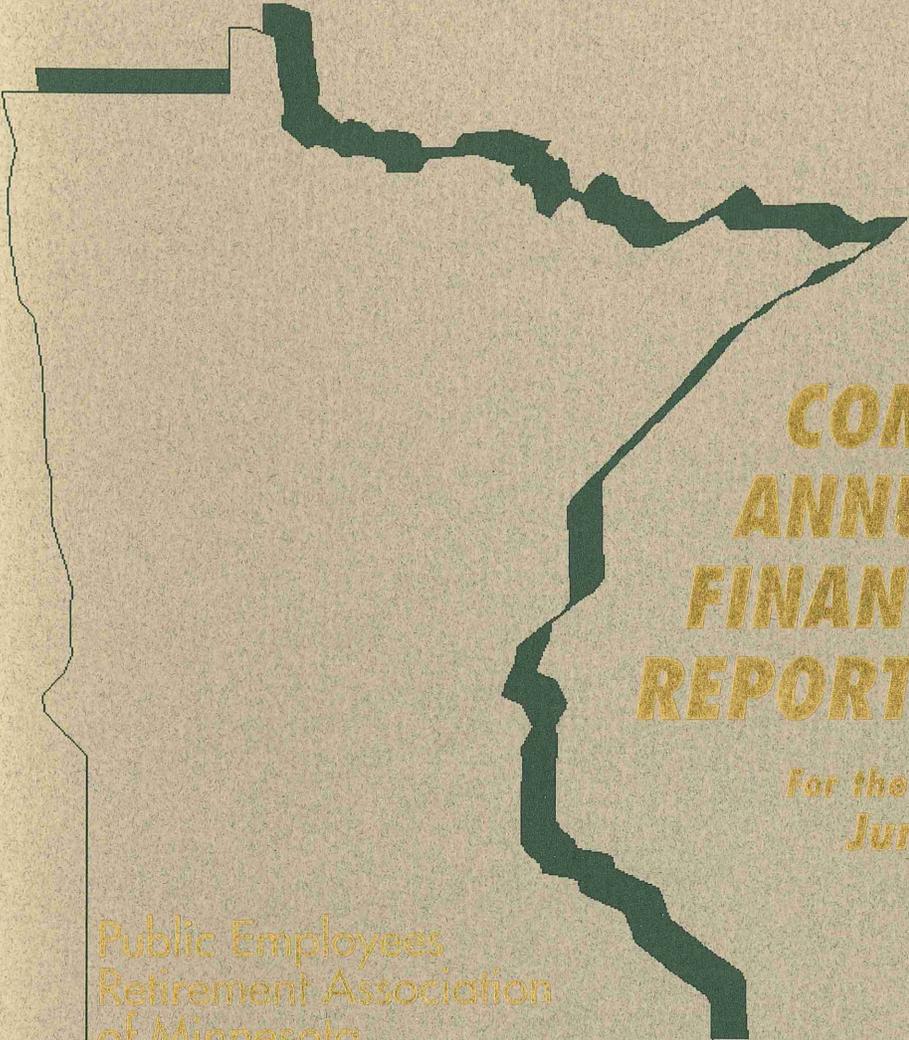


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COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended
June 30, 1998*

Public Employees
Retirement Association
of Minnesota

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1998

Pension Trust Funds of the State of Minnesota



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67
*Years of
Service*
to
*Minnesota's
Public
Employees*

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

*For the Fiscal Year Ended
June 30, 1998*

Public
Employees
Retirement
Association
of Minnesota

Pension Trust Funds of the State of Minnesota

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Gary R. Norstrom — Board Vice President, Elected Retiree/Disabilitant Membership Representative
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Michael G. Schwab — Elected Police and Fire Representative
Richard H. Stafford — Counties Representative

Executive Director

Mary Most Vanek

Report prepared by Finance, and Pension Services Division Staff:

David DeJonge — Manager of Finance
Gary Hovland — Senior Accounting Supervisor
John Paulson — Communications Specialist
David Andrews — Accounting Officer
Susan Thomas — Accounting Officer

Gallery Tower Office Building
514 St. Peter Street, Suite 200
St. Paul, Minnesota 55102-1090
(651) 296-7460



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

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Achievement Awards

GFOA

The Government Finance Officers Association (GFOA) recognizes public retirement systems that meet its rigorous standards for financial reporting with its annual Certificate of Achievement for Excellence in Financial Reporting. It is the highest form of recognition for accounting and financial reporting in the public pension sector. This is the 13th time in the last 14 years PERA has been so honored.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees Retirement Association of Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

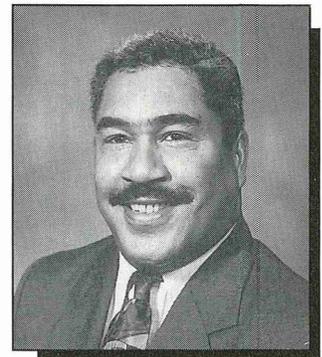


Douglas R. Ellsworth
President

Jeffrey L. Essler
Executive Director

President's Report

Public Employees Retirement Association of Minnesota
514 St. Peter Street, Suite 200
St. Paul, Minnesota 55102
(OFFICE) 651 296-7460
(TOLL FREE) 1 800 652-9026
(FAX) 651 297-2547



Walter C. Gray
Board President

December 11, 1998

Dear Members, Annuitants, Beneficiaries and Governmental Employers:

This 67th annual financial report of the Public Employees Retirement Association (PERA) discloses financial, actuarial, and other related information about PERA and the funds it administers. On June 30, 1998, PERA's net assets available for benefits at fair value exceeded \$13 billion. This reflects a \$2.1 billion, or 19.3 percent, increase over net assets available for benefits at the beginning of the fiscal year.

Fiscal Year 1998 continued to be another outstanding year at PERA. The continued bull market dramatically enhanced investment performance. The total rate of return for the assets of the active employees covered by PERA was 22.2 percent for the 12 months ended June 30, 1998. For the past five years, these investments outperformed the 15.5 percent composite market return benchmark, with a favorable annualized return of 15.9 percent. This rate of return is well above the fund's actuarial assumed interest rate of 8.5 percent per year. During this period, the increased value of the portfolio resulted from above index performance and the positive impact of the Minnesota State Board of Investment's periodic rebalancing of the portfolio back to its long-term asset allocation targets. This asset allocation has allowed SBI to benefit from the tremendous run of the equity markets.

The Minnesota Post Retirement Investment Fund (MPRIF) in which PERA has a pooled interest with other Minnesota statewide pension systems, increased the market value of its assets to \$17 billion at fiscal year end. The MPRIF supports the annuities payable to retirees and their joint annuitants, and also finances the annual post-retirement increases from investment earnings in excess of 6 percent. Since July 1, 1993, the MPRIF has outperformed the composite market return benchmark by seven-tenths (0.7) of one percentage point, with an annualized return of 14.9 percent.

This is the seventh year of experience with a new formula that provides annual post-retirement benefit increases to annuitants. The formula, which bases increases on both inflation and investment returns of the MPRIF, provided an impressive 9.8254 percent annual increase payable on January 1, 1999. Over the past 15 years, post-retirement benefits have increased an average of 6.8 percent annually. The fund can safely pay an annual increase primarily because excess investment earnings are now being spread out over a 5-year period rather than being paid out entirely in the fiscal year in which they were earned. This post-retirement increase formula is intended to even out the peaks and valleys of year-to-year investment returns and resulting benefit increases.

PERA kept extremely busy this year preparing for the future. Having already spent two years developing a service center along with the hardware and software needed to support faster and better service to our members, we turned much of our attention in FY98 to our employers and the way we collect contributions and information from them. We worked closely with those employers to develop a new way of collecting and managing that information that will be more efficient for all of us. The new systems we develop will ensure Year 2000 compatibility, provide more flexibility in the way information is provided to us, and allow us to take advantage of technological advances.

New legislation in 1998 created an enhanced disability benefit for members of PERA's Coordinated Plan who spend at last 75 percent of their work time in direct contact with persons

confined in a jail or multi-county correctional facility. This new law provides for a minimum disability benefit of 45 percent of the average of the member's five highest years of successive earnings.

Due to legislation passed in 1997, our annuitants realized a one-time increase in their benefits effective July 1, 1997. Benefits were increased to be more in line with the national average for public pension systems, and future post-retirement increases (presently among the highest in the country) were decreased by 1 percent to pay for the benefit improvement. New retirees will start their retirement years with substantially larger initial benefits, not having to rely on sizable future increases to bring them on par with other public pension plans.

As always, our commitment as trustees of the association is the preservation and growth of the assets of PERA's funds, and the protection and furtherance of the interests of our members, annuitants, beneficiaries, employer units and the State of Minnesota. I believe our efforts over the past year have amply illustrated this continuing dedication.

Walter C. Gray
President
PERA Board of Trustees

WG/jp

Letter of Transmittal

Public Employees Retirement Association of Minnesota
514 St. Peter Street, Suite 200
St. Paul, Minnesota 55102
(OFFICE) 612 296-7460
(TOLL FREE) 1 800 652-9026
(FAX) 612 297-2547



Mary Most Vanek
Executive Director

December 10, 1998

Board of Trustees
Public Employees Retirement Association of Minnesota
514 St. Peter Street, Suite 200
St. Paul, Minnesota 55102-1090

Dear Trustee:

We are pleased to present this Comprehensive Annual Financial Report of the Public Employees Retirement Association (PERA) for the fiscal year ended June 30, 1998—our 67th year of operation. The information contained in this report is accurate in all material respects and is intended to present fairly the financial status and results of operations of the association. The report consists of five sections:

Introductory Section contains this letter of transmittal, the president's report, a summary of the membership requirements and the benefit structures of PERA's funds, a directory of the Board of Trustees and a description of the administrative organization;

Financial Section includes the basic financial statements, supplementary information, supporting schedules, and the independent auditor's report on the financial statements;

Investment Section contains a summary of investment returns, asset allocation, list of largest assets and asset cost and market values;

Actuarial Section includes the independent actuary's certification letter, summaries of the actuarial assumptions and methods used in the annual valuation, results of the July 1, 1998 actuarial valuation, and other actuarial information; and

Statistical Section contains tables and schedules of significant data pertaining to the Association and identifies affiliated employers and consolidated local relief associations.

Responsibility for the contents of this report, including the financial statements, rests solely with the management of the association. We trust you will find this publication is helpful in understanding PERA and its funds, and contains sufficient information to allow valid comparisons of operating results with similar public employee retirement systems.

Reporting Entity

For financial reporting purposes, PERA is considered a pension trust fund of the State of Minnesota. The State acts as a trustee of the pension plan, and reports our assets in the State's annual report as pension trust fund assets.

Letter of Transmittal

(Continued)

PERA serves more than 2,000 separate governmental entities. These participating employers include cities, counties, townships, and school districts located throughout the state. At June 30, 1998, PERA's membership included 145,462 current, active employees and 48,083 retirees and beneficiaries.

Accounting Systems and Reports

All financial statements are prepared in conformity with Statement 25 provisions and other generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements also comply with Minnesota Statutes, Section 356.20. PERA's transactions of its Public Employees Retirement Fund (PERF), Public Employees Police and Fire Fund (PEPFF) Police and Fire Consolidation Fund (PFCF) and Public Employees Defined Contribution Plan (PEDCP) are reported on the accrual basis of accounting.

PERA's internal accounting controls are designed to provide reasonable assurance for the safekeeping of assets and the reliability of all financial records. Our independent auditors reported no material weaknesses in our internal control structure and no departures from finance-related legal provisions for fiscal year 1997.

Revenue

Employer and employee contributions, income from investments and income from other miscellaneous sources provide the funds needed to cover the liability for present and future benefits. Income for the fiscal year (FY) ended June 30, 1998 totaled \$2,713,318,000. This represents a 15.7 percent increase from FY97 revenues, as shown in the table below.

The increase in employee and employer contributions resulted primarily from an increase in average annual earnings and in the number of members contributing to the PERF and PEPFF (see schedule on page 47). Statutory contribution rates for both employers and employees of PERA's defined benefit plans remain unchanged from the prior year, with the exception of the PERF. Basic member rates rose from 8.23% of salary to 8.75%, Coordinated member rates rose from 4.23% to 4.75%, and employer rates rose a total of 0.70% beginning in January 1998.

Net investment income of the PERA funds accounted for the largest share—approximately 84 percent—of total revenue. Annualized rates of return on investments have soared the past few years. As the stock market continued to make record highs, the market value of PERA's portfolio grew tremendously.

The decrease in "Other Income" was due to initial assets being turned over to the PFCF by four local relief associations who consolidated with PERA during fiscal year 1997.

Expenses

The annual expenses of PERA's defined benefit funds reflect the aggregate cost of monthly annuity and benefit payments to retired or disabled members and their survivors, refunds of employee contributions (plus interest) to terminated former members, and the cost of administration. Operating expenses during the fiscal year totaled \$558,519,000, an increase of 22.1 percent over such expenses in FY97, as shown below:

Expense Type (in thousands)	FY 1998	FY 1997	Percent Inc./((Dec.))
Benefits	\$529,885	\$432,522	22.5%
Refunds	18,920	17,208	9.9
Administrative	7,879	6,252	26.0
Other	1,835	1,418	29.4
Totals	\$558,519	\$457,400	22.1%

The increase in benefits reported for the fiscal year resulted mainly from the growth in the total number of benefit recipients and the higher average benefit payments (see schedules on pages 48-49). Because PERA is in the midst of upgrading its technological infrastructure to be more efficient and Year 2000 compliant, and increasing the services provided to members, administrative expenses increased 26 percent. PERA is still able, however, to administer the defined benefit plans for approximately 1/10 of 1 percent of assets.

Investments

In accordance with Minnesota Statutes, Section 353.06, assets of the PERA Funds are invested by the Minnesota State Board of Investment (SBI). All investments undertaken by the SBI are governed by the common law prudent person rule and other standards codified in Chapter 11A of the Minnesota Statutes. The board is comprised of the state's elected officers: Governor Arne H. Carlson, State Auditor Judith H. Dutcher, State Treasurer Michael A. McGrath, Secretary of State Joan Anderson Growe, and State Attorney General Hubert H. Humphrey III.

The SBI appoints a 17-member Investment Advisory Council (IAC) to advise the State Board on asset allocation and other policy matters relating to investments. The IAC also advises the SBI on methods to improve the rate of return while assuring

Revenue Source (in thousands)	FY 1998	FY 1997	Percent Inc./((Dec.))
Member Contributions	\$ 173,362	\$ 158,538	9.4%
Employer Contributions	208,326	189,703	9.8
Net Investment Income	2,305,833	1,962,130	17.5
Other Income	25,797	34,839	(26.0)
Totals	\$2,713,318	\$2,345,210	15.7%

adequate security of the assets under management. The executive director of PERA is a standing member of the IAC.

The IAC has formed four committees organized around broad investment subjects relevant to the board's decision making: asset allocation, domestic managers, international managers, and alternative investments. All proposed investment policies are reviewed by the appropriate committee and the full council before they are presented to the board for action.

The SBI also employs investment consultants to monitor and evaluate the investment management firms' performance and to evaluate or suggest various alternatives for asset allocation and other investment policy matters.

Pension assets of the currently working members of the Association (see table below) are managed externally by private money managers retained under contract with the SBI. These assets are pooled with the assets of other active members of state-wide retirement funds into the Basic Retirement Fund. The greatest share of these assets, over 65 percent, is invested in domestic and international common stocks in order to maximize the long-term rate of return. Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio. For the year ended June 30, 1998, the Basic Retirement Funds produced a total rate of return on active member assets of 22.2 percent.

Market Value of Investments, June 30, 1998
(in thousands)

<u>Fund</u>	<u>Active Members</u>	<u>Retired Members</u>
PERF	\$4,109,953	\$5,239,332
PEPFF	1,939,636	778,461
PFCF	478,880	764,431
Totals	<u>\$6,528,469</u>	<u>\$6,782,224</u>

The SBI has one overriding responsibility in the management of these funds—to ensure that sufficient funds are available to finance promised retirement benefits. Within this context, SBI has established a long-term investment objective—to outperform a composite market index weighted to reflect the long-term asset allocation policy over a five-year period. Performance is measured net of all fees and costs to assure the SBI's focus is on true net return. The Basic Funds' five-year annualized rate of return at June 30, 1998 was 15.9 percent, above its target of 15.5 percent.

The SBI has responsibility for investment of the assets of the Minnesota Post Retirement Investment Fund (MPRIF). When a member retires, a sum of money sufficient to finance a fixed monthly annuity is transferred from the Basic Retirement Fund to the MPRIF. Assets of the retired members of the Association and their joint annuitants (see table above) are pooled in the MPRIF. These assets are also managed externally, sharing the same domestic stock, domestic bond, and international stock managers as the Basic Funds.

The SBI adopted a revised asset allocation strategy for the MPRIF in fiscal year 1993 to reflect the goals associated with the new post-retirement benefit increase formula. In order to

maximize long-term rates of return in the equity markets, the SBI gradually allocated 50 percent of the assets to domestic stocks, and added allocations to international stocks and alternative assets. As of June 30, 1998, over 65 percent of the assets were invested in domestic and international stocks. The SBI's asset allocation strategy has been quite successful during this bull market run.

In contrast to the investment goals of the Basic Fund, invested for current working members, the MPRIF's goal is to ensure returns are adequate to meet the actuarially assumed return of 6 percent on its invested assets on an annualized basis and are sufficient to finance lifetime benefit increases.

The SBI measures performance of the MPRIF against a composite of market indices that is weighted to reflect its long-term asset allocation policy. The MPRIF is expected to exceed the composite index over a five-year period. Similar to the Basic Fund, MPRIF performance is reported net of all fees and costs to assure the SBI's focus is on true net return. For the five-year period since July 1, 1993, the MPRIF outperformed its composite index by seven-tenths of one percent with an annualized return of 14.9 percent.

For the fifth year of experience with the new formula, we are pleased to announce the MPRIF will provide a benefit increase of 9.8254 percent for fiscal year 1998, payable January 1, 1999. This increase is comprised of two components:

- Inflation adjustment of 1.5%. This equals 100 percent of the reported Consumer Price Index for wage earners (CPI-W) for the 12 months ended June 30, 1998. This inflation component is always granted, regardless of investment performance. The formula sets a maximum, or cap, of 2.5 percent to maintain the actuarial soundness of the plan. This amount is the difference between the 8.5 percent return assumption for the Basic Funds and the 6 percent return assumption for the MPRIF.
- Investment adjustment of 8.3254%. This represents a portion of the investment gains that exceed the amount needed to finance the actuarial assumed rate of return (6%) and the inflation component (1.5%). The formula requires that investment gains and losses be spread forward over five years to adjust for the volatility of short-term returns. Also, all accumulated investment losses must be recovered before an investment adjustment is granted.

Economic Conditions and Outlook

The economy continued to perform exceptionally well in FY98. Minnesota's total nonagricultural payroll employment grew at a healthy pace, adding over 60,000 jobs in calendar year 1997. This growth rate was faster than the national rate. Minnesota's 2.6 percent seasonally adjusted unemployment rate in June 1998, the lowest rate on record, continued to be well below the national unemployment rate of 4.5 percent.

Letter of Transmittal

(Continued)

FY98 was yet another stellar year for the markets. Unemployment rates were at record lows, yet there were few signs of increasing inflation. Rapid economic growth in 1997 continued into 1998 as interest rates fell and consumer confidence rose. Inflation, however, remained in check at 1.5 percent. Low interest rates and increased consumer spending proved to be positive for the equity markets. This market performance carried over to the Basic Retirement Fund and the MPRIF, which produced annualized rates of return of 22.2 percent and 19.4 percent, respectively. This performance also reflects the asset allocation changes made by the Minnesota State Board of Investment over the past few years.

The economic outlook for fiscal year 1999 contains good and bad news. The good news is that the worldwide inflation rate has fallen to the best levels in 25 years due to committed central banks, privatization, technology advances, global competition, cost cutting and restructuring. The U.S. is operating near full capacity. Low interest rates lead to increased home and durable good sales. Consumer confidence remains high, especially in this environment where most people have jobs. Though the labor market is tight, wage growth should remain in check due to increased productivity and modest growth in fringe benefit costs. The bad news is that several worldwide markets, like Asia and Russia, are in turmoil. In this global economy, recessions in other parts of the world have more impact on the United States. As the demand for U.S. goods decreases in those markets, the expansion of economic activity will slow, and companies will be more careful about spending. Overall, however, domestic stocks should do well, though probably not achieving the kind of growth we have seen the past three years. SBI's policy of diversification is designed to provide some insulation against high inflationary or deflationary environments, and to avoid excessive return volatility. As long as the Basic Retirement Fund earns the assumed annual rate of return of 8.5 percent, PERA's funding status will improve.

The continued strength and stability of the state's economy should translate to increased revenues for local governments. Consequently, the general fiscal well-being of the local public sector employees should yield a constant, rather than downsized, work force. As payroll growth and salary increases remain low, PERA's obligation for future retirement benefits will be minimized, thus positively impacting the association's funding status.

Current Funding Ratios

The primary funding objectives of the Association are: 1) to establish contribution rates which, when expressed as a percentage of active members payroll, will remain level from generation to generation; and 2) to meet the required deadlines for full funding. A pension fund is fully funded when it has present and projected assets sufficient to cover the liabilities for present and future annuities, benefits and refunds and the projected cost of fund administration. Minnesota Statutes, Section 356.215, subd. 4(g),

requires that the PERF and PEPFF be fully funded by the year 2020. Minnesota Statutes, Section 353A.09, subd. 5(2)(b)(1), requires full funding for the PFCF by the year 2010. The actuarial funding method followed by PERA is the entry age normal, level contribution as a percent of payroll method.

An important measure of the health of a retirement system is the level of funding; the better the level of funding, the larger the ratio of assets to accrued liabilities and the greater the level of investment income potential. Also, a better level of funding gives the participants a higher degree of assurance that their pensions are secure.

The Association's progress towards meeting the full funding objective is displayed on the Schedule of Funding Progress on page 28. This report shows the funding levels using the entry age normal actuarial cost method. At the end of FY98, the ratio of assets to liabilities of the PERF was 87 percent. For the PEPFF and the PFCF, the ratios were 134 percent and 104 percent, respectively.

Association's Status Report

The association came through another year of the strategic plan with significant milestones accomplished in our quest to:

"Meet the challenge of a new millenium."

When the Board approved our strategic plan four years ago, we knew what to expect in the first two years of the plan, and we had a conceptual idea of what we wanted to accomplish in the last three years. However, the accomplishments of the association staff have far exceeded our expectations. We are very confident that we will be ready for the turn of the century with business running as smoothly as ever. Benefit recipients will get their checks on time and members and employers can expect the same, or better than ever, levels of service.

Our focus for the first four years of our strategic plan has been on "getting the basics right." With that in mind we are pleased to announce the progress of some major re-engineering efforts that are moving us to the fulfillment of that focus and beyond. In the past year we have:

- Successfully fine-tuned the operations of our Customer Service Phone Center. In April we celebrated the first-year anniversary of the deployment of the new Pension Services organizational structure and phone center operations. It was a year not without its trying moments as we attempted to adequately allocate resources to the actual number of incoming calls. The final outcome is more knowledgeable, trained staff answering phones, accompanied by a well-thought out strategy for rotating resources at times when the volume of calls is extraordinary.
- Initiated a phone line just for employers so that they could connect directly with staff who are best suited to answer their questions. This has significantly improved the service to local

units of government by allowing them direct access to knowledgeable staff and not requiring them to be placed into the hold-process when the volumes of members' phone calls tie up the incoming lines.

- Implemented the benefit calculator phase of the Pension Information Response System (PIRS). Staff members are being trained to prepare estimates on this new system, with 66 percent of all estimate requests currently processed through the new technological environment. This same system is being used to process the final benefit payments for members who are retired and have been receiving an estimated payment. Although we do not yet have performance measures to share, we have seen significant progress in eliminating back logs of several hundred files waiting to be finalized.
- Joined the world of the Internet by presenting PERA's web site in October 1997. To find us go to www.mnpera.org.
- Filled vacant positions in the Pension Services Division that will help fill the resource gaps. Specifically, a new Communication Specialist was hired to assist with writing PERA publications, maintain our web site and to become a member of the team charged with facilitating the PERA member educational programs. The team is gearing up to introduce new educational programs to younger members next fiscal year.
- Continued to develop our technology infrastructure to support the new re-engineered process applications and to ensure that PERA is ready for the new century with up-to-date hardware and software to support our business operations.
- Completed a comprehensive assessment of the costs and benefits of converting our paper-intensive work environment to an Imaging and Document Workflow system that will better protect our records and provide a more efficient working environment for the many users of our member records.
- Assessed employer needs and industry "best practices" to redesign our Collect and Manage Information (CAMI) business processes and systems. Following the completion of the design work, we shared our design concepts with employer representatives. Their enthusiastic response allowed us to move immediately into development so that we can implement the new reporting systems before Year 2000.

These and many other accomplishments too numerous to list must be attributed to a Board of Trustees who are strong advocates for making sure the association is working as efficiently as possible, but also toward the best interests of the members and beneficiaries. The staff has not let the Board down in this regard. With the hard work and dedication of PERA staff and consultants, we have been able to complete the studies and design of critical business applications. The development work to come in Fiscal Year 1999 will assure us that we will be ready to watch the clock turn on January 1, 2000, without the apprehension many businesses could be facing.

As always, we continue to strive:

"To create opportunities for members to achieve a successful and secure retirement by providing benefits and services of the highest quality that members will value and trust."

Professional Services

The FY97 actuarial valuation of the PERA defined benefit plans was conducted by Milliman & Robertson, Inc., and completed in November 1997. Actuarial consulting services during the fiscal year were provided by Gabriel, Roeder, Smith & Company of Detroit. In addition to providing a thorough review of Milliman & Robertson's FY97 actuarial valuation, Gabriel Roeder also developed cost estimates for a variety of legislative proposals.

With respect to other professional services, the State's Attorney General continued to provide PERA with legal counsel. The State Board of Investment continued to manage and invest the assets of the PERA funds. KPMG Peat Marwick assisted in the development of a system that will assist us in collecting and managing information. They also helped us become Year 2000 compliant. IMERGE assisted in the development of an imaging and workflow plan that will be implemented in FY99. Finally, the State's Legislative Auditor continued to provide professional financial auditing services. The comments of the Legislative Auditor are found on page 17 of this report.

Reports to the Membership

This report is complemented by an annual financial newsletter that discloses, in summary form, the contents of this report. This financial newsletter is mailed in January of each year to all PERA members, and annuity and benefit recipients.

National Recognition

Finally, PERA is justly proud of the abilities, knowledge, drive and dedication of its employees. PERA recently received national recognition as a leader in pension fund administration and disclosure of financial information. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERA for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1997. PERA has received this honor for 13 of the last 14 years.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to the certificate requirements and we are submitting it to the GFOA.

Letter of Transmittal

(Continued)

Acknowledgments

As a compendium of financial, actuarial and other statistical information, PERA's Comprehensive Annual Financial Report provides complete and reliable information on which management decisions may be based and through which compliance with statutory requirements may be assessed. In addition, the report serves as the primary source through which the effectiveness of the Trustees' management and administration of PERA and its funds may be judged.

We are sure you join with us in expressing gratitude and appreciation to the staff and PERA's advisors for their efforts in producing this report and for their loyal and dedicated service to the Association and its members, annuitants, beneficiaries, and governmental unit employers.

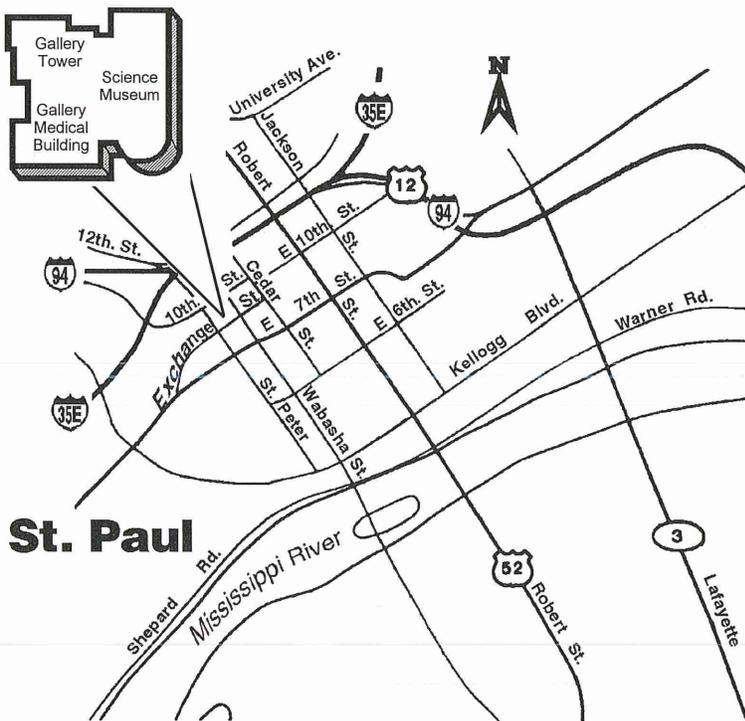
Respectfully submitted,

Mary Most Vanek
Executive Director

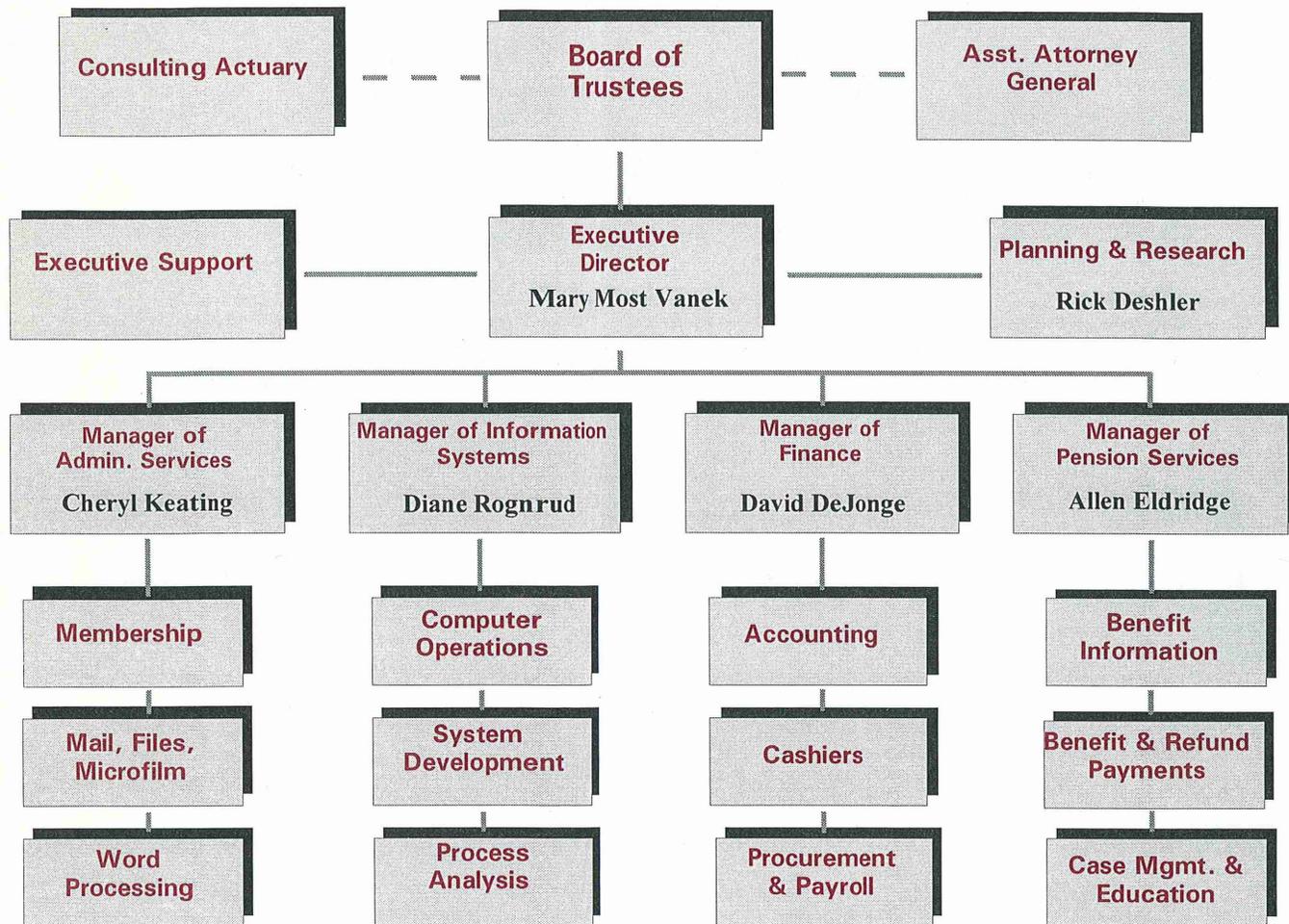
David DeJonge
Manager of Finance

PERA Office

PERA's office in St. Paul is located in the Gallery Towers Building, attached to the Omnitheatre of the Minnesota Science Museum. The address is 514 St. Peter Street, Suite 200, St. Paul. Office hours are from 8 a.m. to 4:30 p.m., Monday through Friday.



Administrative Organization



MISSION STATEMENT

PERA's mission is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services, that members will value and trust.

PERA's Vision:

PERA is seen by its members as an important part of their retirement solution because we:

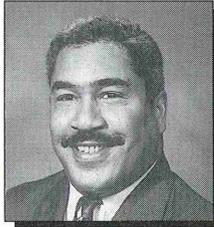
Develop creative methods that enable them to make sound retirement and life-planning decisions;

Display relentless efforts to protect the fund and provide the best public pension packages; and

Deliver exceptional services any time, any place!

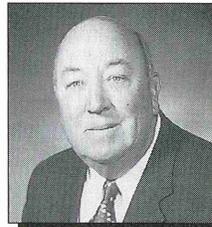
Board of Trustees

Board President



Walter C. Gray
Public Representative
3823 Stonehaven Court
Anoka, Minnesota 55303

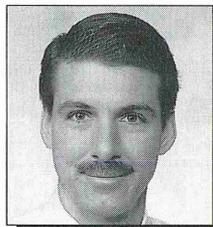
Board Vice President



Gary R. Norstrom
Elected Retiree/Disabilitant Membership Representative
2080 Western Ave. N.
Roseville, Minnesota 55113



Judith H. Dutcher
State Auditor
525 Park Street, Suite 400
Saint Paul, Minnesota 55103



Dennis Dieser
School Board Representative
1007 Fairlane Terrace
Albert Lea, Minnesota 56007



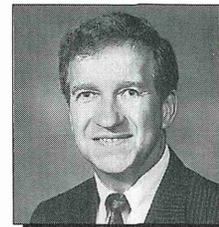
Terri Heaton
Cities Representative
City of Bloomington
2215 W. Old Shakopee Rd.
Bloomington, Minnesota 55431



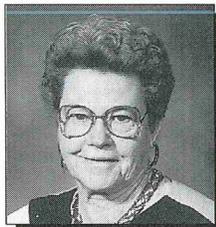
Dawn M. Hulmer
Elected Membership Representative
City of Duluth
City Hall, Room 105
Duluth, Minnesota 55802



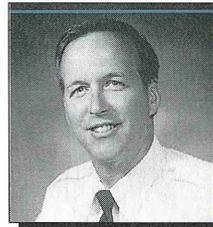
Marian R. Larson
Elected Membership Representative
c/o PERA
514 St. Peter Street, Suite 200
St. Paul, Minnesota 55102



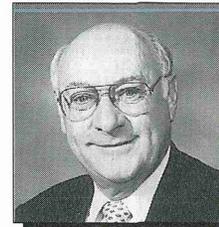
Robert D. McCubbin
Elected Membership Representative
City of Duluth
City Hall, Room 211
Duluth, Minnesota 55802



Lois E. Riecken
Annuitant Representative
8794 100th Avenue
Clear Lake, Minnesota 55319



Michael G. Schwab
Elected Police and Fire Representative
St. Paul Police Department
100 E. 11th St.
St. Paul, Minnesota 55101



Richard H. Stafford
Counties Representative
Washington County
Government Center
Stillwater, Minnesota 55082

Summary of Retirement System Plan

Public Employees Retirement Association of Minnesota

Purpose

Established by the Minnesota Legislature in 1931, the Minnesota Public Employees Retirement Association (PERA) administers pension funds that serve approximately 190,000 county, school, and local public employees, benefit recipients, their survivors, and dependents.

Funds administered by the association provide a variety of retirement pensions, and survivor and disability benefits. In the case of Coordinated members, these pensions and benefits are in addition to those provided by Social Security.

The PERA Board of Trustees is responsible for administering these funds in accordance with statutes passed by the Minnesota Legislature and has a fiduciary obligation to PERA's members, the governmental employers, the state, and its taxpayers.

Administration

The PERA Board of Trustees is composed of 11 members. The State Auditor is a member by statute. Five trustees are appointed by the Governor. Serving four-year terms, these five trustees represent cities, counties, school boards, retired annuitants, and the general public, respectively.

The remaining five board members are elected by the PERA membership at large to serve four-year terms. Three represent the general active membership, one trustee represents Police and Fire Fund members, and one trustee represents annuitants and benefit recipients. All five membership representatives were elected in January 1995.*

The board appoints an executive director to serve as chief administrative officer of PERA. With approval of the board, the director develops the annual administrative budget, determines staffing requirements, contracts for actuarial and other services, and directs the day-to-day operations of the association. The director also serves as a member of the State Investment Advisory Council, which advises the Minnesota State Board of Investment on the management and investment of public pension funds and other assets.

Multi-Employer Participation

Approximately 2,000 separate units of government in Minnesota participate in the PERA-administered retirement system. These units include counties, cities, townships, and school districts.

Employee Membership

With certain statutory exceptions, an employee performing personal services for a governmental employer whose salary is paid, in whole or in part, from revenues derived from taxation, fees, assessments, or other sources, is a member of PERA. The type of membership depends upon which PERA plan covers the individual member's employment position. In the case of Basic members, it also depends upon when the individual was hired into public service. PERA has approximately 135,000 active members.

Funds

PERA administers four separate funds. Each has specific membership, contribution, benefit, and pension provisions.

The **Public Employees Retirement Fund** encompasses two plans — the PERA Coordinated Plan and the PERA Basic Plan. The Coordinated Plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security. The Basic Plan, established in 1931, is not coordinated with the federal program.**

The **Public Employees Police and Fire Fund**, originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all Minnesota police officers and firefighters hired since 1980.

The **Police and Fire Consolidation Fund** was created in 1987 for members of

Note:

* These five board seats will be filled through a general membership election in January 1999.

** PERA's Basic Plan was closed to new membership in 1968 with the creation of the Coordinated Plan. Basic members had the option of remaining in that plan or transferring to the new Coordinated Plan following its establishment.

Summary

(Continued)

Note:

- * Under legislation enacted in June, 1997, the employee and employer contribution rates for Coordinated and Basic members increase in January, 1998. The increase corresponded with an increased benefit accrual rate.
- ** This is the rate established for elected public officials and physicians. For ambulance service personnel, employers decide whether they will participate in the plan and what the contribution will be for employees. Salaried employees may match this contribution.
- † The accrual rates for members increased July 1, 1997. The rates for Coordinated and Basic members increased .2 percent of salary for each year of service. Police and Fire member rates increased from 2.65 percent to the current 3 percent of salary for each year of service.

local police and fire relief associations that have elected to have PERA administer their plans. While administrative duties of these local associations have been transferred to PERA, the responsibility for investing their assets has been transferred to the State Board of Investment.

Also administered by PERA is the **Public Employees Defined Contribution Plan**. Established by the Minnesota Legislature in 1987 to provide a retirement plan for personnel employed by public ambulance services, the plan has been expanded to include physicians and locally-elected public officials, except for county sheriffs.

Contributions

The table below shows contribution rates for employees and employers under the various plans administered by PERA as of June 30, 1998. Rates are applied to total salary and are set by statute.

Fund	Employee Contribution	Employer Contribution
Public Employees Retirement Fund		
Coordinated*	4.75%	5.18%
Basic*	8.75%	11.43%
Public Employees Police and Fire Fund	7.60%	11.40%
Police and Fire Consolidation Fund	7.60%	11.40%
Defined Contribution Plan	5.00%	5.00%**

In addition to contributions to the funds administered by PERA, Coordinated members contribute to Social Security and are eligible for benefits earned through those deductions. Police and Fire Fund members hired after March 31, 1986 contribute to Medicare, as do some Basic Plan members who elected such coverage in 1989.

Retirement Benefits Eligibility and Annuity Formulas

Basic and Coordinated Members

Two methods are used to compute benefits for Coordinated and Basic members—a step-rate benefit accrual formula (Method 1) and a level accrual

formula (Method 2). The retiring member receives the higher of the two calculated amounts.

Method 1: Coordinated members accrue 1.2 percent of the average salary they were paid over their five highest-paid consecutive years of service for each of the first 10 years of public employment, and 1.7 percent of that average salary for each successive year. Basic members receive 2.2 percent of their average salary for each of their first 10 years of service and 2.7 percent for each year thereafter.†

Using this calculation, members are eligible for a full (unreduced) retirement annuity if:

- They are age 65 or over with at least one year of public service; or
- Their age plus years of public service equal 90 (Rule of 90).

A reduced retirement annuity is payable as early as age 55 with three or more years of service. The reduction is .25 percent for each month under age 65. A member with 30 or more years of service may retire at any age with the .25 percent reduction made from age 62 rather than 65.

Method 2: Coordinated members earn 1.7 percent of their average salary for every year of public service while Basic members earn 2.7 percent of their average salary for each year.†

This calculation provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989, and at the age for unreduced Social Security benefits, capped at age 66, for those first hired into public service on or after that date.

Early retirement results in an actuarial reduction with augmentation (about 6 percent per year) for members retiring prior to qualifying for unreduced retirement benefits.

Police and Fire Members

Members receive 3 percent† of average salary for each of their years of service.†

An unreduced retirement annuity is payable to members when they meet the following conditions:

- Age 55 with a minimum of three years of service; or
- Age plus years of service equal at least 90.

A reduced retirement annuity is available to members between the ages of 50 and 55.

There is a 2.4 percent reduction in benefits for each year a member retires prior to qualifying for an unreduced retirement benefit.

Police and Fire Consolidation Members

Members of the Police and Fire Consolidation Fund are covered by the benefit provisions and formulas of their local plans, unless they choose to be covered by provisions identical with those of the PERA Police and Fire Fund.* Members may elect PERA Police and Fire Fund-type benefits:

- Within 180 days of the effective date for the consolidation of the local relief association with PERA;
- At the time a member is between ages 49½ and 50; or
- At the time the member retires and submits an application for a pension or disability benefit.

Defined Contribution Plan Members

The Defined Contribution Plan's benefit amount is determined by the performance of the funds in which contributions are invested. The entire market value of the member's account is payable upon termination of public service, disability, retirement, or death.

Types of Pensions Available

Members of the PERA Basic and Coordinated Plans, the Police and Fire Fund, and members covered by the Police and Fire Consolidation Fund who elect PERA Police and Fire-type benefits may select from several types of retirement benefits.

Single-life Pension — A Single-life Pension, formerly known as a Normal annuity, is a lifetime annuity that ceases upon the death of the retiree. No survivor benefit is payable.

Survivor Options — Upon retirement, members may choose from one of four Survivor Options. All these pensions are payable for the lifetime of the retiree. At the time of the retiree's death, the designated survivor continues to receive monthly benefit payments at varying levels for his or her lifetime. Depending on the Survivor Option chosen by the member, survivor

payments are at a 25, 50, 75 or 100 percent level of that received by the member.**

Pre-Age 62 Increase — This pension option allows a member who retires before age 62 to receive a greater monthly payment until he or she becomes eligible for Social Security at age 62. The monthly benefit amount is then reduced by at least \$100 at age 62.

Deferred Pension — A vested member who terminates public service may leave contributions in the fund or funds in which he or she participated and qualify for a pension at age 55 or over. The benefit amount, calculated as of the date of termination, will increase at a rate of 3 percent per year, compounded annually, until the first of the year following the member's 55th birthday. It will then increase at a rate of 5 percent per year, compounded annually.

Combined Service and Proportionate Pensions — Retiring members may elect to combine service in a PERA-covered position with service in any of 14 other Minnesota pension funds and qualify for a retirement benefit from each fund in which they participate. These funds are designated by statute. Members with three or more years of total service qualify for a combined service pension if they have six or more months of service in each fund and have not begun to receive a benefit from any of the designated funds. Pensions are based upon the formula of each fund and the member's average salary over the five highest-paid years of service, no matter when it was earned.

Public employees who retire at age 65 or older with between one and three years of service in one or more of 11 designated funds may qualify for a proportionate pension. Benefits are paid by each applicable fund in which the employee has credit and are based upon the formula of each fund and the member's average salary during the period of service covered by that fund.

Maximum Benefit — Initial monthly benefits, adjusted for pre-taxed contributions, may not exceed the average of a member's three highest-paid consecutive calendar years of service.

This limit affects only a small number of PERA members.

Note:

* While the Police and Fire benefit accrual rate increased to 3 percent per year July 1, 1997, the accrual rate for Consolidation members increased to 2.9 percent. The additional .1 percent is at the option of cities with local police and fire relief associations.

** Selection of a Survivor Option will result in a reduction in the amount of the pension from the Single-life pension level. This reduction is made because the benefit will be payable over the lifetimes of both the member and the designated survivor. The amount of the reduction depends on the age of both the retiring member and the survivor.

All survivor pension options incorporate an automatic "bounce back" feature. This returns the amount of the pension to the level of the Single-life benefit in the event the designated survivor predeceases the retiree. The cost of this protection is borne by the funds, not by the retiree.

Summary

(Continued)

Disability Benefits

Members may be eligible for benefits from PERA if they are unable to work because of a physical or mental disability. Disability is defined by statute, and PERA may require periodic medical examinations of those receiving these benefits.

Disability benefit calculations are based upon years of service and average salary earned during the five highest-paid consecutive years of service for Basic and Coordinated members, and for Police and Fire Fund members disabled outside the line of duty. In the case of Police and Fire members, there is a minimum non-duty disability benefit of 45 percent of that salary. For Police and Fire members disabled in the line of duty, the minimum benefit is 60 percent of salary.*

Basic and Coordinated members qualify for disability with three or more years of service and by meeting the statutory definition. Police and Fire members qualify by meeting the definition with one or more years of service if disabled outside the line of duty. If disabled in the line of duty, there is no minimum service requirement.

Members of the Police and Fire Consolidation Fund may receive disability benefits under the provisions of their individual relief association bylaws unless they have chosen PERA-type benefits. If that election has been made, benefits are the same as those for Police and Fire Fund members.

Survivor Benefits

PERA also provides survivor (death) benefits for families of members who qualify for such coverage. The qualifications and types of benefits vary with each fund.

A Lifetime Survivor Benefit is available to the surviving spouse of a Basic, Coordinated, or Police and Fire member. For Police and Fire, and Basic members, this benefit is based on either 50 percent of the member's average salary during six months prior to death or a formula using the member's total years of service, average salary during the highest-paid five consecutive years of service, age at death and age of the spouse. The surviving spouse benefit for Coordinated members is only based on the formula. This benefit is payable to the spouse of a deceased member for life, even upon remarriage.**

For survivors of Basic and Coordinated members, there are alternative term-certain benefits of 5, 10, 15, or 20 years duration. The monthly payment, however, may not exceed 75 percent of the member's average high five-year salary.

Survivor benefits are immediately suspended for any survivor charged with causing the death of an association member. The benefit is permanently revoked upon conviction for such a crime.

Dependent children of active or disabled Basic, and Police and Fire members are eligible for benefits until age 18, or age 23 if full-time students. In this case, the maximum family benefit is 70 percent of the member's average monthly salary. If a Coordinated member dies and there is no surviving spouse, any children under age 20 qualify to receive a monthly term-certain benefit.

Instead of a monthly benefit, the surviving spouse, if a designated beneficiary, may elect a refund of any remaining employee contributions in the account, plus 6 percent interest compounded annually. A refund may not be elected by Basic or Police and Fire surviving spouses, however, if there are dependent children.

Survivors of members of the Police and Fire Consolidation Fund are eligible for survivor benefits under the provisions of the individual relief association if the member has not chosen Police and Fire Fund-type benefit coverage or they may elect Police and Fire Fund-type coverage if the member died in the line of duty.

Refunds

Refunds of contributions are available at any time to members who leave public service and have not yet begun receiving a pension. The refund includes employee contributions plus 6 percent interest, compounded annually, for a member who terminated public employment after May 15, 1989.

A refund of member contributions plus interest may also be elected by the designated beneficiary of a member or former member who dies before reaching retirement. If there is no beneficiary, payment is made to the surviving spouse or, if none, to the estate of the deceased member or former member.

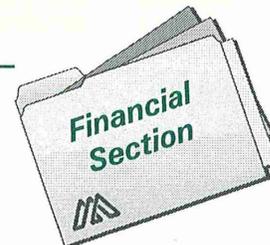
If a retiree and designated survivor, if any, die before all employee contributions are paid in the form of a pension or benefits, the remaining balance would be paid in the same manner outlined for beneficiaries.

No interest is paid to beneficiaries on the balance in an account if the member was receiving retirement benefits.

Note:

- * Minimum disability benefits for Police and Fire Plan members increased from 53 percent of salary for disability in the line of duty, and 39.75 percent for non-duty related disability July 1, 1997.
- ** Lifetime Survivor Benefits are also available to the spouse of disabled Basic, and Police and Fire Fund members, and to survivors of disabled Coordinated members who choose a Survivor Option.

Legislative Auditor's Report



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
CENTENNIAL BUILDING, ST. PAUL, MN 55155 612/296/4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report

Board of Trustees
And
Executive Director
Public Employees Retirement Association

We have audited the accompanying financial statements of the Public Employees Retirement Association for the year ended June 30, 1998, as listed in the Table of Contents. These financial statements are the responsibility of the association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Public Employees Retirement Association has included such disclosures in Note 9. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Public Employees Retirement Association's disclosures with respect to the year 2000 issue made in Note 9. Further, we do not provide assurance that the Public Employees Retirement Association's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Public Employees Retirement Association does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees Retirement Association at June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 7 to the financial statements, the Public Employees Retirement Association reclassified the Public Employees Defined Contribution Plan (PEDCP) from an agency fund to a pension trust fund during the year ended June 30, 1998. This change resulted in the presentation of a Statement of Changes in Plan Net Assets for the PEDCP in fiscal year 1998.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Public Employees Retirement Association. Such information has been subjected to the auditing procedures applied in the audit of the individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of the respective individual funds taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 1998, on our consideration of the Public Employees Retirement Association's internal control structure and compliance with laws and regulations.

Handwritten signature of James R. Nobles.

James R. Nobles
Legislative Auditor

Handwritten signature of Claudia J. Gudvangen.

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 1, 1998

Statement of Plan Net Assets

As of June 30, 1998 (in thousands)

	Defined Benefit Funds			Public Employees Defined Contribution Plan	Total
	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund		
Assets					
Cash	\$ 656	\$ 206	\$ 12	\$ 3	\$ 877
Receivables					
Accounts Receivable	\$ 481	\$ 134	\$ 4,690		\$ 5,305
Due from Other Funds	722	5	7		734
Other Assets	18				18
Total Receivables	\$ 1,221	\$ 139	\$ 4,697		\$ 6,057
Investments at fair value					
Equity in Minnesota Post Retirement Investment Fund	\$ 5,239,332	\$ 778,461	\$ 764,431		\$ 6,782,224
External Equity Pool	1,460,953	689,729	169,905		2,320,587
Fixed Income Pool	919,439	434,007	106,577		1,460,023
Global Equity Pool	601,741	284,048	69,778		955,567
Passive Equity Pool	681,366	321,705	79,375		1,082,446
Venture Capital Pool	215,345	101,729	25,363		342,437
Real Estate Pool	154,102	72,796	18,225		245,123
Resources Pool	34,227	16,163	4,026		54,416
Short-Term Cash Equivalent	42,780	19,459	5,631		67,870
Investments for Defined Contrib.				12,276	12,276
Total Investments	\$ 9,349,285	\$2,718,097	\$1,243,311	\$12,276	\$13,322,969
Securities Lending Collateral	\$ 916,571	\$ 258,807	\$ 122,448	\$ 1,115	\$ 1,298,941
Fixed Assets, Net of Accumulated Depreciation	\$ 537				\$ 537
Total Assets	\$10,268,270	\$2,977,249	\$1,370,468	\$13,394	\$14,629,381
Liabilities					
Accounts Payable	\$ 16,257	\$ 3,637	\$ 6,457		\$ 26,351
Accrued Compensated Absences	\$ 471				\$ 471
Payable to Other Funds	\$ 4	\$ 508	\$ 165	\$ 57	\$ 734
Securities Lending Collateral	\$ 916,571	\$ 258,807	\$ 122,448	\$ 1,115	\$ 1,298,941
Total Liabilities	\$ 933,303	\$ 262,952	\$ 129,070	\$ 1,172	\$ 1,326,497
Net Assets held in trust for Pension Benefits	\$ 9,334,967	\$2,714,297	\$1,241,398	\$12,222	\$13,302,884

(A schedule of funding progress
for each plan is presented on page 28.)

Statement of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 1998 (in thousands)

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Public Employees Defined Contribution Plan	Total
Additions					
Contributions					
Employer	\$ 151,499	\$ 42,786	\$ 13,229	\$ 812	\$ 208,326
Plan member	140,386	28,552	3,733	691	173,362
Total Contributions	\$ 291,885	\$ 71,338	\$ 16,962	\$ 1,503	\$ 381,688
Investments					
Investment income	\$1,583,702	\$ 493,192	\$ 230,952	\$ 2,045	\$ 2,309,891
Less investment expense	(5,465)	(2,608)	(684)		(8,757)
Net Income from investing activities	\$1,578,237	\$ 490,584	\$ 230,268	\$ 2,045	\$ 2,301,134
<i>From securities lending activities:</i>					
Securities lending income	\$ 59,654	\$ 16,727	\$ 7,979	\$ 60	\$ 84,420
Securities lending expenses:					
Borrower rebates	(54,819)	(15,353)	(7,334)	(55)	(77,561)
Management fees	(1,522)	(433)	(203)	(2)	(2,160)
Net income from securities lending	\$ 3,313	\$ 941	\$ 442	\$ 3	\$ 4,699
Total Net Investment Income	\$1,581,550	\$ 491,525	\$ 230,710	\$ 2,048	\$ 2,305,833
Other additions	\$ 1,382	\$ 193	\$ 24,222		\$ 25,797
Total Additions	\$1,874,817	\$ 563,056	\$ 271,894	\$ 3,551	\$ 2,713,318
Deductions					
Benefits	\$ 412,745	\$ 56,034	\$ 61,106		\$ 529,885
Refunds of contributions	16,922	1,182	296	\$ 520	18,920
Administrative expenses	7,076	525	221	57	7,879
Other deductions	1,301	129	405		1,835
Total Deductions	\$ 438,044	\$ 57,870	\$ 62,028	\$ 577	\$ 558,519
Net Increase	\$1,436,773	\$ 505,186	\$ 209,866	\$ 2,974	\$ 2,154,799
Net assets held in trust for pension benefits					
Beginning of year (as restated)	\$7,898,194	\$2,209,111	\$1,031,532	\$ 9,248	\$11,148,085
End of year	\$9,334,967	\$2,714,297	\$1,241,398	\$12,222	\$13,302,884

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 1998

A. PLAN DESCRIPTION

PERA is the administrator of two cost-sharing, multiple-employer retirement plans, one agent multiple-employer retirement plan, and one multiple-employer deferred compensation plan.

1. Organization

The Public Employees Retirement Association (PERA) is the administrator of two cost-sharing, multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). In addition, PERA administers one agent multiple-employer retirement plan, the Police and Fire Consolidation Fund (PFCF), and one multiple-employer deferred compensation plan, the Public Employees Defined Contribution Plan (PEDCP). The plans, including benefit provisions and the obligation to make contributions, are established and administered in accordance with Minnesota Statutes, Chapters 353, 353A, 353B, 353D, and 356. It is also these statutes that define financial reporting requirements.

Coverage under the PEDCP is open to elected local government officials (except elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Elected officials and ambulance personnel who are covered by a public or private pension plan because of their employment are not eligible to participate in the PEDCP. At June 30, 1998, there were 3,943 members in the plan.

Shown in **Figure 1** below are the membership totals in the PERA defined benefit plans as of June 30, 1998.

Fig. 1 PERA Membership

	PERF	PEPFF	PFCF	TOTAL
Retirees and beneficiaries receiving benefits	43,142	2,524	2,417	48,083
Terminated employees entitled to benefits/refunds but not yet receiving them:				
Vested	12,238	314	32	12,584
Non-Vested	15,847	194	0	16,041
Current, active employees:				
Vested	95,934	6,656	797	103,387
Non-Vested	40,232	1,843	0	42,075
Total	207,393	11,531	3,246	222,170

2. Participating Employers

PERA serves approximately 2,000 separate units of government in the PERF, 500 units of government in the PEPFF, 43 local relief associations in the PFCF, and 1000 units in the PEDCP. These units of government are made up of counties, cities, townships, school districts, and generally other units of government whose revenues are derived from taxation, fees, or assessments. The defined contribution plan serves any local unit of government whose current or former elected officials elect to participate. The PEDCP also serves any publicly operated ambulance service that receives an operating subsidy from a governmental entity, and elects to participate.

4. Benefit Provisions and Contribution Rates - Defined Benefit Plans

a) PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. All benefits vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERF members belong to either the Basic or Coordinated Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. Two methods are used to compute benefits for Coordinated and Basic members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2).

3. Participating Members

The PERF covers employees of counties, cities, townships and employees of schools in non-certified positions throughout the State of Minnesota. The PEPFF, originally established for police officers and fire-fighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. The PFCF covers police officers and fire-fighters belonging to a local relief association that elects to merge with and transfer assets and administration to PERA.

Under Method 1, the annuity accrual rate for Basic members is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. For a Coordinated member, the annuity accrual rate is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity



accrual rate is 2.7 percent of average salary for Basic members and 1.7 percent for Coordinated members. For PEPFF members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For PERF members whose annuity is calculated using Method 1, and for all PEPFF members, a full annuity is available when age plus years of service equal at least 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

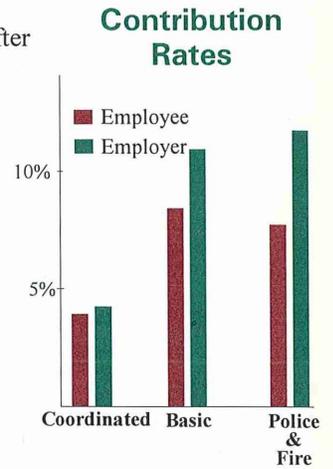
Members of the PFCF have the option to choose benefits identical to those of the PEPFF; otherwise, they are covered by the benefit provisions of the local relief association of which they were members at the time of consolidation. Members of local relief associations which consolidated with PERA prior to July 1, 1997 who choose benefits identical to the PEPFF will receive higher pension benefits with the 3.0 annual accrual rate, only upon local approval by their municipality. If approval is not granted by the municipality, those units will use a 2.9 percent annual accrual rate (if they approved the 1993 accrual rate increase) or a 2.74 annual accrual rate (if they did not approve the 1993 increase). Members of local relief associations which consolidated with PERA subsequent to June 30, 1997 who chose benefits identical to the PEPFF will automatically receive the higher benefits with a 3.0 percent annual accrual rate. Of the 2,417 members receiving benefits in the PFCF, 211 are covered by the benefit provisions of their local relief association.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

b) Pension benefits are funded from member and employer contributions and income from investment of fund assets. Administrative costs are funded from investment income. Current contribution rates for the PERA

defined benefit plans are set by Minnesota Statutes, Chapters 353, 353A, 353B, and 356, and are shown in **Figure 2** below.

c) New legislation in 1997 increased contribution rates for the PERF. Beginning the first full payroll period after December 31, 1997, Basic members began contributing 8.75 percent of salary (an increase from 8.23 percent) and Coordinated members began contributing 4.75 percent of salary (an increase from 4.23 percent). Employers began contributing 11.43 percent of earnings for Basic members and 5.18 percent of earnings for Coordinated members, an increase of 0.70 percent. Legislation in 1998 increased contribution rates for a small group of Coordinated members called correctional service employees. Effective July 1, 1998, those employees will contribute 4.96 percent of earnings and employers will contribute 5.49 percent of earnings. Periodic adjustments in employer and employee contribution rates for the PEPFF may result due to a unique "automatic stabilizer" created by the 1993 legislature. Beginning July 1, 1994, PERA's executive director will automatically decrease contribution rates to ensure full funding by the year 2020 if the actuarial valuation of the PEPFF shows the fund has no unfunded actuarial accrued liability and contribution sufficiencies exceeding 0.5 percent of covered payroll exist for four consecutive fiscal years. Under this legislation, contribution rates will decrease in fiscal year 2000.



Current contribution rates for the PERA defined benefit plans are set by Minnesota Statutes, Chapters 353, 353A and 353B.

5. Benefit Provisions and Contribution Rates — Defined Contribution Plan

The Public Employees Defined Contribution Plan (PEDCP) is a multiple-employer deferred compensation plan. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Fig. 2 Retirement Plan Contribution Rates 6/30/98

	<u>Employee</u>	<u>Employer</u>	<u>Additional Employer</u>
Public Employees Retirement Fund:			
Basic Plan	8.75%	8.75%	2.68%
Coordinated Plan	4.75%	4.75%	0.43%
Public Employees Police and Fire Fund	7.60%	11.40%	0.00%
Police and Fire Consolidation Fund	7.60%	11.40%	*

* **NOTE:** An additional lump-sum municipal contribution is required and calculated each year in order to eliminate the unfunded liability in each plan by the year 2010, and to amortize any actuarial losses or gains over a 15-year period.

Notes

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

(Continued)

(See Notes A.2 and A.3 for employer and employee membership requirements.) The plan is established and administered in accordance with Minnesota Statutes, Chapter 353D.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official or physician who decides to participate contributes 5 percent of salary, which is matched by the employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. Investment options include the Income Share, Growth Share, Common Stock Index, Bond Market, Money Market, International Share, and the Fixed Interest (formerly the Guaranteed Return) accounts. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent (0.4%) of the assets in each member's account.

There is no vesting period required to receive benefits in the PEDCP. At the time of retirement or termination, PERA distributes the market value of a member's account to the member or transfers it to another qualified plan or individual retirement arrangement. Upon the member's death, PERA distributes the value of the account to the member's designated beneficiary.

The PEDCP is reported as a pension trust fund. Assets, including cash and investments totaling \$12,279,000 are presented at fair value at June 30, 1998. Obligations under the plan include an amount payable to other funds of \$57,000 to cover administrative expenses of the plan.

PERA functions as a separate statutory entity. The association maintains rights to sue or be sued in its own name and to hold property in its own name. For financial reporting purposes, however, PERA is considered a pension trust fund of the State of Minnesota.

1. Reporting Entity

PERA functions as a separate statutory entity. The association maintains rights to sue or be sued in its own name and to hold property in its own name. For financial reporting purposes, PERA is considered a pension trust fund of the State of Minnesota and is included in the State's Comprehensive Annual Financial Report with its fiduciary funds.

In recent years, PERA has reported in its CAFR that it is a component unit of the State of Minnesota. Starting in fiscal year 1998, however, PERA reports itself as a pension trust fund of the State of Minnesota, which is consistent with the State's classification. The implementation guide to GASB Statement 14 states that if a primary government is the trustee for a pension plan, the plan should not be classified as a component unit, but rather as a pension trust fund.

2. Basis of Accounting

PERA financial statements for all funds are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which they are earned and become measurable. Expenses are recorded when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

3. Investment Policies

a) Pursuant to Minnesota Statutes, Section 11A.04, the state's retirement fund assets are commingled in various pooled investment accounts, administered by the State Board of Investment (SBI). As of June 30, 1998, the participation shares in the pooled accounts at fair value, excluding the Minnesota Post Retirement Investment Fund (MPRIF), totaled 21.76 percent for the PERF, 10.27 percent for the PEPFF and 2.53 percent for the PFCF. The funds' shares of net assets of the Minnesota Post Retirement Investment Fund, at fair value, totaled 30.69 percent, 4.56 percent and 4.48 percent, respectively.

b) Minnesota Statutes, Section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality; restricted

participation as a limited partner in venture capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments.

c) Investments are categorized to give an indication of the level of risk that is assumed. Risk category 1 includes investments that are insured or registered, or for which the securities are held by the state or its agent in the state's name. Risk category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the state's name. Risk category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the state's name. PERA does not own any investments that are considered securities for purposes of assessing credit risk. All PERA investments are in the Minnesota State Board of Investment-administered pools or open-end mutual funds. These investments are not considered securities for purposes of credit risk classification. The investments in any one organization do not represent 5 percent or more of plan net assets for any of the plans PERA administers.

d) Information about the primary government's (State of Minnesota) investments, including credit risk classification, can be obtained from the Minnesota Department of Finance, 400 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155. Information on investment activity and a listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment at Suite 105, MEA Building, 55 Sherburne Avenue, St. Paul, Minnesota 55155.

4. Method Used to Value Investments

a) Investments in the pooled accounts, including assets of the PEDCP, are reported at

Fig. 3 PERA Investments—All Funds (in Thousands)

	Cost June 30, 1998	Market Value June 30, 1998
Pooled Accounts		
Real Estate	\$ 192,663	\$ 245,123
Resources Pool	54,059	54,416
Venture Capital	282,426	342,437
Active Domestic Equity	1,982,264	2,320,587
Global Equity Pool	897,791	955,567
Passive Domestic Equity	697,223	1,082,446
Fixed Income	1,439,465	1,460,023
Total Pooled Accounts	\$ 5,545,891	\$ 6,460,599
Short Term Pooled Cash	67,870	67,870
Post Retirement Investment Account	5,068,094	6,782,224
Cash and Investments for Deferred Comp. Benefits	12,276	12,276
Totals	\$10,694,131	\$13,322,969

fair value. The schedule in **Figure 3** provides a summary of cost and fair values of the investments as of 6/30/98 as reported on the Statement of Plan Net Assets. The fair value of investments is based upon valuations provided by a recognized pricing service. Securities traded on a national or international exchange are valued using the last reported trade price. Short-term investments are reported at cost, which approximates fair value. The fair value of real estate investments is based on independent yearly appraisals. No investments are reported at amortized cost since the fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940. Pooled accounts are not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles sponsored by State Street (including SBI funds) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of PERA's position in the pools is the same as the value of the pool shares. There was no involuntary participation in an external investment pool, and no income from one fund was assigned to another fund during the fiscal year.

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

c) The cost of security transactions is included in the transaction price. Administrative expenses of the State Board of Investment and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts. PERA's share of these expenses totaled \$5,465,000 for PERF, \$2,608,000 for PEPFF, and \$684,000 for PFCF.

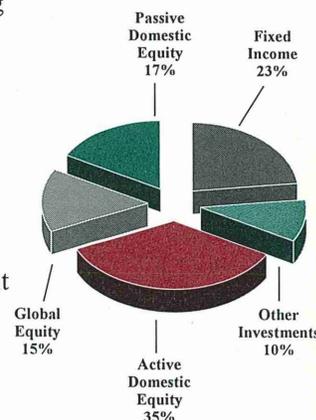
5. Fixed Assets

Fixed assets are capitalized at the time of acquisition at cost. Depreciation is computed on a straight-line method over the useful life of the related assets. The estimated useful lives are three to 10 years for furniture and equipment, and three years for automobiles.

Fixed assets are presented on the June 30, 1998 Statement of Plan Net Assets at historical cost, net of accumulated depreciation, as summarized on the following page:

Pooled Accounts Investment Allocations

All Funds at Market
6/30/98



All PERA investments are in the Minnesota State Board of Investment-administered pooled investments. These investments are not considered securities for purposes of credit risk classification.

Notes

(Continued)

Data Processing Equipment	\$1,004,399
Furniture and Fixtures	384,961
Office Equipment	102,626
Automobile	14,533
Total Fixed Assets	\$1,506,519
Less: Accumulated Depreciation	(969,571)
Net Fixed Assets	\$ 536,948

6. Accrued Compensated Absences

Employees of PERA accrue vacation leave, sick leave and compensatory leave at various rates within limits specified in collective bargaining agreements. Accumulated amounts for compensated absences are accrued when incurred. Such leave is liquidated in cash primarily at the time of termination of employment.

7. Effect of Change in Accounting Principle

PERA has reclassified the PEDCP from an agency fund to a pension trust fund. Though Section 457 deferred compensation plans are now reported as expendable trust funds instead of agency funds, the PEDCP is qualified under IRS Section 401(a) and is not a 457 plan. Because employer contributions are required for all participants, employee contributions are optional for many of the participants, no withdrawals or loans are allowed until retirement, and the 401(a) rules apply to the plan, the PEDCP acts more like a pension trust fund than a tax-deferred employee savings plan. The change from an agency fund to a pension trust fund affects prior year fund balances on the Statement of Changes in Plan Net Assets. Member account balances, reported as an accounts payable in the past, are reported as net assets held in trust for pension benefits this year. The PEDCP has been added to the Statement of Changes in Plan Net Assets. The effect of this change is shown in **Figure 4**.

8. Securities Lending

PERA does not own specific securities, but instead owns shares in pooled funds invested by the State Board of Investments (SBI). The SBI is authorized to use securities lending transactions in accordance with Minnesota Statutes, Chapter 356A.06, subd. 7 and has, pursuant to a Custodial Trust Agreement, authorized State Street Bank and Trust Company to act as agent in lending securities to broker-dealers and banks.

During the fiscal year State Street lent, on behalf of the SBI, certain securities held by State Street as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100% of the market value of the loaned securities.

The SBI did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf and State Street indemnified the SBI by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 1998, such investment pool had an average duration of 62 days and an average weighted maturity of 449 days. Because the loans were terminable at will their duration did not generally match the duration of the

PERA has reclassified the Public Employees Defined Contribution Plan from an agency fund to a pension trust fund.

Fig. 4**Restatement of 6/30/97 Figures
(in thousands)**

	PERF	PEPFF	PFCF	PEDCP	Total
Net Assets Held in Trust for Pension Benefits:	\$7,898,194	\$2,209,111	\$1,031,532	\$ 0	\$11,138,837
Change PEDCP Balance From Accounts Payable to Net Asset:				9,248	9,248
Restated Net Assets Held in Trust for Pension Benefits 6/30/97:	\$7,898,194	\$2,209,111	\$1,031,532	\$9,248	\$11,148,085

investments made with cash collateral. On June 30, 1998 SBI had no credit risk exposure to borrowers. PERA's portion of the collateral held and the market value of securities on loan from the SBI as of June 30, 1998 were \$1,298,940,631 and \$1,255,386,856, respectively. Cash collateral is reported on the Statement of Plan Net Assets as an asset. Liabilities resulting from these securities lending transactions are also reported on the Statement of Plan Net Assets.

C. CHANGES IN ASSUMPTIONS AND PROVISIONS

1. Changes in Actuarial Assumptions and Methods

Since the July 1, 1997 actuarial valuation, there were no changes in actuarial assumptions of the PERF, PEPFF, and the PFCF which impacted funding costs. Unfunded actuarial accrued liabilities are calculated using the formula shown on **Figure 5**.

2. Changes in Benefit Provisions

Legislation enacted in 1997 improved initial benefits for PERA members without a material effect on the actuarial accrued liability in any of the funds administered by PERA. The annuity accrual rates increased for members who retired on or after July 1, 1997. In order to pay for the increased initial benefit, the assumed earnings rate of the MPRIF was increased from 5% to 6%, and the cap on the inflation-based portion of an annuitant's annual benefit increase was lowered from 3.5% to 2.5%. Because present retirees will receive lower future benefit increases, their benefits were increased by an offsetting amount on July 1, 1997. Funding costs for the PFCF reflect a permanent increase for local relief associations whose city councils elected to adopt a resolution to raise their annuity accrual rate to 3% effective July 1, 1997 or the date of the resolution, whichever is later.

1998 legislation improved disability benefits for a small group of PERF members who are classified as correctional service employees. This additional benefit will be paid for with an

increase in contribution rates for employees and employers beginning July 1, 1998, and does not materially affect the actuarial accrued liability of the PERF.

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Minnesota Statutes, Chapters 353, 353A, 353B and 356 set the rates for employer and employee contributions. (See note A.4.b. for statutory rates.) Minnesota Statutes, Chapter 356.215, Subd.4(g), requires the PERF and the PEPFF to be fully funded by the year 2020. Minnesota Statutes, Chapter 353A.09, Subd.5(b)(1), requires full funding for the PFCF by December 31, 2010. As part of the annual actuarial valuation, PERA's actuary determines the sufficiency of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to an actuarially derived "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the dates required for full funding, and (c) an allowance for administrative expenses.

As shown in **Figure 6**, there was a funding deficiency on June 30, 1998 of \$10,491,000 in the PERF and a surplus of \$14,230,000 in the PEPFF. In the PFCF, contributions actuarially required are equal to contributions actually made, due to the additional municipal contribution paid each year and included in the dollar value of the employer share of contributions actually made. Significant actuarial assumptions used to compute contribution requirements are listed in the notes to the schedules of trend information on page 30. Six-year historical trend information designed to provide information about PERA's funding progress and employer contributions can be found on pages 28 to 29

Legislation enacted in 1997 improved initial benefits for PERA members without a material effect on the actuarial accrued liability in any of the funds administered by PERA.

Fig. 5 Unfunded Actuarial Accrued Liability
(in thousands)

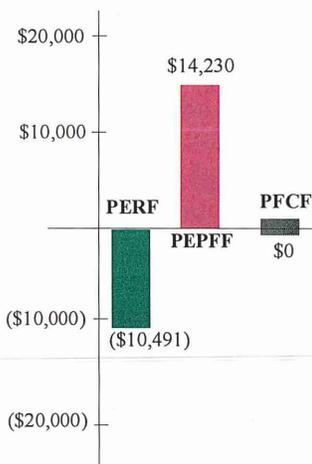
	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Assets available for benefits at cost	\$7,442,472	\$2,246,026	\$ 991,942
Plus 1/3 of unrealized capital gains (losses)	194,196	91,287	19,420
Net Assets at actuarial cost	<u>\$7,636,668</u>	<u>\$2,337,313</u>	<u>\$1,011,362</u>
Total required reserves	\$8,769,303	\$1,741,344	\$ 971,286
Less net assets at actuarial cost	7,636,668	2,337,313	1,011,362
Unfunded accrued liability (surplus assets) actuarial section	<u>\$1,132,635</u>	<u>\$ (595,969)</u>	<u>\$ (40,076)</u>

Notes

(Continued)

The Minnesota Post Retirement Investment Fund is a legally required reserve account, and is by definition fully funded.

Funding Surplus (Deficiency) (In Thousands)



E. RESERVE ACCOUNTS

1. Minnesota Post Retirement Investment Fund (MPRIF) Reserve

a) For all retiring members, except those in the Police and Fire Consolidation Fund who have not elected to have their post retirement adjustments determined by the MPRIF formula, the reserves required to pay the cost of the member's annuity are transferred to the MPRIF where the funds are invested. Increases in annuities are based upon earnings of the MPRIF, as defined in Minnesota Statutes, Section 11.18, Subd. 9.

b) The MPRIF is a legally required reserve account, and is by definition fully funded. Participation in the MPRIF is shown at the actuarially determined required reserves level in accordance with Minnesota Statutes, Section 11A.18, Subd. 7. It includes a 6 percent assumed income distribution, in accordance with Minnesota Statutes, Section 11A.18, and any mortality gains or losses as determined by an independent actuary hired by the state legislature. As of June 30, 1998, the Public Employees Retirement Fund's share of net assets of the MPRIF, at cost, is \$3,915,465,000 and at fair value is \$5,239,332,000. The Public Employees Police and Fire Fund's share of net assets of the MPRIF, at cost, is \$581,119,000 and at fair value is \$778,461,000. The Police and Fire Consolidation Fund's share of net assets

of the MPRIF, at cost, is \$571,510,000 and at fair value is \$764,431,000.

c) Beginning in fiscal year 1993, the MPRIF income available for distribution is determined using a post-retirement benefit increase formula based on total investment return rather than realized earnings. This formula contains both an inflation adjustment and an investment component. Stated as a percentage of eligible required reserves, annuitants and other individuals receiving benefits at May 31, 1997 are eligible to receive the following January 1, 1999 benefit increases:

Inflation Based Benefit Increase	1.5%
Investment Based Benefit Increase	8.3%
Total Benefit Increase	9.8%

2. Member Reserves

Accumulated member contributions, without interest, less the amounts refunded, transferred to the MPRIF for current retirees, or paid for disability and survivor benefits are recorded in the Member Reserve. As of June 30, 1998, total member reserves, at fair value, for PERF, PEPFF, and PFCF were \$1,151,860,000, \$245,499,000, and \$48,581,000 respectively.

3. Benefit Reserves

Employer contributions and investment income are recorded in the Benefit Reserve. Administrative expenses, survivor and disability benefits, investment management fees, and interest paid to the MPRIF for late reserve transfers are paid from the Benefit Reserve. As of June 30, 1998, total benefit reserves, at fair value, for PERF, PEPFF, and PFCF were \$2,943,775,000, \$1,690,337,000 and \$428,386,000 respectively.

Fig. 6

Funding Surplus: (In Thousands)

	PERF	% of Current Yr. Covered Payroll	PEPFF	% of Current Yr. Covered Payroll	PFCF	% of Current Yr. Covered Payroll
Contributions actually made:						
Employee share	\$140,386	4.55%	\$28,552	7.60%	\$ 3,733	7.60%
Employer share	151,499	4.91%	42,786	11.40%	13,229	11.40%
Subtotal - Actual	\$291,885	9.46%	\$71,338	19.00%	\$16,962	19.00%
Contributions actuarially required:						
Normal Cost	\$219,377	7.11%	\$81,288	21.65%	\$18,183	20.37%
Supplemental contribution amortization of UAAL by July 1, 2020	77,445	2.51%	(24,668)	-6.57%		
Additional municipal contribution*					(1,442)	-1.62%
Allowance for administrative expenses	5,554	0.18%	488	.13%	221	.25%
Subtotal - Actuarially required	\$302,376	9.80%	\$57,108	15.21%	\$16,962	19.00%
Funding surplus (deficiency)	\$(10,491)	-0.34%	\$14,230	3.79%	\$ 0	.00%

* **NOTE:** The additional municipal contribution (AMC) is the amount required to amortize the initial unfunded actuarial accrued liability over a 13-year period until December 31, 2010 and each year's actuarial gains and losses over a 15-year period. The \$1.977 million AMC amount is shown net of any local relief association's funding surplus. The dollar value of PFCF employer contributions actually made includes \$6.9 million received as the AMC during fiscal year 1997. However, the 11.4 percent employer contribution rate is determined without taking the AMC receipts into consideration.

F. OTHER NOTES

1. Cash

Cash on deposit consists of year-end receipts not processed as of the investment cutoff deadline on June 30. PERA cash funds are held in the state treasury, commingled with other state funds. Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. Such insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 1998, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all PERA deposits.

2. Administrative Expenses

Administrative expenses of the Public Employees Retirement Association are paid from the Public Employees Retirement Fund. At year-end, a portion of the expenses are allocated to the Public Employees Police and Fire Fund and the Police and Fire Consolidation Fund, based on the percentage of transactions processed for each fund during the year. The PEDCP reimburses the PERF to the extent of fees collected for recovery of administrative costs. The applicable amounts are reported as expenses of the four funds and reported on the Statement of Plan Net Assets.

For fiscal year 1998, administrative expenses allocated to PERF, PEPFF, PFCF, and PEDCP totaled \$7,076,000, \$525,000, \$221,000, and \$57,000 respectively.

3. Operating Leases

PERA is committed under lease agreements for rental of office and storage space through June 30, 2001. For accounting purposes, these leases are considered operating leases. Lease expenditures for fiscal year 1998 totaled \$340,000. Future minimum rental payments required as of June 30, 1998 are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
1999	\$309,631
2000	309,631
2001	314,765
Total	<u>\$934,027</u>

4. Reporting Changes

The Police and Fire Consolidation Fund (PFCF) was created by the 1987 Legislature to authorize on a voluntary basis, any local police or salaried firefighters relief association and the respective municipality to effect the consolidation of the local relief association with PERA. At the end of fiscal year 1998, there are 43 local relief associations in the PFCF. Two additional local relief associations elected to consolidate with PERA in fiscal year 1998—Austin Fire and St. Cloud Police. Net assets totaling \$22,640,418 were transferred from the two relief associations to PERA on the day of consolidation. These new assets were reported as "Other Additions" in the Statement of Changes in Plan Net Assets.

5. Year 2000 Compliance (unaudited)

In 1994, PERA began planning for the year 2000. Knowing that our mainframe computer and related legacy software would no longer function accurately once we hit January 1, 2000, we developed a project plan to make us Year 2000 (Y2K) compliant by 1999. Having passed that awareness stage, we entered the assessment stage to identify the software and hardware that needed to be upgraded. That stage was completed in fiscal year 98 for all our systems. We chose to replace 70 percent of our mainframe systems with new software and a client-server system that is Y2K compliant. We also chose to re-engineer our major work processes as we rewrite software to become much more efficient and Y2K compliant at the same time.

As of June 30, 1998 about 30 percent of our software has been rewritten and tested and moved to client-server. Our mainframe, which still supports another 30 percent of our software, has been upgraded and tested for Y2K compliance. The software on that mainframe is in the remediation stage, being rewritten or upgraded to be Y2K compliant. The remaining 40 percent of our programs are also in the remediation stage. Contracts committed to as of 6/30/98 for Y2K conversion amount to \$3,000,000 in fiscal year 99. We plan to complete the remediation stage in early 1999 and complete the testing stage by July 1999.

Administrative expenses of the Public Employees Retirement Association are paid from the Public Employees Retirement Fund. At year-end, a portion of the expenses are allocated to the Public Employees Police and Fire Fund and the Police and Fire Consolidation Fund.

Required Supplementary Information

Schedule of Funding Progress
(last six years, in thousands, unaudited)

Public Employees Retirement Fund

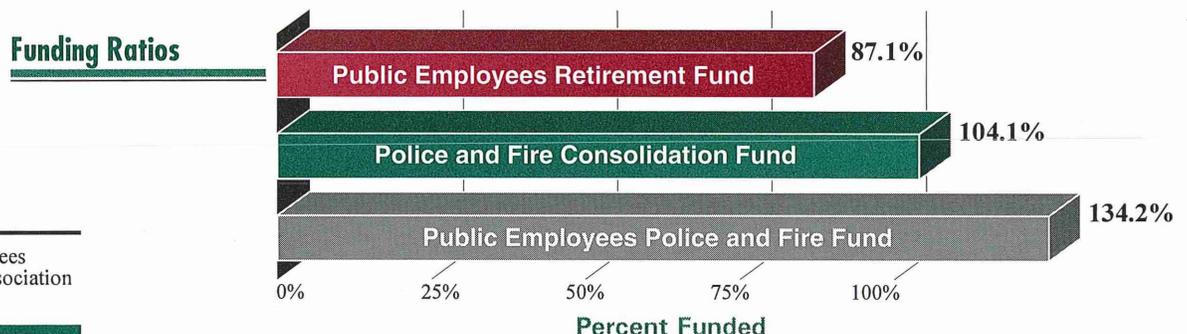
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/93	\$4,374,459	\$5,784,318	\$1,409,859	75.6%	\$2,403,558	58.6%
7/1/94	4,747,128	6,223,622	1,476,494	76.3%	2,557,522	57.7%
7/1/95	5,138,461	6,622,069	1,483,608	77.6%	2,679,069	55.4%
7/1/96	5,786,398	7,270,073	1,483,675	79.6%	2,814,126	52.7%
7/1/97	6,658,410	8,049,666	1,391,256	82.7%	2,979,260	46.7%
7/1/98	7,636,668	8,769,303	1,132,635	87.1%	3,271,737	34.6%

Public Employees Police and Fire Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/93	\$1,118,342	\$1,009,226	\$ (109,116)	110.8%	\$ 253,666	-43.0%
7/1/94	1,234,961	1,099,221	(135,740)	112.3%	277,566	-48.9%
7/1/95	1,385,901	1,196,795	(189,106)	115.8%	293,919	-64.3%
7/1/96	1,633,010	1,334,202	(298,808)	122.4%	316,189	-94.5%
7/1/97	1,974,635	1,556,483	(418,152)	126.9%	346,319	-120.7%
7/1/98	2,337,313	1,741,344	(595,969)	134.2%	375,131	-158.9%

Police and Fire Consolidation Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/93	\$ 357,160	\$ 444,721	\$ 87,561	80.3%	\$ 32,678	268.0%
7/1/94	636,766	726,611	89,845	87.6%	56,445	159.2%
7/1/95	675,332	744,513	69,181	90.7%	53,278	129.8%
7/1/96	753,862	791,353	37,491	95.3%	52,194	71.8%
7/1/97	876,171	880,211	4,040	99.5%	50,274	8.0%
7/1/98	1,011,362	971,286	(40,076)	104.1%	49,117	-81.6%



Required Supplementary Information

Schedule of Employer Contributions (last six years, in thousands, unaudited)

Public Employees Retirement Fund

Year Ended June 30	Actuarially Required Contribution Rate (A)*	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution	Percentage Contributed
1993	9.95%	\$2,403,558	\$106,359	\$132,795	\$113,183	85.23%
1994	9.58%	2,557,522	112,940	132,071	119,390	90.40%
1995	9.76%	2,679,069	115,986	145,491	123,984	85.22%
1996	9.61%	2,814,126	121,525	148,913	129,738	87.12%
1997	9.75%	2,979,260	128,234	162,244	136,686	84.25%
1998	9.62%	3,271,737	140,385	174,356	151,499	86.89%

Public Employees Police and Fire Fund

Year Ended June 30	Actuarially Required Contribution Rate (A)*	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution	Percentage Contributed
1993	18.60%	\$ 253,666	\$ 20,406	\$ 26,776	\$ 30,434	113.66%
1994	17.45%	277,566	21,806	26,629	32,536	122.18%
1995	17.28%	293,919	22,356	28,433	33,548	117.99%
1996	16.49%	316,189	24,065	28,075	36,066	128.46%
1997	15.11%	346,319	26,354	25,975	39,508	152.10%
1998	15.69%	375,131	28,552	30,306	42,786	141.18%

Police and Fire Consolidation Fund

Year Ended June 30	Actuarially Required Contribution Rate (A)*	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution	Percentage Contributed
1993	28.45%	\$ 32,678	\$ 1,619	\$ 7,679	\$ 7,679	100%
1994	32.28%	56,445	3,030	15,195	15,195	100%
1995	39.57%	53,278	4,237	16,849	16,849	100%
1996	36.69%	52,194	4,061	15,091	15,091	100%
1997	34.72%	50,274	3,950	13,509	13,509	100%
1998	8.53%	49,117	3,733	455	13,229	2,909%

* For years prior to July 1997, the Actuarially required Contribution was not calculated according to the parameters of GASB Statement number 25. However, the actual employer contributions paid were actuarially determined in accordance with statutes and actuarial standards in effect at the time.

Required Supplementary Information

Notes

(unaudited)

Notes to Required Supplementary Information

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police & Fire Fund</u>	<u>Police & Fire Consolidation Fund</u>
Valuation Date	6/30/98	6/30/98	6/30/98
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	22 years	22 years	12 years
Asset Valuation Method	Cost + 1/3 Unrealized Gains or Losses	Cost + 1/3 Unrealized Gains or Losses	Cost + 1/3 Unrealized Gains or Losses
Actuarial Assumptions:			
Investment Rate of Return	8.5%	8.5%	8.5%
Projected Salary Increases	5.0% - 7.7%	5.25% - 11.5%	5.25% - 11.5%
Assumed Inflation Rate	5.0%	5.0%	5.0%
Payroll Growth Rate	6.0%	6.0%	6.0%
Mortality Table - Active	1983 GAM Set Back 5 Years	1983 GAM Set Back 5 Years	1983 GAM Set Back 5 Years
Mortality Table - Retired	1983 GAM Set Forward 1 Year	1983 GAM	1983 GAM
Cost of Living Adjustment	2.5%	2.5%	2.5%

Schedule of Changes

In Plan Net Assets Public Employees Retirement Fund

For the Fiscal Year Ended June 30, 1998 (in thousands)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Total</u>
<u>Additions</u>				
Contributions				
Employer			\$ 151,499	\$ 151,499
Plan member	\$ 140,386			140,386
Total Contributions	\$ 140,386	\$ 0	\$ 151,499	\$ 291,885
Investments				
Investment income	\$ 0	\$ 829,841	\$ 753,861	\$1,583,702
Less investment expense			(5,465)	(5,465)
Net Income from investing activities	\$ 0	\$ 829,841	\$ 748,396	\$1,578,237
<i>From securities lending activities:</i>				
Securities lending income			\$ 59,654	\$ 59,654
Securities lending expenses:				
Borrower rebates			(54,819)	(54,819)
Management fees			(1,522)	(1,522)
Net income from securities lending			\$ 3,313	\$ 3,313
Total Net Investment Income	\$ 0	\$ 829,841	\$ 751,709	\$1,581,550
Other additions	\$ 1		\$ 1,381	\$ 1,382
Total Additions	\$ 140,387	\$ 829,841	\$ 904,589	\$1,874,817
<u>Deductions</u>				
Benefits	\$ 3,430	\$ 385,356	\$ 23,959	\$ 412,745
Refunds of contributions	12,772		4,150	16,922
Administrative expenses			7,076	7,076
Other deductions	4		1,297	1,301
Total Deductions	\$ 16,206	\$ 385,356	\$ 36,482	\$ 438,044
<u>Other Changes in Reserves</u>				
Annuities Awarded	\$ (46,181)	\$ 314,007	\$ (267,826)	\$ 0
Mortality Gain		13,961	(13,961)	0
Transfers Between Reserves	(629)		629	0
Total Other Changes in Reserves	\$ (46,810)	\$ 327,968	\$ (281,158)	\$ 0
Net Increase	\$ 77,371	\$ 772,453	\$ 586,949	\$1,436,773
<u>Net assets held in trust for pension benefits</u>				
Beginning of year	\$1,074,489	\$4,466,879	\$2,356,826	\$7,898,194
End of year	\$1,151,860	\$5,239,332	\$2,943,775	\$9,334,967

Schedule of Changes

In Plan Net Assets Public Employees Police & Fire Fund

For the Fiscal Year Ended June 30, 1998 (in thousands)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Total</u>
<u>Additions</u>				
Contributions				
Employer			\$ 42,786	\$ 42,786
Plan member	\$ 28,552			28,552
Total Contributions	\$ 28,552	\$ 0	\$ 42,786	\$ 71,338
Investments				
Investment income	\$ 0	\$134,574	\$ 358,618	\$ 493,192
Less investment expense			(2,608)	(2,608)
Net Income from investing activities	\$ 0	\$134,574	\$ 356,010	\$ 490,584
<i>From securities lending activities:</i>				
Securities lending income			\$ 16,727	\$ 16,727
Securities lending expenses:				
Borrower rebates			(15,353)	(15,353)
Management fees			(433)	(433)
Net income from securities lending			\$ 941	\$ 941
Total Net Investment Income	\$ 0	\$134,574	\$ 356,951	\$ 491,525
Other additions	5		188	193
Total Additions	\$ 28,557	\$134,574	\$ 399,925	\$ 563,056
<u>Deductions</u>				
Benefits	\$ 1,715	\$ 46,572	\$ 7,747	\$ 56,034
Refunds of contributions	781		401	1,182
Administrative expenses			525	525
Other deductions			129	129
Total Deductions	\$ 2,496	\$ 46,572	\$ 8,802	\$ 57,870
<u>Other Changes in Reserves</u>				
Annuities Awarded	\$(11,055)	\$ 87,398	\$ (76,343)	\$ 0
Mortality Gain		2,931	(2,931)	0
Transfers Between Reserves	1		(1)	0
Total Other Changes in Reserves	\$(11,054)	\$ 90,329	\$ (79,275)	\$ 0
Net Increase	\$ 15,007	\$178,331	\$ 311,848	\$ 505,186
<u>Net assets held in trust for pension benefits</u>				
Beginning of year	\$230,492	\$600,130	\$1,378,489	\$2,209,111
End of year	\$245,499	\$778,461	\$1,690,337	\$2,714,297

Schedule of Changes

In Plan Net Assets Police & Fire Consolidation Fund

For the Fiscal Year Ended June 30, 1998 (in thousands)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Total</u>
<u>Additions</u>				
Contributions				
Employer			\$ 13,229	\$ 13,229
Plan member	\$ 3,733			3,733
Total Contributions	\$ 3,733	\$ 0	\$ 13,229	\$ 16,962
Investments				
Investment income	\$ 0	\$136,329	\$ 94,623	\$ 230,952
Less investment expense			(684)	(684)
Net Income from investing activities	\$ 0	\$136,329	\$ 93,939	\$ 230,268
<i>From securities lending activities:</i>				
Securities lending income			\$ 7,979	\$ 7,979
Securities lending expenses:				
Borrower rebates			(7,334)	(7,334)
Management fees			(203)	(203)
Net income from securities lending			\$ 442	\$ 442
Total Net Investment Income	\$ 0	\$136,329	\$ 94,381	\$ 230,710
Other additions			\$ 24,222	\$ 24,222
Total Additions	\$ 3,733	\$136,329	\$131,832	\$ 271,894
<u>Deductions</u>				
Benefits	\$ 943	\$ 50,633	\$ 9,530	\$ 61,106
Refunds of contributions	2		294	296
Administrative expenses			221	221
Other deductions	1		404	405
Total Deductions	\$ 946	\$ 50,633	\$ 10,449	\$ 62,028
<u>Other Changes in Reserves</u>				
Annuities Awarded	\$ (6,883)	\$ 80,221	\$ (73,338)	\$ 0
Mortality Loss		1,724	(1,724)	0
Transfers Between Reserves	1,177		(1,177)	0
Total Other Changes in Reserves	\$ (5,706)	\$ 81,945	\$ (76,239)	\$ 0
Net Increase	\$ (2,919)	\$167,641	\$ 45,144	\$ 209,866
<u>Net assets held in trust for pension benefits</u>				
Beginning of year	\$ 51,500	\$596,790	\$383,242	\$1,031,532
End of year	\$ 48,581	\$764,431	\$428,386	\$1,241,398

Schedule of Investment Expenses

For the Fiscal Year Ended June 30, 1998 (in thousands)

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Total (Memorandum Only)
Outside Money Managers—Equities	\$4,444	\$2,116	\$561	\$7,121
Outside Money Managers—Bonds	817	389	103	1,309
Minnesota State Board of Investment	189	96	18	303
Financial Control Systems	15	7	2	24
Total	<u>\$5,465</u>	<u>\$2,608</u>	<u>\$684</u>	<u>\$8,757</u>

Schedule of Commissions and Payments to Consultants

For the Fiscal Year Ended June 30, 1998 (in thousands)

Individual or Firm Name	Nature of Service	Fee Paid
KPMG Peat Marwick LLP	System Development	\$1,447
Imerge Consulting	System Development	164
Ciber Inc.	System Development	141
Benefacts, Inc.	Management	125
SGS Group	Management	27
Gabriel, Roeder, Smith, & Co.	Actuarial	71
Richards & Tierney	Investment	45
Solution Design Group, Inc.	System Development	28
Segal Company	Legal	16
Van Wagner	Medical Services	13
Pension Consulting Alliance	Investment	11
Pension Benefits Inc.	Management	7
CNK Inc.	Management	5
Novaeon Inc.	Management	3
Kusske Financial Mgmt.	Management	2
First American Trust Co. of MN	Management	2
Standard Valuations Inc.	Management	1
Piper Jaffray Inc.	Management	1
Walker Giroux Hahne Ltd.	Management	1
Independent Medical Consultants (11)	Medical Services	14
State of Minnesota —		
Legislative Commission on Pensions	Actuarial	68
Attorney General	Legal	53
Legislative Auditor	Auditing	53
Administrative Law Judges	Medical Services	18
Total		<u>\$2,316</u>

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 1998 (in thousands)

Personal Services:

Staff Salaries	\$3,539	
Part-Time, Seasonal Labor	178	
Other Benefits	36	
Total Personal Services		\$3,753

Professional Services:

Actuarial	\$ 139	
Audit	53	
Legal	69	
Investment Consultants	56	
Management Consultants	174	
Medical Evaluations	45	
System Development	1,780	
Total Professional Services		2,316

Communication:

Printing	\$ 269	
Mail & Telephone Services	504	
Total Communication		773

Rentals & Maintenance:

Office Space	\$ 342	
Repairs & Maintenance	39	
System Services	84	
Total Rentals & Maintenance		465

Other:

Operating Costs	\$ 30	
In-State Travel	24	
Out-State Travel	26	
Employee Development	27	
Supplies & Materials	169	
Indirect Costs	72	
General Management and Fiscal Services	69	
Depreciation	155	
Total Other		572
Total Administrative Expense		<u>\$7,879</u>

Allocation of Administrative Expense:

Defined Benefit Plans

Public Employees Retirement Fund	\$7,076
Public Employees Police and Fire Fund	525
Police and Fire Consolidation Fund	221

Defined Contribution Plans

Public Employees Defined Contribution Plan	57
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Total Administrative Expenses	<u>\$7,879</u>
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Investment Report



MINNESOTA STATE BOARD OF INVESTMENT



Board Members:

Governor
Arne H. Carlson

State Auditor
Judi Dutcher

State Treasurer
Michael A. McGrath

Secretary of State
Joan Anderson Grow

Attorney General
Hubert H. Humphrey III

Executive Director:

Howard J. Bicker

Suite 105, MEA Bldg.
55 Sherburne Avenue
St. Paul, MN 55155
(612) 296-3328
FAX (612) 296-9572

An Equal Opportunity
Employer

Investment Authority

The assets of the Public Employees Retirement Association are invested under the direction and authority of the State Board of Investment (SBI) in accordance with Minnesota Statutes, Chapters 11A and 356A. The SBI is made up of the State Governor, State Auditor, State Treasurer, Secretary of State, and the Attorney General. The Legislature has also established a 17-member Investment Advisory Council to advise the SBI and its staff on investment-related matters. The Executive Director of PERA is a permanent member of this Council.

Investment Policy

Investment policy states that the SBI will operate within standard investment practices of the prudent person. The SBI is to "exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom." The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, mutual funds, resource investments, and real estate interests subject to specific parameters. Above all, pension fund assets are to be invested for the exclusive benefit of the members of the fund.

Investment Objectives

Pension fund assets are managed and accounted for separately in the Basic Funds and the Post Fund. The SBI reviews the performance of all the assets in the Combined Funds.

Pension contributions of PERA members are invested in the **Basic Funds** along with pension contributions from active members in seven other statewide retirement funds. PERA does not own any underlying assets, but instead owns a participation in these pooled Basic Funds. Because these assets normally accumulate in the Basic Funds for thirty to forty years, SBI's objective is to take advantage of the long investment time horizon offered by equities and alternative assets in order to meet its actuarial return target of 8.5 percent per year and ensure that sufficient funds are available to finance promised benefits at the time of retirement.

When a member retires, PERA transfers assets on behalf of the member to the **Minnesota Post Retirement Investment Fund (MPRIF)**. The assets of the Post Fund, which include the eight plans which participate in the Basic Funds as well as the Legislative and Survivors Retirement Fund, finance monthly annuity payments paid to retirees. Investments in the Post Fund are generally invested a bit more conservatively, but still invest heavily in equities to take advantage of the 15-20 year time horizon associated with the length of time a typical retiree can be expected to draw benefits. The actuarial return target for the Post Fund is 6 percent.

The **Combined Funds**, while not existing under statute, represents the assets of both the active and retired public employees who

participate in the defined benefit plans administered by PERA, the Minnesota State Retirement System, and the Teachers Retirement Association. They are used by the SBI for comparison purposes only, since most public pension plans do not separate the assets of their active employees and retirees. The long term objectives of the Combined Funds are: (1) provide returns that are 3-5 percentage points greater than inflation over the latest 10-year period; (2) outperform a composite market index weighted in a manner that reflects the actual asset mix of the Combined funds over the latest 5-year period; and (3) provide returns that are ranked in the top half of a universe of public and corporate plans over the latest 5-year period. As of June 30, 1998 the Combined Funds returned 10.6 percentage points above the CPI over the last 10 years, outperformed the Composite Index by 0.5 percentage points over the past five years, and ranked in the 28th percentile, above the median fund in the Trust Universe Comparison Service.

Investment Presentation

Data reported in the investment section of this CAFR is presented in conformance with the presentation standards of the Association for Investment Management and Research (AIMR). Investment returns were prepared using a time-weighted rate of return methodology in accordance with those standards.

A handwritten signature in cursive script that reads "Howard J. Bicker".

Howard Bicker
Executive Director
State Board of Investment

Investment Results

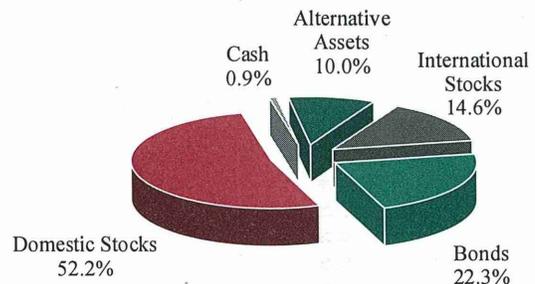
INVESTMENT RETURNS BY SECTOR

Performance of Asset Pools (Net of Fees)

	Rates of Return (Annualized)		
	FY 1998	3-Year	5-Year
Domestic Stock Pool	30.6%	28.7%	21.5%
Wilshire 5000	28.9	28.1	21.5
Bond Pool	11.0%	8.5%	7.3%
Lehman Agg.	10.5	7.9	6.9
International Stock Pool	1.2%	11.8%	11.0%
Composite Index	(1.1)	8.3	8.6
Real Estate Pool (Basic Funds Only)	41.1%	16.4%	10.8%
Real Estate Index	19.1	10.4	7.0
Private Equity Pool (Basic Funds Only)	49.0%	39.0%	26.0%
Resource Pool (Basic Funds Only)	33.3%	25.4%	18.8%

Basic Funds

Actual Asset Mix



Asset Allocation (at June 30, 1998)*

Asset allocation will have a dominant effect on returns. SBI has focused considerable attention on the selection of the appropriate long-term asset allocation policy for the Basic and MPRIF funds.

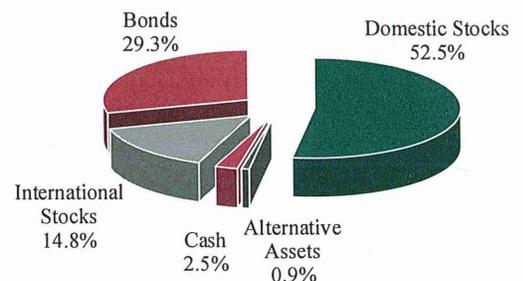
Investment Type	Basic		MPRIF	
	Actual Asset Mix	Long-term Policy Target	Actual Asset Mix	Long-term Policy Target
Domestic Stocks	52.2%	45.0%	52.5%	50.0%
International Stocks	14.6	15.0	14.8	15.0
Bonds	22.3	24.0	29.3	27.0
Alternative Assets**	10.0	15.0	0.9	5.0
Cash	0.9	1.0	2.5	3.0
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

* Source: Minnesota State Board of Investment (SBI) FY 1998 Annual Report.

** Alternative assets include real estate, venture capital and resource (oil, gas, etc.) funds.

Post Retirement Investment Fund

Actual Asset Mix

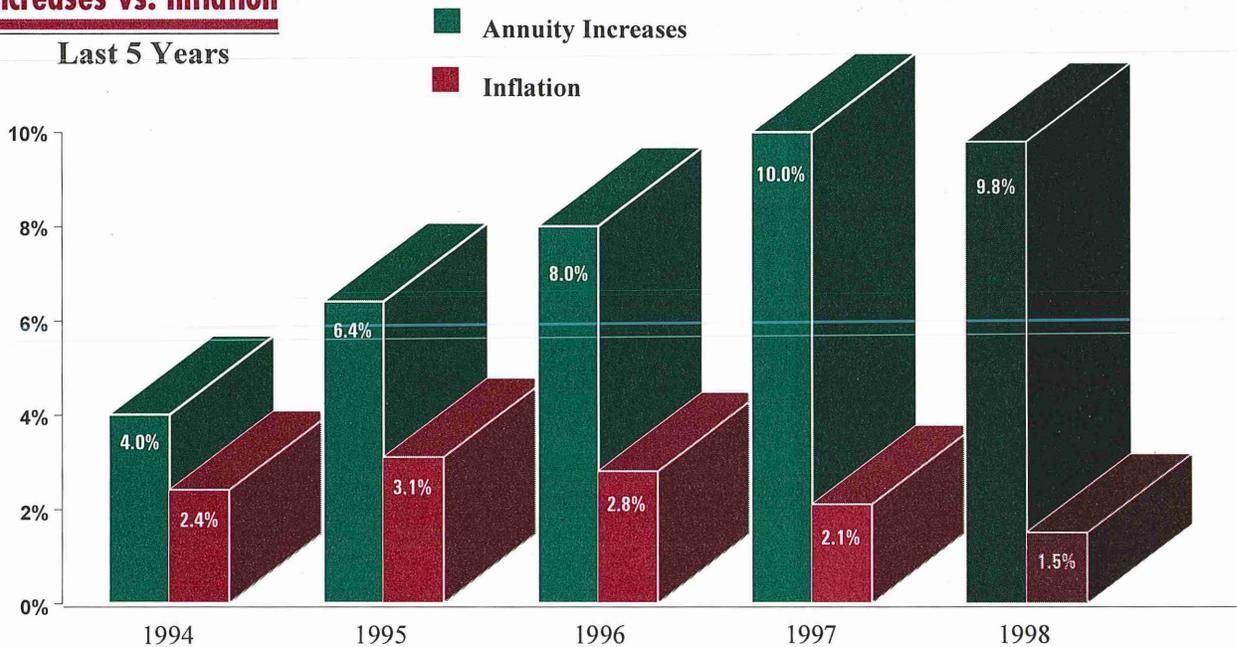


The charts above shows the asset allocation of the Basic Funds and the MPRIF at June 30, 1998.

Investment Results

Annuity Increases vs. Inflation

Last 5 Years



Increases awarded to PERA retirees under the MPRIF have outpaced inflation each of the past five years. Increases and inflation are both measured as of June 30, the end of PERA's fiscal year. Increases are effective January 1 of the following year.

Fund Performance

Fund	Rates of Return (Annualized)		
	FY 1998	3-Year	5-Year
Basic Funds (Active Accounts)	22.2%	20.9%	15.9%
Basic Composite Market Index	20.3	19.8	15.5
MPRIF Fund (Retiree Accounts)	19.4%	19.1%	14.9%
MPRIF Composite Market Index	17.6	17.7	14.2
Combined Funds (Active/Retiree)*	20.9%	20.1%	15.4%
Combined Composite Market Index	19.0	18.8	14.9

* Percentages are net of all management fees. Amounts include Basic and MPRIF funds.

Note: All composite indices are composed of the following market indicators, weighted according to asset allocation: Stocks—Wilshire 5000; Int'l. Stocks—EAFE; Domestic Bonds—Lehman Aggregate; Alternative Assets—Wilshire Real Estate Index, Venture Capital Funds, Resource Funds; Unallocated Cash—91 Day T-Bills.

List of Largest Assets Held

June 30, 1998

Composite Holdings of Top Ten Equities (by Market Value)

<u>Security</u>	<u>% of Portfolio</u>
General Electric Co.	1.05%
Microsoft Corp.	0.90
Coca Cola Co.	0.80
Merck & Co. Inc.	0.70
Exxon Corp.	0.65
Philip Morris Cos. Inc.	0.52
Bristol Myers Squibb Co.	0.52
Proctor & Gamble Company	0.49
Intel Corp.	0.49
American Intl Group Inc.	0.48

Composite Holdings of Top Ten Bond Holdings (By Market Value)

<u>Security</u>	<u>Coupon</u>	<u>Maturity Date</u>	<u>Rating</u>	<u>% of Portfolio</u>
FNMA (30 Year)	6.50	07/01/2028	AAA	0.76
United States Treasury Bonds	6.25	08/15/2023	AAA	0.33
United States Treasury Notes	5.50	05/31/2003	AAA	0.31
GNMA (30 Year)	7.00	12/15/2027	AAA	0.29
United States Treasury Notes	3.38	01/15/2007	AAA	0.25
United States Treasury Bonds	7.50	11/15/2016	AAA	0.24
FHLMC Gold	6.50	12/01/2027	AAA	0.24
United States Treasury Notes	7.75	11/30/1999	AAA	0.19
United States Treasury Notes	6.00	08/15/2000	AAA	0.18
GNMA (30 Year)	6.50	12/15/2027	AAA	0.17

PERA's assets are commingled in various pooled investment accounts administered by the State Board of Investment. PERA does not own specific values of the underlying assets. The percentages shown are those of the total pooled accounts. Information on investment activity, a listing of specific investments owned by the pooled accounts and a schedule of fees and commissions can be obtained from the Minnesota State Board of Investment.

Investment Summary at Cost*

For the Fiscal Year Ended June 30, 1998 (in thousands)

Public Employees Retirement Fund

	Cost June 30, 1997	Total Acquisitions	Total Dispositions	Cost June 30, 1998
Pooled Accounts				
External Domestic Equity	\$1,121,146	\$275,751	\$151,681	\$1,245,216
Passive Domestic Eq Pool	407,220	41,415	11,052	437,583
Global Equity Pool	496,193	90,479	21,852	564,820
Fixed Income	757,826	174,975	27,218	905,583
Real Estate	118,199	17,501	14,718	120,982
Resources Pool	24,641	17,354	8,057	33,938
Venture Capital	151,456	56,100	31,095	176,461
Total Pooled Accounts	<u>\$3,076,681</u>	<u>\$673,575</u>	<u>\$265,673</u>	<u>\$3,484,583</u>

Public Employees Police and Fire Fund

	Cost June 30, 1997	Total Acquisitions	Total Dispositions	Cost June 30, 1998
Pooled Accounts				
External Domestic Eq Pool	\$ 533,267	\$128,564	\$ 73,349	\$ 588,482
Passive Domestic Eq Pool	193,664	18,185	5,601	206,248
Global Equity Pool	235,940	42,748	11,875	266,813
Fixed Income	360,277	83,411	15,962	427,726
Real Estate	56,722	8,121	7,294	57,549
Resources Pool	11,674	8,193	3,861	16,006
Venture Capital	72,170	25,927	14,604	83,493
Total Pooled Accounts	<u>\$1,463,714</u>	<u>\$315,149</u>	<u>\$132,546</u>	<u>\$1,646,317</u>

Police and Fire Consolidation Fund

	Cost June 30, 1997	Total Acquisitions	Total Dispositions	Cost June 30, 1998
Pooled Accounts				
External Domestic Eq Pool	\$ 151,616	\$ 43,237	\$ 46,287	\$ 148,566
Passive Domestic Eq Pool	55,533	12,792	14,933	53,392
Global Equity Pool	66,936	15,807	16,585	66,158
Other Equity	0	6,834	6,834	0
Fixed Income	102,072	27,972	23,888	106,156
Other Fixed Income	0	10,347	10,347	0
Real Estate	15,581	2,402	3,851	14,132
Resources Pool	3,323	2,244	1,452	4,115
Venture Capital	22,326	6,988	6,842	22,472
Total Pooled Accounts	<u>\$ 417,387</u>	<u>\$128,623</u>	<u>\$131,019</u>	<u>\$ 414,991</u>

Investment Summary at Market Value*

For the Fiscal Year Ended June 30, 1998 (in thousands)

Public Employees Retirement Fund

	Market Value June 30, 1997	Market Value June 30, 1998	Percent of Portfolio
Pooled Accounts			
External Domestic Equity	\$1,240,546	1,460,953	35%
Passive Domestic Eq Pool	524,368	681,366	17
Global Equity Pool	552,793	601,741	15
Fixed Income	763,848	919,439	23
Real Estate	116,978	154,102	4
Resources Pool	32,096	34,227	1
Venture Capital	164,668	215,345	5
Total Pooled Accounts	<u>\$3,395,297</u>	<u>\$4,067,173</u>	<u>100%</u>

Public Employees Police and Fire Fund

	Market Value June 30, 1997	Market Value June 30, 1998	Percent of Portfolio
Pooled Accounts			
External Domestic Eq Pool	\$ 589,892	689,729	35%
Passive Domestic Eq Pool	249,342	321,705	17
Global Equity Pool	262,858	284,048	15
Fixed Income	363,217	434,007	23
Real Estate	55,624	72,796	4
Resources Pool	15,262	16,163	1
Venture Capital	78,301	101,729	5
Total Pooled Accounts	<u>\$1,614,496</u>	<u>\$1,920,177</u>	<u>100%</u>

Police and Fire Consolidation Fund

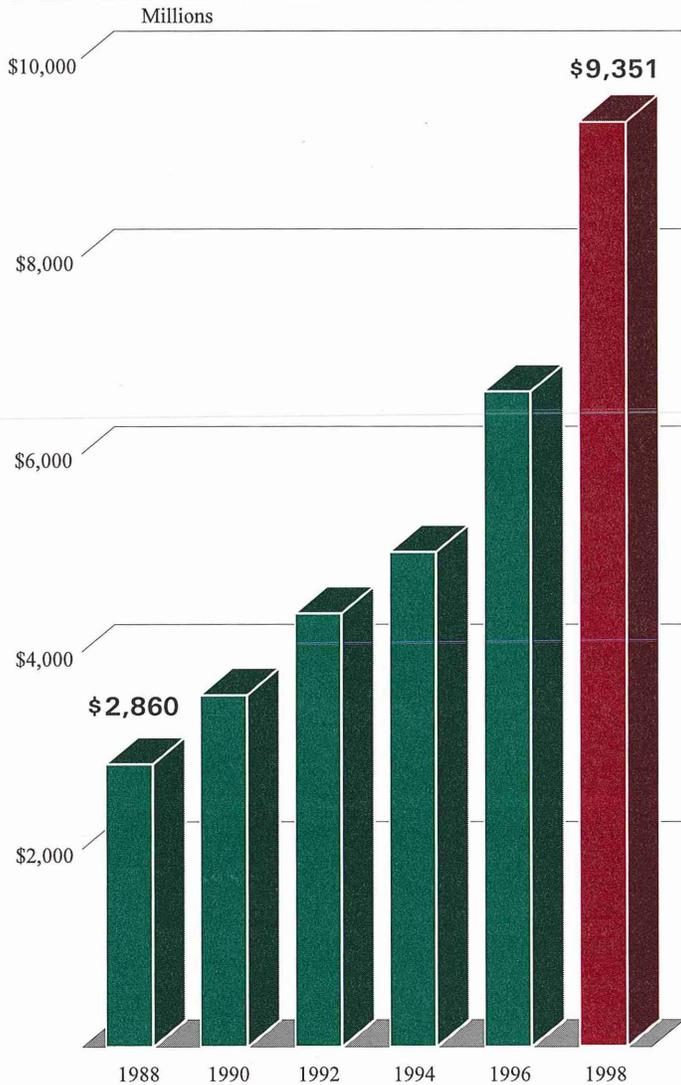
	Market Value June 30, 1997	Market Value June 30, 1998	Percent of Portfolio
Pooled Accounts			
External Domestic Eq Pool	\$ 166,926	\$ 169,905	35%
Passive Domestic Eq Pool	70,559	79,375	17
Global Equity Pool	74,377	69,778	15
Other Equity	0	0	0
Fixed Income	102,763	106,577	23
Other Fixed Income	0	0	0
Real Estate	15,741	18,225	4
Resources Pool	4,317	4,026	1
Venture Capital	22,153	25,363	5
Total Pooled Accounts	<u>\$ 456,836</u>	<u>\$ 473,249</u>	<u>100%</u>

* Figures shown are for PERA's active pooled funds.

Market Value of Assets

Market Value of Assets

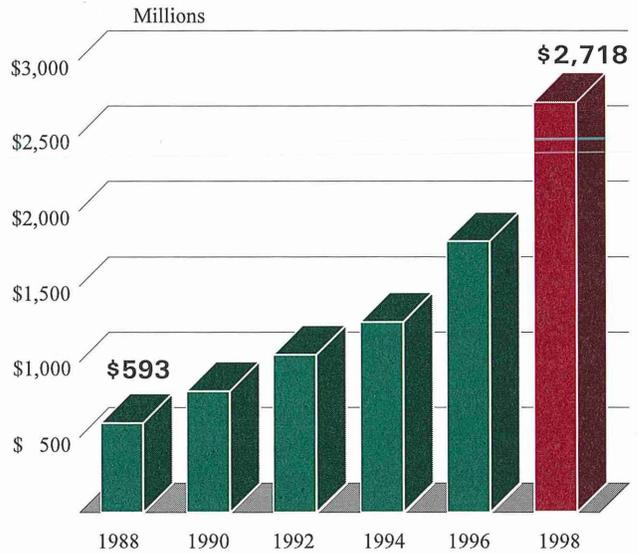
Public Employees Retirement Fund



Over the past 10 years, the market value of the Public Employees Retirement Fund has grown from \$2.8 billion in 1988 to \$9.4 billion in 1998.

Market Value of Assets

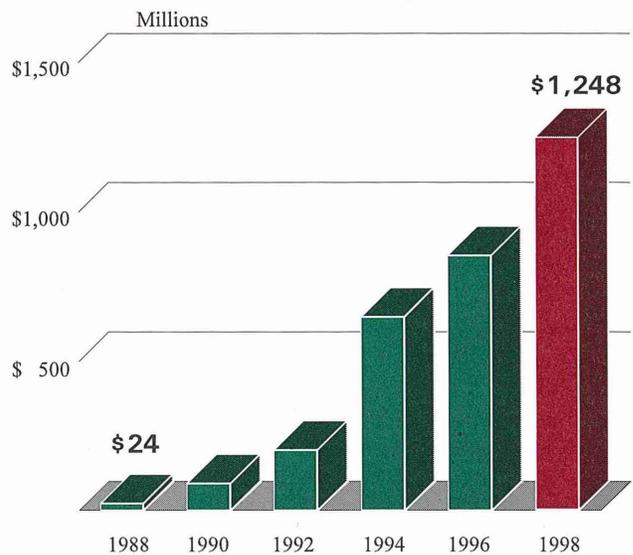
Police and Fire Fund



Market value of Police and Fire Fund assets increased from \$593 million in 1988 to \$2.7 billion in 1998.

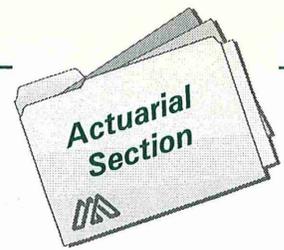
Market Value of Assets

Police and Fire Consolidation Fund



Created in 1988, the Police and Fire Consolidation Fund has seen its assets climb to over \$1.2 billion in just 10 years.

Certification Letter



MILLIMAN & ROBERTSON, INC.

Actuaries and Consultants

Suite 400, 15800 Bluemound Road, Brookfield, Wisconsin 53005-6069

November 27, 1998

Board of Trustees
Public Employees Retirement
Association of Minnesota
514 St. Peter Street Suite 200
St. Paul, Minnesota 55102-1090

Members of the Board:

We have completed our annual actuarial valuation of the Public Employees Retirement Association of Minnesota to test how well the fundamental financing objectives are being achieved and to determine the actuarial status of the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Police and Fire Consolidation Fund (PFCF) as of July 1, 1998.

The fundamental financing objectives of the funds are to establish contribution rates which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding.

The results of the valuation indicate that the PERF, PEPFF and the PFCF are either ahead of or on schedule to meet the required dates for full funding.

The actuarial valuation was based upon applicable GASB 25 and statutory provisions and the Standards for Actuarial Work in effect on July 1, 1998. In the aggregate, the basic financial and membership data provided to us by the association office appears reasonable in comparison to last year, and we have relied upon the data as submitted in performing the actuarial valuation and preparing trend data schedules. It is our understanding that the data has subsequently been audited with no significant changes made. We are responsible for providing the numbers for each of the supporting schedules in the Actuary section of PERA's comprehensive annual financial report. We are also responsible for preparing both of the Required Supplementary Information schedules found in the Financial section of this annual report.

The three valuations were performed by using the actuarial cost methods and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by the PERA Board and approved by the Legislative Commission on Pensions and Retirement.

Effective for the July 1, 1998 valuation there was one plan provision change in the PERF, though that change did not impact funding. As of July 1, 1998 a group of corrections officers will be given an enhanced disability benefit. The additional benefit will be paid for by an increase in contribution rates for that group of members.

The unfunded actuarial accrued liability was impacted by two changes in the PFCF. The benefit accrual rate increased from 2.65% to 3.0% for 29 local relief associations which consolidated prior to July 1, 1997 whose city councils adopted a resolution accordingly. Two new accounts, Austin Fire and St. Cloud Police, were added to the PFCF during the fiscal year. Those two accounts decreased the unfunded actuarial accrued liability by \$4.1 million.

The following table shows the date for full funding for each of the three plans and the funding percentage for the 1998 valuation. The funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

<u>Fund</u>	<u>Funding Date</u>	<u>Funding Percentage</u>
PERF	2020	87.08%
PEPFF	2020	134.22%
PFCF	2010	104.13%

We certify that to the best of our knowledge and belief, this actuarial valuation was performed in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work.

Respectfully submitted,

Thomas K. Custis, F.S.A.
Consulting Actuary

Summary of Actuarial Assumptions and Methods

Public Employees Retirement Fund

Actuarial Cost Method	Entry Age Normal, with costs allocated as a level percentage of payroll. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*
Actuarial Assumptions	
1. a. Retirement	Age 64. In addition, assumes 50% of employees retire when age plus service totals 90.†††
b. Mortality	1983 Group Annuity Mortality Table set forward one year for retirees and back five for active members.‡‡‡
c. Mortality-Disabled	1965 Railroad Workers Select Mortality.††
d. Disability	Graded rates. † (Table on following page shows sample values.)
e. Termination	Graded rates. ** (Table on following page shows sample values.)
2. Allowance for Expenses	.17% of payroll.‡‡
3. Asset Valuation	Cost plus 1/3 unrealized gains or losses.†
4. Investment Return	8.5% compounded annually, preretirement.‡‡ 6% compounded annually, post-retirement.‡
5. Earnings Progression	Age related table which incorporates a 5% base inflation assumption. ‡‡‡ (Table on following page shows sample values.)
6. Active Member Payroll Growth	6.0% per year.†

Public Employees P & F Fund

Actuarial Cost Method	Entry Age Normal, with costs allocated as a level percentage of payroll. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*
Actuarial Assumptions	
1. a. Retirement	Age related table from age 50 to 70.‡
b. Mortality	1983 Group Mortality Table set back five years for active members.‡
c. Mortality-Disabled	1965 Railroad Workers Select Mortality.††
d. Disability	Graded rates. † (Table on following page shows sample values.)
e. Termination	Graded rates. ** (Table on following page shows sample values.)
2. Allowance for Expenses	.12% of payroll.‡‡
3. Asset Valuation	Cost plus 1/3 unrealized gains or losses.†
4. Investment Return	8.5% compounded annually, preretirement.‡‡ 6% compounded annually, post-retirement.‡
5. Earnings Progression	Age related table which incorporates a 5% base inflation assumption.‡ (Table on following page shows sample values.)
6. Active Member Payroll Growth	6.0% per year.‡ (Reflects group size and inflation)

Police and Fire Consolidation Fund

For members selecting benefit provisions of the Public Employees Police and Fire Fund (PEPFF), the actuarial cost method and actuarial assumptions are the same as those indicated above for the PEPFF. For members selecting benefit provisions of the local relief association, the actuarial assumptions used for retirement age and post-retirement increases vary depending upon the provisions of the particular relief association.

Adoption Dates

* 1960	† 1984	‡ 1997
** 1990	†† 1986	‡‡ 1989
	††† 1987	‡‡‡ 1994

Actuarial Tables

June 30, 1998

Schedule of Recommended vs. Actual Contribution Rates (Expressed as a percent of Member Payroll)

	Actual Contribution Rate			Recommended Rate*
	Member	Employer	Total	
Public Employees Retirement Fund	4.6%	4.9%	9.5%	9.80%
Public Employees Police and Fire Fund	7.6	11.4	19.0	15.21
Police and Fire Consolidation Fund	7.6	11.4	19.0	19.00**

* The recommended rates scheduled above represent the required rates for fiscal year 1998 contributions as reported in the July 1, 1997 actuarial valuation reports.

** Plus an additional dollar amount determined annually to amortize the unfunded actuarial accrued liability by July 1, 2010, and to amortize any actuarial losses or gains over a 15-year period. The fiscal 1998 amortization amount, as reported in the July 1, 1997 actuarial valuation report, is (\$1,442,405).

Sample Annual Rates per 100 Employees

Public Employees Retirement Fund

Age	Mortality		Disability	Termination		Salary
	Male	Female	All Employees	Male	Female	Increase
20	.03	.01	.09	25.42	29.13	7.7%
25	.04	.02	.10	15.36	19.42	7.6
30	.05	.03	.11	10.18	13.94	7.2
35	.06	.03	.12	7.19	10.53	6.9
40	.09	.05	.15	5.32	8.26	6.4
45	.14	.07	.22	4.08	6.67	6.2
50	.22	.10	.33	3.21	5.50	5.7
55	.39	.16	.58	1.95	4.78	5.7
60	.61	.25	1.18	—	—	5.0
65	.91	.42	—	—	—	5.0

Public Employee Police and Fire Fund & Police and Fire Consolidation Fund

Age	Mortality		Disability	Termination	Salary
	Male	Female	All Employees	All Employees	Increase
20	.03	.01	.11	8.59	11.5%
25	.04	.02	.13	4.63	9.5
30	.05	.03	.16	2.80	8.0
35	.06	.03	.19	1.83	7.0
40	.09	.05	.26	1.26	6.0
45	.12	.07	.36	.91	5.5
50	.22	.10	.69	.50	5.0
55	.39	.16	1.35	.11	5.0
60	.61	.25	—	—	5.0
65	.92	.42	—	—	5.0

A summary of plan provisions is provided on pages 13-16.

Solvency Test

Last Six Years
(in thousands)

Public Employees Retirement Fund

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-93	\$ 780,125	\$2,540,063	\$2,464,130	\$4,374,459	100%	100%	42.8%
6-30-94	834,418	3,027,086	2,362,118	4,747,128	100	100	37.5
6-30-95	916,109	3,170,343	2,535,617	5,138,461	100	100	41.5
6-30-96	992,911	3,458,961	2,818,201	5,786,398	100	100	47.4
6-30-97	1,074,489	3,795,580	3,179,597	6,658,410	100	100	56.2
6-30-98	1,151,861	4,307,232	3,310,210	7,636,668	100	100	65.8

Public Employees Police and Fire Fund

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-93	\$ 164,516	\$309,982	\$534,728	\$1,118,342	100%	100%	120.4%
6-30-94	180,499	364,944	553,778	1,234,959	100	100	124.5
6-30-95	196,185	409,005	591,605	1,385,901	100	100	132.0
6-30-96	212,498	473,265	648,439	1,633,010	100	100	146.1
6-30-97	230,492	567,300	758,691	1,974,635	100	100	155.1
6-30-98	245,499	711,514	784,331	2,337,313	100	100	176.0

Police and Fire Consolidation Fund

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-93	\$ 29,020	\$273,301	\$142,400	\$ 357,161	100%	100%	38.5%
6-30-94	49,176	424,962	252,473	636,766	100	100	64.4
6-30-95	50,258	441,187	245,068	675,331	100	100	71.8
6-30-96	51,545	483,250	256,558	753,862	100	100	85.4
6-30-97	51,500	583,784	244,926	876,171	100	100	98.3
6-30-98	48,581	702,706	219,999	1,011,362	100	100	118.2

Schedule of Active Member Valuation Data

Last Six Years

Public Employees Retirement Fund

Valuation Date	Number	Valuation Payroll	Annual Average Pay	% Increase in Average Pay
6-30-93	114,932	\$2,421,000,000	\$21,066	0.6%
6-30-94	120,199	2,595,000,000	21,592	2.5
6-30-95	126,612	2,768,000,000	21,858	1.2
6-30-96	129,431	2,901,000,000	22,413	2.5
6-30-97	130,865	3,036,000,000	23,199	3.5
6-30-98	136,166	3,199,000,000	23,494	1.3

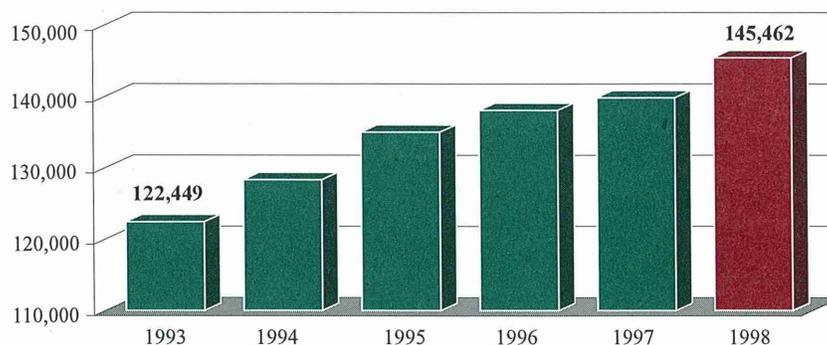
Public Employees Police and Fire Fund

Valuation Date	Number	Valuation Payroll	Annual Average Pay	% Increase in Average Pay
6-30-93	6,785	\$254,281,000	\$37,477	2.0%
6-30-94	7,043	277,269,000	39,368	5.0
6-30-95	7,380	294,861,000	39,954	1.5
6-30-96	7,680	316,332,000	41,189	3.1
6-30-97	8,079	347,187,000	42,974	4.3
6-30-98	8,499	375,460,000	44,177	2.8

Police and Fire Consolidation Fund

Valuation Date	Number	Valuation Payroll	Annual Average Pay	% Increase in Average Pay
6-30-93	732	\$32,678,000	\$44,642	7.5%
6-30-94	1,117	56,445,000	50,533	13.2
6-30-95	1,061	53,278,000	50,215	(.6)
6-30-96	1,003	52,194,000	52,038	3.6
6-30-97	933	50,274,000	53,884	3.5
6-30-98	797	45,027,000	56,496	4.8

Retirement Fund Active Members



The number of active employees participating in PERA's three defined benefit plans has increased 19 percent during the past six fiscal years.

Schedule of Retirees and Beneficiaries

Public Employees Retirement Fund

Year Ended	Number Added	Number Removed	Year-End Total		% Increase in Annual Allowances	Average Annual Allowances
			Number	Annual Allowances		
6-30-93	2,653	1,244	33,968	\$233,782,000	8.2%	\$6,882
6-30-94	3,745	1,337	36,376	269,786,000	15.4	7,417
6-30-95	2,701	1,371	37,706	284,824,000	5.6	7,554
6-30-96	3,090	1,416	39,380	311,243,000	9.3	7,904
6-30-97	2,917	1,483	40,814	367,718,000	18.1	9,010
6-30-98	3,805	1,477	43,142	421,981,000	14.8	9,781

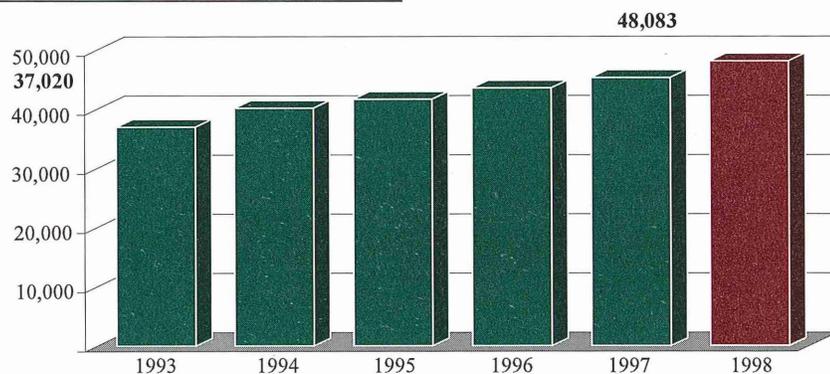
Public Employees Police and Fire Fund

Year Ended	Number Added	Number Removed	Year-End Total		% Increase in Annual Allowances	Average Annual Allowances
			Number	Annual Allowances		
6-30-93	148	73	1,738	\$25,549,000	10.5%	\$14,700
6-30-94	191	55	1,874	30,064,000	17.7	16,043
6-30-95	196	63	2,007	33,897,000	12.7	16,889
6-30-96	214	66	2,155	39,365,000	16.1	18,266
6-30-97	206	67	2,294	49,633,000	26.1	21,636
6-30-98	311	81	2,524	61,262,000	23.4	24,272

Police and Fire Consolidation Fund

Year Ended	Number Added	Number Removed	Year-End Total		% Increase in Annual Allowances	Average Annual Allowances
			Number	Annual Allowances		
6-30-93	652	21	1,314	\$23,521,000	116.1%	\$17,900
6-30-94	703	72	1,945	37,091,000	57.7	19,070
6-30-95	111	74	1,982	39,570,000	6.7	19,965
6-30-96	149	75	2,056	43,879,000	10.9	21,342
6-30-97	273	91	2,238	54,949,000	25.2	24,552
6-30-98	280	101	2,417	65,775,506	19.7	27,213

Retirement Fund Annuitants



The number of people receiving retirement annuities from PERA's three defined benefit plans has increase nearly 30 percent during the past six fiscal years.

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

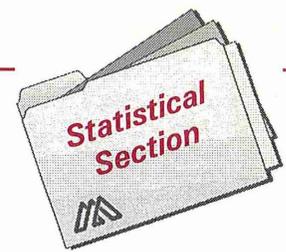
(in thousands)

	<u>PERF</u>	<u>PEPFF</u>
A. UAAL at Beginning of Year (7/1/97)	\$1,391,256	\$(418,152)
B. Change Due to Interest Requirements and Current Rate of Funding		
1. Normal Cost and Expenses	234,245	80,500
2. Contributions	(291,885)	(71,339)
3. Interest on A, B1 and B2	115,807	(35,154)
C. Expected UAAL at End of Year (A+B)	<u>\$1,449,423</u>	<u>\$(444,145)</u>
D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from Expected		
1. Salary Increases. If there are smaller salary increases than assumed, there is a gain. If larger, a loss.	(127,058)	(20,756)
2. Investment Return. If there is greater investment return than assumed, there is a gain. If less, a loss.	(305,238)	(147,834)
3. MPRIF Mortality. If Post Fund annuitants live longer than assumed, there is a loss. If not as long, a gain.	13,961	2,931
4. Mortality of Other Benefit Recipients. If annuitants live longer than assumed, there is a loss. If not as long, a gain.	(6,253)	1,228
5. Other Items. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	107,800	20,381
E. UAAL at End of Year Before Plan Amendments and changes in Actuarial Assumption (C+D)	<u>\$1,132,635</u>	<u>\$(588,195)</u>
F. Change in Actuarial Accrued Liability Due to Plan Amendments	0	0
G. Change in Actuarial Accrued Liability Due to Changes in Actuarial Assumptions	0	0
H. UAAL at End of Year 6/30/98 (E+F+G)	<u><u>\$1,132,635</u></u>	<u><u>\$(588,195)</u></u>

*Information is not available for the PFCF.

Schedule of Revenue by Source

(In thousands)



Public Employees Retirement Fund

Fiscal Year	Member Contribution	Employer Contribution		Net Investment Income**		Other	Total
		Amount	Percent of Covered Payroll	Amount	Percent of Total Revenue		
1993	\$106,358	\$113,184	4.7%	\$ 401,836	64%	\$ 2,431	\$ 623,809
1994	112,940	119,390	4.6%	474,648	67%	3,567	710,545
1995	115,986	123,983	4.6%	407,723	63%	790	648,482
1996	121,525	129,738	4.5%	708,969	74%	1,202	961,434
1997	128,234	136,686	4.5%	1,389,595	84%	1,133	1,655,648
1998	140,386	151,499	4.7%	1,581,550	84%	1,382	1,874,817

Public Employees Police and Fire Fund

Fiscal Year	Member Contribution	Employer Contribution		Net Investment Income**		Other	Total
		Amount	Percent of Covered Payroll	Amount	Percent of Total Revenue		
1993	\$ 20,406	\$ 30,434	12.0%	\$ 102,301	67%	\$ 128	\$ 153,269
1994	21,806	32,536	11.7%	113,562	68%	271	168,175
1995	22,356	33,548	11.4%	103,733	64%	2,470	162,107
1996	24,065	36,065	11.4%	214,691	78%	159	274,980
1997	26,354	39,508	11.4%	392,640	86%	59	458,561
1998	28,552	42,786	11.4%	491,525	87%	193	563,056

Police and Fire Consolidation Fund

Fiscal Year	Member Contribution	Employer Contribution	Net Investment Income**		Other*	Total
			Amount	Percent of Total Revenue		
1993	\$ 1,619	\$ 7,679	\$ 26,538	14%	\$160,302	\$ 196,138
1994	3,030	15,195	36,865	12%	256,584	311,674
1995	4,237	16,849	47,123	69%	422	68,631
1996	4,061	15,091	89,994	77%	7,931	117,077
1997	3,950	13,509	179,895	78%	33,647	231,001
1998	3,733	13,229	230,710	85%	24,222	271,894

* Includes the initial transfer of assets for municipal relief associations who have consolidated with the PFCF during the fiscal year.

** FY97 and FY98 Net Investment Income includes unrealized gains and losses in accordance with GASB 25.

Schedule of Expense by Type

Last Six Years
(in thousands)

Public Employees Retirement Fund

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1993	\$236,420	\$11,779	\$3,971	\$ 599	\$252,769
1994	264,233	11,336	4,397	897	280,863
1995	290,484	11,929	4,794	763	307,970
1996	312,511	14,683	5,515	835	333,544
1997	342,155	16,267	5,667	1,119	365,208
1998	412,745	16,922	7,076	1,301	438,044

Public Employees Police and Fire Fund

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1993	\$ 24,619	\$ 1,004	\$ 287	\$ 68	\$ 25,978
1994	28,126	760	312	65	29,263
1995	32,151	592	344	2,610	35,697
1996	37,132	845	400	111	38,488
1997	43,045	933	426	161	44,565
1998	56,034	1,182	525	129	57,870

Police and Fire Consolidation Fund

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1993	\$ 15,004	\$ 65	\$ 46	\$1,279	\$ 16,394
1994	27,305	255	85	318	27,963
1995	38,669	129	121	55	38,974
1996	41,841	79	133	182	42,235
1997	47,322	8	159	138	47,627
1998	61,106	296	221	405	62,028

Benefit Expense by Type

Last Six Years
(in thousands)

Public Employees Retirement Fund

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1993	\$217,703	\$13,360	\$5,357	\$11,779	\$248,199
1994	244,913	13,360	5,960	11,336	275,569
1995	270,270	13,508	6,706	11,929	302,413
1996	291,331	13,955	7,225	14,683	327,194
1997	320,236	14,022	7,897	16,267	358,422
1998	387,629	15,343	9,773	16,922	429,667

Public Employees Police and Fire Fund

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1993	\$ 21,237	\$ 1,866	\$1,516	\$ 1,004	\$ 25,623
1994	24,099	2,135	1,892	760	28,886
1995	27,330	2,348	2,473	592	32,743
1996	31,384	2,547	3,201	845	37,977
1997	36,190	2,730	4,125	933	43,978
1998	46,849	3,297	5,888	1,182	57,216

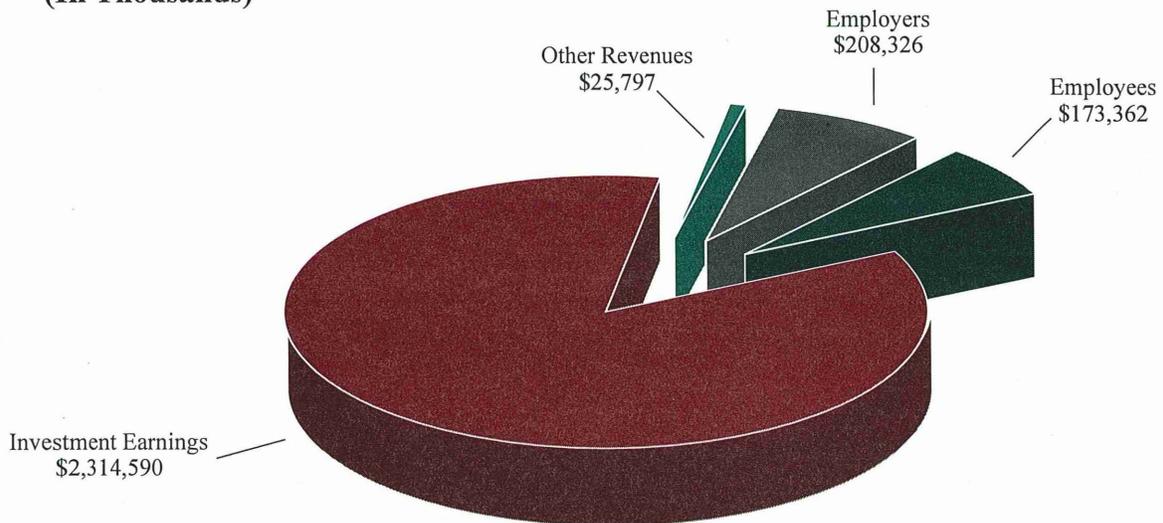
Police and Fire Consolidation Fund

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1993	\$ 13,555	\$ 743	\$ 706	\$ 65	\$ 15,069
1994	25,044	1,367	894	255	27,560
1995	35,185	2,361	1,123	129	38,798
1996	37,534	2,761	1,546	79	41,920
1997	42,207	3,277	1,838	8	47,330
1998	54,246	4,177	2,683	296	61,402

Revenues

Revenue by Source

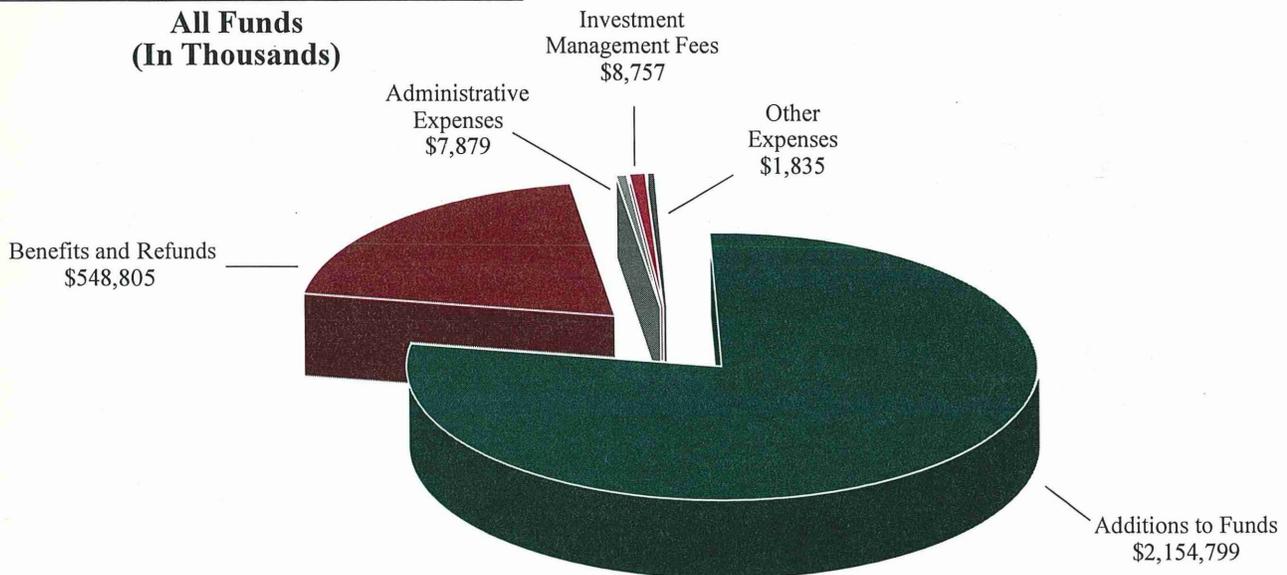
All Funds
(In Thousands)



Investment earnings make up 85 percent of PERA's revenues, while employee and employer contributions total 14 percent of the association's income.

Revenue Allocation

All Funds
(In Thousands)



Over 79 percent of PERA's revenues were added to the association's funds in fiscal year 1998.

Schedule of Retired Members

by Amount and Type of Benefit

Public Employees Retirement Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 500	18,272	1,871	624	1,187	21,954
501-1,000	8,068	967	373	267	9,675
1,001-1,500	3,342	489	125	250	4,206
1,501-2,000	2,132	263	33	89	2,517
2,001-2,500	1,555	144	34	29	1,762
2,501-3,000	1,140	80	10	4	1,234
3,001-3,500	672	41	14	2	729
3,501-4,000	419	21	5	1	446
4,001-4,500	254	16	2	0	272
4,501-5,000	145	4	1	0	150
Over 5,000	188	7	2	0	197
	<u>36,187</u>	<u>3,903</u>	<u>1,223</u>	<u>1,829</u>	<u>43,142</u>

Public Employees Police and Fire Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 500	178	34	9	68	289
501-1,000	162	75	18	33	288
1,001-1,500	211	66	32	54	363
1,501-2,000	219	42	60	29	350
2,001-2,500	274	24	58	20	376
2,501-3,000	244	18	41	12	315
3,001-3,500	222	5	18	5	250
3,501-4,000	144	2	11	5	162
4,001-4,500	69	0	1	0	70
4,501-5,000	31	0	2	0	33
Over 5,000	27	0	1	0	28
	<u>1,781</u>	<u>266</u>	<u>251</u>	<u>226</u>	<u>2,524</u>

Police and Fire Consolidation Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 500	12	28	2	29	71
501-1,000	20	32	3	28	83
1,001-1,500	39	199	6	166	410
1,501-2,000	164	102	9	68	343
2,001-2,500	426	3	11	3	443
2,501-3,000	671	1	14	3	689
3,001-3,500	170	1	21	3	195
3,501-4,000	69	0	14	0	83
4,001-4,500	55	0	4	0	59
4,501-5,000	21	0	1	0	22
Over 5,000	16	0	3	0	19
	<u>1,663</u>	<u>366</u>	<u>88</u>	<u>300</u>	<u>2,417</u>

Average Benefit Payments

Last Five Years

Public Employees Retirement Fund

Retirement Effective Dates July 1, 1993 to June 30, 1998	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/93 to 6/30/94:							
Average Monthly Benefit	\$117.20	\$226.67	\$391.13	\$602.81	\$765.11	\$1,580.98	\$2,892.71
Number of Current Retirees	261	314	432	401	539	513	471
Period 7/1/94 to 6/30/95:							
Average Monthly Benefit	\$115.56	\$184.50	\$337.96	\$526.23	\$696.40	\$1,387.74	\$2,766.72
Number of Current Retirees	183	314	371	379	398	202	119
Period 7/1/95 to 6/30/96:							
Average Monthly Benefit	\$101.43	\$186.55	\$327.16	\$511.30	\$688.52	\$1,212.73	\$2,610.97
Number of Current Retirees	225	344	413	463	449	286	181
Period 7/1/96 to 6/30/97:							
Average Monthly Benefit	\$ 98.91	\$173.67	\$323.38	\$475.83	\$675.21	\$1,035.80	\$2,346.06
Number of Current Retirees	227	333	404	399	385	288	231
Period 7/1/97 to 6/30/98:							
Average Monthly Benefit	\$104.73	\$175.53	\$333.14	\$485.42	\$678.49	\$1,048.04	\$2,206.21
Number of Current Retirees	264	444	519	538	504	411	369
Period 7/1/93 to 6/30/98:							
Average Monthly Benefit	\$107.47	\$188.13	\$342.69	\$517.85	\$703.57	\$1,274.83	\$2,567.70
Number of Current Retirees	1,160	1,749	2,139	2,180	2,275	1,700	1,371

Average Benefit Payments

Last Five Years

Public Employees Police and Fire Fund

Retirement Effective Dates July 1, 1993 to June 30, 1998	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/93 to 6/30/94:							
Average Monthly Benefit	\$239.48	\$653.48	\$1,129.87	\$1,471.11	\$2,598.28	\$3,374.83	\$4,064.02
Number of Current Retirees	16	9	8	9	25	40	14
Period 7/1/94 to 6/30/95:							
Average Monthly Benefit	\$185.02	\$710.04	\$1,533.35	\$1,892.20	\$2,475.84	\$3,255.09	\$4,002.41
Number of Current Retirees	9	11	9	15	26	42	15
Period 7/1/95 to 6/30/96:							
Average Monthly Benefit	\$346.80	\$821.93	\$1,027.13	\$1,600.10	\$2,138.63	\$3,170.02	\$3,725.83
Number of Current Retirees	14	4	10	8	30	51	18
Period 7/1/96 to 6/30/97:							
Average Monthly Benefit	\$287.19	\$629.56	\$1,194.19	\$1,352.63	\$2,021.09	\$2,716.89	\$3,510.69
Number of Current Retirees	9	3	13	14	22	45	29
Period 7/1/97 to 6/30/98:							
Average Monthly Benefit	\$294.38	\$750.21	\$1,260.95	\$1,778.53	\$2,144.45	\$2,939.88	\$3,466.79
Number of Current Retirees	11	11	17	19	49	71	47
Period 7/1/93 to 6/30/98:							
Average Monthly Benefit	\$274.15	\$713.69	\$1,229.32	\$1,648.50	\$2,256.77	\$3,069.75	\$3,648.34
Number of Current Retirees	59	38	57	65	152	249	123

Average Benefit Payments

Last Five Years

Police and Fire Consolidation Fund

Retirement Effective Dates July 1, 1993 to June 30, 1998	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/93 to 6/30/94:							
Average Monthly Benefit	\$2,421.44	\$1,636.06	\$2,162.09	\$2,187.81	\$2,465.57	\$2,766.29	\$3,203.29
Number of Current Retirees	4	2	10	37	137	127	108
Period 7/1/94 to 6/30/95:							
Average Monthly Benefit	\$ 0.00	\$ 0.00	\$1,710.48	\$2,039.46	\$1,712.06	\$3,024.72	\$4,148.26
Number of Current Retirees			1	5	11	15	20
Period 7/1/95 to 6/30/96:							
Average Monthly Benefit	\$1,894.64	\$2,948.10	\$1,185.54	\$1,492.96	\$2,180.10	\$2,851.92	\$4,052.09
Number of Current Retirees	1	1	3	3	19	23	26
Period 7/1/96 to 6/30/97:							
Average Monthly Benefit	\$2,270.25	\$1,985.23	\$2,311.15	\$1,924.35	\$2,138.09	\$2,751.22	\$3,614.78
Number of Current Retirees	31	1	7	14	39	51	38
Period 7/1/97 to 6/30/98:							
Average Monthly Benefit	\$ 0.00	\$1,226.42	\$1,292.05	\$1,307.58	\$1,879.72	\$2,594.57	\$3,697.39
Number of Current Retirees		3	3	8	41	76	61
Period 7/1/93 to 6/30/98:							
Average Monthly Benefit	\$2,276.62	\$1,697.81	\$1,955.92	\$1,985.47	\$2,261.10	\$2,738.99	\$3,546.16
Number of Current Retirees	36	7	24	67	247	292	253

Participating Employers

Employers listed below have employees in PERA's Basic, Coordinated or Police and Fire benefit plans

CITIES AND TOWNSHIPS

ADA	BATTLE LAKE	BROWNS VALLEY	CLEMENTS	DETROIT LAKES	FINLAYSON
ADAMS	BAUDETTE	BROWNSDALE	CLEVELAND	DEXTER	FISH LAKE TWP.
ADRIAN	BAXTER	BROWNSVILLE	CLIMAX	DILWORTH	FLENSBURG
AFTON	BAYPORT	BROWNTON	CLINTON	DODGE CENTER	FLOODWOOD
AITKIN	BEARDSLEY	BUFFALO	CLINTON TWP.	DONNELLY	FOLEY
AKELEY	BEAVER BAY	BUFFALO LAKE	CLONTRAF	DOVRAY	FOREST LAKE TWP.
ALBANY	BEAVER CREEK TWP.	BUHL	CLOQUET	DRESBACH TWP.	FOREST LAKE
ALBERT LEA	BEAVER CREEK	BURNS TWP.	COKATO	DRYDEN	FORESTON
ALBERT LEA TWP.	BECKER	BURNSVILLE	COLD SPRING	DULUTH	FOSSTON
ALBERTVILLE	BELGRADE TWP.	BUTTERFIELD	COLERAINE	DULUTH TWP.	FOUNTAIN
ALBION TWP.	BELGRADE	BYRON	COLOGNE	DUNDAS	FRANCONIA TWP.
ALDEN	BELLE CREEK TWP.	CALEDONIA	COLUMBIA HEIGHTS	DUNDEE	FRANKFORT TWP.
ALEXANDRIA	BELLE PLAINE	CALLAWAY	COLUMBUS TWP.	DUNN TWP.	FRANKLIN TWP.
ALPHA C	BELLEVUE TWP.	CALUMET	COLVIN TWP.	DUNNELL	FRANKLIN
ALTON TWP.	BELLINGHAM	CAMBRIDGE	COMFREY	EAGAN	FRAZEE
ALTURA	BELVIEW	CAMBRIDGE TWP.	CONCORD TWP.	EAGLE BEND	FREDENBE
ALVARADO	BEMIDJI	CAMDEN TWP.	CONGER	EAGLE LAKE	FREEBORN
AMBOY	BENSON	CAMP TWP.	COOK	EAST BETHEL	FRENCH TWP.
ANDOVER	BENTON TWP.	CAMPBELL	COON RAPIDS	EAST GRAND FORKS	FRENCH LAKE TWP.
AMHERST TWP.	BERTHA	CANBY	CORCORAN	ECHO	FRIBERG TWP.
ANNANDALE	BIG FALLS	CANNON FALLS	CORINNA TWP.	EDEN PRAIRIE	FRIDLEY
ANOKA	BIG LAKE	CANNON FALLS TWP.	COSMOS	EDEN VALLEY	FROST
ANTRIM TWP.	BIG LAKE TWP.	CANOSIA TWP.	COTTAGE GROVE	EDGERTON	FULDA
APPLETON	BIGELOW	CANTON TWP.	COTTONWOOD	EDINA	GARDEN CITY
APPLE VALLEY	BIGFORK	CANTON	CRATE TWP.	EITZEN	GARFIELD
ARBO TWP.	BINGHAM LAKE	CARIMONA TWP.	CROMWELL	ELBOW LAKE	GARFIELD TWP.
ARDEN HILLS	BIRCHWOOD	CARLOS	CROOKED LAKE TWP.	ELGIN	GARRISON TWP.
ARENDAHL TWP.	BIRD ISLAND	CARLTON	CROOKSTON	ELIZABETH	GARY
ARGYLE	BISCAY	CARROLTON TWP.	CROSBY	ELIZABETH TWP.	GAYLORD
ARLINGTON	BIWABIK	CARVER	CROSSLAKE	ELK RIVER	GHENT
ARTHUR TWP.	BIWABIK TWP.	CASS LAKE	CROW RIVER TWP.	ELKO	GIBBON
ASHBY	BLACKDUCK	CENTER CITY	CRYSTAL	ELKTON	GILBERT
ASKOV	BLAINE	CENTER TWP.	CRYSTAL BAY TWP.	ELLEDALE	GILMAN
ATWATER	BLOOMING PRARIE	CENTERVILLE	CULDRUM TWP.	ELLINGTON TWP.	GIRARD TWP.
AUDUBON	BLOOMINGTON	CEYLON	CURRIE	ELLSWORTH	GLENCOE
AURORA	BLUE EARTH	CHAMPLIN	CYRUS	ELM CREEK TWP.	GLENVILLE
AUSTIN	BOVEY	CHANHASSEN	DAHLGREN TWP.	ELM DALE TWP.	GLENWOOD
AVOCA	BOYD	CHASKA	DALBO TWP.	ELMORE	GLYNDON
AVON	BRAHAM	CHATFIELD	DALTON	ELY	GNESEN TWP.
BABBITT	BRAINERD	CHATHAM TWP.	DANUBE	ELYSIAN	GOLDEN VALLEY
BACKUS	BRANCH	CHERRY GROVE TWP.	DANVERS	EMBARRASS TWP.	GONVICK
BADGER	BRANDON	CHISAGO CITY	DARWIN	EMILY	GOOD THUNDER
BAGLEY	BRANDON	CHISAGO LAKE TWP.	DASSEL	EMMONS	GOODHUE
BALATON	BREEZY POINT	CHISHOLM	DAWSON	EMPIRE TWP.	GOODRIDGE
BALKAN TWP.	BREITUNG TWP.	CHOKIO	DAYTON	ERHARD	GOODVIEW
BANDON TWP.	BREWSTER	CIRCLE PINES	DECORIA TWP.	ERSKINE	GRACEVILLE
BARNESVILLE	BRICELYN	CLARA CITY	DEEPHAVEN	EVANSVILLE	GRANADA
BARNUM	BRISTOL TWP.	CLAREMONT	DEER CREEK	EVELETH	GRAND MARAIS
BARRETT	BROOKLYN CENTER	CLARISSA	DEER RIVER	EXCELSIOR	GRAND MEADOW
BASS BROOK	BROOKLYN PARK	CLARKFIELD	DEERWOOD	EYOTA	GRAND RAPIDS TWP.
	BROOTEN	CLARKS GROVE	DE GRAFF	FAIRFAX	GRAND RAPIDS
	BROWERVILLE	CLEAR LAKE	DELANO	FAIRFIELD TWP.	GRAND RAPIDS
		CLEARBROOK	DELAVAN	FAIR HAVEN TWP.	GRANITE FALLS
		CLEARWATER TWP.	DELLWOOD	FAIRMONT	GRANT TWP.
				FALCON HEIGHTS	GRANT TWP.
				FALL LAKE TWP.	GREAT SCOTT TWP.
				FARIBAULT	GREENBUSH
				FARMINGTON	GREENBUSH TWP.
				FAYAL TWP.	GREENFIELD
				FERGUS FALLS	GREENWAY TWP.
				FERTILE	GREENWOOD TWP.
				FIFTY LAKES	GREY EAGLE
					GROVE CITY

GRYGLA	ISLE	LEXINGTON	MIDWAY TWP.	NORTHROP	PRINSBURG
HACKENSACK	IVANHOE	LIDA TWP.	MILACA	NORWAY TWP.	PRIOR LAKE
HADLEY	JACKSON	LILYDALE	MILACA TWP.	NORWOOD	PROCTOR
HALLOCK	JANESVILLE	LINDSTROM	MILAN	OAK GROVE TWP.	QUINCY TWP.
HALSTAD	JASPER	LINO LAKES	MILLERVILLE	OAKLAND TWP.	RACINE TWP.
HAM LAKE	JAY TWP.	LINWOOD TWP.	MILO TWP.	OAK LAWN TWP.	RACINE
HAMBURG	JEFFERS	LISMORE	MILROY	OAK PARK HEIGHTS	RAMSEY
HANCOCK	JENKINS	LITCHFIELD	MILTONA	OAKDALE	RANDALL
HANLEY FALLS	JORDAN	LITTLE CANADA	MINNEAPOLIS	ODESSA	RANDOLPH
HANOVER	KANDIYOHI	LITTLE FALLS	MINNEOTA	OGEMA	RANIER
HANSKA	KARLSTAD	LITTLEFORK	MINNESOTA LAKE	OGILVIE	RAYMOND
HARDWICK	KASOTA	LIVONIA TWP.	MINNETONKA	OKABENA	RED LAKE FALLS
HARMONY	KASSON	LONG LAKE	MINNETONKA BEACH	OKLEE	RED WING
HARRIS	KEEWATIN	LONG LAKE TWP.	MINNETRISTA	OLIVIA	REDWOOD FALLS
HARRIS TWP.	KELLIHER	LONG PRAIRIE	MONTEVIDEO	ONAMIA	REMER
HARTLAND	KELLOGG	LONGVILLE	MONTGOMERY	ORION TWP.	RENVILLE
HASSAN TWP.	KENNEDY	LONSDALE	MONTICELLO TWP.	ORONO	RICE
HASTINGS	KENSINGTON	LORETTO	MONTICELLO	ORONOCO	RICE LAKE TWP.
HAWLEY	KENYON	LUCAN	MONTROSE	ORR	RICHFIELD
HAYFIELD	KERKHOVEN	LUVERNE	MOORHEAD	ORROCK TWP.	RICHMOND
HAYWARD	KETTLE RIVER TWP.	LYLE	MOOSE LAKE	ORTON TWP.	ROBBINSDALE
HECTOR	KETTLE RIVER	LYLE TWP.	MORA	OSAKIS	ROCHESTER
HELEN TWP.	KIESTER	LYND	MORGAN	OSLO	ROCHESTER TWP.
HENDERSON	KIMBALL	MABEL	MORRIS	OSSEO	ROCK CREEK
HENDRICKS	KINNEY	MADELIA	MORRISTOWN	OTSEGO	ROCKFORD TWP.
HENDRUM	KRAIN TWP.	MADISON	MORSE TWP.	OSTRANDER	ROCKFORD
HENNING	LA CRESCENT	MADISON LAKE	MORTON	OWATONNA	ROCKWOOD TWP.
HERMANTOWN	LAFAYETTE TWP.	MAGNOLIA TWP.	MOTLEY	PALISADE	ROGERS
HERMAN	LAFAYETTE	MAHNOMEN	MOUND	PARK RAPIDS	ROLLING GREEN TWP.
HERON LAKE	LA GRANDE TWP.	MAIN TWP.	MOUNDS VIEW C	PARKERS PRAIRIE	ROLLINGSTONE
HEWITT	LAKE BENTON	MAHTOMEDI	MOUNTAIN IRON	PAYNESVILLE	ROOSEVELT TWP.
HIBBING	LAKE BRONSON	MANKATO	MOUNTAIN LAKE TWP.	PELICAN RAPIDS	ROSE CREEK
HILL CITY	LAKE CITY	MANKATO TWP.	MOUNTAIN LAKE	PEMBERTON	ROSEAU
HILLS	LAKE CRYSTAL	MANTORVILLE TWP.	MURDOCK	PENN TWP.	ROSEMOUNT
HILLTOP	LAKE EDWARD TWP.	MANTORVILLE	NASHWALK TWP.	PEQUOT LAKES	ROSEVILLE
HINCKLEY	LAKE ELMO	MAPLE GROVE	NASHWAUK	PERHAM	ROTHSAY
HITTERDAL	LAKE LILLIAN	MAPLE LAKE TWP.	NESSSEL TWP.	PETERSON	ROUND LAKE
HOFFMAN	LAKE PARK	MAPLE LAKE	NEVIS	PIERZ	ROYALTON TWP.
HOKAH	LAKE SHORE	MAPLE PLAIN	NEVIS TWP.	PILOT MOUND TWP.	ROYALTON
HOLDEN TWP.	LAKE ST. CROIX	MAPLETON	NEW AUBURN	PILLAGER	RUSH CITY
HOLDING TWP.	BEACH	MAPLEVIEW	NEW BRIGHTON	PIKE CREEK TWP.	RUSHFORD
HOLDINGFORD	LAKE VIEW TWP.	MAPLEWOOD	NEW HOPE	PINE CITY TWP.	RUSHFORD VILLAGE
HOLLAND	LAKE WILSON	MARBLE	NEW LONDON	PINE CITY	RUSHMORE
HOLLANDALE TWP.	LAKEFIELD	MARCELL TWP.	NEW MUNICH	PINE ISLAND	RUSSELL
HOLLOWAY	LAKEFREMONT TWP.	MARIETTA	NEW PRAGUE	PINE LAKE TWP.	SACRED HEART
HOLLY TWP.	LAKELAND	MARINE ON ST CROIX	NEW RICHLAND	PINE LAKE TWP.	ST. ANTHONY
HOLLYWOOD TWP.	LAKETOWN TWP.	MARSHALL	NEW SCANDIA TWP.	PINE RIVER TWP.	ST. AUGUSTA TWP.
HOPKINS	LAKEVILLE	MARTIN TWP.	NEW ULM	PINE RIVER	ST. BONIFACIUS
HOUSTON	LAKIN TWP.	MARYSVILLE TWP.	NEW YORK MILLS	PIPESTONE	ST. CHARLES
HOWARD LAKE	LAMBERTON	MAY TWP.	NEWBURG TWP.	PLAINVIEW TWP.	ST. CLAIR
HOYT LAKES	LANCASTER	MAYER	NEWFOLDEN	PLAINVIEW	ST. CLOUD
HUGO	LANESBORO	MAYNARD	NEWPORT	PLATO	ST. CLOUD TWP.
HUTCHINSON	LANESBURGH TWP.	MAZEPPA	NICOLLET	PLYMOUTH	ST. FRANCIS
IDEAL TWP.	LAPRAIRIE	MC GREGOR	NISSWA	PLYMOUTH	ST. FRANCIS
INDEPENDENCE	LAUDERDALE	MCINTOSH	NORDLAND TWP.	POKEGAMA TWP.	ST. HILAIRE
INTERNATIONAL	LE CENTER	MEDFORD	NORTH BRANCH	POWERS TWP.	ST. JAMES
FALLS	LEON TWP.	MEDINA	NORTH MANKATO	PREBLE TWP.	ST. JOSEPH
INVER GROVE	LEROY	MELROSE	NORTH OAKS	PRESTON	ST. JOSEPH TWP.
HEIGHTS	LE SAUK TWP.	MENAHGA	NO. ST. PAUL	PRINCETON TWP.	ST. LEO
IRON RANGE TWP.	LESUEUR	MENDOTA HEIGHTS	NORTHERN TWP.	PRINCETON	ST. LOUIS PARK
IRONDALE TWP.	LESTER PRAIRIE	MENTOR	NORTHFIELD		
IRONTON	LEWISTON	MIDDLE RIVER	NORTHFIELD TWP.		
ISANTI	LEWISVILLE	MIDDLEVILLE TWP.	NORTHOME		

ST. MICHAEL	THIEF RIVER FALLS	WEST ST. PAUL	FREEBORN	SCHOOL DISTRICTS	BUFFALO LAKE #647
ST. OLAF TWP.	THOMSON	WESTBROOK	GOODHUE	ACORN DUAL LANGUAGE	BURNSVILLE #191
ST. PAUL	THOMSON TWP.	WESTBROOK TWP.	GRANT	ADA #521	BUTTERFIELD #836
ST. PAUL PARK	TINTAH	WHEATON	HENNEPIN	ADRIAN #511	BYRON #531
ST. PETER	TONKA BAY	WHITE TWP.	HOUSTON	AITKIN #1	CALEDONIA #299
SANBORN	TOWER	WHITE BEAR TWP.	HUBBARD	ALBANY #745	CAMBRIDGE-ISANTI #911
SANDSTONE	TRACY	WHITE BEAR LAKE	ISANTI	ALBERT LEA #241	CAMPBELL-TINTAH #852
SARTELL	TRIMONT	WILLIAMS	ITASCA	ALDEN-CONGER #242	CANBY #891
SAUK CENTRE	TROUT LAKE TWP.	WILLERNIE	JACKSON	ALEXANDRIA #206	CANNON FALLS #252
SAUK RAPIDS	TRUMAN	WILLMAR	KANABEC	ALVARADO #436	CAPITAL CITY CHARTER
SA VAGE	TURTLE LAKE TWP.	WILMONT	KANDIYOHI	AMBOY-GOOD THUNDER #79	CARLTON #93
SCANDIA VALLEY	TWIN VALLEY	WINDOM	KITTSO	ANNANDALE #876	CASS LAKE #115
SCANLON	TWO HARBORS	WINGER	KOOCHICHING	ANOKA-HENNEPIN #11	CEDAR-RIVERSIDE COMMUNITY
SEBEKA	TWO RIVERS TWP.	WINNEBAGO	LAC QUI PARLE	ARGYLE #437	CENTENNIAL #12
SHAFER	TYLER	WINONA	LAKE	ARLINGTON-GREEN ISLE #731	CENTRAL MN. DEAF
SHAKOPEE	ULEN	WINSTED	LAKE OF THE WOODS	ASHBY #261	CEYLON #451
SHAMROCK TWP.	UNDERWOOD	WINTHROP	LE SUEUR	ATWATER #341	CHASKA #112
SHELLY	UPSALA	WINTON	LINCOLN	AUDUBON #21	CHATFIELD #227
SHERBURN	VADNAIS HEIGHTS	WOLF LAKE	LYON	AURORA-HOYT LKS.-BIWABIK #2711	CHISHOLM #695
SHETEK TWP.	VASA TWP.	WOLFORD TWP.	MAHNOMEN	AUSTIN #492	CHOKIO-ALBERTA #771
SHINGO BEE TWP.	VERGAS	WOLVERTON	MARSHALL	BABBITT #692	CHOSEN VALLEY #227
SHOREVIEW	VERMILLION	WOOD LAKE	MARTIN	BADGER #676	CITY ACADEMY
SIBLEY TWP.	VERNDALE	WOODBURY	MCLEOD	BAGLEY #162	CLARA CITY #126
SILVER BAY	VERNON CENTER	WOODLAND TWP.	MEEKER	BALATON #411	CLARKFIELD #892
SILVER CREEK TWP.	VESTA	WORTHINGTON	MILLE LACS	BARNESVILLE #146	CLEARBROOK #161
SILVER LAKE	VICTOR TWP.	WRENSHALL	MORRISON	BARNUM #91	CLEVELAND #391
SLAYTON	VICTORIA	WYANETT TWP.	MOWER	BARRETT #262	CLIMAX #592
SLEEPY EYE	VIRGINIA	WYKOFF	MURRAY	BATTLE LAKE #542	CLINTON-GRACEVILLE #55
SOLWAY TWP.	WABASHA	WYOMING TWP.	NICOLLET	BEARDSLEY #57	CLOQUET #94
SO. ST. PAUL	WABASSO	WYOMING	NOBLES	BECKER #726	COKATO-DASSEL #466
SOUTH BEND TWP.	WACONIA	YORK TWP.	NORMAN	BELGRADE #736	COLD SPRING #750
SOUTH HAVEN	WACONIA TWP.	YNG. AMERICA TWP.	OLMSTED	BELLE PLAINE #716	COLERAINE #316
SPICER	WADENA	YOUNG AMERICA	OTTERTAIL	BELLINGHAM #371	COLUMBIA HEIGHTS #13
SPRING GROVE	WAHKON	YUCATAN TWP.	PENNINGTON	BELVIEW #631	COMFREY #81
SPRING LAKE PARK	WAITE PARK	ZIMMERMAN	PINE	BEMIDJI #31	COMMUNITY OF PEACE ACADEMY
SPRING PARK	WALDORF	ZUMBROTA	PIPESTONE	BENSON #777	COOK COUNTY #166
SPRING VALLEY	WALKER		POLK	BERTHA-HEWITT #786	COSMOS #461
SPRINGDALE TWP.	WALNUT GROVE		POPE	BIG LAKE #727	COTTONWOOD #412
SPRINGFIELD	WALTHAM TWP.		RAMSEY	BIRD ISLAND-OLIVIA #2534	CROMWELL #95
STACY	WANAMINGO TWP.	COUNTIES	RED LAKE	BLACKDUCK #32	CROOKSTON #593
STANFORD TWP.	WANAMINGO	AITKIN	REDWOOD	BLOOMING PRAIRIE #756	CROSBY-IRONTON #182
STANTON TWP.	WANDA	ANOKA	RENVILLE	BLOOMINGTON #271	CYBER VILLAGE ACADEMY
STAPLES	WARREN	BECKER	RICE	BLUE EARTH #240	CYRUS #611
STARBUCK	WARROAD	BELTRAMI	ROCK	BLUFFVIEW MONTESSORI	DAKOTA CO. TECH. COLLEGE #917
STEPHEN	WARSAW TWP.	BENTON	ROSEAU	BORUP #522	DAKOTA\OPEN CHARTER
STEWART	WASECA	BIG STONE	ST LOUIS	BOYD-DAWSON #378	DANUBE #648
STEWARTVILLE	WATERTOWN TWP.	BLUE EARTH	SCOTT	BRAHAM #314	DEER RIVER #317
STILLWATER	WATERTOWN	BROWN	SHERBURNE	BRAINERD #181	DELANO #879
STILLWATER TWP.	WATERVILLE	CARLTON	SIBLEY	BRANDON #207	DELAVAN #218
STOCKHOLM TWP.	WATKINS	CARVER 1	STEARNS	BRECKENRIDGE #846	DETROIT LAKES #22
STOCKTON	WATSON	CASS	STEELE	BREWSTER #513	DILWORTH #147
STORDEN	WAUBUN	CHIPPEWA	STEVENS	BRICELYN #217	DODGE CENTER-CLAREMONT-W. CONCORD #2125
SVERDRUP TWP.	WAVERLY	CHISAGO	SWIFT	BROOKLYN CNTR. #286	DULUTH #709
SWAN RIVER TWP.	WAYZATA	CLAY	TODD	BROOTEN #737	DULUTH PUBLIC SCHOOLS ACADEMY
SWANVILLE TWP.	WEBSTER TWP.	CLEARWATER	TRAVERSE	BROWERVILLE #787	
SWANVILLE	WELCOME	COOK	WABASHA	BROWNS VALLEY #801	
SYLVAN TWP.	WELLS	COTTONWOOD	WADENA	BROWNTON #421	
TACONITE	WENDELL	CROW WING	WASECA	BUFFALO #877	
TAYLORS FALLS	WEST CONCORD	DAKOTA	WASHINGTON		
		DODGE	WATONWAN		
		DOUGLAS	WILKIN		
		FARIBAULT	WRIGHT		
		FILLMORE	YELLOW MEDICINE		

EAGLE BEND #790	HALSTAD-HENDRUM #2527	LAKE OF THE WOODS #390	MORRIS #769	RED LAKE #38	SPRING VALLEY #237
EAST CHAIN-GRANADA #2536	HANCOCK #768	LAKEFIELD #325	MORRISTOWN #657	RED LAKE FALLS #630	SPRINGFIELD #85
EAST GRAND FORKS #595	HARMONY #228	LAKEVILLE #194	MORTON #652	RED WING #256	STAPLES #793
ECHO #893	HASTINGS #200	LAMBERTON #633	MOTLEY #483	REDWOOD FALLS #637	STEPHEN #443
ECHO CHARTER	HAWLEY #150	LANCASTER #356	MOUNDS VIEW #621	REMER #118	STEWART #426
EDEN PRAIRIE #272	HAYFIELD #203	LANESBORO #229	MOUNTAIN IRON-BUHL #712	RENVILLE #654	STEWARTVILLE #534
EDEN VALLEY-WATKINS #463	HECTOR #651	LAPORTE #306	MOUNTAIN LAKE #173	RICHFIELD #280	STILLWATER #834
EDGERTON #581	HENDRICKS #402	LE CENTER #392	NASHWAUK-KEEWATIN #319	RIGHT STEP ACADEMY	SUCCESS ACADEMY
EDINA #273	HENNEPIN CO. #287	LEROY-OSTRANDER #499	NETT LAKE #707	ROBBINSDALE #281	SUMMIT SCHOOL FOR THE ARTS
ELGIN-MILLVILLE #806	HENNING #545	LE SUEUR-HENDERSON #2397	NEVIS #308	ROCHESTER #535	SWANVILLE #486
ELK RIVER #728	HERMAN #264	LESTER PRAIRIE #424	NEW HEIGHTS	LUVERNE #670	TAYLORS FALLS #140
ELLEDALE #762	HERMANTOWN #700	LEWISTON #857	NEW LONDON-SPICER #345	ROCKFORD #883	THIEF RIVER FALLS #564
ELLSWORTH #514	HERON LAKE-OKABENA #330	LINSTROM-CHISAGO LAKES #141	NEW PRAGUE #721	ROSEAU #682	TOIVOLA-MEADOWLANDS CHARTER
ELMORE #219	HIAWATHA VALLEY #61-6013	LITCHFIELD #465	NEW RICHLAND-HARTLAND #827	ROSEMOUNT #196	TOWER-SOUDAN #708
ELY #696	HIBBING #701	LITTLE FALLS #482	NEW SPIRIT	ROSEVILLE #623	TRACY #417
EMILY CHARTER	HIGHER GROUND ACADEMY	LITTLEFORK-BIG FALLS #362	NEW ULM #88	ROTHSAY #850	TRUMAN #458
EMMONS #243	HILL CITY #2	LONG PRAIRIE #792	NEW VISIONS	ROUND LAKE #516	TWIN VALLEY #526
ESKO #99	HILLS-BEAVER CREEK #671	LYLE #497	NEW YORK MILLS #553	ROYALTON #485	TYLER #409
EVANSVILLE #208	HINCKLEY #573	LYND #415	MARSHALL CO. CENTRAL #441	RUSH CITY #139	ULEN-HITTERDAL #914
EVELETH #697	HOFFMAN #265	MABEL-CANTON #238	NICOLLET #507	RUSHFORD-PETERSON #239	UNDERWOOD #550
EYOTA-DOVER #533	HOLDINGFORD #738	MADELIA #837	NORTH BRANCH #138	RUSSELL #418	UPSALA #487
FAIRFAX-GIBBON-WINTHROP #2365	HOPKINS #270	MADISON JOINT POWERS #6011	NORTHEAST METRO INTERM #916	RUTHTON #584	VALLEY & LAKES EDUCATION #6001
FAIRMONT #454	HUSTON #294	MAGNOLIA #669	NORTHFIELD #659	SACRED HEART #655	VERDI #408
FARIBAULT #656	HOWARD LAKE-WAVERLY #880	MAHNOMEN #432	NO. ST. PAUL-MAPLEWOOD-OAKDALE #622	ST. ANTHONY #282	VERNDALE #818
FARMINGTON #192	HUTCHINSON #423	MAHTOMEDI #832	NORWOOD-YOUNG AMERICA #108	ST. CHARLES #858	VILLAGE SCHOOL OF NORTHFILED
FERGUS FALLS #544	INTERNATIONAL FALLS #361	MANKATO #77	OGILVIE #333	ST. CLAIR #75	VIRGINIA #706
FERTILE #599	INVER GROVE HEIGHTS #199	MAPLE LAKE #881	OKLEE #627	ST. CLOUD #742	WABASHA-KELLOGG #811
FINLAYSON #570	ISLE #473	MAPLETON #72	ONAMIA #480	ST. FRANCIS #15	WABASSO #640
FISHER #600	IVANHOE #403	MARSHALL #413	ORONO #278	ST. JAMES #840	WACONIA #110
FLOODWOOD #698	JACKSON #324	MAYNARD #127	ORTONVILLE #62	ST. LOUIS CO. #710	WADENA #819
FOLEY #51	JANESVILLE-PEMBERTON-WALDORF #2835	MAZEPPA-ZUMBROTA #2805	OSAKIS #213	ST. LOUIS PARK #283	WADENA TECH. INSTITUTE
FOREST LAKE #831	JASPER #582	MC GREGOR #4	OSLO #442	ST. MICHAEL-ALBERTVILLE #885	WALKER-HACKENSACK-AKELEY #113
FOSSTON #601	JEFFERS-STORDEN #178	MC LEOD WEST	OSSEO #279	ST. PAUL #625	WALNUT GROVE #641
FRANKLIN #650	JORDAN #717	MEDFORD #763	OWATONNA #761	ST. PAUL FAMILY LCCS	WANAMINGO #258
FRAZEE #23	KARLSTAD-STRANDQUIST #2358	MELROSE #740	PACT CHARTER	ST. PETER #508	WARREN #446
FREDERICK DOUGLAS MATH SCIENCE TECH. ACADEMY	KASSON-MANTORVILLE #204	MENAHA #821	PARK RAPIDS #309	SANBORN #638	WARROD #690
FREEBORN #244	KELLIHER #36	MENTOR #604	PARKERS PRAIRIE #547	SANDSTONE-ASKOV #2580	WASECA #829
FRIDLEY #14	KENNEDY #354	METRO DEAF	PAYNESVILLE #741	SARTELL #748	WATERTOWN-MA YER #111
FULDA #505	KENSINGTON #209	MIDDLE RIVER #440	PELICAN RAPIDS #548	SAUK CENTRE #743	WATERVILLE-ELYSIAN #395
GARY #523	KENYON #254	MID--STATE #6979	PEQUOT LAKES #186	SAUK RAPIDS #47	WAYZATA #284
GA YLORD #732	KERKHOVEN-MURDOCK-SUNBURG #775	MILACA #912	PERHAM #549	SEBEKA #820	WELLS-EASTON #224
GILBERT #699	KIESTER #222	MILROY #635	PILLAGER #116	SHAKOPEE #720	WESTBROOK #175
GLENCOE #422	KIMBALL #739	MINNEAPOLIS #1	PINE CITY #578	SHERBURN-TRIMONT-WELCOME #2372	WEST CENTRAL #263
GLENVILLE #245	KOOCHICHING COUNTY #363	MINNEOTA #414	PINE ISLAND #255	SIBLEY COUNTY-RIVER BEND #6049	WESTONKA #277
GLYNDON-FELTON #145	LA CRESCENT #300	MINNESOTA LAKE #223	PINE RIVER-BACKUS #117	SILVER LAKE #425	WEST ST. PAUL #197
GONVICK-TRAIL #158	LAKE BENTON #404	MN. RIVER VALLEY #993	PIPESTONE #583	SIoux VALLEY #328	WHEATON #803
GOODHUE #253	LAKE CITY #813	MN. TRANSITIONS CHARTER	PLAINVIEW #810	SKILLS FOR TOMORROW	WHITE BEAR LAKE #624
GOODHUE CO. #6051	LAKE CRYSTAL #2071	MINNETONKA #276	PLUMMER #628	SLAYTON #504	WHITE EARTH-OGEMA-WAUBUN #435
GOODRIDGE #561	LAKE PARK #24	MONTEVIDEO #129	PRESTON-FOUNTAIN #233	SLEEPY EYE #84	WORLD LEARNING OF CHASKA #4016
GRAND MEADOW #495	LAKE SUPERIOR #381	MONTGOMERY-LONSDALE #394	PRINCETON #477	SOUTHLAND #500	
GRAND RAPIDS #318	LAKE WILSON-CHANDLER #918	MONTICELLO #882	PRIOR LAKE #719	SO. ST. PAUL #6	
GRANITE FALLS #894		MOORHEAD #152	PROCTOR #704	SO. WASHINGTON COUNTY #833	
GREENBUSH #678		MOOSE LAKE #97	RANDOLPH #195	SPRING GROVE #297	
GREY EAGLE #791		MORA #332	RAYMOND #346	SPRING LK. PARK #16	
GROVE CITY #464		MORGAN #636			
GRYGLA #447					
HALLOCK-HUMBOLDT #2359					

WILLMAR #347
 WILLOW RIVER #577
 WINDOM #177
 WIN-E-MAC #2609
 WINNEBAGO #225
 WINONA #861

WINSTED #427
 WOOD LAKE #896
 WORTHINGTON #518
 WRENSHALL #100
 WYKOFF #236
 ZUMBRO EDUC. DIST. #6012

DOVER-EYOTA-ST. CHARLES SANITARY DISTRICT
 EAST CENTRAL REGIONAL DEVELOPMENT COMM.
 EAST CENTRAL REGIONAL LIBRARY
 EAST OTTERTAIL COUNTY SWCD
 EAST POLK COUNTY SWCD
 ED. COOP SERV UNIT METRO ECSU ISD #920
 ED. COOP SERV UNIT 5
 ESV REGION 5 COMPUTER SERVICE
 FARIBAULT COUNTY SWCD
 FERGUS FALLS SPECIAL ED. COOP CENTER
 FMC HUMAN SERV BD.
 FREEBORN COUNTY SWCD
 FRESHWATER EDUCATION DIST.
 GOODHUE COUNTY SWCD
 GOVERNMENT TRAINING SERVICE
 GRANT COUNTY SWCD
 GREAT RIVER REGIONAL LIBRARY
 GREENWAY JOINT RECREATION ASSOC.
 HEADWATER NUTRITION PROJECT
 HEADWATERS REG. DEV. COMM.
 HENNEPIN CO. PARKS
 HUBBARD COUNTY SWCD
 HUDSON SANITARY LANDFILL AUTHORITY
 ISANTI COUNTY SWCD
 ITASCA COUNTY SWCD
 JOINT POWERS BOARD #6046--62
 KANABEC COUNTY SWCD
 KANDIYOHU COUNTY SWCD
 KITCHIGAMI REGIONAL LIBRARY
 KITTSOON COUNTY SWCD
 KITTSOON-MARSHALL RURAL WATER SYSTEM
 KOCHICHING COUNTY SWCD
 LAC QUI PARLE COUNTY SWCD
 LAC QUI PARLE-YELLOW MEDICINE SWCD
 LK. AGASSIZ SPEC. EDUC. COOP
 LK. AGASSIZ REGIONAL LIBRARY
 LAKE COUNTY SWCD
 LAKE MINNETONKA CABLE COMMUNICATIONS COMM.
 LAKE MINNETONKA CONS. DIST.
 LAKES COMMUNITY RECREATION
 LEAF RIVER ED. DIST. #61--6961
 LEAGUE OF MINN. CITIES
 LINCOLN COUNTY SWCD
 LOCAL GOV. INFO. SYSTEMS
 LONG LAKE CONS. CNTR.
 LYON COUNTY SWCD
 MAHNOMEN COUNTY SWCD
 MARSHALL-BELTRAMI CO. SWCD
 MARSHALL COUNTY SWCD
 MARSHALL-POLK RURAL WATER SYSTEM
 MARTIN COUNTY SWCD
 MARTIN-FARIBAULT CO. PRAIRIE LAND SOLID WASTE BD.
 MCLEOD COUNTY SWCD
 MEEKER COUNTY SWCD
 MEEKER-WRIGHT COUNTY SPECIAL ED. COOP
 METROPOLITAN AIRPORTS COMM.
 METROPOLITAN COUNCIL
 METRO INTER CO. ASSN.
 METRO LIBRARY SERVICE AGENCY
 METRO MOSQUITO CONTROL DIST.
 METRONET

METRO SPORTS FAC. COMM.
 METRO TRANSIT COMMISSION
 METRO WASTE CONTROL COMM.
 METRO II
 MIDDLE RIVER/SNAKE RIVER WATERSHED DISTRICT
 MID-MINNESOTA DEVELOPMENT COMM.
 MIDWEST SPEC. ED. COOP #398
 MILLE LACS COUNTY SWCD
 MN. ASSOC. OF URBAN COUNTIES
 MN. MUNICIPAL UTILITIES ASSOC.
 MN. SCHOOL DIST. DATA PROCESSING JOINT BD.
 MN. RIVERLAND TECH. COL.
 MN. STATE SHERIFFS ASSOC.
 MN. TEAMSTER PUBLIC & LAW LOCAL 320
 MN. VALLEY COOP CENTER
 MN. VALLEY ED. DIST.
 MN. VALLEY REGIONAL LIBRARY
 MN. VALLEY TRANSIT AUTHORITY
 MOOSE LAKE--WINDEMERE
 MORRISON COUNTY SWCD
 MOTOR PATROL
 MOWER COUNTY SWCD
 MULTI COUNTY NURSING SE
 NEW RICHLAND CARE CNTR.
 NICOLLET COUNTY SWCD
 NOBLES COUNTY SWCD
 NORMAN COUNTY SWCD
 NORTH CENTRAL SUBURBAN CABLE COMM.
 NORTH COUNTRY LIBRARY COOP
 N COUNTRY VOC. COOP CNTR. BEMIDJI TECHNICAL COLLEGE
 NE ED. COOP SERV UNIT
 NORTHEAST ED. DIST. #6033
 NORTHEAST MN. OFFICE OF JOB TRAINING
 NORTHERN LIGHTS LIBRARY NETWORK
 NORTH FORK CROW RIVER WATERSHED DISTRICT
 NORTH KITTSOON COUNTY RURAL WATER SYSTEM
 NORTH ST. LOUIS COUNTY SWCD
 NORTHWEST ECSU
 NW HENNEPIN HUMAN SERVICES
 NW MIGRANT REGION
 NW REGIONAL DEVEL. COMM.
 NW REGIONAL INTERDISTRICT COUNCIL
 NW SUB. CABLE COMM.
 OLMSTED COUNTY SWCD
 OTTERTAIL LAKES AREA SEWER DIST.
 PACT 4 FAMILIES COLLABORATIVE
 PENNINGTON COUNTY SWCD
 PENNINGTON-RED LAKE COUNTY INTER COUNTY NURSING SERVICE
 PELICAN RIVER WATERSHED DIST.
 PINE COUNTY SWCD
 PINE POINT EXP. SCHOOL
 PINE RIVER SANITARY DISTRICT
 PINE TO PRAIRIE COOPERATIVE CENTER
 PIONEERLAND LIBRARY SYSTEM
 PIPESTONE COUNTY SWCD
 PLAINVIEW-ELGIN WASTEWATER DIST.
 PLUM CREEK LIBRARY SYSTEM
 POPE COUNTY SWCD
 PRAIRIE LAKES DETENTION CENTER
 PRIOR LAKE-SPRING LAKE WATERSHED DIST.

MISCELLANEOUS

ADAMS HEALTH CARE CNTR.
 AITKIN COUNTY SWCD
 ALEXANDRIA LAKE AREA SANITARY DIST.
 ANOKA COUNTY SWCD
 ARROWHEAD LIBRARY SYSTEM
 ARROWHEAD REGIONAL DEVEL. COMM.
 ASSN. OF MN. COUNTIES
 BATTLE LAKE MOTOR PAT. ASSN.
 BECKER COUNTY SWCD
 BELTRAMI COUNTY SWCD
 BEMIDJI R.I.C.
 BENTON COUNTY SWCD
 BENTON-STEARNS COUNTY SPECIAL EDUCATION COOP
 BIG STONE COUNTY SWCD
 BLUE EARTH COUNTY
 BLUE EARTH RIVER BASIN INITIATIVE
 BRAHAM-ISANTI-MILACA JOINT POWERS BD.
 BRAHAM-MORA-PINE CITY JOINT POWERS BD.
 BROWN COUNTY SWCD
 BOARD OF PUBLIC DEFENDERS
 BOIS DE SIOUX WATERSHED DIST.
 BOVEY COLERAINE TREATMENT PLANT COMM.
 CARVER-SCOTT COOP CTR.
 CASS COUNTY SWCD
 CARLTON COUNTY SWCD
 CARVER COUNTY SWCD
 CENTRAL MN. EDUCATION RESEARCH DEVELOPEMENT COUNCIL
 CENTRAL MN ECSU
 CENTRAL ST CROIX VALLEY CABLE COMMISSION
 CIRCLE PINES-LEXINGTON JNT. POLICE COMM.
 CHISAGO COUNTY SWCD
 CHISHOLM-HIBBING AIRPORT COMM.
 CLAY COUNTY SWCD
 CLEARWATER COUNTY NURSING SERVICE
 CLEARWATER COUNTY SWCD
 CLEARWATER RIVER WATERSHED DIST.
 COTTONWOOD COUNTY SWCD
 CROOKSTON DEVELOPMENT AUTH.
 CROW WING COUNTY SWCD
 DAKOTA COUNTY SWCD
 DELAVIN-EASTON PUBLIC SAFETY
 DES MOINES VALLEY NURSING SERVICE
 DOUGLAS COUNTY SWCD
 DODGE COUNTY SWCD

PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION
RANGE ASSN. OF MUNICIPALITIES
RED LAKE WATERSHED DISTRICT
REGION 8 SW & W CENTRAL ECSU
RED LAKE COUNTY SWCD
RED LAKE FALLS AREA SPECIAL ED. COOP
RED RIVER VALLEY VOC. COOP CNT.
REDWOOD-COTTONWOOD RIVER CONTROL
AREA
REDWOOD COUNTY SWCD
REGION 5 DEVELOPMENT COMM.
REGION 1 ESV
REGION 9 SOUTH CENTRAL ECSU
RENVILLE COUNTY SWCD
RICE COUNTY SWCD
ROSEAU COUNTY SWCD
RICE CREEK WATERSHED DISTRICT
RIVER BEND SPECIAL ED. COOP
ROCK COUNTY RURAL WATER SYSTEM
RUNESTONE COMM. CENTER
RUNESTONE ED. DIST. #6014
RURAL FIRE ASSN.
ST. BONIFACIUS-MINNESTRISTA
POLICE COMM.
ST. CLOUD AREA PLANNING ORGANIZATION
ST. CLOUD METRO TRANSIT COMM.
ST. LOUIS COUNTY NORTHWOODS
SOLID WASTE COMM.
SAUK CENTRE WATERSHED DIST.
SCOTT COUNTY SWCD
SCOTT JOINT CITY PROSECUTION
SERPENT LAKE SANITARY SEWER DIST.
SHERBURNE COUNTY SWCD
SIBLEY COUNTY SWCD
SO CENTRAL ED. COOP SERV UNIT
SO CENTRAL EDUCATIONAL DIST.
SO CENTRAL MINNESOTA
INTER-LIBRARY EXCHANGE
SE MINN ED. COOP SERVICE UNIT
SOUTHERN MN MUN POWER AGENCY
SO LAKE MINNETONKA PUBLIC SAFETY DEPT.
SO ST. LOUIS COUNTY SOLID
WASTE COMMISSION
SO ST. LOUIS COUNTY SWCD
SW MULTI-CO. INTERLIB EXCHANGE

SW & W CENTRAL ED. COOP SERV UNIT
SW REGIONAL DEVELOPMENT COMM.
SPRING GROVE AMBULANCE CORP.
STATE COMM. COLLEGE BD.
STATE OF MN. MILITARY
AFFAIRS FIREFIGHTERS
STATE SUPREME COURT JUDICIAL DISTRICTS
STEARNS COUNTY SWCD
STEELE COUNTY SWCD
STEVENS COUNTY SWCD
SUB SCHOOL EMP. #284
SUNNYSIDE NURSING HOME
SWIFT COUNTY SWCD
TODD COUNTY SWCD
TOWNSHIP MAIN ASSC.
TRAVERSE COUNTY SWCD
TRAVERSE DES SIOUX LIBRARY SYSTEM
TRI-COUNTY BIOSOLIDS
DISPOSAL AUTHORITY
TWO RIVERS WATERSHED DIST.
UPPER MN. RIVER WATERSHED DISTRICT
UPPER MN. VALLEY REGIONAL
DEVELOPMENT COMM.
U OF M POLICE OFFICERS
VIKING REGIONAL LIBRARY SYSTEM
WADENA COUNTY SWCD
WASECA COUNTY SWCD
WASHINGTON COUNTY SWCD
WASIOJA EDUC. TECH. COOP. #6048
WATONWAN COUNTY SWCD
WEST CENTRAL AREA ON AGING
WEST CENTRAL ECSU
WESTERN LAKE SUPERIOR SANITARY DIST.
WEST HENNEPIN CO. HUMAN SERVICES
WEST HENNEPIN PUBLIC
SAFETY DEPT.
WEST METRO FIRE-RESCUE DIST.
WEST OTTERTAIL COUNTY SWCD
WEST POLK COUNTY SWCD
WILKIN COUNTY SWCD
WINDOM AREA HOSPITAL
WINONA COUNTY SWCD
WRIGHT VOC. CENTER
YELLOW MEDICINE COUNTY SWCD
YELLOW MEDICINE RWD

**POLICE AND FIRE
RELIEF ASSOCIATIONS
CONSOLIDATED WITH PERA**

ALBERT LEA FIRE
ALBERT LEA POLICE
ANOKA POLICE
AUSTIN FIRE
AUSTIN POLICE
BLOOMINGTON POLICE
BRainerd POLICE
BUHL POLICE
CHISHOLM FIRE
CHISHOLM POLICE
COLUMBIA HEIGHTS FIRE
COLUMBIA HEIGHTS POLICE
CROOKSTON FIRE
CRYSTAL POLICE
DULUTH FIRE
DULUTH POLICE
FARIBAULT FIRE
FARIBAULT POLICE
FRIDLEY POLICE
HIBBING FIRE
HIBBING POLICE
MANKATO FIRE
NEW ULM POLICE
RED WING FIRE
RED WING POLICE
RICHFIELD POLICE
ROCHESTER FIRE
ROCHESTER POLICE
ST. CLOUD FIRE
ST. CLOUD POLICE
ST. LOUIS PARK FIRE
ST. LOUIS PARK POLICE
ST. PAUL FIRE
ST. PAUL POLICE
SO ST. PAUL FIRE
WEST ST. PAUL FIRE
WEST ST. PAUL POLICE
WINONA FIRE
WINONA POLICE