

Public Employees Retirement Association of Minnesota

*Actuarial Valuation and Review
as of July 1, 2005*

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November 30, 2005

*Ms. Mary Most Vanek
Public Employees Retirement Association of Minnesota
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103-2088*

Dear Ms. Most Vanek:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2006 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by the Fund. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in the valuation are consistent with those in the statute, and reasonably represent the experience of the plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: _____
Leslie L. Thompson, FSA, MAAA, EA
Senior Vice President and Consulting Actuary

Susan M. Hogarth, EA, MAAA
Consulting Actuary

*cc: Legislative Commission on Pensions and Retirement (3 copies)
Minnesota Legislative Reference Library (6 copies)
Minnesota Department of Finance (2 copies)*

SECTION 1

VALUATION SUMMARY

Purpose	i
Significant Issues in Valuation Year.....	ii
Summary of Key Valuation Results.....	iii

SECTION 2

VALUATION RESULTS

A. Member Data	1
B. Financial Information.....	4
C. Actuarial Experience.....	5
D. Information Required by the GASB.....	6

SECTION 3

SUPPLEMENTAL INFORMATION

EXHIBIT A Table of Plan Coverage	7
EXHIBIT B Members in Active Service as of June 30, 2005	8
EXHIBIT C Retired Participants as of June 30, 2005.....	11
EXHIBIT D Disabled Members as of June 30, 2005.....	14
EXHIBIT E Beneficiaries as of June 30, 2005	17
EXHIBIT F Reconciliation of Member Data.....	20
EXHIBIT G Summary Statement of Income and Expense on a Market Value Basis for year ended June 30, 2005	21
EXHIBIT H Table of Financial Information for Year Ended June 30, 2005.....	22
EXHIBIT I Development of the Fund through June 30, 2005.....	23
EXHIBIT J Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2005	24
EXHIBIT K Definitions of Pension Terms	25

SECTION 4

REPORTING INFORMATION

EXHIBIT I Summary of Actuarial Valuation Results	27
EXHIBIT II Actuarial Balance Sheet.....	29
EXHIBIT III Supplementary Information Required by the GASB – Schedule of Employer Contributions	30
EXHIBIT IV Supplementary Information Required by the GASB – Schedule of Funding Progress.....	31
EXHIBIT V Determination of Contribution Sufficiency - Total.....	32
EXHIBIT VI Determination of Contribution Sufficiency - Basic	33
EXHIBIT VII Determination of Contribution Sufficiency - Coordinated.....	34
EXHIBIT VIII Supplementary Information Required by the GASB	35
EXHIBIT IX Actuarial Assumptions and Actuarial Cost Method.....	36
EXHIBIT X Summary of Plan Provisions (Basic)	41
EXHIBIT XI Summary of Plan Provisions (Coordinated)	47

SECTION 1: Valuation Summary for the Public Employees Retirement Association of Minnesota

Purpose

This report has been prepared by The Segal Company to present a valuation of the Public Employees Retirement Association of Minnesota as of July 1, 2005. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- Section 356.215 of the Minnesota Statutes;
- The benefit provisions of the Retirement Association; as administered by the PERA;
- The data as provided and confirmed by the PERA staff;
- The characteristics of covered active members, inactive vested members, pensioners and beneficiaries as of July 1, 2005, provided by the Association;
- The assets of the Association as of June 30, 2005, provided by the Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

SECTION 1: Valuation Summary for the Public Employees Retirement Association of Minnesota

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The statutory contribution rate under Chapter 353 is equal to 11.07% of payroll compared to the required contribution rate under Chapter 356 of 12.74% of payroll. Therefore, the contribution deficiency is expected to be 1.67% of payroll or \$75,349,042.
- The actuarial accrued liability funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2005 is 74.53% compared to 76.73% as of July 1, 2004. This ratio is a measure of funding status, and its history is a measure of funding progress, and is the ratio required to be reported under GASB 25. This ratio decreased, in part due to the smoothing of prior asset losses.
- As indicated on page 4 of this report, the total unrecognized investment gain as of June 30, 2005 is \$57,346,641. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment losses derived from future experience.
- The Coordinated member and employer contribution rates (as a percentage of salary) will change as shown in the schedule below:

<u>Date of Increase</u>	<u>Member</u>	<u>Employer</u>
Current	5.10%	5.53%
January 2006	5.50%	6.00%
January 2007	5.75%	6.25%
January 2008	6.00%	6.50%
January 2009	6.00%	6.75%
January 2010	6.00%	7.00%

In addition, the 2009 and/or 2010 rate increases will not be implemented if the July 1, 2008 or July 1, 2009 actuarial valuations result in full funding or a contribution sufficiency has occurred.

The effective dates of the rates increases are January 1st of each year, however, benefits are valued as of the July 1st valuation date prior to each corresponding increase date.

- There were no changes in plan provisions, actuarial assumptions or actuarial cost methods since the prior valuation.

SECTION 1: Valuation Summary for the Public Employees Retirement Association of Minnesota

Summary of Key Valuation Results

	2005	2004
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 353*	11.07%	10.64%
Required – Chapter 356	12.74%	12.24%
Sufficiency/(Deficiency)	-1.67%	-1.60%
Funding elements for plan year beginning July 1:		
Normal cost	\$352,964,350	\$328,196,111
Market value of assets	11,901,282,333	11,140,745,713
Actuarial value of assets (AVA)	11,843,935,692	11,477,960,861
Actuarial accrued liability (AAL)	15,892,554,615	14,959,464,879
Unfunded/(Overfunded) actuarial accrued liability	4,048,618,923	3,481,504,018
Funded ratios:		
<u>Accrued Benefit Funded Ratio</u>	79.72%	82.25%
Current assets (AVA)	\$11,843,935,692	\$11,477,960,861
Current benefit obligations	14,857,712,393	13,955,493,543
<u>Projected Benefit Funded Ratio</u>	92.42%	92.63%
Current and expected future assets	\$17,461,138,168	\$16,479,821,271
Current and expected future benefit obligations (Present Value of Benefits)	18,892,427,972	17,791,571,212
GASB 25/27 for plan year beginning July 1:		
Annual required employer contributions	\$304,328,146	\$270,387,510
Accrued Liability Funded Ratio (AVA/AAL)	74.53%	76.73%
Covered actual payroll	\$4,096,138,282	\$3,968,034,367
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	56,650	54,780
Number of vested terminated members	35,768	33,915
Number of other non-vested terminated members	100,369	102,265
Number of active members	142,303	138,164
Total projected payroll**	\$4,530,882,628	\$4,220,502,712
Average projected payroll**	31,840	30,547

* The statutory contribution rate as of July 1, 2005 is shown as a blended rate of 1/2 of the current rate and 1/2 of the rate increase effective January 1, 2006.

** Calculated as covered actual payroll, projected one year with salary scale.

SECTION 2: Valuation Results for the Public Employees Retirement Association of Minnesota

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, pensioners and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, C, D, E and F.

A historical perspective of how the member population has changed over the past four valuations can be seen in this chart.

CHART 1
Member Population: 2002 – 2005

Year Ended June 30	Active Members	Vested Terminated Members*	Pensioners and Beneficiaries	Ratio of Non-Actives to Actives
2002	137,817	29,353	50,878	0.58
2003	140,066	32,128	52,563	0.60
2004	138,164	33,915	54,780	0.64
2005	142,303	35,768	56,650	0.65

* Excludes terminated members due a refund of employee contributions.

SECTION 2: Valuation Results for the Public Employees Retirement Association of Minnesota

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 142,303 active members with an average age of 45.8, average years of service of 9.9 years and average projected payroll of \$31,840. The 138,164 active members in the prior valuation had an average age of 45.6, average service of 9.9 years and average projected payroll of \$30,547.

Inactive Members

In this year's valuation, there were 35,768 members with a vested right to a deferred or immediate vested benefit.

In addition there were 100,369 other non-vested terminated members entitled to a return of their employee contributions.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2005

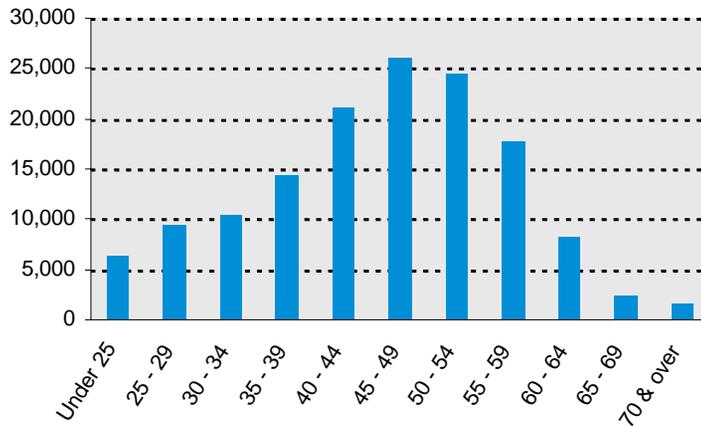
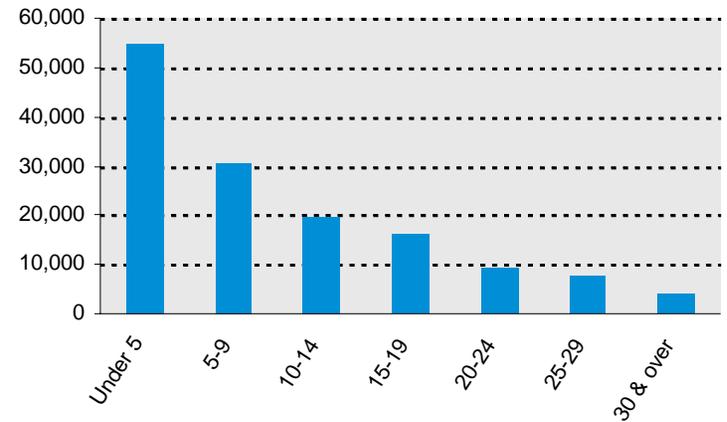


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2005



SECTION 2: Valuation Results for the Public Employees Retirement Association of Minnesota

Pensioners and Beneficiaries

As of June 30, 2005, 50,000 pensioners (48,147 retired and 1,853 disableds) and 6,650 beneficiaries were receiving monthly benefits of \$60,080,908. For comparison, in the previous valuation, there were 48,230 pensioners (46,470 retired and 1,760 disableds) and 6,550 beneficiaries receiving monthly benefits of \$57,691,435.

These graphs show a distribution of the current pensioners and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Pensioners and Beneficiaries by Type and by Monthly Amount as of June 30, 2005

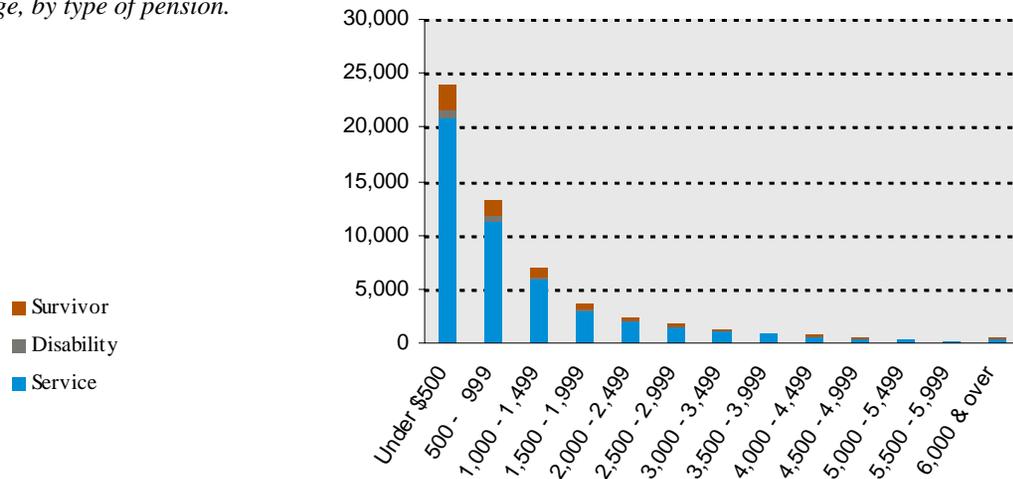
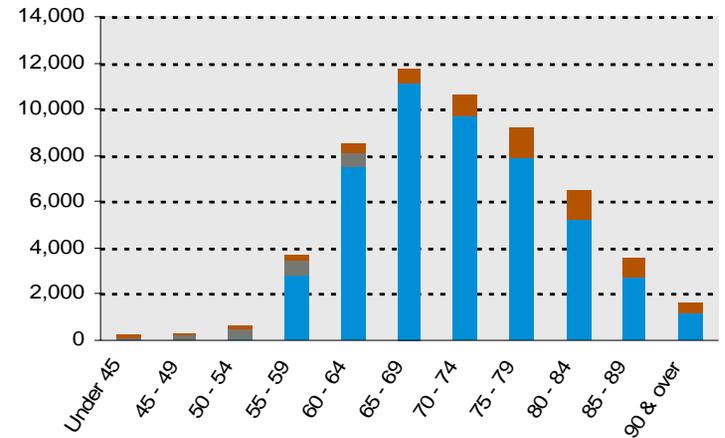


CHART 5
Distribution of Pensioners and Beneficiaries by Type and by Age as of June 30, 2005



SECTION 2: Valuation Results for the Public Employees Retirement Association of Minnesota

B. FINANCIAL INFORMATION

It is desirable to have level and predictable plan costs from one year to the next. For this reason, Minnesota Statutes require an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Both the actuarial value and market value of assets are representations of the Association’s financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Association’s liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

The chart shows the determination of the actuarial value of assets as of the valuation date.

**CHART 6
Determination of Actuarial Value of Assets for Year Ended June 30, 2005**

	Original Amount	% Not Recognized	
1. Market value of assets available for benefits			\$11,901,282,333
2. Calculation of unrecognized return			
(a) Year ended June 30, 2005	\$131,918,065	80%	\$105,534,452
(b) Year ended June 30, 2004	346,876,315	60%	208,125,789
(c) Year ended June 30, 2003	-267,368,000	40%	-106,947,200
(d) Year ended June 30, 2002	-746,832,000	20%	<u>-149,366,400</u>
(e) Total unrecognized return			\$57,346,641
3. Actuarial value of assets (“Current Assets”): (1) – (2e)			<u>\$11,843,935,692</u>

SECTION 2: Valuation Results for the Public Employees Retirement Association of Minnesota

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions.

For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

For the year ended June 30, 2005, the total loss is \$383,869,021, including a loss of \$280,695,109 from investments and loss of \$103,173,912 from all other sources. The net experience variation from individual sources other than investments was 0.65% of the actuarial accrued liability, which is less than 1.00% of the total actuarial accrued liability, and includes age/service retirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.

This chart provides a summary of the actuarial experience during the past year.

CHART 7

Actuarial Experience for Year Ended June 30, 2005

1. Net gain/(loss) from investments	-\$280,695,109
2. Net gain/(loss) from other experience	<u>-103,173,912</u>
3. Net experience gain/(loss): (1) + (2)	-\$383,869,021

SECTION 2: Valuation Results for the Public Employees Retirement Association of Minnesota

D. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Section 4, Exhibit III presents a schedule of this information of the Association.

The other critical piece of information regarding the Association's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

GASB requires that the actuarial value of assets be used to determine the funded ratio, as shown in Section 4, Exhibit IV.

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30		Change From Prior Year
	2005	2004	
Active members in valuation:			
Number	142,303	138,164	3.0%
Average age	45.8	45.6	N/A
Average service	9.9	9.9	N/A
Total projected payroll	\$4,530,882,628	\$4,220,502,712	7.4%
Average projected payroll	31,840	30,547	4.2%
Total active vested members	105,504	102,642	2.8%
Vested terminated members	35,768	33,915	5.5%
Retired participants:			
Number in pay status	48,147	46,470	3.6%
Average age	72.1	72.0	N/A
Average monthly benefit	\$1,060	\$1,055	0.5%
Disabled members:			
Number in pay status	1,853	1,760	5.3%
Average age	56.6	56.4	N/A
Average monthly benefit	\$829	\$816	1.6%
Beneficiaries:			
Number in pay status	6,650	6,550	1.5%
Average age	75.8	75.6	N/A
Average monthly benefit	\$1,129	\$1,102	2.5%
Other non-vested terminated members	100,369	102,265	-1.9%

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT B-1

**Members in Active Service as of June 30, 2005
By Age, Years of Service, and Average Projected Payroll - Total**

Age	Years of Service							
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30 & Over
Under 25	6,412	6,280	132	--	--	--	--	--
	\$15,577	\$15,341	\$26,812	--	--	--	--	--
25 - 29	9,490	7,859	1,600	31	--	--	--	--
	25,358	23,475	34,417	\$35,172	--	--	--	--
30 - 34	10,518	6,169	3,540	786	23	--	--	--
	31,062	25,335	39,023	39,885	\$40,334	--	--	--
35 - 39	14,441	6,968	4,122	2,337	963	51	--	--
	31,392	22,285	36,816	43,339	44,575	\$40,775	--	--
40 - 44	21,116	8,306	5,676	3,174	2,624	1,209	127	--
	31,540	20,714	31,462	40,394	47,556	46,888	\$44,761	--
45 - 49	25,966	7,951	6,126	4,448	3,379	2,191	1,740	131
	32,763	20,381	29,303	34,743	44,866	50,804	49,021	\$48,911
50 - 54	24,388	4,980	4,660	4,446	3,931	2,388	2,706	1,277
	36,531	23,360	30,952	32,388	40,497	48,036	53,674	52,623
55 - 59	17,849	3,115	2,688	2,851	3,241	2,150	2,072	1,732
	37,199	21,449	30,936	32,886	37,460	43,960	50,722	57,281
60 - 64	8,247	1,712	1,291	1,176	1,420	1,091	926	631
	32,185	17,463	27,204	31,412	35,867	37,333	41,751	52,536
65 - 69	2,377	848	466	342	291	153	153	124
	22,064	11,133	19,516	26,469	32,621	33,343	33,278	41,713
70 & Over	1,499	628	412	198	121	50	38	52
	13,916	7,967	13,541	18,047	23,353	26,558	28,533	28,201
Total	142,303	54,816	30,713	19,789	15,993	9,283	7,762	3,947
	\$31,840	\$21,052	\$32,031	\$35,565	\$41,524	\$45,940	\$49,750	\$53,865

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT B-2

**Members in Active Service as of June 30, 2005
By Age, Years of Service, and Average Projected Payroll - Basic**

Age	Years of Service							
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30 & Over
Under 25	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
55 - 59	20	--	--	--	--	--	--	20
	\$44,631	--	--	--	--	--	--	\$44,631
60 - 64	32	--	--	--	--	--	--	32
	55,003	--	--	--	--	--	--	55,003
65 - 69	10	--	--	--	--	--	--	10
	45,958	--	--	--	--	--	--	45,958
70 & Over	4	--	--	--	--	--	--	4
	50,901	--	--	--	--	--	--	50,901
Total	66	--	--	--	--	--	--	66
	\$50,241	--	--	--	--	--	--	\$50,241

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT B-3

**Members in Active Service as of June 30, 2005
By Age, Years of Service, and Average Projected Payroll - Coordinated**

Age	Years of Service							
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30 & Over
Under 25	6,412	6,280	132	--	--	--	--	--
	\$15,577	\$15,341	\$26,812	--	--	--	--	--
25 - 29	9,490	7,859	1,600	31	--	--	--	--
	25,358	23,475	34,417	\$35,172	--	--	--	--
30 - 34	10,518	6,169	3,540	786	23	--	--	--
	31,062	25,335	39,023	39,885	\$40,334	--	--	--
35 - 39	14,441	6,968	4,122	2,337	963	51	--	--
	31,392	22,285	36,816	43,339	44,575	\$40,775	--	--
40 - 44	21,116	8,306	5,676	3,174	2,624	1,209	127	--
	31,540	20,714	31,462	40,394	47,556	46,888	\$44,761	--
45 - 49	25,966	7,951	6,126	4,448	3,379	2,191	1,740	131
	32,763	20,381	29,303	34,743	44,866	50,804	49,021	\$48,911
50 - 54	24,388	4,980	4,660	4,446	3,931	2,388	2,706	1,277
	36,531	23,360	30,952	32,388	40,497	48,036	53,674	52,623
55 - 59	17,829	3,115	2,688	2,851	3,241	2,150	2,072	1,712
	37,190	21,449	30,936	32,886	37,460	43,960	50,722	57,428
60 - 64	8,215	1,712	1,291	1,176	1,420	1,091	926	599
	32,096	17,463	27,204	31,412	35,867	37,333	41,751	52,404
65 - 69	2,367	848	466	342	291	153	153	114
	21,963	11,133	19,516	26,469	32,621	33,343	33,278	41,341
70 & Over	1,495	628	412	198	121	50	38	48
	13,817	7,967	13,541	18,047	23,353	26,558	28,533	26,310
Total	142,237	54,816	30,713	19,789	15,993	9,283	7,762	3,881
	\$31,832	\$21,052	\$32,031	\$35,565	\$41,524	\$45,940	\$49,750	\$53,927

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

**EXHIBIT C-1
Retired Participants as of June 30, 2005
By Age, Years Retired and Average Annual Benefit - Total**

Age	Years Retired								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	1	1	--	--	--	--	--	--	--
	\$35,019	\$35,019	--	--	--	--	--	--	--
45 - 49	1	1	--	--	--	--	--	--	--
	11,937	11,937	--	--	--	--	--	--	--
50 - 54	86	83	3	--	--	--	--	--	--
	12,569	12,443	\$16,078	--	--	--	--	--	--
55 - 59	2,852	2,803	47	2	--	--	--	--	--
	11,043	10,937	17,319	\$12,298	--	--	--	--	--
60 - 64	7,467	4,648	2,807	11	1	--	--	--	--
	11,002	11,155	10,663	31,966	\$20,344	--	--	--	--
65 - 69	11,088	4,276	4,997	1,736	71	6	2	--	--
	11,242	8,792	11,451	16,256	20,213	\$26,081	\$13,117	--	--
70 - 74	9,696	868	4,136	3,642	1,012	29	9	--	--
	12,831	5,842	10,293	16,214	16,652	24,932	16,173	--	--
75 - 79	7,862	341	763	3,556	2,665	516	18	1	2
	14,727	4,327	7,008	13,595	16,235	32,981	15,980	\$18,565	\$12,202
80 - 84	5,234	113	208	658	2,677	1,502	63	12	1
	14,985	3,418	5,231	10,728	13,117	22,268	19,229	9,807	8,765
85 - 89	2,718	21	29	106	393	1,786	368	15	--
	14,396	4,505	2,776	8,220	9,609	15,069	19,358	17,878	--
90 & Over	1,142	1	4	15	35	211	692	172	12
	13,339	2,949	1,424	3,516	6,321	9,972	15,169	12,963	9,982
Total	48,147	13,156	12,994	9,726	6,854	4,050	1,152	200	15
	\$12,720	\$9,745	\$10,551	\$14,803	\$14,690	\$19,842	\$16,746	\$13,171	\$10,196

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

**EXHIBIT C-2
Retired Participants as of June 30, 2005
By Age, Years Retired and Average Annual Benefit - Basic**

Age	Years Retired								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	1	1	--	--	--	--	--	--	--
	\$35,019	\$35,019	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
50 - 54	2	1	1	--	--	--	--	--	--
	29,856	37,542	\$22,170	--	--	--	--	--	--
55 - 59	133	115	17	1	--	--	--	--	--
	34,336	36,119	22,978	\$22,466	--	--	--	--	--
60 - 64	598	172	416	9	1	--	--	--	--
	33,695	30,902	34,964	29,884	\$20,344	--	--	--	--
65 - 69	1,162	114	550	466	27	4	1	--	--
	35,865	23,645	35,216	39,767	34,902	\$29,964	\$17,502	--	--
70 - 74	1,538	22	279	831	382	18	6	--	--
	34,393	30,187	24,911	37,826	34,261	35,293	20,877	--	--
75 - 79	1,936	8	48	633	865	369	11	1	1
	32,546	28,107	25,204	29,244	31,470	42,156	22,849	\$18,565	\$16,765
80 - 84	1,789	3	10	88	760	868	49	10	1
	28,495	15,349	32,776	28,978	25,763	31,367	23,041	10,960	8,765
85 - 89	1,309	--	1	12	82	915	286	13	--
	22,432	--	7,050	22,719	24,518	22,269	22,536	19,391	--
90 & Over	700	--	--	1	3	72	462	150	12
	17,826	--	--	6,356	43,785	20,477	18,841	13,615	9,982
Total	9,168	436	1,322	2,041	2,120	2,246	815	174	14
	\$30,019	\$30,211	\$32,391	\$35,079	\$29,714	\$29,113	\$20,458	\$13,922	\$10,379

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT C-3

Retired Participants as of June 30, 2005

By Age, Years Retired and Average Annual Benefit - Coordinated

Age	Years Retired								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
45 - 49	1	1	--	--	--	--	--	--	--
	\$11,937	\$11,937	--	--	--	--	--	--	--
50 - 54	84	82	2	--	--	--	--	--	--
	12,158	12,137	\$13,033	--	--	--	--	--	--
55 - 59	2,719	2,688	30	1	--	--	--	--	--
	9,903	9,859	14,112	\$2,130	--	--	--	--	--
60 - 64	6,869	4,476	2,391	2	--	--	--	--	--
	9,026	10,396	6,435	41,336	--	--	--	--	--
65 - 69	9,926	4,162	4,447	1,270	44	2	1	--	--
	8,360	8,385	8,512	7,629	\$11,199	\$18,314	\$8,732	--	--
70 - 74	8,158	846	3,857	2,811	630	11	3	--	--
	8,766	5,209	9,235	9,825	5,976	7,977	6,765	--	--
75 - 79	5,926	333	715	2,923	1,800	147	7	--	1
	8,905	3,755	5,786	10,206	8,915	9,950	5,187	--	\$7,638
80 - 84	3,445	110	198	570	1,917	634	14	2	--
	7,969	3,093	3,840	7,910	8,103	9,811	5,889	\$4,040	--
85 - 89	1,409	21	28	94	311	871	82	2	--
	6,930	4,505	2,623	6,369	5,678	7,505	8,272	8,048	--
90 & Over	442	1	4	14	32	139	230	22	--
	6,233	2,949	1,424	3,314	2,809	4,531	7,795	8,521	--
Total	38,979	12,720	11,672	7,685	4,734	1,804	337	26	1
	\$8,651	\$9,044	\$8,078	\$9,418	\$7,962	\$8,300	\$7,771	\$8,140	\$7,638

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

**EXHIBIT D-1
Disabled Members as of June 30, 2005
By Age, Years Disabled and Average Annual Benefit - Total**

Age	Years Disabled								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	75	56	11	8	--	--	--	--	--
	\$5,578	\$5,817	\$4,494	\$5,390	--	--	--	--	--
45 - 49	205	122	51	28	4	--	--	--	--
	7,011	7,842	5,781	5,829	\$5,612	--	--	--	--
50 - 54	364	194	113	47	8	2	--	--	--
	9,209	9,787	8,950	8,050	7,026	\$3,704	--	--	--
55 - 59	565	339	163	42	18	2	1	--	--
	10,586	10,775	10,905	9,026	8,301	5,767	\$10,850	--	--
60 - 64	636	286	243	85	15	5	2	--	--
	11,359	10,508	11,853	12,623	12,360	13,813	5,718	--	--
65 - 69	5	4	1	--	--	--	--	--	--
	4,149	4,587	2,401	--	--	--	--	--	--
70 - 74	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
75 - 79	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
90 & Over	3	3	--	--	--	--	--	--	--
	2,804	2,804	--	--	--	--	--	--	--
Total	1,853	1,004	582	210	45	9	3	--	--
	\$9,953	\$9,827	\$10,337	\$9,699	\$9,188	\$9,779	\$7,429	--	--

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

**EXHIBIT D-2
Disabled Members as of June 30, 2005
By Age, Years Disabled and Average Annual Benefit - Basic**

Age	Years Disabled								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--
55 - 59	7	2	4	--	--	--	1	--	--
60 - 64	\$39,458	\$30,253	\$51,213	--	--	--	\$10,850	--	--
65 - 69	20	3	7	7	2	1	--	--	--
70 - 74	37,206	35,862	43,386	\$35,472	\$29,874	\$24,786	--	--	--
75 - 79	--	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--	--
90 & Over	--	--	--	--	--	--	--	--	--
Total	27	5	11	7	2	1	1	--	--
	\$37,790	\$33,618	\$46,232	\$35,472	\$29,874	\$24,786	\$10,850	--	--

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

**EXHIBIT D-3
Disabled Members as of June 30, 2005
By Age, Years Disabled and Average Annual Benefit - Coordinated**

Age	Years Disabled								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	75	56	11	8	--	--	--	--	--
	\$5,578	\$5,817	\$4,494	\$5,390	--	--	--	--	--
45 - 49	205	122	51	28	4	--	--	--	--
	7,011	7,842	5,781	5,829	\$5,612	--	--	--	--
50 - 54	364	194	113	47	8	2	--	--	--
	9,209	9,787	8,950	8,050	7,026	\$3,704	--	--	--
55 - 59	558	337	159	42	18	2	--	--	--
	10,224	10,659	9,891	9,026	8,301	5,767	--	--	--
60 - 64	616	283	236	78	13	4	2	--	--
	10,520	10,240	10,918	10,573	9,665	11,070	\$5,718	--	--
65 - 69	5	4	1	--	--	--	--	--	--
	4,149	4,587	2,401	--	--	--	--	--	--
70 - 74	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
75 - 79	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
90 & Over	3	3	--	--	--	--	--	--	--
	2,804	2,804	--	--	--	--	--	--	--
Total	1,826	999	571	203	43	8	2	--	--
	\$9,541	\$9,708	\$9,645	\$8,810	\$8,226	\$7,903	\$5,718	--	--

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT E-1

Beneficiaries as of June 30, 2005

By Age, Years Since Death and Average Annual Benefit - Total

Age	Years Since Death								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	156	74	46	24	11	1	--	--	--
	\$7,179	\$6,520	\$7,356	\$7,294	\$9,606	\$18,389	--	--	--
45 - 49	101	58	23	13	7	--	--	--	--
	8,112	7,792	7,452	9,704	9,982	--	--	--	--
50 - 54	179	102	42	21	9	3	2	--	--
	9,808	8,912	8,463	12,864	14,550	13,700	\$24,424	--	--
55 - 59	286	168	71	30	15	1	--	1	--
	10,793	8,833	12,925	16,992	9,999	5,586	--	\$19,759	--
60 - 64	429	191	119	67	29	11	9	2	1
	12,205	11,079	11,763	13,251	15,168	16,559	17,356	24,486	\$5,110
65 - 69	652	252	186	105	59	27	16	5	2
	13,372	10,589	14,270	13,653	16,209	22,377	20,925	11,705	4,318
70 - 74	4,847	1,227	1,079	915	672	385	217	115	237
	14,314	15,061	14,802	14,716	14,733	15,401	15,053	9,659	5,304
75 - 79	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
90 & Over	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
Total	6,650	2,072	1,566	1,175	802	428	244	123	240
	\$13,551	\$12,834	\$13,926	\$14,355	\$14,655	\$15,843	\$15,600	\$10,066	\$5,295

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT E-2

Beneficiaries as of June 30, 2005

By Age, Years Since Death and Average Annual Benefit - Basic

Age	Years Since Death								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	8	1	1	4	1	1	--	--	--
	\$15,221	\$1,965	\$3,951	\$17,386	\$27,918	\$18,389	--	--	--
45 - 49	6	2	1	1	2	--	--	--	--
	14,914	6,752	13,408	7,617	27,476	--	--	--	--
50 - 54	16	3	4	2	4	1	2	--	--
	19,557	9,039	10,014	45,713	24,502	7,454	\$24,424	--	--
55 - 59	33	10	6	10	6	--	--	1	--
	25,430	24,551	32,330	28,492	15,839	--	--	\$19,759	--
60 - 64	96	27	17	20	12	9	8	2	1
	23,645	23,837	23,855	26,016	26,860	18,876	19,273	24,486	\$5,110
65 - 69	208	56	49	34	23	23	16	5	2
	26,171	25,275	30,642	24,978	30,278	25,179	20,925	11,705	4,318
70 - 74	2,683	520	499	468	380	270	196	113	237
	19,562	24,557	23,027	20,890	20,306	19,402	15,982	9,781	5,304
75 - 79	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
90 & Over	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
Total	3,050	619	577	539	428	304	222	121	240
	\$20,185	\$24,421	\$23,654	\$21,520	\$21,054	\$19,781	\$16,533	\$10,186	\$5,295

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT E-3

Beneficiaries as of June 30, 2005

By Age, Years Since Death and Average Annual Benefit - Coordinated

Age	Years Since Death								
	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 45	148	73	45	20	10	--	--	--	--
	\$6,744	\$6,582	\$7,431	\$5,276	\$7,775	--	--	--	--
45 - 49	95	56	22	12	5	--	--	--	--
	7,683	7,829	7,181	9,878	2,985	--	--	--	--
50 - 54	163	99	38	19	5	2	--	--	--
	8,851	8,909	8,300	9,406	6,589	\$16,823	--	--	--
55 - 59	253	158	65	20	9	1	--	--	--
	8,883	7,838	11,134	11,242	6,106	5,586	--	--	--
60 - 64	333	164	102	47	17	2	1	--	--
	8,907	8,979	9,748	7,820	6,915	6,130	\$2,015	--	--
65 - 69	444	196	137	71	36	4	--	--	--
	7,376	6,393	8,414	8,230	7,221	6,267	--	--	--
70 - 74	2,164	707	580	447	292	115	21	2	--
	7,806	8,076	7,726	8,251	7,479	6,007	6,383	\$2,794	--
75 - 79	--	--	--	--	--	--	--	--	--
80 - 84	--	--	--	--	--	--	--	--	--
85 - 89	--	--	--	--	--	--	--	--	--
90 & Over	--	--	--	--	--	--	--	--	--
Total	3,600	1,453	989	636	374	124	22	2	--
	\$7,931	\$7,897	\$8,250	\$8,283	\$7,331	\$6,189	\$6,185	\$2,794	--

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT F

Reconciliation of Member Data

	Active Members	Vested Terminated Members	Other Non- Vested Terminated Members	Disableds	Retired Participants	Beneficiaries	Total
A. Number as of July 1, 2004	138,164	33,915	102,265	1,760	46,470	6,550	329,124
B. Data Adjustments	1,891	-475	-5,090	-18	-169	25	-3,836
C. Additions	16,924	4,380	7,002	280	3,147	441	32,174
D. Deletions:							
1. Terminated - Nonvested	-7,890	-60	-	-	-	-	-7,950
2. Terminated - Vested	-4,230	-	-	-	-	-	-4,230
3. Retirements	-2,163	-924	-	-60	-	-	-3,147
4. Disability	-215	-47	-	-	-	-	-262
5. Died with Beneficiary	-57	-9	-	-	-	-	-66
6. Died without Beneficiary	-121	-34	-94	-55	-1,300	-363	-1,967
7. Return to Active	-	-978	-1,216	-	-	-	-2,194
8. Other Deletions	-	-	<u>-2,498</u>	<u>-54</u>	<u>-1</u>	<u>-3</u>	<u>-2,556</u>
E. Number as of July 1, 2005	142,303	35,768	100,369	1,853	48,147	6,650	335,090

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT G

Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2005

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets available at beginning of period	\$4,832,002,751	\$6,308,742,962	\$11,140,745,713
B. Operating revenues:			
1. Member contributions	\$216,700,643	-	\$216,700,643
2. Employer contributions	232,963,374	-	232,963,374
3. MPRIF income	-	\$519,352,576	519,352,576
4. Net investment income			
(a) Interest and dividends	\$150,325,349	-	\$150,325,349
(b) Net appreciation/(depreciation)	398,907,587	-	398,907,587
(c) Securities lending income	3,654,018	-	3,654,018
(d) Investment expenses	-14,523,789	-	-14,523,789
(e) Net subtotal	\$538,363,165	-	\$538,363,165
5. Other	<u>4,309,629</u>	<u>-</u>	<u>4,309,629</u>
6. Total additions	\$992,336,811	\$519,352,576	\$1,511,689,387
C. Operating expenses:			
1. Benefits	\$32,028,405	\$683,014,774	\$715,043,179
2. Refunds	24,952,033	-	24,952,033
3. Administrative expenses	9,117,813	-	9,117,813
4. Other	<u>2,039,742</u>	<u>-</u>	<u>2,039,742</u>
5. Total operating expenses	\$68,137,993	\$683,014,774	\$751,152,767
D. Other changes in reserves:			
1. Annuities awarded	-\$380,714,371	\$380,714,371	-
2. Mortality gain/(loss)	12,738,334	-12,738,334	-
3. Change in MPRIF assumptions	<u>-</u>	<u>-</u>	<u>-</u>
4. Total other changes	-\$367,976,037	\$367,976,037	-
E. Assets available at end of period	\$5,388,225,532	\$6,513,056,801	\$11,901,282,333
F. Determination of current year unrecognized asset return (UAR)			
1. Average balance:			
(a) Non-MPRIF Assets available at BOY: (A)			\$4,832,002,751
(b) Non-MPRIF Assets available at EOY:* (E) – (D.2)			5,375,487,198
(c) Average balance: [(F.1.(a)) + (F.1.(b)) – (B.4.(e)) – (B.5)]/2			4,832,408,578
2. Expected return: 8.50% x (F.1.(c))			410,754,729
3. Actual return: (B.4.(e)) + (B.5)			<u>542,672,794</u>
4. Current year UAR: (F.3) – (F.2)			\$131,918,065

* Before adjustment for MPRIF Mortality Gain (Loss).

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT H

Table of Financial Information for Year Ended June 30, 2005

	Market Value	Cost Value
Assets in trust		
Cash, equivalents, short-term securities:	\$68,397,600	\$68,397,600
Fixed income	1,262,537,810	1,278,883,879
Equity	3,522,790,887	3,461,715,249
Real estate	11,655,792	11,655,792
Equity in MPRIF	6,513,056,801	6,513,056,801
Invested securities lending collateral	1,302,021,272	1,302,021,272
SBI alternative	517,344,421	487,358,783
Other	<u>125,109</u>	<u>125,109</u>
Total assets in trust	\$13,197,929,692	\$13,123,214,485
Assets receivable	\$20,775,680	\$20,775,680
Total assets	\$13,218,705,372	\$13,143,990,165
Amounts currently payable		
Securities lending collateral	-\$1,302,021,272	-\$1,302,021,272
Other	<u>-15,401,767</u>	<u>-15,401,767</u>
Total amounts currently payable	-\$1,317,423,039	-\$1,317,423,039
Assets available for benefits		
MPRIF reserves	\$6,513,056,801	\$6,513,056,801
Member reserves	1,721,747,764	1,721,747,764
Other non-MPRIF reserves	<u>3,666,477,768</u>	<u>3,591,762,561</u>
Total Assets Available for Benefits	<u>\$11,901,282,333</u>	<u>\$11,826,567,126</u>
Net Assets at Market/Cost Value	<u>\$11,901,282,333</u>	<u>\$11,826,567,126</u>

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT I

Development of the Fund Through June 30, 2005

Year Ended June 30	Employer Contributions	Member Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2002	\$206,982,000	\$191,422,000	\$11,288,400,000	\$8,680,000	\$660,710,000	\$11,017,414,000
2003	221,689,000	205,963,000	442,165,000	8,628,000	682,701,000	11,195,902,000
2004	225,744,509	215,696,700	559,127,828	8,830,215	709,679,961	11,477,960,861
2005	232,963,374	216,700,643	665,423,839	9,117,813	739,995,212	11,843,935,692

* *Net Investment Return on an Actuarial Value of Assets basis and net of investment fees.*

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT J

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2005

1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year		\$3,481,504,018
2. Normal cost at beginning of year		328,196,111
3. Total contributions		449,664,017
4. Interest		<u>304,713,790</u>
5. Expected unfunded/(overfunded) actuarial accrued liability (1) + (2) – (3) + (4)		\$3,664,749,902
6. Changes due to (gain)/loss from:		
(a) Investments	\$280,695,109	
(b) MPRIF mortality	-12,738,334	
(c) Other demographics*	<u>115,912,246</u>	
(d) Total changes due to (gain)/loss		<u>383,869,021</u>
7. Unfunded/(Overfunded) actuarial accrued liability at end of year		<u>\$4,048,618,923</u>

* Includes (gain)/loss due to age/service retirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Association is calculated including:

- (a) Investment return — the rate of investment yield that the Association will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability:

The extent to which the actuarial accrued liability of the Association exceeds the assets of the Association. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Public Employees Retirement Association of Minnesota

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Association's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Association from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

Accrued Benefit Funded Ratio:

A current year funded status that measures the percent of benefits covered by Current Assets. This ratio is based on benefits earned to the valuation date (accrued service) and includes future salary increases to retirement. The liability for these benefits is defined as the Current Benefit Obligations. The Accrued Benefit Funded Ratio is calculated as the Actuarial Value of Assets (Current Assets) divided by the Current Benefit Obligations.

Projected Benefit Funded Ratio:

A projected funded status that measures contribution sufficiency/deficiency, which is based on a present value of all plan benefits for the lifetime of all plan Members. The liability for these benefits is defined as the Current and Expected Future Benefit Obligations, or Present Value of Benefits. The Current and Expected Future Assets are determined as the sum of the Actuarial Value of Assets (Current Assets), the Present Value of Expected Future Statutory Supplemental Contributions and the Present Value of Future Normal Costs. The Projected Benefit Funded Ratio is calculated as the Current and Expected Future Assets divided by the Current and Expected Future Benefit Obligations. If the ratio is equal to or more than 100%, there is a contribution sufficiency, and if it is less than 100% there is a contribution deficiency.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Pensioners as of the valuation date (including 6,650 beneficiaries in pay status)		56,650
2. Members inactive during year ended June 30, 2005 with vested rights		35,768
3. Members active during the year ended June 30, 2005		142,303
Fully vested	105,504	
Not vested	36,799	
4. Other non-vested terminated members as of June 30, 2005		100,369

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability			
1. Active members:			
(a) Death benefits	\$157,292,244	\$57,496,038	\$99,796,206
(b) Disability benefits	382,157,808	141,992,244	240,165,564
(c) Withdrawal benefits	812,227,532	527,594,094	284,633,438
(d) Retirement benefits	<u>9,105,959,886</u>	<u>2,272,790,981</u>	<u>6,833,168,905</u>
(e) Total	\$10,457,637,470	\$2,999,873,357	\$7,457,764,113
2. Vested terminated members	\$1,551,260,454	-	\$1,551,260,454
3. Other non-vested terminated members	54,952,288	-	54,952,288
4. Annuitants in MPRIF	6,513,056,801	-	6,513,056,801
5. Annuitants not in MPRIF	<u>315,520,959</u>	<u>-</u>	<u>315,520,959</u>
6. Total	\$18,892,427,972	\$2,999,873,357	\$15,892,554,615
B. Determination of Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability			\$15,892,554,615
2. Actuarial Value of Assets			<u>11,843,935,692</u>
3. Unfunded Actuarial Accrued Liability: (B.1) – (B.2)			\$4,048,618,923
C. Determination of Supplemental Contribution Rate			
1. Present value of future payrolls through the amortization date of June 30, 2031			\$85,533,631,352
2. Supplemental contribution rate: (B.3) / (C.1)			4.73%
D. Determination of GASB Amortization Rate			
1. Present value of future payrolls through the amortization date of June 30, 2031			\$77,111,044,245
2. Supplemental contribution rate: (B.3) / (D.1)			5.25%

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

**EXHIBIT II
Actuarial Balance Sheet**

A. Current Assets				\$11,843,935,692
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				\$2,617,329,119
2. Present Value of Future Normal Costs				<u>2,999,873,357</u>
3. Total Expected Future Assets				\$5,617,202,476
C. Total Current and Expected Future Assets				\$17,461,138,168
D. Current Benefit Obligations	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>	
1. Benefit recipients:				
(a) Retirement annuities	-	\$5,856,178,519	\$5,856,178,519	
(b) Disability benefits	-	222,816,577	222,816,577	
(c) Beneficiaries	-	749,582,664	749,582,664	
2. Vested terminated members	-	1,551,260,454	1,551,260,454	
3. Other non-vested terminated members	-	54,952,288	54,952,288	
4. Active members	<u>\$64,703,841</u>	<u>6,358,218,050</u>	<u>6,422,921,891</u>	
5. Total Current Benefit Obligations	\$64,703,841	\$14,793,008,552	\$14,857,712,393	
E. Expected Future Benefit Obligations				<u>4,034,715,579</u>
F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				\$18,892,427,972
G. Current Unfunded Actuarial Liability (D.5 - A)				\$3,013,776,701
H. Current and Future Unfunded Actuarial Liability (F - C)				\$1,431,289,804

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Actuarially Required Contribution Rate⁽¹⁾ (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Employer Contributions [(a) x (b)] – (c) = (d)	Actual Employer Contributions⁽²⁾ (e)	Percentage Contributed (e) / (d)
1991	10.04%	\$2,124,409,000	\$94,413,000	\$118,878,000	\$101,907,000	85.72%
1992	9.44%	2,299,532,000	101,655,000	115,421,000	109,203,000	94.61%
1993	9.95%	2,403,558,000	106,359,000	132,795,000	113,183,000	85.23%
1994	9.58%	2,557,522,000	112,940,000	132,071,000	119,390,000	90.40%
1995	9.76%	2,679,069,000	115,986,000	145,491,000	123,984,000	85.22%
1996	9.61%	2,814,126,000	121,525,000	148,913,000	129,738,000	87.12%
1997	9.75%	2,979,260,000	128,234,000	162,244,000	136,686,000	84.25%
1998	9.62% ⁽³⁾	3,271,737,000	140,385,000 ⁽³⁾	174,356,000	151,499,000	86.89%
1999	9.63% ⁽³⁾	3,302,808,000	158,475,000 ⁽³⁾	159,585,000	173,370,000	108.64%
2000	9.22% ⁽³⁾	3,437,954,000	171,073,000	145,906,000	186,637,000	127.92%
2001	11.84% ^{(3), (4)}	3,466,587,000	173,380,000	237,064,000	188,208,000	79.39%
2002	11.85% ⁽³⁾	3,809,864,000	191,422,000	260,047,000	206,982,000	79.59%
2003	11.52% ^{(3), (5)}	4,387,649,000	205,963,000	299,494,000	221,689,000	74.02%
2004	12.25% ⁽³⁾	3,968,034,367	215,696,700	270,387,510	225,744,509	83.49%
2005	12.72% ⁽³⁾	4,096,138,282	216,700,643	304,328,146	232,963,374	76.55%
2006	13.26% ⁽³⁾					

⁽¹⁾ Actuarially Required Contributions determined for years ended 1995, 1996, 1997 did not comply with the parameters of GASB Statement No. 25 since a one percent growth in covered population is assumed in the amortization calculation.

⁽²⁾ Includes contributions from other sources (if applicable).

⁽³⁾ Actuarially Required Contributions calculated according to parameters of GASB 25 with no assumption for growth of covered population.

⁽⁴⁾ Actuarially Required Contribution Rate prior to change in Actuarial Assumptions and Asset Valuation Method is 11.41%.

⁽⁵⁾ Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 11.86%.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT IV

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
07/01/1991	\$3,570,304,000	\$4,988,671,000	\$1,418,367,000	71.57%	\$2,124,409,000	66.77%
07/01/1992	3,978,110,000	5,439,953,000	1,461,843,000	73.13%	2,299,532,000	63.57%
07/01/1993	4,374,459,000	5,784,318,000	1,409,859,000	75.63%	2,403,558,000	58.66%
07/01/1994	4,747,128,000	6,223,622,000	1,476,494,000	76.28%	2,557,522,000	57.73%
07/01/1995	5,138,461,000	6,622,069,000	1,483,608,000	77.60%	2,679,069,000	55.38%
07/01/1996	5,786,398,000	7,270,073,000	1,483,675,000	79.59%	2,814,126,000	52.72%
07/01/1997	6,658,410,000	8,049,666,000	1,391,256,000	82.72%	2,979,260,000	46.70%
07/01/1998	7,636,668,000	8,769,303,000	1,132,635,000	87.08%	3,271,737,000	34.62%
07/01/1999	8,489,177,000	9,443,678,000	954,501,000	89.89%	3,302,808,000	28.90%
07/01/2000	9,609,367,000	11,133,682,000	1,524,315,000	86.31%	3,437,954,000	44.34%
07/01/2001	10,527,270,000	12,105,337,000	1,578,067,000	86.96%	3,466,587,000	45.52%
07/01/2002	11,017,414,000	12,958,105,000	1,940,691,000	85.02%	3,809,864,000	50.94%
07/01/2003	11,195,902,000	13,776,198,000	2,580,296,000	81.27%	4,387,649,000	58.81%
07/01/2004	11,477,960,861	14,959,464,879	3,481,504,018	76.73%	3,968,034,367	87.74%
07/01/2005	11,843,935,692	15,892,554,615	4,048,618,923	74.53%	4,096,138,282	98.84%

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT V

Determination of Contribution Sufficiency - Total

	July 1, 2005	
	Percent of Payroll	Dollar Amount
A. Statutory Contributions* – Chapter 353		
1. Member Contributions	5.30%	\$240,262,784
2. Employer Contributions	<u>5.77%</u>	<u>261,631,214</u>
3. Total	<u>11.07%</u>	<u>\$501,893,998</u>
B. Required Contributions – Chapter 356		
1. Normal Cost		
(a) Retirement benefits	6.08%	\$275,476,782
(b) Disability benefits	0.35%	15,917,366
(c) Death	0.14%	6,510,071
(d) Withdrawal benefits	<u>1.22%</u>	<u>55,060,131</u>
(e) Total	7.79%	\$352,964,350
2. Amortization of Supplemental Contribution UAAL	4.73%	214,310,748
3. Allowance for Administrative Expenses	<u>0.22%</u>	<u>9,967,942</u>
4. Total	<u>12.74%</u>	<u>\$577,243,040</u>
C. Contribution Sufficiency (Deficiency) (A.3 – B.4)	-1.67%	-\$75,349,042

Projected annual payroll for fiscal year beginning on the valuation date** \$4,530,882,628

** The statutory contribution rates as of July 1, 2005 are shown as a blended rate of 1/2 of the current rate and 1/2 of the rate increase effective January 1, 2006.*

*** Calculated as covered actual payroll, projected one year with salary scale.*

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT VI

Determination of Contribution Sufficiency - Basic

	July 1, 2005	
	Percent of Payroll	Dollar Amount
A. Statutory Contributions – Chapter 353		
1. Member Contributions	9.10%	\$301,748
2. Employer Contributions	<u>11.78%</u>	<u>390,614</u>
3. Total	<u>20.88%</u>	<u>\$692,362</u>
B. Required Contributions – Chapter 356		
1. Normal Cost		
(a) Retirement benefits	7.70%	\$255,403
(b) Disability benefits	0.37%	12,241
(c) Death	0.17%	5,474
(d) Withdrawal benefits	<u>2.73%</u>	<u>90,435</u>
(e) Total	<u>10.97%</u>	<u>\$363,553</u>
Projected annual payroll* for fiscal year beginning on the valuation date		\$3,315,910

* Calculated as covered actual payroll, projected one year with salary scale.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT VII

Determination of Contribution Sufficiency - Coordinated

			July 1, 2005	
A. Statutory Contributions* – Chapter 353			Percent of Payroll	Dollar Amount
1. Member Contributions			5.30%	\$239,961,036
2. Employer Contributions			<u>5.77%</u>	<u>261,240,600</u>
3. Total			<u>11.07%</u>	<u>\$501,201,636</u>
B. Required Contributions – Chapter 356				
1. Normal Cost				
(a) Retirement benefits			6.08%	\$275,221,379
(b) Disability benefits			0.35%	15,905,125
(c) Death			0.14%	6,504,597
(d) Withdrawal benefits			<u>1.21%</u>	<u>54,969,696</u>
(e) Total			<u>7.78%</u>	<u>\$352,600,797</u>
Projected annual payroll** for fiscal year beginning on the valuation date				\$4,527,566,718

* The statutory contribution rates as of July 1, 2005 are shown as a blended rate of 1/2 of the current rate and 1/2 of the rate increase effective January 1, 2006.

** Calculated as covered actual payroll, projected one year with salary scale.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT VIII

Supplementary Information Required by the GASB

Valuation date	July 1, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, assuming payroll increases at 5.00% per annum
Remaining amortization period	26 years remaining as of July 1, 2005
Asset valuation method	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).

Actuarial assumptions:

Investment rate of return:

Pre-retirement	8.50% per annum
Post-retirement	8.50% per annum (payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumption)

Plan membership:

Pensioners and beneficiaries receiving benefits	56,650
Terminated vested members entitled to, but not yet receiving benefits	35,768
Other non-vested terminated members	100,369
Active members	<u>142,303</u>
Total	335,090

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT IX

Actuarial Assumptions and Actuarial Cost Method

Net Investment Return:

Pre-Retirement: 8.50% per annum

Post-Retirement: 8.50% per annum

Benefit Increases After Retirement: Payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumption.

Salary Increases: Reported salary for prior fiscal year, with new hires annualized, increased to current fiscal year and annually for each future year according to the ultimate rate table. During a ten year select period, 0.30% x (10-T) where T is completed years of service is added to the ultimate rate.

Mortality Rates:

Healthy Pre-Retirement: Male: 1983 Group Annuity Mortality Table for males set back eight years.

Female: 1983 Group Annuity Mortality Table for females set back seven years.

Healthy Post-Retirement: Male: 1983 Group Annuity Mortality Table for males set back one year.

Female: 1983 Group Annuity Mortality Table for females set back one year.

Disabled: Male: 1965 RRB through age 54. For ages 55 to 64, graded rates between 1965 RRB and the healthy post-retirement mortality table. For ages 65 and later, the healthy post-retirement mortality table.

Female: 1965 RRB through age 54. For ages 55 to 64, graded rates between 1965 RRB and the healthy post-retirement mortality table. For ages 65 and later, the healthy post-retirement mortality table.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Retirement Rates:

Graded rates beginning at age 55 as shown in below. Members who have attained the highest assumed retirement age are assumed to retire in one year.

<u>Age</u>	<u>Retirement</u>	
	<u>Rule of 90 Eligible</u>	<u>Other</u>
55	40.00%	7.00%
56	40.00	7.00
57	40.00	7.00
58	40.00	7.00
59	40.00	9.00
60	40.00	9.00
61	40.00	20.00
62	40.00	20.00
63	40.00	20.00
64	40.00	20.00
65	40.00	40.00
66	25.00	25.00
67	25.00	25.00
68	25.00	25.00
69	25.00	25.00
70	25.00	25.00
71	100.00	100.00

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Withdrawal Rates:	Select and ultimate rates are based on recent plan experience. Ultimate rates after the third year are shown in the rate table. Select rates are as follows:		
	First year:	40.00%	
	Second year:	15.00%	
	Third year:	10.00%	
Disability Rates:	Rates as shown in the rate table.		
Allowance for Combined Service Annuity:	Liabilities for active Members are increased by 0.80% and liabilities for former Members not currently receiving payments are increased by 60.00% to account for the effect of some participants having eligibility for a combined service annuity.		
Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.		
Percent Married:	85% of male Members and 65% of female Members are assumed to be married.		
Age of Spouse:	Females are assumed to be four years younger than males.		
Eligible Children:	Assume Members have no children.		
Special Consideration:	Married Members are assumed to elect subsidized joint and survivor form of annuity as follows:		
		<u>Males</u>	<u>Females</u>
	25% J & S option	10.00%	5.00%
	50% J & S option	20.00%	5.00%
	75% J & S option	10.00%	5.00%
	100% J & S option	30.00%	15.00%

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
Asset Valuation Method:	On and after July 1, 2000, Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year). Transition rules apply between July 1, 2000 and July 1, 2003, when the method is fully in effect.
Payment on the Unfunded Actuarial Accrued Liability:	A level percentage of payroll each year to the statutory amortization date assuming payroll increases of 6.00% per annum. If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount shall be amortized over 30 years as a level percentage of payroll.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Summary of Rates:

Shown for selected ages:

Age	Rate(%)						Ultimate Rate of Salary Increases
	Death		Withdrawal		Disability		
	Male	Female	Male	Female	Male	Female	
20	0.03%	0.01%	8.40%	8.40%	0.01%	0.01%	6.40%
25	0.03	0.02	6.90	6.90	0.01	0.01	6.40
30	0.04	0.02	5.40	5.40	0.02	0.02	6.20
35	0.05	0.03	3.90	4.20	0.05	0.04	6.00
40	0.07	0.04	3.00	3.50	0.09	0.06	5.80
45	0.10	0.06	2.50	3.00	0.14	0.09	5.60
50	0.15	0.08	2.00	2.50	0.23	0.16	5.40
55	0.28	0.14	0.00	0.00	0.49	0.26	5.20
60	0.48	0.21	0.00	0.00	0.82	0.46	5.00
65	0.71	0.35	0.00	0.00	0.00	0.00	5.00
70	1.11	0.58	0.00	0.00	0.00	0.00	5.00

Changes in Actuarial Assumptions and Actuarial Cost Methods:

There have been no changes made to the actuarial assumptions or actuarial cost methods since the prior valuation.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT X

Summary of Plan Provisions (Basic)

This summary of provisions reflects the interpretation of applicable Statutes for purposes of preparing this valuation. This interpretation is not intended to create or rescind any benefit rights in conflict with Minnesota Statutes.

Plan Year:	July 1 through June 30
Eligibility:	A public employee who is not covered under the Social Security Act. General exceptions are employees covered by other public funds, certain part-time employees and full-time students under age 23.
Contributions:	
<i>Member:</i>	9.10% of salary.
<i>Employer:</i>	9.10% of total salary. Additional 2.68% is repealed at full funding.
Allowable Service:	Service during which Member contributions were deducted. May also include certain leaves of absence and military service. Does not include pro-rated service credit for part-time employment for post December 31, 2001 hires.
Salary:	Includes amounts deducted for deferred compensation or supplemental retirement plans, net income from fees and sick leave payments funded by the employer. Excludes unused annual leave and sick leave payments, severance payments, Workers' Compensation benefits and employer-paid flexible spending accounts, cafeteria plans, healthcare expense accounts, day-care expenses, fringe benefits and the cost of insurance coverage.
Average Salary:	Average of the five highest successive years of annual salary. Average salary is based on all Allowable Service if less than five years.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Retirement:

Normal Retirement Benefit:

Age/Service Requirement:

Age 65 and three years of Allowable Service. Proportionate Retirement Annuity is available at age 65 and one year of Allowable Service.

Amount:

The greater of (a) or (b):

- (a) 2.20% of Average Salary for each of the first 10 years of Allowable Service and 2.70% of Average Salary for each subsequent year;
- (b) 2.70% of Average Salary for each year of Allowable Service.

Early Retirement Benefit:

Age/Service Requirement:

- (a) Age 55 and three years of Allowable Service.
- (b) Any age with 30 years of Allowable Service.
- (c) Rule of 90: age plus Allowable Service totals 90.

Amount:

The greater of (a) or (b):

- (a) 2.20% of Average Salary for each of the first 10 years of Allowable Service and 2.70% of Average Salary for each subsequent year with reduction of 0.25% for each month the Member is under age 65 at time of retirement or age 62 if 30 years of Allowable Service. No reduction if age plus years of Allowable service totals 90;
- (b) 2.70% of Average Salary for each year of Allowable Service assuming augmentation to age 65 at 3.00% per year and actuarial reduction for each month the Member is under age 65.

Form of Payment:

Life annuity with return on death of any balance of contributions over aggregate monthly payments. Actuarially equivalent options are:

25%, 50% 75% or 100% joint and survivor with bounce back feature without additional reduction (option canceled if Member is pre-deceased by beneficiary).

Benefit Increases:

Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one full month but less than 12 full

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

months will receive a partial increase.

Members retired under laws in effect before July 1, 1973 receive an additional lump sum payment each year. In 1989, this lump sum payment is the greater of \$25 times each full year of Allowable Service or the difference between \$400 times each full year of Allowable Service and the sum of the benefits paid from any Minnesota public pension plan plus cash payments from the Social Security Administration for the preceding fiscal year July 1, 1988 through June 30, 1989. In each following year, the lump sum payment will increase by the same percentage increase that is applied to regular annuities paid from MPRIF. Effective January 1, 2002, annual lump sum payment is divided by 12 and paid as a monthly life annuity in the annuity form elected.

Disability:

Disability Benefit:

Age/Service Requirement:

Total and permanent disability before normal retirement age with three years of Allowable Service.

Amount:

Normal Retirement Benefit based on Allowable Service and average salary at disability without reduction for commencement before normal retirement age. Supplemental benefit of \$25 per month payable to the later of the normal retirement age or the five-year anniversary at commencement of disability. The disability benefit is reduced to that amount which, when added to Workers' Compensation, does not exceed the salary the disabled Member received as of the date of the disability or the salary currently payable for the same employment position substantially similar to the one the person held as of the date of the disability, whichever is greater.

If a Member became disabled prior to July 1, 1997 but did not commence their benefit before July 1, 1997, the benefit payable is calculated under the laws in effect at the time the Member became disabled, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Payments stop if disability ceases. If death occurs prior to age 65 or within five years of disability, the surviving spouse can receive a refund or a survivor benefit. Dependent children are entitled to dependent child benefits subject to the 70.00%

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

	family maximum. Payments change to a retirement annuity at normal retirement age. Benefits may be reduced on resumption of partial employment.
<i>Form of Payment:</i>	Same as for retirement.
<i>Benefit Increases:</i>	Adjusted by PERA to provide same increase as MPRIF.
<i><u>Retirement After Disability:</u></i>	
<i>Age/Service Requirement:</i>	Normal retirement age.
<i>Amount:</i>	Any optional annuity continues. Otherwise the larger of the disability benefit paid before normal retirement age or the normal retirement benefit available at normal retirement age, or an actuarially equivalent optional annuity.
<i>Benefit Increases:</i>	Same as for retirement.

Death:

<i><u>Surviving Spouse Benefit:</u></i>	
<i>Age/Service Requirement:</i>	Active Member with 18 months of Allowable Service or Member receiving a disability benefit.
<i>Amount:</i>	50.00% of salary averaged over last six months. Family benefit is maximum of 70.00% and minimum of 50.00% of average salary. Benefit paid until spouse's death but no payments while spouse is remarried prior to July 1, 1991. If a Member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%. Surviving spouse optional annuity may be elected in lieu of this benefit.
<i><u>Surviving Dependent Child Benefit:</u></i>	
<i>Age/Service Requirement:</i>	Active Member with 18 months of Allowable Service or Member receiving a disability benefit.
<i>Amount:</i>	10.00% of salary averaged over last six months for each child. Family benefit minimum (including spouse's benefit) of 50.00% of salary and maximum of 70.00% of average salary. Benefits paid until child marries, dies, or attains age 18 (age 22 if full-time student).

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

If a Member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Surviving Spouse Optional Annuity:

Age/Service Requirement:

Member or former Member who dies before retirement benefits commence and other survivor annuity is waived by spouse.

Amount:

Survivor's payment of the 100% joint and survivor benefit the Member could have elected if terminated or an actuarial equivalent term certain annuity. If commencement is prior to age 65 (age 62 if 30 years of service), the benefit is reduced same as early retirement with half the applicable reduction factor used from age 55 to the actual commencement age. If no surviving spouse, then an actuarial equivalent dependent child benefit is paid to age 20 or for five years if longer.

If a Member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Benefit Increases:

Adjusted by PERA to provide same increase as MPRIF.

Refund of Contributions:

Age/Service Requirement:

Member dies before receiving any retirement benefits and survivor benefits are not payable.

Amount:

The excess of the Member's contributions with 6.00% interest over any disability or survivor benefits paid.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Termination:

Refund of Contributions:

Age/Service Requirement:

Termination of public service.

Amount:

Member's contributions with 5.00% interest compounded annually if termination occurred before May 16, 1989 and 6.00% interest if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund if three or more years of Allowable Service.

Deferred Benefit:

Age/Service Requirement:

Three years of Allowable Service.

Amount:

Benefit computed under law in effect at termination and increased by the following percentage compounded annually:

- (a) 0.00% before July 1, 1971;
- (b) 5.00% from July 1, 1971 to January 1, 1981;
- (c) 3.00% thereafter until January 1 of the year following attainment of age 55; and
- (d) 5.00% thereafter until the annuity begins.

Members active with a public employer the day prior to the privatization of the employer become vested immediately and receive augmentation at the rate of 5.50% compounded annually through the year the Member turns age 55 and 7.50% thereafter until the annuity begins. Amount is payable at a normal or early retirement.

If a Member terminated employment prior to July 1, 1997 but was not eligible to commence their pension before July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Changes in Plan Provisions:

There have been no changes in plan provisions since the prior valuation.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

EXHIBIT XI

Summary of Plan Provisions (Coordinated)

This summary of provisions reflects the interpretation of applicable Statutes for purposes of preparing this valuation. This interpretation is not intended to create or rescind any benefit rights in conflict with Minnesota Statutes.

Plan Year: July 1 through June 30

Eligibility: A public employee who is covered under the Social Security Act. General exceptions are employees covered by other public funds, certain part-time employees and full-time students under age 23. City managers and persons holding elective office may choose to become Members.

Contributions: Shown as a percent of salary:

<u>Date of Increase</u>	<u>Member</u>	<u>Employer</u>
Current	5.10%	5.53%
January 2006	5.50%	6.00%
January 2007	5.75%	6.25%
January 2008	6.00%	6.50%
January 2009	6.00%	6.75%
January 2010	6.00%	7.00%

In addition, the 2009 and/or 2010 rate increases will not be implemented if the July 1, 2008 or July 1, 2009 actuarial valuations result in full funding or a contribution sufficiency has occurred.

Allowable Service: Service during which Member contributions were deducted. May also include certain leaves of absence and military service. Does not include pro-rated service credit for part-time employment for post December 31, 2001 hires.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Salary: Includes amounts deducted for deferred compensation or supplemental retirement plans, net income from fees and sick leave payments funded by the employer. Excludes unused annual leave and sick leave payments, severance payments, Workers' Compensation benefits and employer-paid flexible spending accounts, cafeteria plans, healthcare expense accounts, day-care expenses, fringe benefits and the cost of insurance coverage.

Average Salary: Average of the five highest successive years of salary. Average salary is based on all Allowable Service if less than five years.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Retirement:

Normal Retirement Benefit:

Age/Service Requirement:

First hired before July 1, 1989:

- (a) Age 65 and three years of Allowable Service.
- (b) Proportionate Retirement Annuity is available at age 65 and one year of Allowable Service.

Amount:

The greater of (a) or (b):

- (a) 1.20% of Average Salary for each of the first 10 years of Allowable Service and 1.70% of Average Salary for each subsequent year;
- (b) 1.70% of Average Salary for each year of Allowable Service.

Age/Service Requirement:

First hired after June 30, 1989:

- (a) The greater of age 65 or the age eligible for full Social Security retirement benefits but no later than age 66 and three years of Allowable Service.
- (b) Proportionate Retirement Annuity is available at normal retirement age and one year of Allowable Service.

Amount:

1.70% of Average Salary for each year of Allowable Service.

Early Retirement Benefit:

Age/Service Requirement:

First hired before July 1, 1989:

- (a) Age 55 and three years of Allowable Service.
- (b) Any age with 30 years of Allowable Service.
- (c) Rule of 90: age plus Allowable Service totals 90.

First hired after June 30, 1989:

- (a) Age 55 with three years of Allowable Service.

Amount:

First hired before July 1, 1989:

The greater of (a) or (b):

- (a) 1.20% of Average Salary for each of the first 10 years of Allowable Service and 1.70% of Average Salary for each subsequent year with reduction of 0.25% for

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

each month the Member is under age 65 at time of retirement or age 62 if 30 years of Allowable Service. No reduction if age plus years of Allowable Service totals 90;

- (b) 1.70% of Average Salary for each year of Allowable Service assuming augmentation to age 65 at 3.00% per year and actuarial reduction for each month the Member is under age 65.

First hired after June 30, 1989:

- (a) 1.70% of Average Salary for each year of Allowable Service assuming augmentation to the age eligible for full Social Security retirement benefits at 3.00% per year and actuarial reduction for each month the Member is under the Social Security retirement age, but no later than age 66.

Form of Payment:

Life annuity with return on death of any balance of contributions over aggregate monthly payments. Actuarially equivalent options are:

25%, 50%, 75% or 100% joint and survivor with bounce back feature without additional reduction (option canceled if Member is pre-deceased by beneficiary).

Benefit Increases:

Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Benefit recipients receiving benefits for at least one full month but less than 12 full months will receive a partial increase.

Members retired under laws in effect before July 1, 1973 receive an additional lump sum payment each year. In 1989, this lump sum payment is \$25 times each full year of Allowable Service. In each following year, the lump sum payment will increase by the same percentage increase that is applied to regular annuities paid from MPRIF.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Disability:

Disability Benefit:

Age/Service Requirement:

Total and permanent disability before normal retirement age with three years of Allowable Service.

Amount:

Normal Retirement Benefit based on Allowable Service and average salary at disability without reduction for commencement before normal retirement age. The disability benefit is reduced to that amount which, when added to Workers' Compensation, does not exceed the salary the disabled Member received as of the date of the disability or the salary currently payable for the same employment position substantially similar to the one the person held as of the date of the disability, whichever is greater.

If a Member became disabled prior to July 1, 1997 but did not commence their benefit before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Payments stop if disability ceases or death occurs. Payments change to a retirement annuity at normal retirement age. Benefits may be reduced on resumption of partial employment.

Form of Payment:

Same as for retirement.

Benefit Increases:

Adjusted by PERA to provide same increase as MPRIF.

Retirement After Disability:

Age/Service Requirement:

Normal retirement age.

Amount:

Any optional annuity continues. Otherwise, the larger of the disability benefit paid before normal retirement age or the normal retirement benefit available at normal retirement age, or an actuarial equivalent optional annuity.

Benefit Increases:

Same as for retirement.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Death:

Surviving Spouse Optional Annuity:

Age/Service Requirement: Member or former Member who dies before retirement or disability benefits commence.

Amount: Survivor's payment of the 100% joint and survivor benefit the Member could have elected if terminated or an actuarial equivalent term certain annuity. If commencement is prior to age 65 (age 62 if 30 years of service), the benefit is reduced same as early retirement with half the applicable reduction factor used from age 55 to the actual commencement age. If no surviving spouse, then an actuarial equivalent dependent child benefit is paid to age 20 or for five years if longer.

If a Member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Benefit Increases: Adjusted by PERA to provide same increase as MPRIF.

Refund of Member's Contributions:

Age/Service Requirement: Member dies before receiving any retirement benefits and survivor benefits are not payable.

Amount: The excess of the Member's contributions with 6.00% interest over any disability or survivor benefits paid.

Termination:

Refund of Contributions:

Age/Service Requirement: Termination of public service.

Amount: Member's contributions with 5.00% interest compounded annually if termination occurred before May 16, 1989 and 6.00% interest if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund if three or more years of Allowable Service.

Deferred Benefit:

Age/Service Requirement: Three years of Allowable Service.

SECTION 4: Reporting Information for the Public Employees Retirement Association of Minnesota

Amount:

Benefit computed under law in effect at termination and increased by the following percentage compounded annually:

- (a) 0.00% before July 1, 1971;
- (b) 5.00% from July 1, 1971 to January 1, 1981;
- (c) 3.00% thereafter until January 1 of the year following attainment of age 55; and
- (d) 5.00% thereafter until the annuity begins.

Members active with a public employers the day prior to the privatization of the employer become vested immediately and receive augmentation at the rate of 5.50% compounded annually through the year the member turns age 55 and 7.50% thereafter until the annuity begins. Amount is payable at normal or early retirement.

If a Member terminated employment prior to July 1, 1997 but was not eligible to commence their pension before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Changes in Plan Provisions:

There have been no changes in plan provisions since the prior valuation.