Minnesota State Retirement System
State Employees Retirement Fund

Actuarial Valuation and Review
as of July 1, 2006

SEGAL

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November 29, 2006

Mr. Dave Bergstrom
Minnesota State Retirement System
State Employees Retirement Fund
60 Empire Drive, Suite 300
St. Paul, Minnesota 55103-3000

Dear Mr. Bergstrom:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2006. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2007 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by the Minnesota State Retirement System. 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.

Sincerely,

THE SEGAL COMPANY

By:

Thomas D. Levy, FSA, MAAA, EA	*Andre Latia, FSA, MAAA, EA*	*Brad E. Ramirez, FSA, MAAA, EA*
Senior Vice President and Chief Actuary	*Senior Vice President and Consulting Actuary*	*Consulting Actuary*

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

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Purpose

This report has been prepared by The Segal Company to present a valuation of the Minnesota State Retirement System (State Employees Retirement Fund) as of July 1, 2006. 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:

- Applicable Minnesota Statutes;
- The benefit provisions of the Retirement Fund, as administered by the MSRS;
- The data as provided and confirmed by the MSRS staff;
- The characteristics of covered active participants, inactive vested participants, pensioners and beneficiaries as of July 1, 2006, provided by the Fund;
- The assets of the Fund as of June 30, 2006, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

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

- The statutory contribution rate under Chapter 352 is equal to 8.00% of payroll compared to the required contribution rate under Chapter 356 of 10.11% of payroll. Therefore, the contribution deficiency is 2.11% of payroll or $45,304,786. A contribution deficiency in any year will lead to an increased deficiency in all future years.
- The actuarial accrued liability funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2006 is 96.23% compared to 95.58% as of July 1, 2005. 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. Before the plan change, the funded rate was 96.43%.
- The employee and employer contribution rates (as a percentage of salary) will change as shown in the schedule below:

Date of Increase	Employee	Employer
Current	4.00%	4.00%
July 1, 2007	4.25	4.25
July 1, 2008	4.50	4.50
July 1, 2009	4.75	4.75
July 1, 2010	5.00	5.00

- In accordance with the passage of the contribution rate increase bill, projected employee contribution increases are valued in projected refunds.
- There were no changes in assumptions or actuarial cost methods since the prior valuation.
- The only changes in plan provisions are the future employee and employer contribution rates.

Summary of Key Valuation Results

	2006	2005
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 352	8.00%	8.00%
Required – Chapter 356	10.11%	10.55%
Sufficiency/(Deficiency)	-2.11%	-2.55%
Funding elements for plan year beginning July 1:		
Normal cost	$183,605,603	$183,131,914
Market value of assets	8,767,249,551	8,104,122,684
Actuarial value of assets (AVA)	8,486,756,016	8,081,736,374
Actuarial accrued liability (AAL)	8,819,160,917	8,455,335,998
Unfunded/(Overfunded) actuarial accrued liability	332,404,901	373,599,624
Funded ratios:		
Accrued Benefit Funded Ratio	100.57%	99.56%
Current assets (AVA)	$8,486,756,016	$8,081,736,374
Current benefit obligations	8,438,970,186	8,117,596,957
Projected Benefit Funded Ratio	95.12%	93.86%
Current and expected future assets	$9,839,501,949	$9,377,086,676
Current and expected future benefit obligations (Present Value of Benefits)	10,343,916,940	9,990,947,824
GASB 25/27 for plan year beginning July 1:		
Annual required employer contributions	$127,371,386	$99,050,629
Accrued Liability Funded Ratio (AVA/AAL)	96.23%	95.58%
Covered actual payroll	$2,016,588,023	$1,952,322,586
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	24,204	23,367
Number of vested terminated participants	14,217	13,592
Number of other non-vested terminated participants	6,828	7,702
Number of active participants	48,000	47,125
Total projected payroll*	$2,157,579,057	$2,084,561,802
Average projected compensation*	44,950	44,235

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

A. PARTICIPANT DATA

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

This section presents a summary of significant statistical data on these participant 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 participant population has changed over the past five valuations can be seen in this chart.

CHART 1

Participant Population: 2002 – 2006

Year Ended June 30	Active Participants	Vested Terminated Participants*	Pensioners and Beneficiaries	Ratio of Non-Actives to Actives
2002	49,099	11,939	20,805	0.67
2003	48,136	12,679	21,454	0.71
2004	46,899	13,784	22,654	0.78
2005	47,125	13,592	23,367	0.78
2006	48,000	14,217	24,204	0.80

* *Excludes terminated participants due a refund of employee contributions.*

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 48,000 active participants with an average age of 46.2, average years of service of 12.5 years and average projected compensation of $44,950. The 47,125 active participants in the prior valuation had an average age of 46.0, average service of 12.7 years and average projected compensation of $44,235.

Inactive Participants

In this year's valuation, there were 14,217 participants with a vested right to a deferred or immediate vested benefit.

In addition, there were 6,828 other non-vested terminated participants entitled to a refund of their employee contributions.

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

CHART 2

Distribution of Active Participants by Age as of June 30, 2006

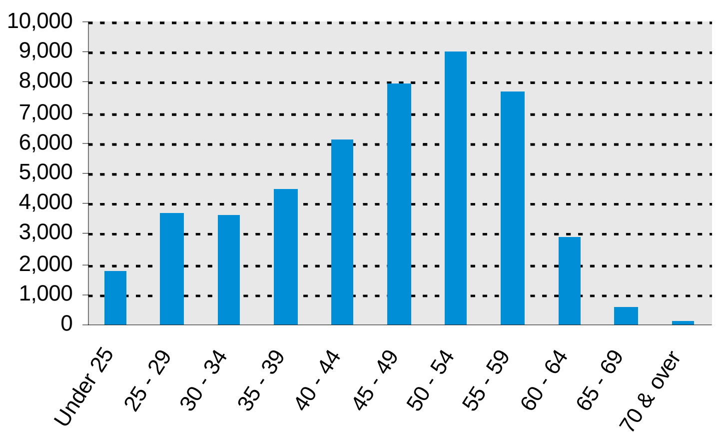
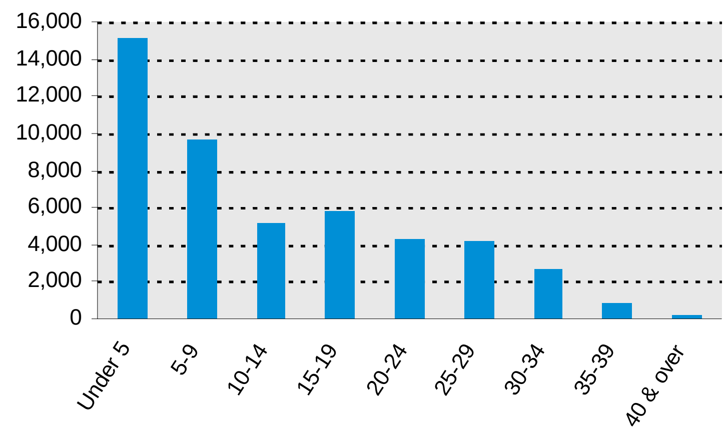


CHART 3

Distribution of Active Participants by Years of Service as of June 30, 2006



Pensioners and Beneficiaries

As of June 30, 2006, 21,411 pensioners (19,903 retired and 1,508 disabled participants) and 2,793 beneficiaries were receiving average monthly benefits of $1,284. For comparison, in the previous valuation, there were 20,636 pensioners (19,202 retired and 1,434 disabled participants) and 2,731 beneficiaries receiving average monthly benefits of $1,266.

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, 2006

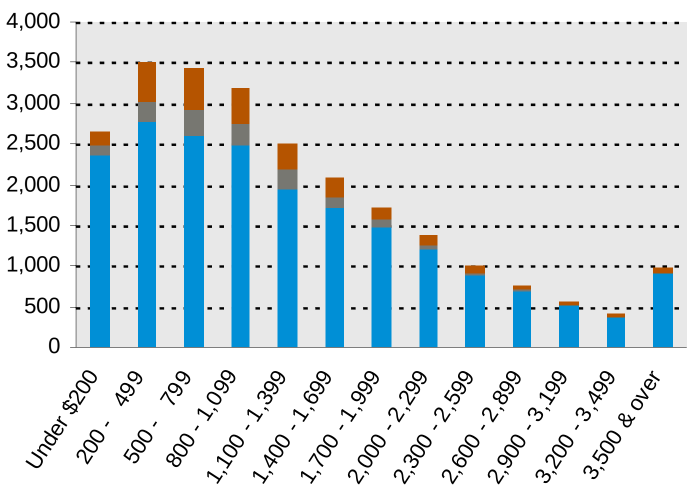
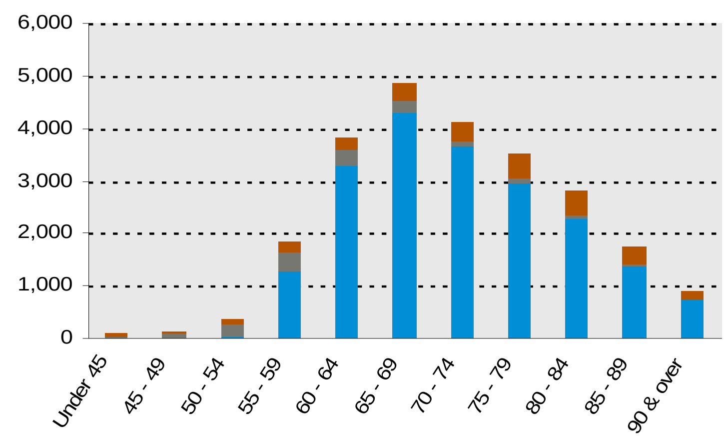


CHART 5

Distribution of Pensioners and Beneficiaries by Type and by Age as of June 30, 2006



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 Fund'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 Fund'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, 2006

1.	Market value of assets available for benefits			$8,767,249,551
		Original Amount	% Not Recognized	
2.	Calculation of unrecognized return			
	(a) Year ended June 30, 2006	$189,877,852	80%	$151,902,282
	(b) Year ended June 30, 2005	94,936,702	60%	56,962,021
	(c) Year ended June 30, 2004	298,717,581	40%	119,487,032
	(d) Year ended June 30, 2003	-239,289,000	20%	-47,857,800
	(e) Total unrecognized return			$280,493,535
3.	Actuarial value of assets ("Current Assets"): (1) – (2e)			$8,486,756,016
4.	Actuarial value as percent of market value			96.8%

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 plan year ended June 30, 2006, the total gain is $96,484,304, including a loss of $55,910,692 from investments, a gain of $79,496,460 from salary increases and a gain of $72,898,536 from all other sources. The net experience variation from individual sources other than investments and salary increases was 0.83% of the actuarial accrued liability, which includes age/service retirements, disability, mortality (pre and post-retirement) and withdrawal.

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

CHART 7

Actuarial Experience for Year Ended June 30, 2006

1.	Net gain/(loss) from investments	-$55,910,692
2.	Net gain/(loss) from salary increases	79,496,460
3.	Net gain/(loss) from MPRIF mortality	1,688,293
4.	Net gain/(loss) from other experience	71,210,243
5.	Net experience gain/(loss): (1) + (2) + (3) + (4)	$96,484,304

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 within the range of the GASB reporting requirements. Section 4, Exhibit III presents a schedule of this information for the Fund.

The other critical piece of information regarding the Fund'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 factors.

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

EXHIBIT A
Table of Plan Coverage

	Year Ended June 30		
Category	**2006**	**2005**	**Change From Prior Year**
Active participants in valuation:			
Number	48,000	47,125	1.9%
Average age	46.2	46.0	N/A
Average service	12.5	12.7	N/A
Total projected payroll	$2,157,579,057	$2,084,561,802	3.5%
Average projected compensation	44,950	44,235	1.6%
Total active vested participants	36,964	37,431	-1.2%
Vested terminated participants	14,217	13,592	4.6%
Retired participants:			
Number in pay status	19,903	19,202	3.7%
Average age	72.0	72.0	N/A
Average monthly benefit	$1,323	$1,302	1.6%
Disabled participants:			
Number in pay status	1,508	1,434	5.2%
Average age	61.3	61.3	N/A
Average monthly benefit	$970	$939	3.3%
Beneficiaries:			
Number in pay status	2,793	2,731	2.3%
Average age	72.7	72.2	N/A
Average monthly benefit	$1,175	$1,183	-0.7%
Other non-vested terminated participants	6,828	7,702	-11.3%

EXHIBIT B

Participants in Active Service as of June 30, 2006
By Age, Years of Service and Average Projected Compensation

		Years of Service								
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over
Under 25	1,744	1,715	29	- -	- -	- -	- -	- -	- -	- -
	$17,481	$17,256	$30,806	- -	- -	- -	- -	- -	- -	- -
25 - 29	3,684	3,033	645	6	- -	- -	- -	- -	- -	- -
	30,023	27,818	40,391	$29,583	- -	- -	- -	- -	- -	- -
30 - 34	3,635	2,135	1,307	186	7	- -	- -	- -	- -	- -
	37,023	31,582	44,515	46,604	$43,164	- -	- -	- -	- -	- -
35 - 39	4,483	1,819	1,583	806	258	17	- -	- -	- -	- -
	42,115	32,582	46,723	51,426	52,101	$40,088	- -	- -	- -	- -
40 - 44	6,107	1,804	1,546	939	1,143	581	94	- -	- -	- -
	45,619	32,687	48,031	52,022	54,781	50,814	$46,629	- -	- -	- -
45 - 49	7,970	1,653	1,576	1,047	1,365	1,241	980	107	1	- -
	48,277	33,790	47,837	51,483	55,250	54,709	52,217	$47,662	$36,677	- -
50 - 54	8,996	1,461	1,389	959	1,347	1,164	1,504	1,073	98	1
	50,149	33,846	47,652	51,253	54,741	54,849	56,127	55,142	52,567	$39,838
55 - 59	7,699	1,005	1,027	770	1,095	876	1,170	1,222	486	48
	51,838	33,347	47,810	51,443	53,722	53,934	57,099	60,106	57,189	57,325
60 - 64	2,904	359	405	329	436	358	397	272	248	100
	50,531	30,745	46,608	50,510	51,390	52,157	54,970	60,054	59,882	61,242
65 - 69	615	123	96	82	77	70	61	42	27	37
	45,181	23,444	41,136	52,538	50,482	49,479	50,977	58,756	57,107	58,808
70 & Over	163	50	30	16	23	11	12	9	3	9
	30,545	15,628	18,092	34,314	46,369	44,163	40,653	45,451	53,952	54,958
Total	48,000	15,157	9,633	5,140	5,751	4,318	4,218	2,725	863	195
	$44,950	$29,897	$46,444	$51,223	$54,199	$53,685	$55,049	$57,588	$57,400	$59,416

EXHIBIT C

Retired Participants as of June 30, 2006
By Age, Years Retired and Average Annual Benefit

		Years Retired								
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over
Under 45	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	36	4	2	1	2	1	4	16	6	- -
	$11,823	$1,236	$2,138	$5,445	$5,942	$13,747	$10,483	$12,923	$22,774	- -
55 - 59	1,561	278	147	137	147	167	145	330	206	4
	13,545	1,259	3,377	6,070	8,066	11,724	15,448	25,055	27,543	$35,066
60 - 64	3,441	529	314	320	324	379	385	748	381	61
	15,330	1,446	4,123	6,802	10,009	13,780	18,908	25,622	30,150	34,726
65 - 69	4,280	612	424	540	527	533	508	581	393	162
	14,939	1,708	4,535	7,745	11,374	14,605	19,361	25,606	31,778	35,854
70 - 74	3,591	459	393	470	483	501	477	433	267	108
	16,802	1,836	5,173	8,742	12,490	16,674	21,606	31,867	38,530	42,355
75 - 79	2,889	343	258	484	414	487	383	279	174	67
	17,597	2,021	5,861	9,150	14,061	18,756	24,394	33,892	41,207	48,941
80 - 84	2,198	186	146	440	415	403	223	187	152	46
	17,133	1,917	5,342	7,930	13,331	18,361	23,912	32,478	42,773	47,660
85 - 89	1,257	68	83	299	245	195	120	142	71	34
	16,366	1,563	4,295	7,016	11,666	16,276	22,362	32,726	42,304	48,384
90 & Over	650	29	53	178	117	98	65	45	32	33
	12,660	1,471	4,053	6,140	9,908	13,414	18,081	25,376	28,546	35,572
Total	19,903	2,508	1,820	2,869	2,674	2,764	2,310	2,761	1,682	515
	$15,872	$1,677	$4,733	$7,812	$11,907	$16,047	$20,882	$28,118	$34,282	$40,644

EXHIBIT D

Disabled Participants as of June 30, 2006
By Age, Years Disabled and Average Annual Benefit

		Years Disabled								
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over
Under 45	47	6	17	16	6	2	- -	- -	- -	- -
	$6,304	$2,447	$3,817	$8,297	$10,314	$11,036	- -	- -	- -	- -
45 - 49	106	14	25	23	15	19	10	- -	- -	- -
	8,536	1,559	4,282	8,013	11,249	13,367	$16,892	- -	- -	- -
50 - 54	227	22	37	47	49	38	30	4	- -	- -
	10,553	2,216	4,678	8,413	11,817	15,264	17,268	$25,279	- -	- -
55 - 59	360	35	38	58	66	59	64	38	2	- -
	12,968	1,779	4,973	8,825	12,002	15,710	18,790	24,109	$33,827	- -
60 - 64	298	29	47	47	61	53	36	19	4	2
	11,959	1,777	4,496	9,302	11,781	15,769	19,852	23,407	27,588	$19,848
65 - 69	212	15	21	45	48	39	26	17	1	- -
	12,349	2,541	4,736	7,635	12,692	15,146	18,664	24,530	34,731	- -
70 - 74	96	6	8	17	32	19	11	2	1	- -
	13,705	2,642	3,982	8,738	12,755	19,049	23,135	30,988	32,823	- -
75 - 79	78	3	12	24	20	15	2	1	1	- -
	11,209	3,018	5,127	9,437	12,349	16,171	14,745	18,357	39,821	- -
80 - 84	42	1	4	9	16	7	4	1	- -	- -
	10,896	266	4,261	7,508	10,269	14,957	18,.478	29,831	- -	- -
85 - 89	32	- -	- -	11	10	6	3	1	1	- -
	12,114	- -	- -	6,811	9,258	15,566	19,601	30,384	37,548	- -
90 & Over	10	3	1	1	1	3	1	- -	- -	- -
	7,060	1,684	2,694	4,085	6,531	10,962	19,355	- -	- -	- -
Total	1,508	134	210	298	324	260	187	83	10	2
	$11,640	$1,995	$4,561	$8,479	$11,877	$15,557	$18,853	$24,332	$32,293	$19,848

EXHIBIT E

Beneficiaries as of June 30, 2006
By Age, Years Since Death and Average Annual Benefit

		Years Since Death								
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over
Under 45	43	6	11	8	8	6	3	- -	1	- -
	$7,068	$1,452	$2,996	$5,557	$8,419	$14,146	$15,095	- -	$20,283	- -
45 - 49	49	2	10	11	5	15	2	4	- -	- -
	8,800	2,847	3,910	6,586	8,604	9,129	12,232	$27,382	- -	- -
50 - 54	131	9	19	22	24	24	13	12	6	2
	9,977	1,533	5,201	5,997	9,262	11,931	13,417	16,167	19,960	$32,834
55 - 59	213	12	19	33	29	32	28	35	23	2
	11,412	5,567	4,510	6,419	7,929	11,382	13,973	15,988	21,297	15,754
60 - 64	244	15	23	28	38	33	38	40	25	4
	12,563	2,347	5,080	7,596	9,673	12,543	14,242	19,194	21,569	17,759
65 - 69	322	27	37	33	35	62	43	49	25	11
	13,673	1,771	4,693	7,629	9,842	13,290	16,543	22,061	24,482	32,427
70 - 74	351	25	34	58	42	44	56	50	28	14
	15,274	3,144	5,983	8,271	10,170	14,134	19,198	22,639	32,813	30,316
75 - 79	486	17	35	64	75	75	62	82	60	16
	17,102	3,954	6,241	8,326	11,141	14,959	19,331	23,494	30,103	37,770
80 - 84	463	15	21	89	82	80	46	70	51	9
	15,239	7,455	6,104	6,810	10,749	13,113	18,134	22,127	31,024	34,857
85 - 89	315	9	24	66	46	41	29	62	28	10
	14,707	5,139	5,485	6,282	10,449	12,492	17,968	23,447	28,858	26,454
90 & Over	176	4	14	32	31	19	22	25	18	11
	11,790	2,003	3,032	5,863	7,867	12,188	14,919	17,135	22,053	18,908
Total	2,793	141	247	444	415	431	342	429	265	79
	$14,098	$3,475	$5,146	$7,086	$9,984	$13,102	$17,091	$21,448	$27,522	$29,619

EXHIBIT F

Reconciliation of Participant Data

	Active Participants	Vested Former Participants	Other Non-Vested Terminated Participants	Disableds	Retired Participants	Beneficiaries	Total
Number as of July 1, 2005	47,125	13,592	7,702	1,434	19,202	2,731	91,786
New participants	3,533	116	28	1	63	0	3,741
Terminations – with vested rights	-1,186	1,462	-276	0	0	0	0
Terminations – refund	-1,117	-289	-613	0	0	0	-2,019
Terminations – other non-vested	-1,604	-2	1,606	N/A	N/A	N/A	0
Retirements	-871	-377	-5	0	1,253	N/A	0
New disabilities	-122	-17	0	139	N/A	N/A	0
Transferred to fund	-1	0	-1,289	0	0	N/A	-1,290
Died with beneficiary	0	-4	0	0	-233	237	0
Died without beneficiary	-83	-24	-6	-72	-628	-102	-915
Lump sum payoffs	0	0	0	0	0	0	0
Rehired	447	-265	-182	0	0	N/A	0
Data adjustments	1,879	25	-137	6	246	-73	1,946
Number as of July 1, 2006	48,000	14,217	6,828	1,508	19,903	2,793	93,249

EXHIBIT G

Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2006

				Non-MPRIF Assets	MPRIF Reserve	Market Value
A.	Assets available at beginning of period			$4,616,192,376	$3,487,930,308	$8,104,122,684
B.	Operating revenues:					
	1.	Member contributions		$85,378,650	$0	$85,378,650
	2.	Employer contributions		82,644,864	0	82,644,864
	3.	Contributions from other sources		11,486,219	0	11,486,219
	4.	MPRIF income		0	291,784,591	291,784,591
	5.	Net investment income				
		(a)	Interest and dividends	$486,094,802	$0	$486,094,802
		(b)	Net appreciation/(depreciation)	96,850,420	0	96,850,420
		(c)	Investment expenses	-5,952,261	0	-5,952,261
		(d)	Net subtotal	$576,992,961	$0	$576,992,961
	6.	Other		274,254	0	274,254
	7.	Total additions		$756,776,948	$291,784,591	$1,048,561,539
C.	Operating expenses:					
	1.	Benefits		$0	$366,797,030	$366,797,030
	2.	Refunds		12,554,323	0	12,554,323
	3.	Administrative expenses		4,588,318	0	4,588,318
	4.	Other		1,495,001	0	1,495,001
	5.	Total operating expenses		$18,637,642	$366,797,030	$385,434,672
D.	Other changes in reserves:					
	1.	Annuities awarded		-$278,213,009	$278,213,009	$0
	2.	Mortality gain/(loss)		1,688,293	-1,688,293	0
	3.	Change in MPRIF assumptions		0	0	0
	4.	Total other changes		-$276,524,716	$276,524,716	$0
E.	Assets available at end of period			$5,077,806,966	$3,689,442,585	$8,767,249,551
F.	Determination of current year unrecognized asset return (UAR)					
	1.	Average Balance:				
		(a)	Non-MPRIF assets available at BOY: (A)			$4,616,192,376
		(b)	Non-MPRIF assets available at EOY*: (E) – (D.2)			5,076,118,673
		(c)	Average balance: [(F.1.a) + (F.1.b) – (B.5.d) – (B.6)]/2			4,557,521,917
	2.	Expected return: 8.50% x (F.1.c)				387,389,363
	3.	Actual return: (B.5.d) + (B.6)				577,267,215
	4.	Current year UAR: (F.3) – (F.2)				$189,877,852

**Before adjustment for MPRIF Mortality Gain/(Loss).*

EXHIBIT H

Table of Financial Information for Year Ended June 30, 2006

	Market Value	Cost Value
Assets in trust		
Cash, equivalents, short-term securities	$65,391,876	$65,391,876
Fixed income	1,170,557,018	1,227,475,334
Equity	3,829,334,404	3,615,988,648
Equity in MPRIF	3,689,442,585	3,689,442,585
Other	5,655,946	5,655,946
Total assets in trust	$8,760,381,829	$8,603,954,389
Assets receivable	$15,532,485	$15,532,485
Total assets	$8,775,914,314	$8,619,486,874
Amounts currently payable	-$8,664,763	-$8,664,763
Assets available for benefits		
MPRIF reserves	$3,689,442,585	$3,689,442,585
Member reserves	966,951,456	966,951,456
Other non-MPRIF reserves	4,110,855,510	3,954,428,070
Total Assets Available for Benefits	$8,767,249,551	$8,610,822,111
Net Assets at Market/Cost Value	$8,767,249,551	$8,610,822,111

EXHIBIT I

Development of the Fund Through June 30, 2006

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2003	$80,399,000	$83,850,000	$243,874,000	$4,191,000	$319,668,000	$7,757,292,000
2004	78,621,829	82,102,530	310,963,443	4,673,250	339,322,524	7,884,984,028
2005	80,312,437	83,101,068	396,341,243	4,336,052	358,666,350	8,081,736,374
2006	82,644,864	85,378,650	620,935,799	4,588,318	379,351,353	8,486,756,016

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

EXHIBIT J

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2006

1.	Unfunded/(Overfunded) actuarial accrued liability at beginning of year		$373,599,624
2.	Normal cost at beginning of year		183,131,914
3.	Total contributions		168,023,514
4.	Interest		40,181,181
5.	Expected unfunded/(overfunded) actuarial accrued liability (1) + (2) – (3) + (4)		$428,889,205
6.	Changes due to (gain)/loss from:		
	(a) Salary increases	-$79,496,460	
	(b) Investments	55,910,692	
	(c) MPRIF mortality	-1,688,293	
	(d) Other demographics*	-71,210,243	
	(e) Total changes due to (gain)/loss		-96,484,304
7.	Unfunded/(Overfunded) actuarial accrued liability at end of year		$332,404,901

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

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 Fund is calculated including:

(a) Investment return — the rate of investment yield that the Fund 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 Fund exceeds the assets of the Fund. 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.

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

Investment Return: The rate of earnings of the Fund 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 often 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.

EXHIBIT L

Special Groups – Military Affairs Calculation

Section 352.85 of Chapter 352 of Minnesota Statutes provides that certain military affairs personnel may retire, with an unreduced benefit, at age 60. In addition, they may receive disability benefits upon being found disqualified for retention in active military duty. To fund these special benefits, employees and employer contribute an extra 1.60% of payroll.

To recognize the effect of the unreduced early retirement benefit available at age 60, we have assumed that all military affairs personnel will retire at age 60, or if over age 60, one year from the valuation date.

	For Year Ended June 30, 2006
1. Number of active participants	2
2. Projected annual earnings	$101,518
3. Normal cost	
(a) Dollar amount	$11,479
(b) Percent of payroll	11.31%

EXHIBIT L (continued)

Special Groups – Pilots Calculation

Section 352.86 of Chapter 352 of Minnesota Statutes provides that certain transportation department pilots may retire with an unreduced benefit at age 62. In addition, they may receive disability benefits upon being found disqualified for retention as pilots. To fund these special benefits, employees and employer contribute an extra 1.60% of payroll.

To recognize the effect of the unreduced early retirement benefit available at age 62, we have assumed that all pilots will retire at age 62, or if over age 62, one year from the valuation date.

	For Year Ended June 30, 2006
1. Number of active participants	4
2. Projected annual earnings	$318,669
3. Normal cost	
(a) Dollar amount	$33,180
(b) Percent of payroll	10.41%

EXHIBIT L (continued)

Special Groups – Fire Marshals Calculation

Section 352.87 of Chapter 352 of Minnesota Statutes provides that deputy state fire marshals may retire with an unreduced benefit (with respect to service after July 1, 1999) at age 55. Credited Service after July 1, 1999 accrues retirement benefits at a rate of 2.00% per year, and disability benefits are based on a minimum of 15 years of service (20 years if duty related.) To fund these special benefits, employees contribute an extra 2.78% of payroll and employers contribute an extra 4.20% of payroll.

To recognize the effect of the unreduced early retirement benefit available at age 55, we have assumed that all fire marshals will retire in accordance with the retirement assumptions which apply to the members of the Correctional Employees Retirement Fund.

	For Year Ended June 30, 2006
1. Number of active participants	11
2. Projected annual earnings	$618,475
3. Normal cost for post July 1, 1999 benefits	
(a) Dollar amount	$75,105
(b) Percent of payroll	12.14%

EXHIBIT L (continued)

Special Groups – Unclassified Plan Contingent Liability Calculation

Section 352D.02 of Chapter 352D of Minnesota Statutes provides that employees credited with employee shares in the unclassified program may elect to terminate participation in the unclassified plan and be covered by the regular plan prior to termination of covered employment.

To recognize the effect of the option to elect coverage under the regular plan, we have assumed that all eligible Unclassified Plan members will elect coverage under the regular plan if such election provides the member with a greater economic present value than the accumulated contribution balance under the Unclassified Plan. The liabilities were measured using the actuarial assumptions that are applied to the State Employees Retirement Fund.

	For Year Ended June 30, 2006
1. Number of active participants	1,616
2. Account balances for active participants	$170,356,487
3. Accrued liability for active participants	192,154,293
4. Number of inactive participants	1,635
5. Account balances for inactive participants	$109,391,679
6. Net assets held in trust for Unclassified Plan participants	282,911,449
7. Contingent liability: (3) + (5) – (6)	18,634,523
8. Projected annual earnings for active participants	105,000,110
9. Normal cost	
(a) Dollar amount	$9,662,462
(b) Percent of payroll	9.20%

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 2,793 beneficiaries in pay status)		24,204
2.	Participants inactive during year ended June 30, 2006 with vested rights		14,217
3.	Participants active during the year ended June 30, 2006		48,000
	Fully vested	36,964	
	Not vested	11,036	
4.	Other non-vested terminated participants as of June 30, 2006		6,828

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 participants:			
(a) Death benefits	$153,700,657	$36,800,163	$116,900,494
(b) Disability benefits	230,835,643	79,245,431	151,590,212
(c) Withdrawal benefits	434,024,831	200,787,221	233,237,610
(d) Retirement benefits	4,790,377,832	1,095,552,133	3,694,825,699
(e) Refunds	39,286,711	112,371,075	-73,084,364
(f) Total	$5,648,225,674	$1,524,756,023	$4,123,469,651
2. Vested terminated participants	$979,043,799	$0	$979,043,799
3. Other non-vested terminated participants	8,570,359	0	8,570,359
4. Annuitants in MPRIF	3,689,442,585	0	3,689,442,585
5. Annuitants not in MPRIF	0	0	0
6. Contingent actuarial accrued liability - Unclassified	18,634,523	0	18,634,523
7. Total	$10,343,916,940	$1,524,756,023	$8,819,160,917

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

B. Determination of Unfunded Actuarial Accrued Liability	
1. Prior employee contribution rates	
(a) Actuarial accrued liability	$8,800,648,772
(b) Actuarial value of assets	8,486,756,016
(c) Unfunded actuarial accrued liability: (B.1.(a)) – (B.1.(b))	$313,892,756
2. New employee contribution rates	
(a) Actuarial accrued liability	$8,819,160,917
(b) Actuarial value of assets	8,486,756,016
(c) Unfunded actuarial accrued liability: (B.2.(a)) – (B.2.(b))	$332,404,901
3. Change in Unfunded Actuarial Accrued Liability due to new employee contribution rates	$18,512,145
C. Determination of Supplemental Contribution Rate	
1. Prior employee contribution rates	
(a) Present value of future payrolls through the amortization date of July 1, 2020	$23,563,025,996
(b) Supplemental contribution rate: (B.1.(c)) / (C.1.(a))	1.33%
2. Change due to new employee contribution rates	
(a) Present value of future payrolls through the amortization date of July 1, 2036	$40,074,242,651
(b) Supplemental contribution rate: (B.3) / (C.2.(a))	0.05%
3. Supplemental contribution rate	
(a) Supplemental contribution rate (C.1.(b) + C.2.(b))	1.38%
(b) Amortization date (14 years from valuation date)	July 1, 2020

EXHIBIT II

Actuarial Balance Sheet

A. Current Assets				$8,486,756,016
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				-$172,010,090
2. Present Value of Future Normal Costs				1,524,756,023
3. Total Expected Future Assets				$1,352,745,933
C. Total Current and Expected Future Assets				$9,839,501,949
D. Current Benefit Obligations		**Non-Vested**	**Vested**	**Total**
1. Benefit recipients:				
	(a) Retirement annuities	$0	$3,142,046,725	$3,142,046,725
	(b) Disability benefits	0	195,437,283	195,437,283
	(c) Beneficiaries	0	351,958,577	351,958,577
2. Vested terminated participants		0	979,043,799	979,043,799
3. Other non-vested terminated participants		0	8,570,359	8,570,359
4. Active participants		38,064,989	3,723,848,454	3,761,913,443
5. Total Current Benefit Obligations		$38,064,989	$8,400,905,197	$8,438,970,186
E. Expected Future Benefit Obligations				1,904,946,754
F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				$10,343,916,940
G. Current Unfunded / (Surplus) Actuarial Liability (D.5 - A)				-$47,785,830
H. Current and Future Unfunded Actuarial Liability (F - C)				$504,414,991

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Year Ended June 30	Actuarially Required Contribution Rate (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Employer Contributions [(a) x (b)] – (c) = (d)	Actual Employer Contributions[1] (e)	Percentage Contributed (e) / (d)
1991	8.17%	$1,370,964,000	$56,895,000	$55,113,000	$57,986,000	105.21%
1992	7.86%	1,409,108,000	58,478,000	52,278,000	59,244,000	113.33%
1993	8.27%	1,482,005,000	59,132,000	63,430,000	58,982,000	92.99%
1994	8.93%	1,536,978,000	62,555,000	74,697,000	60,741,000	81.32%
1995	9.15%	1,514,177,000	61,627,000	76,920,000	63,161,000	82.11%
1996	8.05%	1,560,369,000	63,507,000	62,103,000	65,557,000	105.56%
1997	7.21%	1,568,747,000	63,848,000	49,259,000	66,568,000	135.14%
1998	7.13%	1,557,880,000	62,901,000	48,176,000	62,315,000	129.35%
1999	6.48%	1,649,469,000	66,823,000	40,063,000	65,979,000	164.69%
2000	6.12%	1,733,054,000	70,378,000	35,685,000	69,322,000	194.26%
2001	7.12%[2]	1,834,042,000	74,364,000	56,220,000	73,362,000	130.49%
2002	6.79%	1,915,350,000	79,487,000	50,565,000	76,614,000	151.52%
2003	8.34%[3]	2,009,975,000	83,850,000	83,782,000	80,399,000	95.96%
2004	9.43%	1,965,546,000	82,102,530	103,248,458	78,621,829	76.15%
2005	9.33%	1,952,322,586	83,101,068	99,050,629	80,312,437	81.08%
2006	10.55%	2,016,588,023	85,378,650	127,371,386	82,644,864	64.88%
2007	10.11%[4]					

(1) *Includes contributions from other sources (if applicable).*

(2) *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions and Asset Valuation Method is 5.72%.*

(3) *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 7.22%.*

(4) *Actuarially Required Contribution Rate prior to change in employee contribution rates is approximately 10.06%.*

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	$2,304,311,000	$2,883,603,000	$579,292,000	79.91%	$1,370,964,000	42.25%
07/01/1992	2,613,472,000	3,125,299,000	511,827,000	83.62%	1,409,108,000	36.32%
07/01/1993	2,905,578,000	3,563,492,000	657,914,000	81.54%	1,482,005,000	44.39%
07/01/1994	3,158,068,000	3,876,584,000	718,516,000	81.47%	1,536,978,000	46.75%
07/01/1995	3,462,098,000	3,795,926,000	333,828,000	91.21%	1,514,177,000	22.05%
07/01/1996	3,975,832,000	4,087,273,000	111,441,000	97.27%	1,560,369,000	7.14%
07/01/1997	4,664,519,000	4,519,542,000	-144,977,000	103.21%	1,568,747,000	-9.24%
07/01/1998	5,390,526,000	5,005,165,000	-385,361,000	107.70%	1,557,880,000	-24.74%
07/01/1999	5,968,692,000	5,464,207,000	-504,485,000	109.23%	1,649,469,000	-30.58%
07/01/2000	6,744,165,000	6,105,703,000	-638,462,000	110.46%	1,733,054,000	-36.84%
07/01/2001	7,366,673,000	6,573,193,000	-793,480,000	112.07%	1,834,042,000	-43.26%
07/01/2002	7,673,028,000	7,340,397,000	-332,631,000	104.53%	1,915,350,000	-17.37%
07/01/2003	7,757,292,000	7,830,671,000	73,379,000	99.06%	2,009,975,000	3.65%
07/01/2004	7,884,984,028	7,878,362,792	-6,621,236	100.08%	1,965,546,000	-0.34%
07/01/2005	8,081,736,374	8,455,335,998	373,599,624	95.58%	1,952,322,586	19.14%
07/01/2006	8,486,756,016	8,819,160,917	332,404,901	96.23%	2,016,588,023	16.48%

EXHIBIT V

Determination of Contribution Sufficiency

		July 1, 2006	
A.	**Statutory Contributions – Chapter 352**	**Percent of Payroll**	**Dollar Amount**
1.	Member Contributions	4.00%	$86,303,162
2.	Employer Contributions	4.00%	86,303,162
3.	Total	8.00%	$172,606,324
B.	**Required Contributions – Chapter 356**		
1.	Normal Cost		
	(a) Retirement Benefits	6.26%	$134,969,567
	(b) Disability Benefits	0.42%	9,123,101
	(c) Survivors	0.20%	4,222,581
	(d) Deferred Retirement Benefits	1.04%	22,342,231
	(e) Refunds	0.60%	12,948,123
	(f) Total	8.52%	$183,605,603
2.	Amortization of Supplemental Contribution UAAL	1.33%	28,695,801
3.	Amortization of New Assumption Supplemental Contribution UAAL	0.05%	1,078,790
4.	Allowance for Expenses	0.21%	4,530,916
5.	Total	10.11%	$217,911,110
C.	**Contribution Sufficiency (Deficiency) (A.3 – B.4)**	-2.11%	-$45,304,786
D.	**Projected annual payroll* for fiscal year beginning on the valuation date**		$2,157,579,057

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

EXHIBIT VI

Supplementary Information Required by the GASB

Valuation date	July 1, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, assuming payroll increases at 5.00% per annum
Remaining amortization period	14 years remaining as of July 1, 2006 prior to change in employee contribution rates
	30 years remaining as of July 1, 2006 for additional cost due to change in employee contribution rates
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 on earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumption)
Plan membership:	
Pensioners and beneficiaries receiving benefits	24,204
Terminated participants entitled to, but not yet receiving benefits	14,217
Other non-vested terminated participants due a refund of contributions	6,828
Active participants	48,000
Total	93,249

EXHIBIT VII

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 on pages 21 and 22. During a 10-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 five years.
	Female:	1983 Group Annuity Mortality Table for females set back two years.
Healthy Post-Retirement:	Male:	1983 Group Annuity Mortality Table for males set back two years.
	Female:	1983 Group Annuity Mortality Table for females set back one year.
Disabled:	Male:	1965 RRB rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Healthy Post-Retirement Mortality Table. For ages 65 and later, the Healthy Post-Retirement Mortality Table.
	Female:	1965 RRB rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Healthy Post-Retirement Mortality Table. For ages 65 and later, the Healthy Post-Retirement Mortality Table.

Retirement Rates:	Graded rates beginning at age 55 as shown in rate table. Members who have attained the highest assumed retirement age will retire in one year.
Withdrawal Rates:	Select and ultimate rates based on recent plan experience. Ultimate rates after the third year are shown in rate table. Select rates are as follows:

	First Year	Second Year	Third Year
Males	0.45	0.14	0.09
Females	0.48	0.15	0.10

Disability:	Rates as shown in rate table.
Allowance for Combined Service Annuity:	Liabilities for active members are increased by 1.20% and liabilities for former members are increased by 40.00% to account for the effect of some participants having eligibility for a Combined Service Annuity.
Expenses:	Prior year administration expenses expressed as percentage of prior year payroll.
Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit take the larger of their contributions accumulated with interest or the actuarial value of their deferred benefit.
Percent Married:	85% of members are assumed to be married.
Age of Spouse:	Females are assumed to be three years younger than males.
Special Consideration:	Married members assumed to elect subsidized joint and survivor form of annuity as follows:

Males -	20% elect 50% J&S option
	50% elect 100% J&S option
Females -	10% elect 50% J&S option
	15% elect 100% J&S option

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:	Market Value 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 5.00% 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. The additional cost for 2006 and all future years due to the change in the plan and assumptions effective July 1, 2006 will be amortized over 30 years, as a level percentage of payroll each year assuming payroll increases of 5.00% per annum.

Summary of Rates: Shown below for selected ages:

	Rates (%)							
	Healthy Pre-Retirement Mortality		Healthy Post-Retirement Mortality		Disabled Mortality		Withdrawal	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
20	0.03%	0.02%	0.04%	0.02%	4.39%	4.39%	6.90%	8.55%
25	0.04	0.02	0.04	0.02	4.40	4.40	5.90	7.80
30	0.05	0.03	0.05	0.03	4.40	4.40	4.90	7.05
35	0.06	0.04	0.07	0.04	4.41	4.41	3.90	6.30
40	0.09	0.06	0.10	0.06	4.41	4.41	3.20	5.55
45	0.12	0.08	0.17	0.09	4.48	4.48	2.70	4.80
50	0.22	0.14	0.31	0.15	4.86	4.86	2.20	3.90
55	0.39	0.21	0.52	0.23	5.43	5.41	0.00	0.00
60	0.61	0.34	0.77	0.38	3.72	3.51	0.00	0.00
65	0.92	0.58	1.24	0.64	1.24	0.64	0.00	0.00
70	1.56	0.97	2.22	1.09	2.22	1.09	0.00	0.00

Summary of Rates: (continued) Shown below for selected ages:

	Rates (%)				
	Disability		**Retirement**		**Salary Increases**
Age	**Male**	**Female**	**Rule of 90 Eligible**	**Other**	
20	0.01%	0.01%	0.00%	0.00%	6.75%
25	0.01	0.01	0.00	0.00	6.75
30	0.01	0.01	0.00	0.00	6.75
35	0.03	0.03	0.00	0.00	6.75
40	0.08	0.08	0.00	0.00	6.75
45	0.13	0.13	0.00	0.00	6.45
50	0.24	0.24	0.00	0.00	5.95
55	0.42	0.36	25.00	5.00	5.45
60	0.65	0.52	25.00	10.00	5.25
65	0.00	0.00	45.00	45.00	5.25
70	0.00	0.00	30.00	30.00	5.25

Changes in Actuarial Assumptions and Actuarial Cost Methods: There have been no changes in actuarial assumptions or cost methods since the prior valuation.

EXHIBIT VIII

Summary of Plan Provisions

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 any Minnesota Statutes.

Plan Year: July 1 through June 30

Eligibility: State employees, non-academic staff of the University of Minnesota and employees of certain Metro level governmental units, unless excluded by law.

Contributions: **Shown as a percent of salary:**

Date of Increase	Employee	Employer
Current	4.00%	4.00%
July 1, 2007	4.25	4.25
July 1, 2008	4.50	4.50
July 1, 2009	4.75	4.75
July 1, 2010	5.00	5.00

Allowable Service: Service during which member contributions were made. May also include certain leaves of absence, military service and periods while temporary Worker's Compensation is paid. Excludes lump sum vacation pay at termination.

Salary: Includes wages, allowances and fees. Excludes lump sum payments at separation, employer contributions to deferred compensation and tax-sheltered annuity plans and benevolent vacation and sick leave donation programs.

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.

First hired after June 30, 1989:

(a) The greater of age 65 or the age eligible for full Social Security retirement benefits (but not higher 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.

<u>Early Retirement Benefit</u>:

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:

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 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:

1.70% of Average Salary for each year of Allowable Service assuming augmentation to the age eligible for full Social Security retirement benefit (but not higher than age 66) at 3.00% per year and actuarial reduction for each month the member is under the Social Security retirement age (but not higher 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: 50% or 100% joint and survivor with bounce back feature without additional reduction. 15 year certain and life thereafter.
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 the greater of $25 times each full year of Allowable Service or $400 per full year of service less any Social Security benefits received or annuity from a Minnesota public employee pension plan. 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. If a member became disabled prior to July 1, 1997 but was not eligible to commence their benefit 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% Payments stop if disability ceases or death occurs. Payments revert 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:	Same as for retirement.
<u>Retirement After Disability</u>:	
Age/Service Requirement:	Normal retirement age with continued disability.
Amount:	Any optional annuity continues. Otherwise, a normal retirement benefit equal to the disability benefit paid before normal retirement age, or an actuarially equivalent optional annuity.
Benefit Increases:	Same as for retirement.

Death:

<u>Surviving Spouse Optional Benefit</u>:	
Age/Service Requirement:	Member or former member who dies before retirement or disability benefits commence with three years of Allowable Service. If a former member dies before age 55 and has less than 30 years of Allowable Service, benefits commence when the former member would have been age 55. If an active member dies, benefits may commence immediately, regardless of age.
Amount:	Surviving spouse receives the 100% joint and survivor benefit the member could have elected if terminated. If commencement is prior to age 55, the appropriate early retirement formula described above applies except that one-half the monthly reduction factor is used from age 55 to the commencement age and the Rule of 90 does not apply. In lieu of this benefit, the surviving spouse may elect a refund of contributions with interest or an actuarially equivalent term certain annuity. If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit Increases:	Same as for retirement.

<u>Surviving Dependent Children's Benefit</u>:

Age/Service Requirement:	If no surviving spouse, all dependent children (biological or adopted) below age 20 who are dependent for more than half of their support on deceased member.
Amount:	Actuarially equivalent to surviving spouse 100% joint and survivor annuity payable to the later of age 20 or five years. The amount is to be proportionally divided among surviving children. If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

<u>Refund of Contributions</u>:

Age/Service Requirement:	Active employee dies and survivor benefits are not payable, or a former employee dies before annuity begins, or a former employee who is not entitled to an annuity dies.
Amount:	The member's contributions with 5.00% interest if death occurred before May 16, 1989, and 6.00% interest if death occurred on or after May 16, 1989.
Age/Service Requirement:	Retired or disabled annuitant who did not select an optional annuity dies, or the remaining recipient of an option dies.
Amount:	The excess of the member's contributions over all benefits paid.

Termination:

<u>Refund of Contributions</u>:

Age/Service Requirement:	Termination of state service.
Amount:	Member's contributions with 5.00% interest compounded annually if termination occurred before May 16, 1989 and 6.00% interest compounded annually if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund.

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: (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% hereafter until the annuity begins. Amount is payable as 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:	The only changes in plan provisions since the prior valuation are the increases in future employee and employer contribution rates previously stated.