

*Dollars in Thousands*

|  | Current        |                | Governor Recomm. |                | Biennium       |
|--|----------------|----------------|------------------|----------------|----------------|
|  | FY2004         | FY2005         | FY2006           | FY2007         | 2006-07        |
| <b><u>Expenditures by Fund</u></b>     |                |                |                  |                |                |
| <b>Open Appropriations</b>             |                |                |                  |                |                |
| General                                | 967            | 1,149          | 1,176            | 1,205          | 2,381          |
| Correctional Employees Retire          | 22,319         | 22,806         | 23,376           | 23,961         | 47,337         |
| State Employees Retirement             | 346,519        | 353,215        | 362,045          | 371,097        | 733,142        |
| Highway Patrol Retirement              | 35,576         | 36,409         | 37,319           | 38,252         | 75,571         |
| Unclassified Employees Retire          | 6,409          | 6,150          | 6,150            | 6,150          | 12,300         |
| Postretirement Health Care Ben         | 9,259          | 10,150         | 10,150           | 10,150         | 20,300         |
| Judicial Retirement                    | 13,566         | 13,872         | 14,266           | 14,670         | 28,936         |
| <b>Statutory Appropriations</b>        |                |                |                  |                |                |
| Legislative Annuities                  | 5,135          | 5,237          | 5,368            | 5,502          | 10,870         |
| <b>Total</b>                           | <b>439,750</b> | <b>448,988</b> | <b>459,850</b>   | <b>470,987</b> | <b>930,837</b> |
| <b><u>Expenditures by Category</u></b> |                |                |                  |                |                |
| Total Compensation                     | 3,720          | 5,513          | 5,513            | 5,513          | 11,026         |
| Other Operating Expenses               | 3,844          | 3,020          | 3,020            | 3,020          | 6,040          |
| Other Financial Transactions           | 432,186        | 440,455        | 451,317          | 462,454        | 913,771        |
| <b>Total</b>                           | <b>439,750</b> | <b>448,988</b> | <b>459,850</b>   | <b>470,987</b> | <b>930,837</b> |
| <b><u>Expenditures by Program</u></b>  |                |                |                  |                |                |
| Mn State Retirement System             | 410,823        | 418,580        | 428,890          | 439,460        | 868,350        |
| Elective Officers Plan                 | 382            | 384            | 393              | 403            | 796            |
| Judges Plan                            | 13,566         | 13,872         | 14,266           | 14,670         | 28,936         |
| Legislators Plan                       | 5,720          | 6,002          | 6,151            | 6,304          | 12,455         |
| Health Care Savings Fund               | 9,259          | 10,150         | 10,150           | 10,150         | 20,300         |
| <b>Total</b>                           | <b>439,750</b> | <b>448,988</b> | <b>459,850</b>   | <b>470,987</b> | <b>930,837</b> |
| <b>Full-Time Equivalents (FTE)</b>     | <b>56.3</b>    | <b>84.8</b>    | <b>85.5</b>      | <b>85.5</b>    |                |

**Agency Purpose**

The Minnesota State Retirement System (MSRS) provides a comprehensive system of retirement programs for its members. Membership is comprised of state employees, state law enforcement and correctional officers, constitutional officers, legislators, judges, employees of the University of Minnesota, the Metropolitan Council, and employees of various other designated state agencies. MSRS also operates a tax-deferred compensation plan and a tax-free health care savings plan for not only state employees but for all public employees in the state. In total, 31 employers are covered by MSRS retirement plans, and 650 different employers are contributing to the Minnesota Deferred Compensation Plan (MNDCP) and the Health Care Savings Plan (HCSP).

**Core Functions**

MSRS disburses monthly benefit payments to retired members, survivors and disabled employees. MSRS disburses lump-sum withdrawals and rollovers to members who have terminated their employment. MSRS reimburses health care costs to the participants of HCSP. Also, MSRS provides a long-term savings plan through its MNDCP.

**Operations**

MSRS operates from its main office in St. Paul and branch offices located in St. Cloud, Mankato, and Duluth. Members receive retirement planning and pension administration services by phone, through onsite visits and through the MSRS interactive website(s). Services are provided to active members, former members, retired members, survivors and beneficiaries, in addition to all public members who are participants of the MNDCP and HCSP.

**Budget**

The MSRS revenues are received from employee and employer contributions and investment earnings. As of 6-30-03, contribution rates as a percentage of salary for the various retirement plans were as follows:

|  | <u>Employee</u> | <u>Employer</u> |
|--|-----------------|-----------------|
| General Employees Retirement Plan      | 4.00%           | 4.00%           |
| Military Affairs Plan                  | 5.60            | 5.60            |
| Transportation Department Pilots' Plan | 5.60            | 5.60            |
| State Fire Marshals Plan               | 6.78            | 8.20            |
| State Patrol Plan                      | 8.40            | 12.60           |
| Correctional Employees Retirement Plan | 5.69            | 7.98            |
| Judges Retirement Plan                 | 8.00            | 20.50           |
| Legislators Plan                       | 9.00            | N/A             |
| Unclassified Employees Retirement Plan | 4.00            | 6.00            |

These funds are dedicated for the payment of monthly retirement and health care benefits, refunds/rollovers and administrative expenses. All benefit payments are determined either by statute or by IRS regulation. Budgets to cover administrative expenses are recommended by the MSRS staff to the Board of Directors for their review and approval. At 6-30-03, MSRS employed a staff of 47.8 fulltime equivalent employees. The administrative expenses for MSRS in FY 2003 totaled \$5,316,000, which is .25% of the payroll on which MSRS contributions are based.

**At A Glance**

Membership statistics by fiscal year are as follows:

| <b>At June 30</b> | <b>Active Members</b> | <b>Inactive Members</b> | <b>Retirees &amp; Beneficiaries</b> |
|-------------------|-----------------------|-------------------------|-------------------------------------|
| 2003              | 134,219               | 33,076                  | 34,557                              |
| 2002              | 104,504               | 54,117                  | 28,170                              |
| 2001              | 105,178               | 51,283                  | 26,263                              |
| 2000              | 115,716               | 32,534                  | 21,286                              |
| 1999              | 113,000               | 31,592                  | 20,320                              |

Benefits paid (in 000's) by fiscal year are as follows:

| <b>At June 30</b> | <b>Annuity Benefits</b> | <b>Health Care Benefits</b> | <b>Refunds/ Rollovers</b> |
|-------------------|-------------------------|-----------------------------|---------------------------|
| 2003              | 384,511                 | 4,056                       | 14,111                    |
| 2002              | 365,621                 | 389                         | 14,456                    |
| 2001              | 332,819                 | N/A                         | 18,727                    |
| 2000              | 291,627                 | N/A                         | 20,755                    |
| 1999              | 254,327                 | N/A                         | 19,734                    |

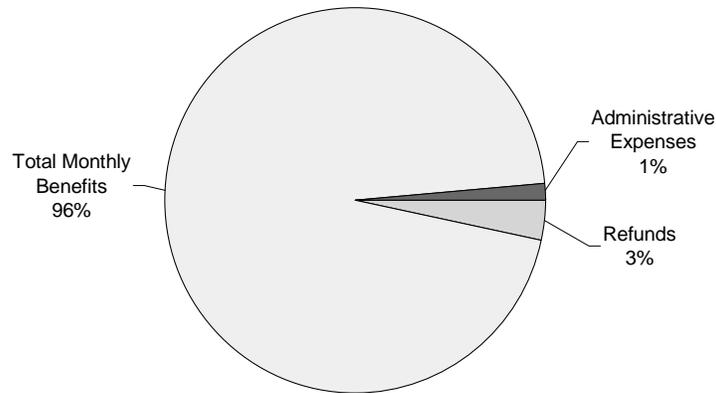
Actuarial Assets and Liabilities (in 000's):

| <b>At June 30, 2003</b> | <b>Assets</b> | <b>Liabilities</b> | <b>Funding Ratio</b> |
|-------------------------|---------------|--------------------|----------------------|
| General Plan            | 7,757,292     | 7,830,671          | 99.06%               |
| State Patrol Plan       | 591,521       | 538,980            | 109.75%              |
| Correctional Plan       | 470,716       | 484,974            | 97.06%               |
| Judges Plan             | 134,142       | 176,291            | 76.09%               |

**Benefits and Expenses  
(FY 2003)**

**Minnesota State Retirement  
System**

Division Budgets (Total \$407.9 million)



**Contact**

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

Phone: (651) 296-2761  
(800) 657-5757  
Fax: (651) 297-5238

Visit us on the Web at [www.msrs.state.mn.us](http://www.msrs.state.mn.us).  
Telecommunications-device-for-the-deaf (TDD)  
Minnesota Relay Service at (800) 627-3529 and ask to be connected to (651) 296-2761.