

05 - 0119

**Elective State Officers Retirement Fund**

*Actuarial Valuation and Review  
as of July 1, 2004*

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*December 20, 2004*

*Board of Trustees  
Minnesota State Retirement System  
60 Empire Drive  
St. Paul, Minnesota 55103*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of July 1, 2004. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2005 and analyzes the preceding year's experience.*


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

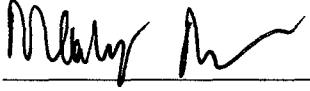
*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.*

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

*Sincerely,*

*THE SEGAL COMPANY*

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

  
*Wally Malles, ASA, MAAA, EA  
Associate Actuary*

*cc: Legislative Commission on Pensions and Retirement  
Minnesota Department of Finance*

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## SECTION 1: Valuation Summary for the Elective State Officers Retirement Fund

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### **Purpose**

This report has been prepared by The Segal Company to present a valuation of the Minnesota State Retirement System as of July 1, 2004. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- Applicable Minnesota Statutes;
- The benefit provisions of the Pension Plan, as administered by the Legislative Commission on Pensions and Retirement;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of July 1, 2004, provided by the Fund;
- The assets of the Fund as of June 30, 2004, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

## SECTION 1: Valuation Summary for the Elective State Officers Retirement Fund

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### Significant Issues in Valuation Year

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

- The statutory contribution under Chapter 352C is equal to \$0 compared to the required contribution under Chapter 356 of \$436,594. Therefore, the contribution deficiency is expected to be \$436,594.
- The actuarial accrued liability funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2004 is 5.09% compared to 4.93% as of July 1, 2002. This ratio is a measure of funding status, and its history is a measure of funding progress, and is the ratio required to be reported under GASB 25.
- There were no changes in plan provisions, actuarial assumptions or actuarial cost methods since the prior valuation. However, this is the first year that The Segal Company prepared the actuarial valuation of the Fund.

**SECTION 1: Valuation Summary for the Elective State Officers Retirement Fund**

**Summary of Key Valuation Results**

	<b>2004</b>	<b>2002</b>
<b>Contributions (% of payroll) for plan year beginning July 1:</b>		
Statutory – Chapter 352C	\$0	\$0
Required – Chapter 356	436,594	412,000
Sufficiency/(Deficiency)	-436,594	-412,000
<b>Funding elements for plan year beginning July 1:</b>		
Normal cost	\$0	\$0
Market value of assets	203,566	201,000
Actuarial value of assets (AVA)	203,566	201,000
Actuarial accrued liability (AAL)	4,001,787	4,075,000
Unfunded/(overfunded) actuarial accrued liability	3,798,221	3,874,000
<b>Funded ratios:</b>		
<u>Accrued Benefit Funded Ratio</u>	5.09%	4.93%
Current assets (AVA)	\$203,566	\$201,000
Current benefit obligations	4,001,787	4,075,000
<u>Projected Benefit Funded Ratio</u>	5.09%	4.93%
Current and expected future assets	\$203,566	\$201,000
Current and expected future benefit obligations (Present Value of Benefits)	4,001,787	4,075,000
<b>GASB 25/27 for plan year beginning July 1:</b>		
Annual required contributions	\$436,594	\$412,000
<u>Accrued Liability Funded Ratio (AVA/AAL)</u>	5.09%	4.93%
Covered actual payroll	\$0	\$0
<b>Demographic data for plan year beginning July 1:</b>		
Number of pensioners and beneficiaries	13	13
Number of vested terminated participants	3	4
Number of other non-vested terminated members	0	0
Number of active participants	0	0

**SECTION 2: Valuation Results for the Elective State Officers Retirement Fund**

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**A. PARTICIPANT DATA**

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

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

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

*A historical perspective of how the participant population has changed over the past three valuations can be seen in this chart.*

**CHART 1**  
**Participant Population: 2001 – 2004**

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<b>Year Ended June 30</b>	<b>Active Participants</b>	<b>Vested Terminated Participants</b>	<b>Retired Participants and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
2001	0	4	13	N/A
2002	0	4	13	N/A
2004	0	3	13	N/A

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**SECTION 2: Valuation Results for the Elective State Officers Retirement Fund**

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**Active Participants**

There were no active participants in this year's valuation or the previous valuation.

**Inactive Participants**

In this year's valuation, there were 3 participants with a vested right to a deferred or immediate vested benefit.

**Retired Participants and Beneficiaries**

As of June 30, 2004, 9 retired participants and 4 beneficiaries were receiving average monthly benefits of \$2,423. For comparison, in the previous valuation, there were 8 retired participants and 5 beneficiaries receiving average monthly benefits of \$2,312.



**SECTION 2: Valuation Results for the Elective State Officers Retirement Fund**

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**B. FINANCIAL INFORMATION**

The actuarial value of assets is equal to the market value of assets. The only assets of this plan are non-segregated member contributions. These assets are shown on an “as reported” basis. Asset smoothing would not be appropriate.

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

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**CHART 2**

**Determination of Actuarial Value of Assets for Year Ended June 30, 2004**

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1. Actuarial value of assets (market value of assets)	\$203,566
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## SECTION 2: Valuation Results for the Elective State Officers Retirement Fund

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### C. INFORMATION REQUIRED BY THE GASB

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

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

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

**SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund**

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Valuation</b>
	<b>2004</b>	<b>2002</b>	
<b>Active participants in valuation</b>	0	0	0.0%
<b>Vested terminated participants</b>	3	4	-25.0%
<b>Retired participants:</b>			
Number in pay status	9	8	12.5%
Average age	71.4	70.6	N/A
Average monthly benefit	\$2,740	\$2,538	8.0%
<b>Disabled participants</b>	0	0	0.0%
<b>Beneficiaries in pay status</b>	4	5	-20.0%

**SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund**

**EXHIBIT B**

**Reconciliation of Participant Data**

	<b>Active Participants</b>	<b>Vested Former Participants</b>	<b>Disableds</b>	<b>Retired Participants</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of July 1, 2002	0	4	0	8	5	17
Changes	<u>0</u>	<u>-1</u>	<u>0</u>	<u>1</u>	<u>-1</u>	<u>-1</u>
Number as of July 1, 2004	0	3	0	9	4	16

**SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund**

**EXHIBIT C**

**Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2004**

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets Available at Beginning of Period	\$201,000	\$0	\$201,000
B. Operating Revenues:			
1. Member Contributions	\$0	\$0	\$0
2. Employer Contributions	0	0	0
3. MPRIF Income	0	0	0
4. Net Investment Income	0	0	0
5. Other	<u>384,060</u>	<u>0</u>	<u>384,060</u>
6. Total Additions	\$384,060	\$0	\$384,060
C. Operating Expenses:			
1. Benefits	\$380,763	\$0	\$380,763
2. Refunds	0	0	0
3. Administrative Expenses	731	0	731
4. Other	<u>0</u>	<u>0</u>	<u>0</u>
5. Total Operating Expenses	\$381,494	\$0	\$381,494
D. Other Changes in Reserves:			
1. Annuities Awarded	\$0	\$0	\$0
2. Mortality Gain/(Loss)	0	0	0
3. Change in MPRIF Assumptions	<u>0</u>	<u>0</u>	<u>0</u>
4. Total Other Changes	\$0	\$0	\$0
E. Assets Available at End of Period	\$203,566	\$0	\$203,566

**SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund**

**EXHIBIT D**

**Table of Financial Information for Year Ended June 30, 2004**

	<b>Market Value</b>	<b>Cost Value</b>
<b>Assets in Trust</b>		
Cash, Equivalents, Short Term Securities	\$0	\$0
Fixed Income	0	0
Equity	0	0
Real Estate	0	0
Equity in MPRIF	0	0
Other	<u>203,997</u>	<u>203,997</u>
Total Assets in Trust	\$203,997	\$203,997
<b>Assets Receivable</b>	\$300	\$300
<b>Total Assets</b>	<u>\$204,297</u>	<u>\$204,297</u>
<b>Amounts Currently Payable</b>	-\$731	-\$731
<b>Assets Available for Benefits</b>		
MPRIF Reserves	\$0	\$0
Member Reserves	80,144	80,144
Other non-MPRIF Reserves	<u>123,422</u>	<u>123,422</u>
<b>Net Assets</b>	<u>\$203,566</u>	<u>\$203,566</u>

**SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund**

**EXHIBIT E**

**Development of the Fund Through June 30, 2004**

<b>Year Ended June 30</b>	<b>General Fund Revenues</b>	<b>Employee Contributions</b>	<b>Net Investment Return*</b>	<b>Administrative Expenses</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
2002	\$354,000	\$0	\$0	\$1,000	\$353,000	\$201,000
2004	384,060	0	0	731	380,763	203,566

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

**SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund**

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**EXHIBIT F**

**Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2004**

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1. Unfunded/(overfunded) actuarial accrued liability as of the prior valuation date	\$3,874,000
2. Changes due to passage of time and actuarial experience	<u>-75,779</u>
3. Unfunded/(overfunded) actuarial accrued liability at end of year	<u>\$3,798,221</u>

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**SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund**

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**EXHIBIT G**

**Definitions of Pension Terms**

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

**Assumptions or Actuarial**

**Assumptions:**

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

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

**Normal Cost:**

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

**Actuarial Accrued Liability**

**For Actives:**

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

**Actuarial Accrued Liability**

**For Pensioners:**

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

**Unfunded Actuarial Accrued**

**Liability:**

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

### SECTION 3: Supplemental Information for the Elective State Officers Retirement Fund

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#### **Amortization of the Unfunded**

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

#### **Investment Return:**

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

#### **Accrued Benefit Funded Ratio:**

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

#### **Projected Benefit Funded Ratio:**

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

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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**EXHIBIT I**

**Summary of Actuarial Valuation Results**

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

1. Retired participants as of the valuation date (including 4 beneficiaries in pay status)	13
2. Participants inactive during year ended June 30, 2004 with vested rights	3
3. Participants active during the year ended June 30, 2004	0

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The actuarial factors as of the valuation date are as follows:

1. Normal cost		\$0
2. Present value of future benefits		4,001,787
3. Present value of future normal costs		0
4. Actuarial accrued liability		4,001,787
Retired participants and beneficiaries	\$3,550,422	
Inactive participants with vested rights	451,365	
Participants due refunds	0	
Active participants	0	
5. Actuarial value of assets (\$203,566 at market value)		\$203,566
6. Unfunded actuarial accrued liability		\$3,798,221

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**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

**EXHIBIT I (continued)**

**Summary of Actuarial Valuation Results**

	<b>Actuarial Present Value of Projected Benefits</b>	<b>Actuarial Present Value of Future Normal Costs</b>	<b>Actuarial Accrued Liability</b>
<b>A. Determination of Actuarial Accrued Liability</b>			
1. Active members:	\$0	\$0	\$0
2. Vested terminated members	451,365	0	451,365
3. Other non-vested terminated members	0	0	0
4. Annuitants in MPRIF	0	0	0
5. Annuitants not in MPRIF	<u>\$3,550,422</u>	<u>0</u>	<u>\$3,550,422</u>
6. Total	\$4,001,787	\$0	\$4,001,787
<b>B. Determination of Unfunded Actuarial Accrued Liability</b>			
1. Actuarial accrued liability			\$4,001,787
2. Actuarial value of assets			<u>203,566</u>
3. Unfunded actuarial accrued liability: (1) – (2)			\$3,798,221
<b>C. Determination of Supplemental Contribution Rate</b>			
1. Current unfunded actuarial accrued liability to be amortized by June 30, 2017			\$3,798,221
2. Supplemental contribution amount			\$435,594

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

**EXHIBIT II  
Actuarial Balance Sheet**

A. Current Assets				\$203,566
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				\$0
2. Present Value of Future Normal Costs				<u>0</u>
3. Total Expected Future Assets				\$0
C. Total Current and Expected Future Assets				\$203,566
D. Current Benefit Obligations	<b><u>Non-Vested</u></b>	<b><u>Vested</u></b>		<b><u>Total</u></b>
1. Benefit recipients:				
(a) Retirement annuities	\$0	\$2,903,943		\$2,903,943
(b) Disability benefits	0	0		0
(c) Beneficiaries	0	646,479		646,479
2. Vested terminated members	0	451,365		451,365
3. Other non-vested terminated members	0	0		0
4. Active members	<u>0</u>	<u>0</u>		<u>0</u>
5. Total Current Benefit Obligations	\$0	\$4,001,787		\$4,001,787
E. Expected Future Benefit Obligations				<u>\$0</u>
F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				\$4,001,787
G. Current Unfunded Actuarial Liability (D.5 - A)				\$3,798,221
H. Current and Future Unfunded Actuarial Liability (F - C)				\$3,798,221

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

**EXHIBIT III**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Actuarially Required Contribution Rate<sup>(1)</sup> (a)</b>	<b>Actual Covered Payroll (b)</b>	<b>Actual Member Contributions (c)</b>	<b>Annual Required Contributions<sup>(2)</sup> [(a) x (b)] – (c) = (d)</b>	<b>Actual Employer Contributions<sup>(3)</sup> (e)</b>	<b>Percentage Contributed (e) / (d)</b>
1991	34.84%	\$422,000	\$38,000	\$109,000	\$40,000	36.70%
1992	33.28%	378,000	34,000	92,000	111,000	120.65%
1993	36.23%	500,000	45,000	136,000	88,000	64.71%
1994	38.64%	411,000	37,000	122,000	164,000	134.43%
1995	42.00%	422,000	38,000	139,000	165,000	118.71%
1996	43.58%	456,000	41,000	158,000	151,000	95.57%
1997	43.49%	467,000	42,000	161,000	167,000	103.73%
1998	51.07%	461,000	42,000	193,000	175,000	90.67%
1999	51.66%	291,000	26,000	124,000	40,000	32.26%
2000	\$321,000	0	0	321,000	306,000	95.33%
2001	340,000	0	0	340,000	330,000	97.06%
2002	371,000	0	0	371,000	354,000	95.42%
2003	412,000 <sup>(4)</sup>	0	0	412,000	371,294	90.12%
2004	412,000 <sup>(5)</sup>	0	0	412,000	382,679	92.88%
2005	436,594					

<sup>(1)</sup> Shown in dollars for years after 1999.

<sup>(2)</sup> For years after 1999, the annual required contributions is the dollar amount shown in (a).

<sup>(3)</sup> Includes contributions from other sources (if applicable).

<sup>(4)</sup> Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is \$389,000.

<sup>(5)</sup> Actuarially Required Contribution Rate is equal to prior year's rate since an actuarial valuation was not completed as of July 1, 2003.

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

**EXHIBIT IV**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b) – (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Actual Covered Payroll (Previous FY) (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)</b>
07/01/1991	\$308,000	\$2,249,000	\$1,941,000	13.69%	\$422,000	459.95%
07/01/1992	334,000	2,380,000	2,046,000	14.03%	378,000	541.27%
07/01/1993	322,000	2,689,000	2,367,000	11.97%	500,000	473.40%
07/01/1994	361,000	2,848,000	2,487,000	12.68%	411,000	605.11%
07/01/1995	378,000	2,948,000	2,570,000	12.82%	422,000	609.00%
07/01/1996	412,000	2,983,000	2,571,000	13.81%	456,000	563.82%
07/01/1997	456,000	3,214,000	2,758,000	14.19%	467,000	590.58%
07/01/1998	500,000	3,369,000	2,869,000	14.84%	461,000	622.34%
07/01/1999	198,000	3,373,000	3,175,000	5.87%	291,000	1,091.07%
07/01/2000	199,000	3,535,000	3,336,000	5.63%	0	N/A
07/01/2001	201,000	3,775,000	3,574,000	5.32%	0	N/A
07/01/2002	201,000	4,075,000	3,874,000	4.93%	0	N/A
07/01/2003*	--	--	--	--	--	--
07/01/2004	203,566	4,001,787	3,798,221	5.09%	0	N/A

\* An actuarial valuation was not completed as of July 1, 2003.

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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**EXHIBIT V**

**Determination of Contribution Sufficiency**

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<b>A. Statutory Contributions – Chapter 352C</b>	<b>July 1, 2004</b>
1. Member Contributions	\$0
2. Employer Contributions	<u>0</u>
3. Total	<u>\$0</u>
<b>B. Required Contributions – Chapter 356</b>	
1. Normal Cost	\$0
2. Amortization of Supplemental Contribution UAAL	435,594
3. Allowance for Expenses	<u>1,000</u>
4. Total	<u>\$436,594</u>
<b>C. Contribution Sufficiency (Deficiency) (A.3 – B.4)</b>	<u>-\$436,594</u>



**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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**EXHIBIT VI**

**Supplementary Information Required by the GASB**

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<b>Valuation date</b>	July 1, 2004
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level dollar
<b>Remaining amortization period</b>	13 years remaining as of July 1, 2004
<b>Asset valuation method</b>	Market Value of assets
<b>Actuarial assumptions:</b>	
Investment rate of return:	
Pre-retirement	8.50% per annum
Post-retirement	8.50% per annum (payment of earnings on retired reserves in excess of 6% accounted for by using a 6% post-retirement assumption.)
<b>Plan membership:</b>	
Retired participants and beneficiaries receiving benefits	13
Terminated participants entitled to, but not yet receiving benefits	3
Active participants	<u>0</u>
Total	16

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**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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**EXHIBIT VII**

**Actuarial Assumptions and Actuarial Cost Method**

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**Net Investment Return:**

<i>Pre-Retirement:</i>	8.50% per annum.
<i>Post-Retirement:</i>	8.50% per annum.

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**Benefit Increases After Retirement:** Payment of earnings on retired reserves in excess of 6.00% accounted for by using a 6.00% post-retirement assumption. For those not yet in pay status, a 5.00% post-retirement discount rate is used to account for the one-time adjustment applicable at retirement.

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**Salary Increases:** 5.00% annually.

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**Mortality Rates:**

<i>Healthy Pre-Retirement:</i>	Male -	1983 Group Annuity Mortality Table for males set back 4 years.
	Female -	1983 Group Annuity Mortality Table for females set back 2 years.
<i>Healthy Post-Retirement:</i>	Male -	1983 Group Annuity Mortality Table for males.
	Female -	1983 Group Annuity Mortality Table for females.
<i>Disabled:</i>	Male -	N/A
	Female -	N/A

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**Retirement Age:** Age 62 or if over age 62, one year from valuation date.

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**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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**Withdrawal Rates:**

Rates based on years of service:

<u>Year</u>	<u>Rate</u>
1	0.00%
2	0.00
3	0.00
4	50.00
5	0.00
6	0.00
7	0.00
8	50.00

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**Disability Rates:**

None.

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**Allowance for Combined Service Annuity:**

Liabilities for active members are increased by 0.00% and liabilities for former members are increased by 30.00% to account for the effect of some participants having eligibility for a Combined Service Annuity.

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**Expenses:**

Prior year administration expenses expressed as percentage of prior year payroll.

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**Return of Contributions:**

All employees withdrawing after eight years of service were assumed to leave their contributions on deposit and receive a deferred annuitant benefit.

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**Percent Married:**

85% of members are assumed to be married.

**Age of Spouse:**

Females are assumed to be three years younger than males.

**Eligible Children:**

Each member may have up to two dependent children depending on the member's age. Assume first child born at member's age 28 and second child born at member's age 31.

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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**Actuarial Cost Method:** Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level dollar amount with Normal Cost determined as if the current benefit accrual rate had always been in effect.

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**Asset Valuation Method:** Only plan assets are non-segregated member contributions which theoretically serve to offset state costs. No market smoothing is applicable.

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**Payment on the Unfunded Actuarial Accrued Liability:** A level dollar amount each year to the statutory amortization date.

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

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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**EXHIBIT VIII**

**Summary of Plan Provisions**

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

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<b>Plan Year:</b>	July 1 through June 30.
<b>Eligibility:</b>	Employment as a "Constitutional Officer" as elected prior to July 1, 1997 and who elect to retain coverage under this plan (i.e., do not elect Social Security coverage).
<b>Contributions:</b>	
<i>Member:</i>	9.00% of salary.
<i>Employer:</i>	No specified statutory contribution rate. State must contribute an amount equal to the full annuity value at benefit commencement less accumulated member contributions.
<b>Allowable Service:</b>	Service while in an eligible position.
<b>Salary:</b>	Salary upon which Elective State Officers Retirement Plan contributions have been made.
<b>Average Salary:</b>	Average of the five highest successive years of salary.
<b>Retirement:</b>	
<i>Normal Retirement Benefit:</i>	
<i>Age/Service Requirement:</i>	Age 62 and eight years of Allowable Service.
<i>Amount:</i>	2.50% of Average Salary for each year of Allowable Service. For members who were employed as of June 30, 1997 and are still employed on July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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*Early Retirement Benefit:*

*Age/Service Requirement:*

Age 60 and eight years of Allowable Service.

*Amount:*

Normal Retirement Benefit based on Allowable Service and Average Salary at retirement date with reduction of 0.50% for each month the member is under age 62 at time of retirement.

*Form of Payment:*

Life annuity.

*Benefit Increases:*

Adjusted by MSRS to provide same increases as MPRIF.

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**Disability:**

None.

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**Death:**

*Surviving Spouse Benefit:*

*Age/Service Requirement:*

Death while active or after retirement or with at least eight years of Allowable Service.

*Amount:*

Survivor's payment of 50% of the retirement benefit of the member assuming the member had attained age 62 and had a minimum of eight years of Allowable Service. Benefit is paid for life. A former member's benefit is augmented the same as a Deferred Annuity to date of death before determining the portion payable to the spouse.

If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

## SECTION 4: Reporting Information for the Elective State Officers Retirement Fund

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### Surviving Dependent Child Benefit:

*Age/Service Requirement:* Same as spouse's benefit.

*Amount:* Benefit for first child is 25% of the retirement benefit (computed as for surviving spouse) with 12.50% for each additional child. Maximum payable (including spouse) is 100.00% of the retirement benefit. Benefits cease when a child marries or attains age 18 (22 if a full-time student).

If a member became deceased prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

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

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### **Termination:**

#### Refund of Contributions:

*Eligibility:* Termination of service.

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

#### Deferred Benefit:

*Eligibility:* Eight years of Allowable Service.

*Amount:* Benefit computed under law in effect at termination and increased by the following annual percentage:

- (a) 0.00% before July 1, 1979;
- (b) 5.00% from July 1, 1979 to January 1, 1981;
- (c) 3.00% until age 55; and
- (d) 5.00% thereafter until the annuity begins. Amount is payable as a normal or early retirement.

**SECTION 4: Reporting Information for the Elective State Officers Retirement Fund**

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

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**Changes in Plan Provisions:**

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