	$1,141,561	32	$482,290	825	$36,956,000	4.05%	$44,795
06/30/06	69	1,614,000	48	569,000	846	38,767,000	2.30	45,824
06/30/07	69	1,506,000	39	326,000	876	40,581,000	4.68	46,325
06/30/08	49	1,503,000	29	414,000	896	42,804,000	5.48	47,772
06/30/09	33	1,080,000	21	434,000	908	44,480,000	3.92	48,987
06/30/10	37	1,041,000	21	413,000	924	46,119,000	3.68	49,912
06/30/11	36	1,064,000	28	723,000	932	47,844,000	3.74	51,335
06/30/12	51	1,704,000	20	541,200	963	50,007,000	4.52	51,928
06/30/13	45	1,321,942	25	524,505	983	52,057,000	4.10	52,957
06/30/14	64	1,270,181	62	900,675	985	53,697,000	3.15	54,515
Correctional Employees Retirement Fund								
06/30/05	128	$1,548,114	37	$293,654	1,279	$23,816,000	8.16%	$18,621
06/30/06	143	1,650,000	47	160,000	1,375	26,161,000	2.17	19,026
06/30/07	174	2,061,000	47	317,000	1,502	28,565,000	9.19	19,018
06/30/08	135	1,580,000	37	284,000	1,600	30,932,000	8.29	19,332
06/30/09	139	1,871,000	30	190,000	1,709	33,239,000	7.46	19,449
06/30/10	173	2,116,000	23	175,000	1,859	36,078,000	8.54	19,407
06/30/11	195	2,103,000	38	330,000	2,016	39,116,000	8.42	19,403
06/30/12	222	1,804,146	41	395,124	2,197	42,571,000	8.83	19,377
06/30/13	214	2,524,880	37	327,671	2,374	46,226,000	8.59	19,472
06/30/14	208	2,072,392	65	489,187	2,517	50,842,000	9.99	20,199

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

Judges Retirement Fund

Valuation Year Ended	Added Number	Added Annual Allowances	Removed Number	Removed Annual Allowances	Rolls Number	Rolls Annual Allowances	% Change in Annual Allowances	Average Annual Allowance
06/30/05	11	$189,005	10	$311,340	255	$13,750,000	1.70%	$53,922
06/30/06	26	769,000	20	546,000	261	14,260,000	1.32	54,636
06/30/07	22	542,000	20	427,000	263	14,516,000	1.80	55,194
06/30/08	25	833,000	9	272,000	279	15,116,000	4.13	54,179
06/30/09	17	580,000	11	187,000	285	16,261,000	7.57	57,056
06/30/10	20	933,000	14	223,000	291	17,058,000	4.90	58,619
06/30/11	25	780,000	19	831,000	297	17,585,000	3.09	59,209
06/30/12	24	784,130	7	367,857	314	18,539,000	5.43	59,041
06/30/13	32	1,088,182	14	437,495	332	19,772,000	6.65	59,554
06/30/14	28	764,654	25	328,523	335	20,802,000	5.21	62,096

Legislators Retirement Fund*

Valuation Year Ended	Added Number	Added Annual Allowances	Removed Number	Removed Annual Allowances	Rolls Number	Rolls Annual Allowances	% Change in Annual Allowances	Average Annual Allowance
06/30/05	21	$129,494	17	$56,708	319	$5,942,000	3.01%	$18,627
06/30/06	12	537,000	12	65,000	319	6,094,000	2.56	19,103
06/30/07	34	341,000	13	46,000	340	6,390,000	4.86	18,794
06/30/08	17	177,000	11	85,000	346	6,786,000	6.20	19,613
06/30/09	22	289,000	10	159,000	358	7,016,000	3.39	19,598
06/30/10	19	164,000	18	224,000	359	7,159,000	2.00	19,942
06/30/11	23	340,000	14	144,000	368	7,464,000	4.26	20,283
06/30/12	15	173,314	16	157,452	367	7,721,000	3.44	21,038
06/30/13	18	315,685	23	218,497	362	7,826,000	1.36	21,619
06/30/14	32	653,406	19	180,791	375	8,407,000	1.35	22,419

Elective State Officers Retirement Fund*

Valuation Year Ended	Added Number	Added Annual Allowances	Removed Number	Removed Annual Allowances	Rolls Number	Rolls Annual Allowances	% Change in Annual Allowances	Average Annual Allowance
06/30/05	2	$14,375	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	32,164	14	460,000	2.00	32,857
06/30/12	0	0	0	0	14	458,000	(0.43)	32,714
06/30/13	0	0	0	0	14	469,000	2.40	33,500

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

Solvency Test

Last Ten Fiscal Years
(Dollars in thousands)

Actuarial Valuation Date	Aggregate Accrued Liabilities: Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Member (Employer Financed) (3)	Reported Assets	Portion Covered by Reported Assets (1)	(2)	(3)	Funded Ratio
State Employees Retirement Fund								
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
07/01/12	1,044,810	5,489,756	4,548,661	9,162,301	100	100	57.8	82.7
07/01/13	1,090,373	5,807,381	4,530,887	9,375,780	100	100	54.7	82.0
07/01/14	1,128,164	6,471,998	4,844,964	10,326,272	100	100	56.3	83.0
State Patrol Retirement Fund								
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
07/01/12	59,777	513,106	188,072	554,244	100	96.4	0.0	72.8
07/01/13	63,504	507,005	171,341	552,319	100	96.4	0.0	74.5
07/01/14	67,030	537,866	195,525	597,870	100	98.7	0.0	74.7
Correctional Employees Retirement Fund								
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
07/01/12	105,973	456,495	405,698	663,713	100	100	25.0	68.6
07/01/13	113,276	498,718	414,104	701,091	100	100	21.5	68.3
07/01/14	122,102	543,049	457,323	790,304	100	100	27.4	70.4

Actuarial Valuation Date	Aggregate Accrued Liabilities: Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Member (Employer Financed) (3)	Reported Assets	Portion Covered by Reported Assets: (1)	(2)	(3)	Funded Ratio
Judges Retirement Fund								
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
07/01/12	26,703	169,262	85,611	144,898	100	69.8	0.0	51.5
07/01/13	26,359	180,641	77,513	144,918	100	65.6	0.0	50.9
07/01/14	28,112	190,570	79,551	157,528	100	67.9	0.0	52.8
Legislators Retirement Fund*								
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
07/01/12	2,498	146,582	98,577	15,523	100	8.9	0.0	6.3
07/01/13	1,930	149,331	84,616	11,493	100	6.4	0.0	4.9
07/01/14	2,011	162,938	85,911	8,258	100	3.8	0.0	3.3
Elective State Officers Retirement Fund*								
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
07/01/12	0	8,036	871	0	0	0	0.0	0.0
07/01/13	0	7,751	844	0	0	0	0.0	0.0

** Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

*** The actuarial accrued liability and related funded ratio derived from the July 1, 2011, Legislators Retirement Fund actuarial valuation using GASB-compliant (as of the valuation date) 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 actuarial accrued liability derived from the July 1, 2011, Elective State Officers Retirement Fund valuation using GASB-compliant (as of the valuation date) 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)

Last Ten Fiscal Years
(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
State Employees Retirement Fund					
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
07/01/12	11,083,227	9,162,301	1,920,926	2,367,160	81.15
07/01/13	11,428,641	9,375,780	2,052,861	2,483,000	82.68
07/01/14	12,445,126	10,326,272	2,118,854	2,620,660	80.85
State Patrol Retirement Fund					
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
07/01/12	760,955	554,244	206,711	62,524	330.61
07/01/13	741,850	552,319	189,531	62,121	305.10
07/01/14	800,421	597,870	202,551	63,952	316.72
Correctional Employees Retirement Fund					
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
07/01/12	968,166	663,713	304,453	200,035	152.20
07/01/13	1,026,098	701,091	325,007	204,198	159.16
07/01/14	1,122,474	790,304	332,170	219,244	151.51

Actuarial Valuation Date	Actuarial Accrued Liabilities	Actuarial Value of Assets	Unfunded Actuarial Accrued Liabilities	Member Payroll	UAAL as a Percent of Payroll
Judges Retirement Fund					
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
07/01/12	281,576	144,898	136,678	38,644	353.69
07/01/13	284,513	144,918	139,595	39,888	349.97
07/01/14	298,233	157,528	140,705	41,893	335.86
Legislators Retirement Fund*					
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
07/01/12**	247,657	15,523	232,134	1,378	16,845.72
07/01/13	235,877	11,493	224,384	1,233	18,198.22
07/01/14	250,860	8,258	242,602	1,122	21,622.28
Elective State Officers Retirement Fund*					
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
07/01/12**	8,907	0	8,907	0	N/A
07/01/13	8,595	0	8,595	0	N/A

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

** *Amounts reported are based on actuarial valuation results using GASB-compliant (as of the valuation date) alternative assumptions.*

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

GASB Statements No. 67 and No. 68
Actuarial Valuation Results

The following pages contain information specific to the actuarial valuations performed to determine the pension liability and pension expense reported in the *Notes to the Financial Statements* in this CAFR. In addition, each employer participating in one of the MSRS defined benefit retirement plans will be allocated their proportionate share of these liability and expense amounts. State and local government employers will be required to recognize their share of the pension expense and pension liability in their financial statements.

These valuations have no bearing on measurement of pension plan funded status, or in decisions regarding contribution requirements for any plan.

Actuary's Certification Letter

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
100 South Fifth Street
Suite 1900
Minneapolis, MN 55402-1267
612.605.6200 phone
612.605.6203 fax
www.gabrielroeder.com

December 15, 2014

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

Re: 2014 Comprehensive Annual Financial Report (CAFR)

Dear Members of the Board:

We have prepared and presented to you our actuarial valuations for accounting and financial reporting purposes for the State Employees Retirement Fund (SERF), the State Patrol Retirement Fund (SPRF), the Correctional Employees Retirement Fund (CERF), the Judges Retirement Fund (JRF) and the Legislators Retirement Fund (LRF) as of June 30, 2014. These annual reports provide information that is intended to comply with the Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These calculations have been made on a basis that is consistent with our understanding of these accounting standards.

GASB Statement No. 67 is the accounting standard that applies to the financial reports issued by retirement systems. GASB Statement No. 68 establishes accounting and financial reporting requirements for state and local government employers who provide their employees (including former employees) pension benefits through a trust.

In this Comprehensive Annual Financial Report (CAFR), the Schedule of Changes in Net Pension Liabilities and Related Ratios and the Schedule of Contributions from Employers and Nonemployers in the Financial Section have been prepared by MSRS based on information included in reports on the annual actuarial valuation prepared by Gabriel Roeder Smith & Company (GRS). MSRS was responsible for preparing the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer. Annual actuarial valuation reports for funding purposes as well as for accounting and financial reporting purposes are available on the MSRS website. In order to gain a full understanding of the actuarial condition of the system, it is important to read and understand the full actuarial reports for each of the aforementioned funds.

Valuation Results

The results of the June 30, 2014 GASB Statements No. 67 and No. 68 valuations are summarized in the following table (Dollars in Thousands).

Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Ratio[(1)]	Pension Expense/ (Income)	Single Discount Rate
	(a)	(b)	(a) – (b)	(b) / (a)		
SERF	$ 13,120,176	$ 11,498,604	$ 1,621,572	87.64%	$ (257,887)	7.90%
SPRF	826,673	667,340	159,333	80.73	13,082	7.90
CERF	1,353,386	877,056	476,330	64.80	23,637	6.82
JRF	381,511	175,556	205,955	46.02	13,246	5.78
LRF[(2)]	146,499	8,258	138,241	5.64	16,555	4.29

[(1)] *Plan Fiduciary Net Position as a Percentage of Total Pension Liability*
[(2)] *The Legislators Retirement Fund is currently funded on a pay-as-you-go basis*

Members of the Board
December 15, 2014
Page 2

The following actuarial assumption and plan changes were recognized this year in the valuations for GASB Statements No. 67 and No. 68 purposes:

- The single discount rate was changed from 6.63% on July 1, 2013 to 7.90% for the SERF, from 6.08% on July 1, 2013 to 6.82% for the CERF, from 5.57% on July 1, 2013 to 5.78% for the JRF, and from 4.63% on July 1, 2013 to 4.29% for the LRF.
- The assumed post-retirement benefit increase rate was changed from 2.0% per year indefinitely to 2.0% per year through 2015 in the SERF and LRF and through 2065 in the CERF, and 2.5% per year thereafter. The assumed post-retirement benefit increase rate was changed from 1.0% per year indefinitely to 1.0% per year through 2018, 1.5% per year from 2019 through 2045, and 2.5% per year thereafter in the SPRF. (There was no change to the Judges assumed post-retirement benefit increase; it remains at 1.75% indefinitely.)
- Effective July 1, 2014, for all funds, the funding ratio threshold, on a market value of assets basis, that must be attained to pay an increased post-retirement benefit increase to benefit recipients was changed from one year to two consecutive years.
- In the SERF, member and employer contribution rates as a percent of pay increased from 5.0% to 5.5% beginning the first day of the first full pay period beginning July 1, 2014. In the CERF, member contribution rates as a percent of pay increased from 8.60% to 9.10% and employer contribution rates as a percent of pay increased from 12.10% to 12.85% beginning the first day of the first full pay period beginning July 1, 2014.
- In the SPRF, the interest assumption used to determine optional form conversion factors was changed from an actuarial equivalent rate consistent with the post-retirement discount rate to a fixed rate of 6.5%.
- In the JRF, the 10-year certain and life thereafter optional form of payment is no longer available.
- The Elective State Officers Retirement Fund (ESORF) was administratively consolidated with the Legislators Retirement Fund (LRF) on July 1, 2013. This change first affects financial reporting for the fiscal year ending June 30, 2014. The LRF actuarial valuation includes ESORF actuarial accrued liabilities in both the beginning and end of year numbers. Benefit provisions for both retirement plans are unaffected by the merger.

In the aggregate, the basic financial and membership data provided to us as of June 30, 2014 by MSRS appears reasonable in comparison to last year, and we have relied upon the data as submitted in performing the actuarial valuation and in preparing trend data schedules. All demographic actuarial assumptions are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement (LCPR), or the MSRS Board of Directors. The economic assumptions are based on a review of inflation and investment return assumptions dated September 11, 2014. We developed a recommended range of 6.99% to 7.92% for the assumed investment return; at MSRS' direction we used 7.9% as the long-term expected investment rate of return for purposes of these actuarial valuations.

Gabriel Roeder Smith & Company

Members of the Board
December 15, 2014
Page 3

To the best of our knowledge and belief, the methods and assumptions used in the actuarial valuations meet the parameters set by generally accepted actuarial principles and procedures (ASOPs), generally accepted accounting principles (GAAP) applicable in the United States, the requirements of Minnesota Statutes, Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR. 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.

Brian B. Murphy and Bonita J. Wurst are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. In addition, Mr. Murphy meets the requirements of "approved actuary" under Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (c). The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Respectfully submitted,

Brian B. Murphy

Brian B. Murphy, FSA, EA, MAAA

Bonita J. Wurst

Bonita J. Wurst, ASA, EA, MAAA

BBM/BJW:bd

Gabriel Roeder Smith & Company

Summary of GASB Statements No. 67 and No. 68 Actuarial Valuation Results

As of and For the Year Ended June 30, 2014
(Dollars in thousands)

	State Employees Retirement Fund	State Patrol Retirement Fund
Actuarial Valuation Date	June 30, 2014	June 30, 2014
Measurement Date of the Net Pension Liability	June 30, 2014	June 30, 2014
Net Pension Liability		
Total Pension Liability	$13,120,176	$826,673
Fiduciary Net Position	11,498,604	667,340
Net Pension Liability	**$1,621,572**	**$159,333**
Deferred Outflows (Inflows) of Resources		
Deferred Outflows (Inflows) of Resources Due to:		
Differences Between Expected and Actual Experience	$(44,023)	$(5,771)
Assumption Changes	(1,477,308)	30,058
Expected and Actual Earnings on Investments	(1,051,376)	(61,630)
Total Pension Expense (Income)	**$(257,887)**	**$13,082**
Single Discount Rate		
Long-Term Expected Rate of Investment Return	7.90%	7.90%
Long-Term Municipal Bond Rate	4.29	4.29
Single Discount Rate	7.90	7.90
Last fiscal year for which projected benefits are fully funded (using a 100-year projection)	2114	2114

Other Information

- Details regarding the Net Pension Liability may be found in *Required Supplementary Information* on pages 90-91 of the *Financial Section* of this report.
- Details regarding the Single Discount Rate may be found in the *Notes to the Financial Statements* on page 87.
- Details for all other information in this schedule are on the pages that follow.

Correctional Employees Retirement Fund	Judges Retirement Fund	Legislators Retirement Fund
June 30, 2014	June 30, 2014	June 30, 2014
June 30, 2014	June 30, 2014	June 30, 2014
$1,353,386	$381,511	$146,499
877,056	175,556	8,258
$476,330	**$205,955**	**$138,241**
$4,103	$5,080	$(237)
(147,067)	(8,416)	11,201
(78,799)	(16,046)	(1,039)
$23,637	**$13,246**	**$16,555**
7.90%	7.90%	7.90%
4.29	4.29	4.29
6.82	5.78	4.29
2055	2034	2014

Summary Deferred Outflows (Inflows) of Resources Arising from Current Reporting Period

For the Fiscal Year Ended June 30, 2014
(Dollars in thousands)

Changes in the net pension liability from one fiscal year to the next are recognized as a pension expense, except in specific situations as outlined in GASB Statement No. 68, and presented in this schedule. In the situations noted in the schedule below, the change in net liability is considered a deferred outflow of resources or a deferred inflow of resources. The deferred outflows and inflows of resources are amortized on a straight-line basis over a specified period of time, and recognized as an expense (or income) partially in the current period and partially in future periods.

	State Employees Retirement Fund
Deferred Outflows (Inflows) of Resources Due to Differences Between Expected and Actual Experience	
Total Differences between Expected and Actual Experience in the measurement of the Total Pension Liability	**$(44,023)**
Recognition Period: Average of the expected remaining service lives of all employees (in years)	5
Deferred Outflows (Inflows) of Resources to be recognized in the *current* pension expenses for the differences between expected and actual experience in the measurement of the Total Pension Liability	$(8,805)
Deferred Outflows (Inflows) of Resources to be recognized in the *future* pension expenses for the differences between expected and actual experience in the measurement of the Total Pension Liability	$(35,218)
Deferred Outflows (Inflows) of Resources Due to Changes in Actuarial Assumptions	
Total Assumption Change (Gains) or Losses	**$(1,477,308)**
Recognition Period: Average of the expected remaining service lives of all employees (in years)	5
Deferred Outflows (Inflows) of Resources to be recognized in the *current* pension expenses due to assumption changes	$(295,462)
Deferred Outflows (Inflows) of Resources to be recognized in the *future* pension expenses due to assumption changes	$(1,181,846)
Deferred Outflows (Inflows) of Resources Due to the Difference Between Expected and Actual Earnings on Pension Plan Investments	
Total Difference between projected and actual earnings on pension plan investments	**$(1,051,376)**
Recognition Period (in years)	5
Deferred Outflows (Inflows) of Resources to be recognized in the *current* pension expenses due to the difference between projected and actual investment (gains) or losses	$(210,275)
Deferred Outflows (Inflows) of Resources to be recognized in the *future* pension expenses due to the difference between projected and actual investment (gains) or losses	$(841,101)

	State Patrol Retirement Fund	Correctional Employees Retirement Fund	Judges Retirement Fund	Legislators Retirement Fund
	$(5,771)	**$4,103**	**$5,080**	**$(237)**
	6	6	5	1
	$(962)	$684	$1,016	$(237)
	$(4,809)	$3,419	$4,064	0
	$30,058	**($147,067)**	**$(8,416)**	**$11,201**
	6	6	5	1
	$5,010	$(24,511)	$(1,683)	$11,201
	$25,048	$(122,556)	$(6,733)	0
	$(61,630)	**$(78,799)**	**$(16,046)**	**$(1,039)**
	5	5	5	5
	$(12,326)	$(15,760)	$(3,209)	$(208)
	$(49,304)	$(63,039)	$(12,837)	$(831)

Summary of Pension Expense (Income)

For the Year Ended June 30, 2014
(Dollars in thousands)

	State Employees Retirement Fund	State Patrol Retirement Fund
Service Cost	$256,155	$14,514
Interest on the Total Pension Liability	922,181	60,183
Current-Period Benefit Changes	0	0
Employee Contributions	(131,033)	(7,930)
Projected Earnings on Plan Investments	(778,245)	(45,557)
Administrative Expenses	8,125	150
Other Changes in Fiduciary Net Position	(20,528)	0
Recognition of Outflows (Inflows) of Resources due to the difference between expected and actual experience in the measurement of the Total Pension Liability	(8,805)	(962)
Recognition of Outflows (Inflows) of Resources due to assumption changes	(295,462)	5,010
Recognition of Outflows (Inflows) of Resources due to the difference between projected and actual earnings on pension plan investments	(210,275)	(12,326)
Total Pension Expense (Income)	**$(257,887)**	**$13,082**

	Correctional Employees Retirement Fund	Judges Retirement Fund	Legislators Retirement Fund
	$54,443	$12,075	$398
	85,702	20,535	6,177
	0	0	0
	(18,855)	(3,578)	(101)
	(58,724)	(11,965)	(711)
	657	55	36
	1	0	0
	684	1,016	(237)
	(24,511)	(1,683)	11,201
	(15,760)	(3,209)	(208)
	$23,637	**$13,246**	**$16,555**

Summary of Actuarial Methods and Assumptions

For the Year Ended June 30, 2014
(Dollars in thousands)

Actuarial Methods

1. **Actuarial Cost Method:** Entry age normal
2. **Asset Valuation Method:** Fair value of assets
3. **Valuation of Future Post-Retirement Benefit Increases:**

State Employees

Benefit recipients receive a future annual 2.0% post-retirement benefit increase. If the funding ratio reaches 90% (based on a 2.5% post-retirement benefit increase assumption) for two consecutive years, the benefit increase will revert to 2.5%. Projections* indicate that this plan is expected to attain the funding ratio threshold required to pay a 2.5% postretirement benefit increase in the year 2015, and that the plan will begin paying 2.5% benefit increases on January 1, 2016.

State Patrol

Benefit recipients receive a future annual 1.0% post-retirement benefit increase. If the funding ratio reaches 85% (based on a 1.5% post-retirement benefit increase assumption) for two consecutive years, the benefit increase will increase to 1.5%; if the funding ratio reaches 90% (based on a 2.5% post-retirement benefit increase assumption) for two consecutive years, the benefit increase will revert to 2.5%. Projections* indicate that this plan is expected to attain the funding ratio threshold required to pay a 1.5% postretirement benefit increase in the year 2018 (beginning payment on January 1, 2019) and a 2.5% increase in 2045 (beginning payment on January 1, 2046).

Correctional Employees

Benefit recipients receive a future annual 2.0% post-retirement benefit increase. If the funding ratio reaches 90% (based on a 2.5% post-retirement benefit increase assumption) for two consecutive years, the benefit increase will revert to 2.5%. Projections* indicate that this plan is expected to attain the funding ratio threshold required to pay a 2.5% postretirement benefit increase in the year 2065, and that the plan will begin paying 2.5% benefit increases on January 1, 2066.

Judges

Benefit recipients receive a future annual 1.75% post-retirement benefit increase. If the funding ratio reaches 70% (based on a 2.0% post-retirement benefit increase assumption) for two consecutive years, the benefit increase will increase to 2.0%; if the funding ratio reaches 90% (based on a 2.5% post-retirement benefit increase assumption) for two consecutive years, the benefit increase will revert to 2.5%. Projections* indicate that this plan is expected to pay 1.75% post-retirement benefit increases indefinitely.

Legislators

Benefit recipients receive a future annual 2.0% post-retirement benefit increase. If the funding ratio of the State Employees Retirement Fund reaches 90% (based on a 2.5% post-retirement benefit increase assumption) for two consecutive years, the benefit increase for the Legislators Fund will revert to 2.5%. Projections* for the State Employees Retirement Fund indicate that the Legislators Fund is expected to begin paying a 2.5% postretirement benefit increase on January 1, 2016.

* To determine assumptions regarding a future change in the post-retirement benefit increase, liabilities and assets were projected based on the following methods and assumptions:
  - Future investment returns of 7.9%
  - Liabilities and normal cost based on statutory funding assumptions (discount rate and salary increases) as reflected on pages 126-140
  - Open group, stable active population (new members, if applicable, based on average new members hired in recent years)
  - Post-retirement benefit increases are assumed at the current rate until each successive funding ratio threshold required for an increase is reached for two consecutive years.
  - Contributions are at the current statutory rate, so do not include potential contribution increases under the contribution stabilizer statute.

Actuarial Assumptions

Most assumptions used for GASB-compliant financial reporting purposes are the same as those used for the purposes of measuring funding progress and determining the required contribution rate, as noted on pages 126-140 of this section. Only the assumptions that differ are listed below, and the funds to which they pertain are noted parenthetically.

1. Investment Return:	7.90% (all funds)
2. Inflation:	2.75% per year (all funds)
3. Salary Increases:	Service-related rates as shown in the tables on the following page
4. Unclassified Plan Reversion:	Liabilities for active members increased by 0.18% to account for the effect of Unclassified members who elect coverage under the State Employees Retirement Fund. (State Employees)
5. Payroll Growth:	3.50% per year (State Employees, State Patrol, Correctional Employees) 2.75% (Judges)
6. Administrative expenses:	Prior year administrative expenses expressed as a percentage of prior year projected payroll are assumed to increase 3.50% per year and are allocated to the closed group based on the ratio of closed group payroll to total payroll. (State Employees, State Patrol, Correctional Employees) Same as above, 2.75% (Judges) Same as above, 3.00% (Legislators)
7. Benefit Increases After Retirement:	2% per year through 2065 and 2.5% per year thereafter (Correctional Employees)

GASB Statements No. 67 and No. 68 Actuarial Valuation Results

Actuarial Tables

June 30, 2014

Salary Increase Rates

State Employees Retirement Fund

Salary Scale	
Service Years	**Increase**
1	10.25%
2	7.85
3	6.65
4	5.95
5	5.45
6	5.05
7	4.75
8	4.45
9	4.25
10	4.15
11	3.95
12	3.85
13	3.75
14	3.55
15	3.45
16	3.35
17+	3.25

Correctional Employees Retirement Fund

Salary Scale	
Service Years	**Increase**
1	5.75%
2	5.60
3	5.45
4	5.30
5	5.15
6	5.00
7	4.85
8	4.70
9	4.55
10	4.40
11	4.30
12	4.20
13	4.10
14	4.00
15	3.90
16	3.80
17	3.70
18	3.60
19+	3.50

State Patrol Retirement Fund

Salary Scale	
Service Years	**Increase**
1	7.75%
2	7.25
3	6.75
4	6.50
5	6.25
6	6.00
7	5.75
8	5.60
9	5.45
10	5.30
11	5.15
12	5.00
13	4.85
14	4.70
15	4.55
16	4.40
17	4.25
18	4.10
19	3.95
20	3.80
21+	3.75

Judges Retirement Fund

2.75% per year

Legislators Retirement Fund

4.75% per year

Statistical Section

MSRS 2014 Comprehensive Annual Financial Report

Provide exemplary customer service

Introduction

GASB *Statement No. 44, Economic Condition Reporting: The Statistical Section*, issued in May 2004, established the requirements for the information 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. The 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 Fiduciary Net Position* shows a 10-year history of the asset growth of the various funds. This data allows readers of the 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. The *Active Members Average Age Tables* report member entry age and

Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2014
(Dollars in thousands)

State Employees Retirement Fund

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$83,101	$85,379	$89,447	$99,280
Employer Contributions	80,312	82,645	86,492	96,746
Investment Income				
(Net of Expenses)	732,101	915,632	1,503,390	(474,845)
Other Additions	12,639	11,760	17,609	13,532
Total Additions	$908,153	$1,095,416	$1,696,938	$(265,287)
Deductions				
Annuity Benefits	$347,959	$366,797	$392,058	$418,757
Refunds	10,707	12,555	11,102	11,676
Administrative Expenses	4,336	4,588	4,916	5,152
Other Expenses	693	1,495	2,898	2,993
Total Deductions	$363,695	$385,435	$410,974	$438,578
Change in Net Position	$544,458	$709,981	$1,285,964	$(703,865)

attained age, as well as service credit over a 10-year period. The *Schedule of New Retirees and Average Benefit Payments* reflects the number of new retirees and their average monthly benefits, also over a 10-year period. The *Schedule of Retired Members by Type of Benefit* reports the June 30, 2014, retirees, monthly benefit amount, and various benefit options selected.

The schedules in this section can be used together to gain a broader historical picture of the activities at MSRS. For instance, when service credit increases on the *Active Members Average Age Tables,* the average benefit shown on the *Schedule of New Retirees and Average Benefit Payments* will similarly increase for members with comparable years of service. Consequently, higher average benefits will be reflected in larger annuity benefit payment amounts reported in the *Schedule of Changes in Fiduciary Net Position* and *Schedule of Expenses by Type* found in this *Statistical Section*.

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

2009	2010	2011	2012	2013	2014
$108,866	$115,181	$122,029	$118,358	$124,150	$131,033
107,211	113,716	118,563	115,159	121,673	128,037
(1,674,387)	1,040,873	1,764,307	213,887	1,275,308	1,829,621
15,246	14,939	24,975	24,677	21,565	21,014
$(1,443,064)	$1,284,709	$2,029,874	$472,081	$1,542,696	$2,109,705
$445,792	$473,447	$505,573	$552,088	$586,256	$623,942
10,907	9,733	14,206	11,573	12,222	11,986
5,320	5,771	6,064	6,341	8,589	8,125
939	345	325	219	227	486
$462,958	$489,296	$526,168	$570,221	$607,294	$644,539
$(1,906,022)	$795,413	$1,503,706	$(98,140)	$935,402	$1,465,166

Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2014
(Dollars in thousands)

State Patrol Retirement Fund

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$4,517	$4,719	$4,987	$5,595
Employer Contributions	6,671	7,055	7,461	8,279
Investment Income				
(Net of Expenses)	55,018	64,911	100,147	(30,579)
Other Additions	0	0	3	0
Total Additions	$66,206	$76,685	$112,598	$(16,705)
Deductions				
Annuity Benefits	$36,954	$38,767	$40,581	$42,804
Refunds	4	52	133	6
Administrative Expenses	93	101	112	109
Other Expenses	99	190	98	178
Total Deductions	$37,150	$39,110	$40,924	$43,097
Change in Net Position	$29,056	$37,575	$71,674	$(59,802)

Correctional Employees Retirement Fund

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$7,943	$8,964	$10,032	$12,775
Employer Contributions	11,016	12,152	13,927	18,623
Investment Income				
(Net of Expenses)	39,104	59,786	84,830	(30,673)
Other Additions	1	0	131	1,845
Total Additions	$58,064	$80,902	$108,920	$2,570
Deductions				
Annuity Benefits	$23,816	$26,162	$28,565	$30,932
Refunds	649	730	752	795
Administrative Expenses	298	336	405	410
Other Expenses	277	340	358	310
Total Deductions	$25,040	$27,568	$30,080	$32,447
Change in Net Position	$33,024	$53,334	$78,840	$(29,877)

2009	2010	2011	2012	2013	2014
$6,216	$6,726	$6,578	$7,753	$7,703	$7,930
9,178	10,104	9,873	11,620	11,482	11,894
(110,073)	68,184	110,908	12,744	76,315	107,187
13	41	0	0	0	1,000
$(94,666)	$85,055	$127,359	$32,117	$95,500	$128,011
$44,480	$46,119	$47,844	$50,007	$52,057	$53,697
0	3	0	275	7	25
104	123	92	158	190	150
69	0	14	0	1	0
$44,653	$46,245	$47,950	$50,440	$52,255	$53,872
$(139,319)	$38,810	$79,409	$(18,323)	$43,245	$74,139

2009	2010	2011	2012	2013	2014
$14,031	$15,267	$17,002	$17,203	$17,561	$18,855
20,126	21,988	23,892	24,188	24,632	26,468
(107,787)	68,880	121,413	15,926	93,392	137,523
40	30	19	0	0	0
$(73,590)	$106,165	$162,326	$57,317	$135,585	$182,846
$33,239	$36,078	$39,116	$42,571	$46,226	$50,842
1,016	1,170	1,509	1,257	1,032	1,447
402	455	356	548	692	657
150	0	8	0	1	1
$34,807	$37,703	$40,989	$44,376	$47,951	$52,947
$(108,397)	$68,462	$121,337	$12,941	$87,634	$129,899

Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2014
(Dollars in thousands)

Judges Retirement Fund

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$2,662	$2,866	$2,792	$2,859
Employer Contributions	7,225	7,336	7,571	7,935
Investment Income (Net of Expenses)	12,354	15,456	25,523	(8,874)
Other Additions	10	0	0	0
Total Additions	$22,251	$25,658	$35,886	$1,920
Deductions				
Annuity Benefits	$13,750	$14,260	$14,516	$15,116
Refunds	0	111	0	45
Administrative Expenses	37	60	49	54
Other Expenses	41	78	63	24
Total Deductions	$13,939	$14,398	$14,673	$15,194
Change in Net Position	$8,312	$11,260	$21,213	$(13,274)

Legislators Retirement Fund*

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$384	$264	$239	$180
Employer Contributions	0	0	0	0
Investment Income (Net of Expenses)	3,523	3,539	6,808	(1,233)
Other Additions	1,825	5,704	1,783	2,217
Total Additions	$5,732	$9,507	$8,830	$1,164
Deductions				
Annuity Benefits	$5,942	$6,094	$6,390	$6,786
Refunds	0	78	35	1
Administrative Expenses	27	33	29	34
Other Expenses	3	34	26	3
Total Deductions	$5,972	$6,239	$6,480	$6,824
Change in Net Position	$(240)	$3,268	$2,350	$(5,660)

** Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes. The Elective State Officers Retirement Fund schedule through 2013 is on page 176.*

	2009	2010	2011	2012	2013	2014
	$2,978	$2,988	$3,010	$2,931	$3,037	$3,578
	8,219	8,283	8,297	7,922	8,177	9,426
	(26,283)	17,339	28,644	3,341	19,943	28,011
	0	1	0	0	0	0
	$(15,086)	$28,611	$39,951	$14,194	$31,157	$41,015
	$16,261	$17,058	$17,585	$18,539	$19,772	$20,802
	0	0	0	30	0	0
	36	42	32	72	72	55
	16	0	1	1	1	0
	$16,313	$17,100	$17,648	$18,612	$19,845	$20,857
	$(31,399)	$11,511	$22,303	$(4,418)	$11,312	$20,158

	2009	2010	2011	2012	2013	2014
	$248	$171	$160	$124	$111	$101
	0	0	0	0	0	0
	(5,021)	3,199	4,142	253	1,763	1,750
	1,269	1,975	2,807	3,935	3,399	3,436
	$(3,504)	$5,345	$7,109	$4,312	$5,273	$5,287
	$7,016	$7,159	$7,464	$7,721	$7,826	$8,407
	0	0	11	172	101	79
	26	28	22	36	38	36
	0	0	0	0	1,338	0
	$7,042	$7,187	$7,497	$7,929	$9,303	$8,522
	$(10,546)	$(1,842)	$(388)	$(3,617)	$(4,030)	$(3,235)

Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2014*
(Dollars in thousands)

Elective State Officers Retirement Fund*

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$0	$0	$0	$0
Employer Contributions	0	0	0	0
Investment Income (Net of Expenses)	0	0	0	0
Other Additions	395	417	428	434
Total Additions	$395	$417	$428	$434
Deductions				
Annuity Benefits	$391	$409	$419	$430
Refunds	0	0	0	0
Administrative Expenses	3	5	4	4
Other Expenses	0	0	0	0
Total Deductions	$394	$414	$423	$434
Change in Net Position	$1	$3	$5	$0

Unclassified Employees Retirement Fund

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$4,296	$4,368	$5,476	$5,209
Employer Contributions	5,821	5,932	6,258	6,362
Investment Income (Net of Expenses)	19,794	20,844	68,142	(3,949)
Other Additions	535	828	2,028	878
Total Additions	$30,446	$31,972	$81,904	$8,500
Deductions				
Refunds	$8,947	$6,173	$29,994	$23,256
Administrative Expenses	183	256	166	157
Other Expenses	12,112	11,531	17,255	13,282
Total Deductions	$21,242	$17,960	$47,415	$36,695
Change in Net Position	$9,204	$14,012	$34,489	$(28,195)

** Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes. The Legislators Retirement Fund schedule is on page 174.*

2009	2010	2011	2012	2013
$0	$0	$0	$0	$0
0	0	0	0	0
0	0	0	0	0
442	453	460	465	470
$442	$453	$460	$465	$470
$440	$451	$459	$458	$469
0	0	0	0	0
1	1	1	7	1
0	0	0	0	0
$441	$452	$460	$465	$470
$1	$1	$0	$0	$0

2009	2010	2011	2012	2013	2014
$4,660	$4,472	$5,417	$5,586	$5,096	$5,430
6,514	6,333	6,360	5,918	5,867	6,099
(46,746)	28,860	51,977	6,622	36,246	49,457
426	259	311	293	139	147
$(35,146)	$39,924	$64,065	$18,419	$47,348	$61,133
$5,009	$5,691	$7,799	$5,250	$6,197	$7,496
229	164	174	144	144	140
14,850	14,652	24,777	24,339	21,155	21,001
$20,088	$20,507	$32,750	$29,733	$27,496	$28,637
$(55,234)	$19,417	$31,315	$(11,314)	$19,852	$32,496

Schedule of Changes in Fiduciary Net Position

For the Ten Fiscal Years Ended June 30, 2014
(Dollars in thousands)

Health Care Savings Fund

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$42,519	$52,562	$59,515	$73,082
Investment Income				
(Net of Expenses)	2,810	5,092	12,698	(2,336)
Other Additions	376	502	1,031	1,318
Total Additions	$45,705	$58,156	$73,244	$72,064
Deductions				
Health Care Reimbursements	$13,417	$18,300	$23,470	$27,548
Administrative Expenses	716	724	844	1,090
Other Expenses	8	0	0	0
Total Deductions	$14,141	$19,024	$24,314	$28,638
Change in Net Position	$31,564	$39,132	$48,930	$43,426

Minnesota Deferred Compensation Fund

	2005	2006	2007	2008
Additions				
Plan Member Contributions	$200,397	$211,705	$217,446	$231,671
Investment Income				
(Net of Expenses)	197,602	269,458	456,868	(93,065)
Other Income	7,524	4,815	6,036	4,608
Total Additions	$405,523	$485,978	$680,350	$143,214
Deductions				
Ongoing Withdrawals	$33,698	$34,264	$35,285	$37,039
Refunds	101,912	121,636	135,419	144,837
Administrative Expenses	2,328	2,283	2,514	2,728
Other Expenses	10,136	5,451	6,726	4,577
Total Deductions	$148,074	$163,634	$179,944	$189,181
Change in Net Position	$257,449	$322,344	$500,406	$(45,967)

2009	2010	2011	2012	2013	2014
$82,920	$90,445	$132,526	$128,375	$112,359	$116,971
(13,942)	13,032	26,499	4,445	28,116	50,333
1,438	63	1,989	2,422	2,789	3,610
$70,416	$103,540	$161,014	$135,242	$143,264	$170,914
$31,088	$35,613	$44,740	$58,987	$62,482	$64,762
1,523	1,388	794	1,296	1,506	1,838
0	743	1,396	855	941	4,600
$32,611	$37,744	$46,930	$61,138	$64,929	$71,200
$37,805	$65,796	$114,084	$74,104	$78,335	$99,714

2009	2010	2011	2012	2013	2014
$217,415	$228,190	$222,031	$216,010	$229,187	$234,805
(547,303)	308,697	652,762	85,400	642,247	748,675
3,788	2,305	5,819	4,480	4,237	5,320
$(326,100)	$539,192	$880,612	$305,890	$875,671	$988,800
$35,222	$30,353	$28,549	$29,615	$28,961	$29,754
106,009	114,889	162,756	170,442	192,774	218,492
3,004	2,726	3,370	2,762	2,959	3,372
3,409	1,715	1,630	1,745	1,721	3,851
$147,644	$149,683	$196,305	$204,564	$226,415	$255,469
$(473,744)	$389,509	$684,307	$101,326	$649,256	$733,331

Schedule of Changes in Fiduciary Net Position

For the Nine Fiscal Years Ended June 30, 2014
(Dollars in thousands)

Hennepin County Supplemental Retirement Fund*

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

**MSRS assumed responsibility for the administration of this fund on December 1, 2005 (fiscal year 2006).*

2010	2011	2012	2013	2014
$514	$467	$458	$227	$270
515	466	459	228	270
12,288	21,710	3,919	15,968	22,473
48	49	49	52	57
$13,365	$22,692	$4,885	$16,475	$23,070
$3,514	$4,069	$2,807	$4,225	$5,182
2,244	2,490	3,933	2,491	1,933
17	11	17	16	27
35	39	33	37	87
$5,810	$6,609	$6,790	$6,769	$7,229
$7,555	$16,083	$(1,905)	$9,706	$15,841

Schedule of Revenues by Source

For the Ten Fiscal Years Ended June 30, 2014
(Dollars in thousands)

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total	Actual Covered Payroll	Percentage Employer Contributions*
State Employees Retirement Fund							
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
2012	118,358	115,159	213,887	24,677	472,081	2,367,160	5.00
2013	124,150	121,673	1,275,308	21,565	1,542,696	2,483,000	5.00
2014	131,033	128,037	1,829,621	21,014	2,109,705	2,620,660	5.00
State Patrol Retirement Fund							
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
2012	7,753	11,620	12,744	0	32,117	62,524	18.60
2013	7,703	11,482	76,315	0	95,500	62,121	18.60**
2014	7,930	11,894	107,187	1,000	128,011	63,952	18.60**
Correctional Employees Retirement Fund							
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
2012	17,203	24,188	15,926	0	57,317	200,035	12.10
2013	17,561	24,632	93,392	0	135,585	204,198	12.10
2014	18,855	26,468	137,523	0	182,846	219,244	12.10

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

** *Percentage excludes statutorily required annual supplemental state contribution of $1 million.*

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

Judges Retirement Fund

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total	Actual Covered Payroll	Percentage Employer Contributions*
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
2012	2,931	7,922	3,341	0	14,194	38,644	20.50
2013	3,037	8,177	19,943	0	31,157	39,888	20.50
2014	3,578	9,426	28,011	0	41,015	41,893	22.50

Legislators Retirement Fund**

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total	Actual Covered Payroll	Percentage Employer Contributions*
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
2012	124	N/A	253	3,935	4,312	1,378	N/A
2013	111	N/A	1,763	3,399	5,273	1,233	N/A
2014	101	N/A	1,750	3,436	5,287	1,122	N/A

Elective State Officers Retirement Fund**

Fiscal Year Ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total	Actual Covered Payroll	Percentage Employer Contributions*
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
2012	0	0	0	465	465	N/A	N/A
2013	0	0	0	470	470	N/A	N/A

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

** *Other income for the Legislators Retirement Fund and the Elective State Officers Retirement Fund include appropriations from the State's General Fund. Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

Schedule of Expenses by Type

For the Ten Fiscal Years Ended June 30, 2014
(Dollars in thousands)

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total

State Employees Retirement Fund

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
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
2012	552,088	6,341	11,573	219	570,221
2013	586,256	8,589	12,222	227	607,294
2014	623,942	8,125	11,986	486	644,539

State Patrol Retirement Fund

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
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
2012	50,007	158	275	0	50,440
2013	52,057	190	7	1	52,255
2014	53,697	150	25	0	53,872

Correctional Employees Retirement Fund

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total
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
2012	42,571	548	1,257	0	44,376
2013	46,226	692	1,032	1	47,951
2014	50,842	657	1,447	1	52,947

Fiscal Year Ended June 30	Annuity Benefits	Administrative Expenses	Refunds	Other Expenses	Total

Judges Retirement Fund

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
2012	18,539	72	0	1	18,612
2013	19,772	72	0	1	19,845
2014	20,802	55	0	0	20,857

Legislators Retirement Fund*

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
2012	7,721	36	172	0	7,929
2013	7,826	38	101	1,338	9,303
2014	8,407	36	79	0	8,522

Elective State Officers Retirement Fund*

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
2012	458	7	0	0	465
2013	469	1	0	0	470

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

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, 2014
(Dollars in thousands)

State Employees Retirement Fund

	2005	2006	2007	2008
Benefits by Type				
Retirement	$299,463	$310,380	$331,464	$354,317
Survivor	36,198	38,758	41,816	44,403
Disability	12,298	17,659	18,778	20,037
Total	$347,959	$366,797	$392,058	$418,757
Refunds by Type				
Separation	$6,381	$7,270	$6,462	$6,657
Death	615	864	937	1,162
Interest	3,711	4,421	3,703	3,857
Total	$10,707	$12,555	$11,102	$11,676

State Patrol Retirement Fund

	2005	2006	2007	2008
Benefits by Type				
Retirement	$31,242	$32,539	$33,911	$35,561
Survivor	4,401	4,667	5,079	5,510
Disability	1,311	1,561	1,591	1,733
Total	$36,954	$38,767	$40,581	$42,804
Refunds by Type				
Separation	$4	$37	$77	$6
Death	0	0	0	0
Interest	0	15	56	0
Total	$4	$52	$133	$6

Correctional Employees Retirement Fund

	2005	2006	2007	2008
Benefits by Type				
Retirement	$20,054	$21,981	$24,069	$26,133
Survivor	1,026	1,150	1,307	1,404
Disability	2,736	3,031	3,189	3,395
Total	$23,816	$26,162	$28,565	$30,932
Refunds by Type				
Separation	$425	$569	$568	$631
Death	85	0	36	13
Interest	139	161	148	151
Total	$649	$730	$752	$795

2009	2010	2011	2012	2013	2014
$377,343	$400,703	$428,731	$471,881	$502,520	$536,403
47,345	50,822	54,029	56,585	59,150	62,122
21,104	21,922	22,813	23,622	24,586	25,417
$445,792	$473,447	$505,573	$552,088	$586,256	$623,942
$5,484	$5,556	$7,329	$6,683	$7,309	$7,227
1,478	756	948	781	618	829
3,945	3,421	5,929	4,109	4,295	3,930
$10,907	$9,733	$14,206	$11,573	$12,222	$11,986

2009	2010	2011	2012	2013	2014
$37,167	$38,560	$40,246	$42,435	$44,296	$45,737
5,560	5,600	5,562	5,528	5,598	5,612
1,753	1,959	2,036	2,044	2,163	2,348
$44,480	$46,119	$47,844	$50,007	$52,057	$53,697
$0	$3	$0	$1	$5	$24
0	0	0	138	0	0
0	0	0	136	2	1
$0	$3	$0	$275	$7	$25

2009	2010	2011	2012	2013	2014
$28,167	$30,637	$33,062	$35,906	$39,120	$43,087
1,515	1,618	1,793	2,037	2,197	2,519
3,557	3,823	4,261	4,628	4,909	5,236
$33,239	$36,078	$39,116	$42,571	$46,226	$50,842
$724	$758	$1,100	$1,007	$818	$1,058
64	62	19	24	27	107
228	350	390	226	187	282
$1,016	$1,170	$1,509	$1,257	$1,032	$1,447

Schedule of Benefits and Refunds by Type

For the Ten Fiscal Years Ended June 30, 2014*
(Dollars in thousands)

Judges Retirement Fund

	2005	2006	2007	2008
Benefits by Type				
Retirement	$9,998	$10,359	$10,467	$10,959
Survivor	3,303	3,314	3,427	3,520
Disability	449	587	622	637
Total	$13,750	$14,260	$14,516	$15,116
Refunds by Type				
Separation	$74	$0	$38	$0
Death	0	0	0	0
Interest	37	0	7	0
Total	$111	$0	$45	$0

Legislators Retirement Fund*

	2005	2006	2007	2008
Benefits by Type**				
Retirement	$5,108	$5,275	$5,496	$5,837
Survivor	834	819	894	949
Total	$5,942	$6,094	$6,390	$6,786
Refunds by Type				
Separation	$0	$0	$19	$1
Death	0	27	0	0
Interest	0	51	16	0
Total	$0	$78	$35	$1

Elective State Officers Retirement Fund*

	2005	2006	2007	2008
Benefits by Type**				
Retirement	$308	$324	$332	$340
Survivor	83	85	87	90
Total	$391	$409	$419	$430

Refunds by Type

There were no refunds for the past ten years.

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

** *The Legislators and Elective State Officers Retirement Funds do not provide disability benefits.*

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

2009	2010	2011	2012	2013	2014
$10,528	$10,996	$11,525	$12,279	$13,415	$14,700
3,906	4,202	4,195	4,521	4,624	4,363
1,827	1,860	1,865	1,739	1,733	1,739
$16,261	$17,058	$17,585	$18,539	$19,772	$20,802
$0	$0	$27	$0	$0	$0
0	0	0	0	0	0
0	0	3	0	0	0
$0	$0	$30	$0	$0	$0

2009	2010	2011	2012	2013	2014
$5,983	$6,007	$6,231	$6,420	$6,565	$7,032
1,033	1,152	1,233	1,301	1,261	1,375
$7,016	$7,159	$7,464	$7,721	$7,826	$8,407
$0	$0	$5	$73	$34	$0
0	0	0	0	0	58
0	0	6	99	67	21
$0	$0	$11	$172	$101	$79

2009	2010	2011	2012	2013
$348	$347	$353	$337	$345
92	94	106	121	124
$440	$451	$459	$458	$469

Active Members Average Age Tables

For the Ten Fiscal Years Ended June 30, 2014
(In Years)

Fiscal Year Ended	Averages for New Members: Entry Age Male	Female	Total	Averages for All Members: Entry Age Male	Female	Total	Attained Age Male	Female	Total	Service Credit Male	Female	Total
State Employees Retirement Fund												
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
06/30/12	36.6	34.7	35.5	34.0	33.2	33.6	47.6	46.6	47.1	12.8	12.0	12.4
06/30/13	37.1	36.5	36.8	34.3	33.4	33.8	47.6	46.6	47.0	12.5	11.9	12.2
06/30/14	36.2	35.8	35.9	34.5	33.7	34.1	47.6	46.6	47.0	12.3	11.7	12.0
State Patrol Retirement Fund												
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
06/30/12	36.5	27.9	33.4	29.2	28.8	29.2	42.1	41.3	42.0	12.8	12.2	12.7
06/30/13	30.7	31.7	30.7	29.3	28.9	29.3	41.9	41.8	41.8	12.5	12.7	12.5
06/30/14	32.8	28.4	32.4	29.4	29.0	29.4	41.8	41.6	41.8	12.4	12.7	12.4

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

Fiscal Year Ended	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
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
06/30/12	32.3	33.6	32.8	31.8	33.8	32.6	41.5	41.2	41.4	9.4	7.1	8.6
06/30/13	32.0	34.0	32.9	31.8	33.7	32.4	41.6	41.2	41.5	9.5	7.2	8.7
06/30/14	33.7	33.6	33.7	31.9	33.4	32.5	41.8	40.8	41.4	9.7	7.1	8.7

Judges Retirement Fund

Fiscal Year Ended	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
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
06/30/12	52.1	49.4	51.0	47.7	45.0	46.7	58.3	54.4	56.9	10.6	9.2	10.1
06/30/13	51.6	46.6	48.7	48.1	45.1	47.0	58.3	54.2	56.7	10.1	8.7	9.6
06/30/14	48.7	45.9	47.5	48.0	45.1	46.9	58.3	54.0	56.7	10.2	8.6	9.6

Note: These statistics are not available for the Legislators Retirement Fund.

Schedule of Retired Members by Type of Benefit

As of June 30, 2014

State Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
$0-$499	7,819	6,704	365	750	4,663	2,726	255	175
$500-$999	6,434	5,068	502	864	3,415	2,659	245	115
$1,000-$1,499	5,570	4,430	424	716	2,817	2,546	142	65
$1,500-$1,999	4,577	3,802	284	491	2,052	2,382	95	48
$2,000-$2,499	3,661	3,196	152	313	1,526	2,065	45	25
$2,500-$2,999	2,561	2,274	60	227	1,067	1,446	30	18
$3,000-$3,499	1,668	1,539	18	111	633	1,008	14	13
$3,500-$3,999	1,018	934	3	81	368	638	7	5
$4,000-$4,499	610	555	7	48	216	386	4	4
$4,500-$4,999	386	347	0	39	134	240	5	7
$5,000+	425	376	3	46	135	283	3	4
Totals	34,729	29,225	1,818	3,686	17,026	16,379	845	479

Type:

1 Retired members
2 Disabilitants
3 Survivors

Option:

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

State Patrol Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
$0-$499	18	14	0	4	10	5	3	0
$500-$999	27	13	2	12	5	13	9	0
$1,000-$1,499	30	17	0	13	13	12	5	0
$1,500-$1,999	25	14	3	8	10	15	0	0
$2,000-$2,499	66	25	3	38	13	44	9	0
$2,500-$2,999	50	19	5	26	16	31	3	0
$3,000-$3,499	68	42	10	16	20	46	2	0
$3,500-$3,999	73	55	10	8	28	45	0	0
$4,000-$4,499	93	75	11	7	31	59	3	0
$4,500-$4,999	119	109	2	8	31	88	0	0
$5,000+	416	393	8	15	179	233	4	0
Totals	985	776	54	155	356	591	38	0

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

Correctional Employees Retirement Fund

Monthly Benefit Amount	Number of Retirees	Retirement Type			Option Selected			
		1	2	3	Life	I	II	III
$0-$499	394	346	10	38	217	146	25	6
$500-$999	433	373	16	44	222	194	14	3
$1,000-$1,499	423	283	104	36	220	190	11	2
$1,500-$1,999	410	304	78	28	194	205	7	4
$2,000-$2,499	308	254	40	14	144	160	3	1
$2,500-$2,999	193	178	9	6	85	105	2	1
$3,000-$3,499	170	157	9	4	69	101	0	0
$3,500-$3,999	80	77	1	2	31	49	0	0
$4,000-$4,499	50	49	1	0	19	31	0	0
$4,500-$4,999	30	28	0	2	4	25	0	1
$5,000+	26	26	0	0	10	16	0	0
Totals	2,517	2,075	268	174	1,215	1,222	62	18

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	4	2	0	2	0	3	1	0
$1,000-$1,499	6	4	0	2	1	2	1	2
$1,500-$1,999	9	8	0	1	4	4	1	0
$2,000-$2,499	17	8	0	9	6	9	2	0
$2,500-$2,999	16	11	0	5	3	12	1	0
$3,000-$3,499	27	10	1	16	3	21	3	0
$3,500-$3,999	18	9	2	7	7	9	2	0
$4,000-$4,499	22	11	1	10	1	16	5	0
$4,500-$4,999	31	20	2	9	6	23	2	0
$5,000+	185	144	18	23	52	120	7	6
Totals	335	227	24	84	83	219	25	8

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

Schedule of Retired Members by Type of Benefit

As of June 30, 2014

Legislators Retirement Fund*

Monthly Benefit Amount	Number of Retirees	Retirement Type		Option Selected		
		Member	Survivor	Life	I	II
$0-$499	23	17	6	12	6	5
$500-$999	87	56	31	34	29	24
$1,000-$1,499	79	68	11	46	25	8
$1,500-$1,999	60	52	8	25	31	4
$2,000-$2,499	35	30	5	21	10	4
$2,500-$2,999	27	25	2	15	11	1
$3,000-$3,499	16	12	4	7	7	2
$3,500-$3,999	18	16	2	13	5	0
$4,000-$4,499	8	7	1	6	2	0
$4,500-$4,999	11	8	3	4	5	2
$5,000+	11	10	1	6	5	0
Totals	375	301	74	189	136	50

Option:

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

* *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

State Employees Retirement Fund

	Years Credited Service							
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	$140	$345	$636	$891	$1,184	$1,554	$2,282	$1,148
Number of 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
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	$137	$341	$667	$945	$1,237	$1,547	$2,310	$1,203
Number of 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
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	$136	$371	$634	$983	$1,235	$1,629	$2,288	$1,291
Number of 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
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	$147	$428	$740	$1,026	$1,395	$1,691	$2,335	$1,338
Number of 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
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	$150	$421	$712	$1,068	$1,362	$1,744	$2,399	$1,367
Number of 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
Period 7/1/09 to 6/30/10:								
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
Period 7/1/10 to 6/30/11:								
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
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	$179	$482	$813	$1,169	$1,551	$1,947	$2,673	$1,512
Number of New Retirees*	285	291	299	236	289	235	738	2,373
Average Final Average Salary**	$4,089	$3,512	$3,969	$3,966	$4,434	$4,627	$5,008	$4,372
Period 7/1/12 to 6/30/13:								
Average Monthly Benefit	$200	$520	$847	$1,201	$1,619	$2,024	$3,136	$1,595
Number of New Retirees*	241	254	250	216	213	237	503	1,914
Average Final Average Salary**	$4,310	$3,831	$3,868	$4,072	$4,549	$4,743	$5,247	$4,488
Period 7/1/13 to 6/30/14:								
Average Monthly Benefit	$158	$462	$850	$1,209	$1,757	$2,079	$2,724	$1,517
Number of New Retirees*	241	253	269	245	200	235	554	1,997
Average Final Average Salary**	$4,680	$3,809	$4,226	$4,363	$5,005	$5,041	$5,224	$4,695
Period 7/1/04 to 6/30/14:								
Average Monthly Benefit	$158	$435	$749	$1,085	$1,440	$1,787	$2,529	$1,410
Number of New Retirees*	2,305	2,122	2,082	1,992	2,170	2,128	5,415	18,214
Average Final Average Salary**	$4,312	$3,603	$3,775	$3,968	$4,184	$4,362	$4,818	$4,272

* *Number added in* Schedule of Retirees and Beneficiaries *is greater because it includes benefit restarts and qualified domestic relations orders 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

	Years Credited Service							
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Retirement Effective Dates								
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	$280	$0	$0	$3,081	$3,424	$3,814	$4,240	$3,467
Number of 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
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	$0	$1,104	$1,903	$2,664	$3,504	$4,742	$5,180	$3,943
Number of 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
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	$0	$1,829	$1,633	$3,158	$3,403	$4,634	$3,887	$3,534
Number of 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
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	$185	$774	$1,986	$2,788	$3,151	$4,469	$4,256	$3,541
Number of 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
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	$0	$788	$2,053	$3,471	$4,204	$4,435	$3,842	$3,793
Number of 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
Period 7/1/09 to 6/30/10:								
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
Period 7/1/10 to 6/30/11:								
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
Period 7/1/11 to 6/30/12								
Average Monthly Benefit	$517	$847	$2,476	$2,383	$4,187	$5,391	$6,158	$4,875
Number of New Retirees*	2	1	3	1	7	13	16	43
Average Final Average Salary**	$7,934	$5,957	$6,634	$4,165	$6,785	$7,278	$7,361	$7,111
Period 7/1/12 to 6/30/13:								
Average Monthly Benefit	$395	$0	$2,323	$3,202	$4,297	$4,756	$6,296	$4,596
Number of New Retirees*	2	0	3	1	5	7	10	28
Average Final Average Salary**	$5,841	$0	$6,252	$5,908	$7,001	$7,187	$7,362	$6,974
Period 7/1/13 to 6/30/14:								
Average Monthly Benefit	$323	$1,086	$2,448	$2,685	$4,672	$5,218	$5,700	$4,035
Number of New Retirees*	1	4	4	3	6	6	9	33
Average Final Average Salary**	$7,171	$5,687	$6,535	$5,968	$6,923	$7,017	$7,317	$6,771
Period 7/1/04 to 6/30/14:								
Average Monthly Benefit	$389	$1,045	$2,176	$2,955	$3,760	$4,750	$4,928	$3,963
Number of New Retirees*	12	17	24	29	60	98	102	342
Average Final Average Salary**	$6,155	$5,493	$6,152	$5,914	$6,172	$6,521	$6,326	$6,260

* *Number added in* Schedule of Retirees and Beneficiaries *is greater because it includes benefit restarts and qualified domestic relations orders 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.*

Correctional Employees Retirement Fund

Retirement Effective Dates	Years Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	$429	$778	$1,294	$1,707	$2,113	$2,943	$3,277	$1,842
Number of 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
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	$256	$778	$1,125	$1,711	$2,198	$2,950	$4,089	$1,590
Number of 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
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	$339	$751	$1,365	$1,474	$2,266	$2,674	$3,690	$1,580
Number of 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
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	$407	$774	$1,265	$1,501	$2,044	$2,841	$3,171	$1,504
Number of 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
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	$343	$822	$1,318	$1,567	$2,315	$3,003	$3,458	$1,671
Number of 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
Period 7/1/09 to 6/30/10:								
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	$4,296
Period 7/1/10 to 6/30/11:								
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
Period 7/1/11 to 6/30/12								
Average Monthly Benefit	$296	$645	$1,050	$1,575	$1,884	$2,571	$3,248	$1,289
Number of New Retirees*	34	40	23	1	22	14	13	177
Average Final Average Salary**	$4,694	$4,228	$4,332	$4,165	$4,687	$5,067	$4,761	$4,548
Period 7/1/12 to 6/30/13:								
Average Monthly Benefit	$267	$630	$1,178	$1,769	$2,031	$2,679	$3,136	$1,386
Number of New Retirees*	36	35	25	30	29	16	12	183
Average Final Average Salary**	$4,961	$4,565	$4,515	$4,938	$4,658	$5,188	$5,231	$4,810
Period 7/1/13 to 6/30/14:								
Average Monthly Benefit	$272	$700	$1,266	$1,558	$1,957	$2,454	$3,099	$1,441
Number of New Retirees*	18	34	23	25	20	7	18	145
Average Final Average Salary**	$5,160	$4,402	$4,654	$4,394	$4,756	$5,346	$5,368	$4,749
Period 7/1/04 to 6/30/14:								
Average Monthly Benefit	$329	$732	$1,258	$1,602	$2,155	$2,843	$3,380	$1,524
Number of New Retirees*	234	279	228	274	191	155	116	1,477
Average Final Average Salary**	$4,584	$4,194	$4,192	$4,144	$4,454	$4,577	$4,947	$4,379

* *Number added in* Schedule of Retirees and Beneficiaries *is greater because it includes benefit restarts and qualified domestic relations orders 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

	Years Credited Service							
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/04 to 6/30/05:								
Average Monthly Benefit	$0	$0	$3,296	$3,346	$5,317	$0	$0	$4,184
Number of 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
Period 7/1/05 to 6/30/06:								
Average Monthly Benefit	$0	$1,879	$3,386	$4,096	$5,635	$5,313	$0	$4,678
Number of 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
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	$0	$2,064	$2,624	$3,823	$5,993	$0	$0	$4,281
Number of 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
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	$0	$2,606	$3,038	$4,243	$5,252	$5,588	$0	$4,675
Number of 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
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	$0	$0	$4,538	$4,698	$4,539	$0	$0	$4,594
Number of 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
Period 7/1/09 to 6/30/10:								
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
Period 7/1/10 to 6/30/11:								
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
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	$0	$1,673	$3,451	$5,443	$6,324	$0	$0	$4,898
Number of New Retirees*	0	1	8	1	10	0	0	20
Average Final Average Salary**	$0	$10,045	$10,175	$11,833	$10,734	$0	$0	$10,531
Period 7/1/12 to 6/30/13:								
Average Monthly Benefit	$807	$0	$3,087	$4,980	$6,216	$0	$0	$5,354
Number of New Retirees*	1	0	2	8	14	0	0	25
Average Final Average Salary**	$10,472	$0	$11,037	$11,833	$10,734	$0	$0	$11,099
Period 7/1/13 to 6/30/14:								
Average Monthly Benefit	$0	$1,104	$3,423	$5,464	$6,914	$0	$0	$5,568
Number of New Retirees*	0	1	4	4	10	0	0	19
Average Final Average Salary**	$0	$5,507	$10,067	$10,796	$10,700	$0	$0	$10,313
Period 7/1/04 to 6/30/14:								
Average Monthly Benefit	$807	$1,811	$3,198	$4,590	$5,890	$5,451	$0	$4,923
Number of New Retirees*	1	7	28	36	88	2	0	162
Average Final Average Salary**	$10,472	$8,199	$9,844	$10,217	$9,909	$9,534	$0	$9,850

* *Number added in* Schedule of Retirees and Beneficiaries *is greater because it includes benefit restarts and qualified domestic relations orders 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.*

Legislators Retirement Fund***

	Years Credited Service							
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/04 to 6/30/05:								
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
Period 7/1/05 to 6/30/06:								
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
Period 7/1/06 to 6/30/07:								
Average Monthly Benefit	$0	$1,225	$1,340	$1,707	$2,057	$2,567	$3,038	$1,661
Number of 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
Period 7/1/07 to 6/30/08:								
Average Monthly Benefit	$0	$1,372	$1,233	$1,289	$2,935	$2,318	$0	$1,505
Number of 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
Period 7/1/08 to 6/30/09:								
Average Monthly Benefit	$739	$1,209	$1,240	$1,546	$2,200	$3,373	$0	$1,531
Number of 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
Period 7/1/09 to 6/30/10:								
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
Period 7/1/10 to 6/30/11:								
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
Period 7/1/11 to 6/30/12:								
Average Monthly Benefit	$0	$1,235	$1,444	$2,481	$0	$0	$0	$1,621
Number of New Retirees*	0	4	1	2	0	0	0	7
Average Final Average Salary**	$0	$4,271	$2,691	$5,279	$0	$0	$0	$4,333
Period 7/1/12 to 6/30/13:								
Average Monthly Benefit	$664	$0	$2,518	$2,439	$1,851	$3,232	$3,290	$2,347
Number of New Retirees*	2	0	3	2	2	2	2	13
Average Final Average Salary**	$6,118	$0	$5,098	$4,682	$3,381	$7,461	$3,549	$5,052
Period 7/1/13 to 6/30/14:								
Average Monthly Benefit	$0	$1,008	$1,490	$0	$0	$6,118	$0	$1,888
Number of New Retirees*	0	3	4	0	0	1	0	8
Average Final Average Salary**	$0	$2,718	$3,391	$0	$0	$8,411	$0	$3,766
Period 7/1/04 to 6/30/14:								
Average Monthly Benefit	$541	$1,348	$1,409	$1,940	$2,396	$3,073	$3,017	$1,655
Number of New Retirees*	10	40	41	10	13	11	4	129
Average Final Average Salary**	$7,054	$4,926	$3,472	$4,101	$3,869	$4,569	$3,456	$4,382

* *Number added in* Schedule of Retirees and Beneficiaries *is greater because it includes benefit restarts and qualified domestic relations orders 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.*

*** *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

Schedule of New Retirees and Average Benefit Payments

Last Ten Years

Elective State Officers Retirement Fund***

	Years Credited Service							
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30+	Totals
Period 7/1/04 to 6/30/05:								
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
Period 7/1/05 to 6/30/06:								
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
Period 7/1/06 to 6/30/07:								
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
Period 7/1/07 to 6/30/08:								
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
Period 7/1/08 to 6/30/09:								
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
Period 7/1/09 to 6/30/10:								
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
Period 7/1/10 to 6/30/11:								
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
Period 7/1/11 to 6/30/12:								
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
Period 7/1/12 to 6/30/13:								
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
Period 7/1/04 to 6/30/13:								
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

* *Number added in Schedule of Retirees and Beneficiaries is greater because it includes benefit restarts and qualified domestic relations orders 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.*

*** *Effective July 1, 2013, the Elective State Officers Retirement Fund was merged with the Legislators Retirement Fund for administrative cost-savings purposes.*

Schedule of Principal Participating Employers

Current Year and Nine Years Ago

Participating Employer	Fiscal Year 2014 Active Employees	Fiscal Year 2014 Rank	Fiscal Year 2014 % of Total Active Members	Fiscal Year 2005 Active Employees	Fiscal Year 2005 Rank	Fiscal Year 2005 % of Total Active Members
State Employees Retirement Fund						
State of Minnesota and its component units*	49,298	1	99.27%	46,647	1	98.99%
All Others	365		0.73	478		1.01%
Totals	49,663		100.00%	47,125		100.00%
State Patrol Retirement Fund						
State of Minnesota	858	1	100.00%	831	1	100.00%
Correctional Employees Retirement Fund						
State of Minnesota and its component units*	4,497	1	99.85%	3,607	1	100.00%
All Others	7		0.15			
Totals	4,504		100.00%	3,607		100.00%
Judges Retirement Fund						
State of Minnesota	316	1	100.00%	295	1	100.00%
Legislators Retirement Fund						
State of Minnesota	24	1	100.00%	78	1	100.00%

Participating Employer	Fiscal Year 2014 Covered Employees	Fiscal Year 2014 Rank	Fiscal Year 2014 % of Total Fund	Fiscal Year 2005 Covered Employees	Fiscal Year 2005 Rank	Fiscal Year 2005 % of Total Fund
Unclassified Employees Retirement Fund**						
State of Minnesota and its component units*	3,048	1	93.47%	3,102	1	96.55%
All Others	213		6.53	111		3.45%
Totals	3,261		100.00%	3,213		100.00%
Health Care Savings Plan**						
State of Minnesota and its component units*	42,617	1	46.90%	5,744	1	32.44%
Hennepin County	3,870	2	4.26			
Ramsey County	2,868	3	3.16			
Dakota County	2,189	4	2.41	980	3	5.53
City of Minneapolis	1,833	5	2.02	1,344	2	7.59
Special School District 1 Minneapolis	1,607	6	1.77	975	4	5.51
Independent School District (ISD) 623 Roseville	1,585	7	1.74	521	7	2.94
City of Duluth	1,146	8	1.26			
ISD 728 Elk River	1,066	9	1.17			
Scott County	1,044	10	1.15	744	5	4.20
Metropolitan Airports Commission				610	6	3.44
ISD 284 Wayzata				330	8	1.86
Douglas County Hospital				288	9	1.63
ISD 480 Onamia				232	10	1.31
All Others	31,049		34.16	5,942		33.55
Totals	90,874		100.00%	17,710		100.00%

* *Component units of the State of Minnesota include the Metropolitan Council, the University of Minnesota, and the Minnesota Sports Facilities Authority.*

** *Includes all members with account balances.*

Schedule of Principal Participating Employers

Current Year and Nine Years Ago

Participating Employer	Fiscal Year 2014 Covered Employees	Rank	% of Total Fund	Fiscal Year 2009*** Covered Employees	Rank	% of Total Fund
Minnesota Deferred Compensation Fund (MNDCP)**						
State of Minnesota and its component units*	44,970	1	54.02%	47,058	1	54.09%
Special School District 1 Minneapolis	4,852	2	5.83	5,951	2	6.84%
Ramsey County	3,313	3	3.98	3,414	3	3.93%
City of Minneapolis	3,143	4	3.78	1,230	9	1.42%
Hennepin County	1,989	5	2.39	2,446	4	2.81%
ISD 625 St. Paul	1,786	6	2.15	2,239	6	2.57%
City of St. Paul	1,735	7	2.08	2,246	5	2.58%
Anoka County	1,376	8	1.65	1,204	10	1.38%
Dakota County	1,205	9	1.45	1,254	8	1.44%
ISD 279 Osseo	1,175	10	1.41	1,401	7	1.61%
All Others	17,697		21.26	18,560		21.33%
Totals	83,241		100.00%	87,003		100.00%
Hennepin County Supplemental Retirement Fund**						
Hennepin County	1,227	1	77.81%	1,596	1	78.01%
Hennepin County Medical Center	350	2	22.19	458	2	21.99%
Totals	1,577		100.00%	2,054		100.00%

* *Component units of the State of Minnesota include the Metropolitan Council, the University of Minnesota, and the Minnesota Sports Facilities Authority.*

** *Includes all members with account balances.*

*** *Complete data is unavailable from previous recordkeeper.*

Schedule of Participating Employers

As of June 30, 2014

State

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

University of Minnesota

Cities

City of Aitkin
City of Akeley
City of Albert Lea
City of Albertville
City of Alexandria
City of Anoka
City of Apple Valley
City of Arden Hills
City of Aurora
City of Austin
City of Babbitt
City of Balaton
City of Battle Lake
City of Baudette
City of Baxter
City of Bertha
City of Blaine
City of Blooming Prairie
City of Bloomington
City of Blue Earth
City of Bovey
City of Brainerd
City of Breckenridge
City of Breezy Point
City of Brooklyn Center
City of Brooklyn Park
City of Browerville
City of Browns Valley
City of Buffalo
City of Buhl
City of Burnsville
City of Caledonia
City of Cambridge
City of Cannon Falls
City of Carlton
City of Chanhassen
City of Chatfield
City of Chisago
City of Chisholm
City of Circle Pines
City of Clarissa
City of Cleveland
City of Cloquet
City of Cohasset
City of Cold Spring
City of Coleraine
City of Cologne
City of Columbia Heights
City of Columbus
City of 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 Dassel
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 Dundas
City of Eagan
City of East Bethel
City of East Grand Forks
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 Floodwood
City of Foley
City of Forest Lake
City of Gaylord
City of Gilbert
City of Glencoe
City of Golden Valley
City of Goodhue
City of Grand Marais
City of Grand Rapids
City of Ham Lake
City of Hastings
City of Henning
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 Inver Grove Heights
City of Isanti
City of Isle
City of Jackson
City of Janesville
City of Jordan
City of Kasson
City of Keewatin
City of La Crescent
City of La Prairie
City of Lake City
City of Lake Shore
City of Lakeville
City of Le Center
City of Le Sueur
City of Lester Prairie
City of Lino Lakes
City of Litchfield
City of Little Falls
City of Littlefork
City of Long Lake
City of Long Prairie
City of Madelia
City of Mahtomedi
City of Mankato
City of Maple Grove
City of Maple Lake
City of Maplewood
City of Marble
City of Marietta
City of Marshall
City of McGregor
City of Medina
City of Melrose
City of Menahga
City of Mendota Heights
City of Milaca
City of Minneapolis
City of Minnetonka
City of Montevideo
City of Montgomery
City of Monticello
City of Moorhead
City of Moose Lake
City of Mora
City of Morris
City of Mound
City of Mounds View
City of Mountain Iron
City of Nashwauk
City of Nevis
City of New Brighton
City of New Hope
City of New Prague
City of New Ulm
City of New York Mills
City of Newport
City of Nisswa
City of North 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 Osakis
City of Osseo
City of Owatonna
City of Park Rapids
City of Paynesville
City of Pelican Rapids
City of Pierz
City of Pine City
City of Plainview
City of Preston
City of Prior Lake
City of Proctor
City of Ramsey
City of Red Lake Falls
City of Redwood Falls

Continued on next page

Schedule of Participating Employers (continued)

As of June 30, 2014

City of Richfield
City of Robbinsdale
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 Sauk Rapids
City of Savage
City of Scandia
City of Shakopee
City of Silver Bay
City of Slayton
City of Sleepy Eye
City of South St. Paul
City of Spring Lake Park
City of Spring Valley
City of Springfield
City of St. Anthony
City of St. Charles
City of St. Cloud
City of St. Francis
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 Stephen
City of Stewartville
City of Stillwater
City of Thief River Falls
City of Tonka Bay
City of Tower
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 Wayzata
City of Wells
City of West Concord
City of West St. Paul
City of Wheaton
City of White Bear Lake
City of Willmar
City of Windom
City of Winona
City of Woodbury
City of Worthington
City of Wyoming
City of Zumbrota

Townships

Breitung Township
Town of Fayal
White Bear Township
Town of White

Counties

Anoka County
Becker County
Beltrami County
Benton County
Blue Earth County
Brown County
Carlton County
Carver County
Cass 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
Kandiyohi County
Koochiching County
Lake County
Lake of the Woods County
Le Sueur County
Lincoln County
Lyon County
Marshall County
McLeod County
Mille Lacs County
Mower County
Murray County
Nicollet County
Nobles County
Norman County
Olmsted County
Ottertail County
Pine County
Pipestone County
Polk County
Pope County
Ramsey County
Red Lake County
Redwood County
Renville County
Rock County
Scott County
Sherburne County
Sibley County
St. Louis County
Stearns County
Steele County
Stevens County
Swift County
Todd County
Wabasha County
Wadena County
Waseca County
Washington County
Watonwan County
Wilkin County
Winona County
Wright County

Independent School Districts (ISD) and other Educational Entities

ISD 1 Aitkin
ISD 11 Anoka - Hennepin
ISD 12 Centennial
ISD 13 Columbia Heights
ISD 14 Fridley
ISD 15 St. Francis
ISD 16 Spring Lake Park
ISD 22 Detroit Lakes
ISD 31 Bemidji
ISD 47 Sauk Rapids - Rice
ISD 51 Foley
ISD 75 St. Clair
ISD 77 Mankato
ISD 81 Comfrey
ISD 84 Sleepy Eye
ISD 85 Springfield
ISD 88 New Ulm
ISD 91 Barnum
ISD 93 Carlton
ISD 94 Cloquet
ISD 95 Cromwell - Wright
ISD 97 Moose Lake
ISD 99 Esko
ISD 100 Wrenshall
ISD 111 Watertown - Mayer
ISD 112 Eastern Carver County
ISD 116 Pillager
ISD 118 Northland Community
ISD 138 North Branch
ISD 139 Rush City
ISD 152 Moorhead
ISD 162 Bagley
ISD 166 Cook County
ISD 173 Mountain Lake
ISD 181 Brainerd
ISD 182 Crosby - Ironton
ISD 191 Burnsville - Eagan - Savage
ISD 194 Lakeville
ISD 195 Randolph
ISD 196 Rosemount - Apple Valley - Eagan
ISD 197 West St. Paul - Mendota Heights - Eagan
ISD 199 Inver Grove Heights
ISD 200 Hastings
ISD 203 Hayfield
ISD 204 Kasson - Mantorville
ISD 206 Alexandria
ISD 213 Osakis
ISD 239 Rushford - Peterson

ISD 241 Albert Lea
ISD 242 Alden - Conger
ISD 253 Goodhue
ISD 255 Pine Island
ISD 256 Red Wing
ISD 270 Hopkins
ISD 271 Bloomington
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 286 Brooklyn Center
ISD 294 Houston
ISD 297 Spring Grove
ISD 299 Caledonia
ISD 300 La Crescent - Hokah
ISD 308 Nevis
ISD 309 Park Rapids
ISD 314 Braham
ISD 316 Greenway
ISD 317 Deer River
ISD 318 Grand Rapids
ISD 330 Heron Lake - Okabena
ISD 333 Ogilvie
ISD 361 International Falls
ISD 362 Littlefork - Big Falls
ISD 363 South Koochiching
ISD 381 Lake Superior
ISD 390 Lake of the Woods
ISD 391 Cleveland
ISD 402 Hendricks
ISD 403 Ivanhoe
ISD 423 Hutchinson
ISD 458 Truman
ISD 463 Eden Valley - Watkins
ISD 465 Litchfield
ISD 466 Dassel - Cokato
ISD 477 Princeton
ISD 480 Onamia
ISD 484 Pierz
ISD 485 Royalton
ISD 486 Swanville
ISD 487 Upsala Area
ISD 492 Austin
ISD 511 Adrian
ISD 518 Worthington
ISD 533 Dover - Eyota
ISD 534 Stewartville
ISD 535 Rochester
ISD 542 Battle Lake
ISD 544 Fergus Falls
ISD 548 Pelican Rapids
ISD 550 Underwood
ISD 553 New York Mills
ISD 564 Thief River Falls
ISD 593 Crookston
ISD 595 East Grand Forks
ISD 621 Mounds View
ISD 622 North St. Paul - Maplewood
ISD 623 Roseville
ISD 624 White Bear Lake
ISD 625 St. Paul
ISD 640 Wabasso
ISD 656 Faribault
ISD 659 Northfield
ISD 695 Chisholm
ISD 696 Ely
ISD 698 Floodwood
ISD 700 Hermantown
ISD 701 Hibbing
ISD 704 Proctor
ISD 706 Virginia
ISD 709 Duluth
ISD 712 Mountain Iron - Buhl
ISD 716 Belle Plaine
ISD 717 Jordan
ISD 719 Prior Lake - Savage
ISD 720 Shakopee
ISD 721 New Prague Area
ISD 727 Big Lake
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 756 Blooming Prairie
ISD 761 Owatonna
ISD 763 Medford
ISD 786 Bertha - Hewitt
ISD 811 Wabasha - Kellogg
ISD 813 Lake City
ISD 820 Sebeka
ISD 829 Waseca
ISD 831 Forest Lake
ISD 832 Mahtomedi
ISD 833 South Washington County
ISD 834 Stillwater Area
ISD 846 Breckenridge
ISD 857 Lewiston - Altura
ISD 861 Winona Area
ISD 876 Annandale
ISD 877 Buffalo - Hanover - Montrose
ISD 879 Delano
ISD 881 Maple Lake
ISD 883 Rockford
ISD 885 St. Michael - Albertville
ISD 912 Milaca
ISD 2135 Maple River
ISD 2142 St. Louis County
ISD 2144 Chisago Lakes
ISD 2154 Eveleth - Gilbert
ISD 2155 Wadena - Deer Creek
ISD 2164 Dilworth - Glyndon - Felton
ISD 2165 Hinckley - Finlayson
ISD 2168 New Richland - Hartland - Ellendale - Genera
ISD 2169 Murray County Central
ISD 2170 Staples - Motley
ISD 2172 Kenyon - Wanamingo
ISD 2176 Warren - Alvarado - Oslo
ISD 2180 MACCRAY
ISD 2184 Luverne
ISD 2190 Yellow Medicine East
ISD 2198 Fillmore Central
ISD 2364 Belgrade - Brooten - Elrosa
ISD 2396 Atwater - Cosmos - Grove City
ISD 2534 Bird Island - Olivia - Lake Lillian
ISD 2580 East Central
ISD 2609 Win-E-Mac
ISD 2752 Fairmont Area
ISD 2753 Long Prairie - Grey Eagle
ISD 2759 Eagle Valley
ISD 2805 Zumbrota - Mazeppa
ISD 2835 Janesville - Waldorf - Pemberton
ISD 2859 Glencoe - Silver Lake
ISD 2860 Blue Earth Area
ISD 2884 Red Rock Central
ISD 2886 Glenville - Emmons
ISD 2890 Renville County West
ISD 2895 Jackson County Central
ISD 2897 Redwood Area
ISD 2898 Westbrook - Walnut Grove
ISD 2899 Plainview - Elgin - Millville
ISD 2903 Ortonville
ISD 2904 Tracy Area
ISD 2906 Red Lake County Central
ISD 2907 Round Lake - Brewster
Bemidji Regional Interdistrict Council 998
Benton Stearns Education District 6383
East Metro Integration District 6067
Freshwater Education District
Great Expectations School
Hmong College Prep Academy
Intermediate School District 287
Intermediate School District 917
International Spanish Language Academy
Meeker & Wright Special Education Cooperative
Mid-State Education District 6979
New Visions Academy
Northeast Metro 916
Northeast Service Cooperative 927
Northland Learning Center
Northwest Passage High School
PACT Charter School
Region 1-ESV (Education Secondary Vocational)
Special School District (SSD) 1 Minneapolis
Spectrum High School
SSD 6 South St. Paul
Technology & Information Education Services (TIES)
West Central Education District 6026
West Metro Education Program

Other Employers

Adrian Public Utilities Commission
AFSCME
Agricultural Utilization Research Institute
Aitkin Public Utilities Commission
Alexandria Light & Power
Amalgamated Transit Union
Anoka Conservation District
Anoka-Champlin Fire Department
Arrowhead Library System
Arrowhead Regional Computing Consortium
Arrowhead Regional Development Commission

Continued on next page

Schedule of Participating Employers (concluded)

As of June 30, 2014

Austin Utilities
Becker County SWCD (Soil and Water Conservation District)
Beltrami Area Service Collaborative
Benton County SWCD
Blue Earth Light & Water
Brainerd HRA (Housing & Redevelopment Authority)
Brainerd Public Utilities
Brown County SWCD
Carlton County SWCD
Carver County CDA (Community Development Agency)
Carver County SWCD
CCLNS Joint Powers Board #3
Centennial Lakes Police Department
Chippewa County - Montevideo Hospital
Chippewa County SWCD
Chisholm Hibbing Airport Commission
Cook County North Shore Hospital
Crosslake Communications
Dakota Communications Center
Dakota County CDA
Dawson Municipal Liquor Store
Delano Municipal Utilities
Douglas County Hospital
Duluth Entertainment Convention Center (DECC)
Duluth HRA
Duluth Seaway Port Authority
Duluth Teachers Retirement Fund Association
Duluth Transit Authority
East Central Regional Development Commission
East Central Regional Library
East Grand Forks Water & Light
EdVisions Cooperative, Inc
Elk River Municipal Utilities
Enterprise Minnesota
Fillmore County SWCD
FirstLight Health System
Foster-Wheeler (Twin Cities)
Freeborn County SWCD
Gillette Children's Specialty Healthcare
Glencoe Light & Power Commission
Grand Marais Public Utilities Commission
Grand Rapids Public Utilities Commission
Great River Regional Library
Greenwood Connections
Halstad Municipal Utilities
Hennepin County Medical Center
Heritage Living Center - Hubbard County
Hibbing Public Utilities
Hinckley Firehouse Liquor
International Union of Operating Engineers (Local 35)
Itasca Nursing Home - Grand Village
Kandiyohi SWCD
Keewatin Public Utilities
Lake Agassiz Regional Library
Lakes Area Police
League of Minnesota Cities
Lincoln County SWCD
Littlefork Medical Center
LOGIS (Local Government Information Systems)
Madelia Municipal Light & Power
Mahnomen SWCD
Marshall County SWCD
Marshall Municipal Utilities
Meeker County/Meeker Memorial Hospital
Metropolitan Airports Commission
Metropolitan Council
Metropolitan Mosquito Control District
Middle Management Association
Middle Mississippi River Watershed Management
Mid-Minnesota Development Commission
Mille Lacs SWCD
Minnesota Association of Professional Employees
Minnesota Association of Secondary School Principals
Minnesota Conservation Corps
Minnesota Counties Intergovernmental Trust
Minnesota Crop Improvement Association
Minnesota Government Engineers Council (MGEC)
Minnesota Historical Society
Minnesota Horticultural Society
Minnesota Inter-County Association
Minnesota Safety Council
Minnesota Sports Facilities Authority
Minnesota Valley Transit Authority
MNSCU Central Office
Moose Lake Water & Light Commission
Mora Public Utilities
Morrison SWCD
Mower SWCD
Murray County Memorial Hospital
National Joint Powers Alliance
Northeast Minnesota Office of Job Training
New Prague Golf Course
New Prague Municipal Utilities
New River Medical Center
New Ulm Public Utilities
Nicollet SWCD
Norman County SWCD
North Branch Municipal Water & Light
North St. Louis SWCD
Northern Dakota County Cable Communications Commission (NDC4)
Northfield Hospital
Ottertail Water Management District
Owatonna Public Utilities
Paynesville Area Health Care System
Pennington County SWCD
Pine County SWCD
Pioneerland Library System
Pipestone County Medical Center
Port Authority of City of St. Paul
Preston Public Utilities
Prior Lake-Spring Lake Watershed District
Public Housing Agency-St. Paul
Quad Cities Cable Communication Commission
Ramsey-Washington Metro Watershed District
Red River Valley Conservation Service Area
Red Rock Rural Water System
Redwood Area Hospital
Redwood SWCD
Regions Hospital
Renville County SWCD
Resource Training & Solutions
Rice County Auditor/Treasurer
Rice County SWCD
Rice County District One Hospital
Rice Creek Watershed District
Rice Home Medical
Rice Memorial Hospital
River's Edge Hospital & Clinic
Sauk Centre Public Utilities
Scott County SWCD
Shakopee Public Utilities Commission
Sleepy Eye Public Utilities
South Country Health Alliance
South Metro Fire Department
South St. Louis County SWCD
South Washington Watershed District
Southern Minnesota Municipal Power Agency
Southwest Regional Development Commission
Spirit Mountain Recreation Area
Spring Lake Park Fire Department
St. Cloud Area Planning Organization
St. Cloud HRA
St. Cloud Metropolitan Transit Commission
St. Paul Teachers Retirement Fund
State Fair
Stearns County SWCD
Steele County SWCD
Stevens SWCD
Sunnyside Care Center-Becker County
Southwest Health and Human Services
Three Rivers Park District
Traverse Des Sioux Library
Tri-County Community Corrections
United Hospital District
Upper Minnesota Valley Regional Development Commission
Utilities Plus
Veolia Environmental Services
Viking Library System
Virginia Public Utilities
Waseca-Le Sueur Regional Library
Washington County SWCD
Washington County HRA
Wells Public Utilities
West Hennepin County Public Safety
West Metro Fire Rescue
West Ottertail County SWCD
Western Lake Superior Sanitary District
Wilkin County SWCD
Willmar Municipal Utilities
Windom Area Hospital

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

60 Empire Drive | Suite 300 | St. Paul, MN 55103
Telephone: 651-296-2761 | Toll-free: 1-800-657-5757
www.msrs.state.mn.us | Fax: 651-297-5238
Email: info@msrs.us