STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

LARGE PUBLIC PENSION PLAN INVESTMENT REPORT

For the Year Ended December 31, 2010

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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Large Public Pension Plan Investment Report

For the Year Ended December 31, 2010

December 22, 2011

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Scope and Methodology

This report reviews the investment performance of Minnesota's large public pension plans for the 2010 calendar year. These pension plans and the State Board of Investment held nearly $47.8 billion in assets as of December 31, 2010, and represent the retirement savings of hundreds of thousands of public employees.

The five individual large local public pension plans included in this report are the Bloomington Fire Department Relief Association, the Duluth Teachers' Retirement Fund Association, the Minneapolis Firefighters' Relief Association, the Minneapolis Police Relief Association, and the St. Paul Teachers' Retirement Fund Association. The State Board of Investment (SBI), which is referenced frequently, is not a pension plan, but invests the assets of certain public employee pension plans administered by the Minnesota State Retirement System, the Public Employees Retirement Association, and the Teachers Retirement Association.

The pension plans are required under Minnesota Statutes, section 356.219, to annually report investment information to the Office of the State Auditor, and the State Auditor is required to provide a report to the legislature on the investment performance of these plans. One way to measure investment performance is to calculate a rate of return which can then be used to compare a plan against a benchmark or against other plans. The methodologies used by each of the large plans to calculate rates of return may vary from one another and from the methodology used by the Office of the State Auditor. To obtain analogous comparisons of investment performance, the Office of the State Auditor calculates rates of return using a uniform calculation method.[1] Using a uniform calculation method allows for a fair comparison of performance among plans.

Oversight of these pension plans is important to safeguard the pensions of public employees and to control local and state liabilities. This report informs lawmakers of the large plans' investment performance, educates fiduciaries and members of the plans, and provides transparency to the public.

[1] Minnesota Statutes, section 356.219, requires the Office of the State Auditor to compute and report total portfolio and asset class time-weighted rates of return, net of all costs and fees.

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Executive Summary

Current Trends

- During 2010, rates of return for the large plans ranged from 12.0 percent (Minneapolis Fire) to 16.0 percent (Duluth Teachers'). All of the plans except for Minneapolis Fire were able to meet their respective benchmarks. (Pages 7 through 14)

- All of the large plans except for Bloomington Fire ended 2010 with funding ratios below 100 percent. Bloomington Fire and Duluth Teachers' were the only plans that experienced an increase in their funding ratios. Bloomington Fire and Duluth Teachers' had funding ratios of 105.4 percent and 81.7 percent, respectively. (Pages 15 and 16)

Long-Term Trends

- The ten-year period from January 2001 through December 2010 provided minimal investment growth. None of the large plans were able to meet their actuarial assumed rates of return over this period, although most of the plans were able to keep up with or exceed market returns. The State Board of Investment's Income Share Account provides an example of a rate of return that was available over this ten-year period. The Income Share Account is a balanced fund that returned 4.0 percent for the period. All but two of the large plans (Bloomington Fire and Duluth Teachers') exceeded this return. The best-performing plan over the ten-year period was St. Paul Teachers', which earned 5.8 percent. The SBI's Combined Funds returned 4.9 percent for the period. (Pages 19 and 20)

- The plans with the lowest rates of return for the ten-year period were Bloomington Fire and Duluth Teachers', with returns of 2.5 percent and 3.3 percent, respectively. Both of these plans exceeded their benchmarks for 2010. (Pages 19 and 20)

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Understanding Investment Performance Terms

Asset Allocation

Asset allocation describes the practice of distributing the assets of a portfolio among different types of investment classes, such as stocks, bonds, cash, and real estate. By diversifying assets, the goal is to create a favorable risk/reward ratio for a portfolio. When one asset class declines, the expectation is another will increase and offset the loss.

Passive Investment Strategy

Passive investment strategy or passive management is more commonly called indexing. Indexing is an investment management approach based on investing in the same securities, and in the same proportions, as an index. The management style is considered passive because portfolio managers do not make decisions about which securities to buy and sell. Instead, managers simply copy the index by purchasing the same securities included in a particular stock or bond market index.

Active Investment Strategy

Active investment strategy or active management is an attempt to outperform the market as measured by a particular benchmark or index. The aim of active fund management is to outperform, after fees are paid, the index that a particular fund is benchmarked against. Prevailing market trends, the economy, political and other current events, and company-specific factors (such as earnings growth) all affect an active manager's decisions. Active investing often has higher costs than passive investing. These extra expenses may reduce any extra gains an active manager might earn.

Enhanced Indexing Investment Strategy

Enhanced indexing investment strategy or enhanced indexing is a hybrid strategy used by many of the large plans. Enhanced indexing combines both passive and active investment strategies and attempts to generate rates of return that are slightly higher than that of an index fund or other passive management techniques.

Benchmark

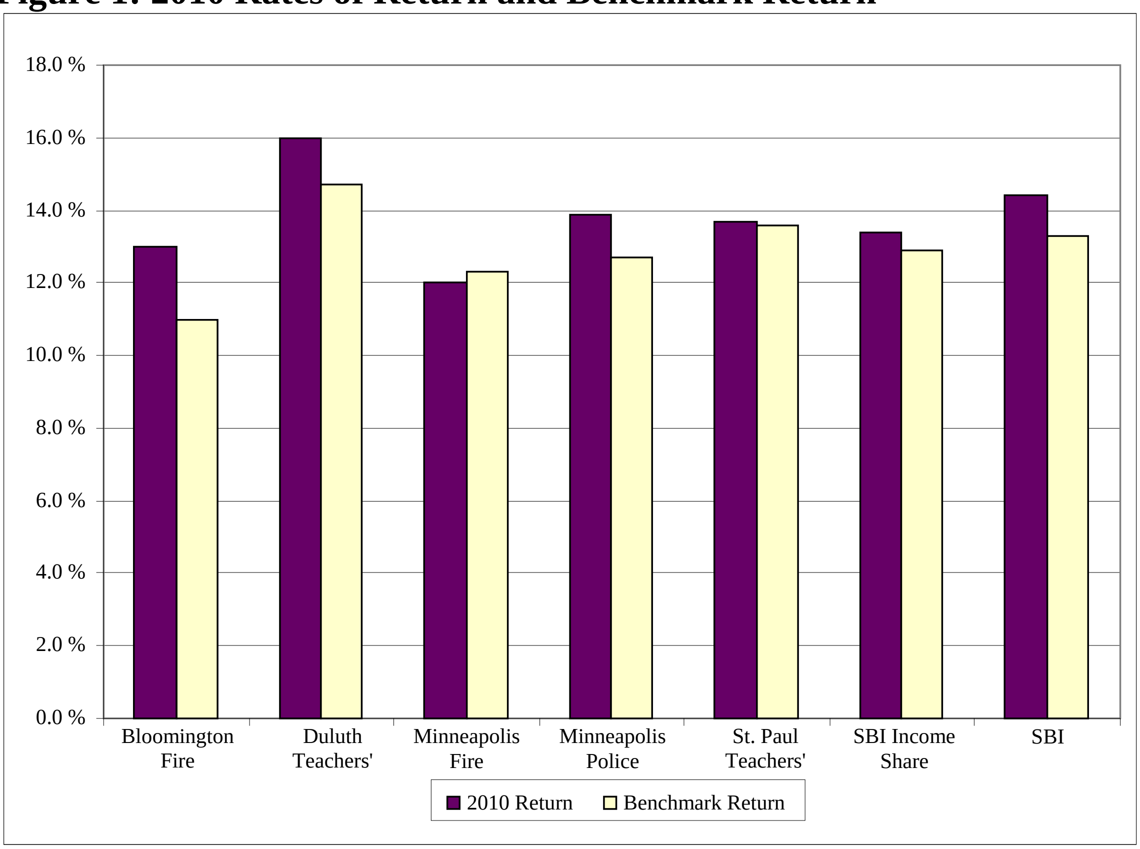
A benchmark is an index to which a plan compares its investments. Market benchmarks are used by individual investors, portfolio managers, and market researchers to determine how well a particular market or market sector performs. Investors look to broad indices as benchmarks to help them gauge not only how well the markets are performing, but also how well they are performing as investors.

Why Benchmarks are Important

Measuring investment returns against an appropriate benchmark encourages prudent investment decisions and gives trustees a fair depiction of how a plan's investments are performing.

The key to establishing the most accurate benchmark for a portfolio is determining which indices best track investments similar to the asset allocation of the investment policy. An ideal benchmark return would consist of a hypothetical portfolio of indices, invested in the same asset classes and in the same proportion as the actual holdings of the entire portfolio. Indices track different asset classes, such as domestic equity or bonds. An index may also track subsets of an asset class, such as small-capitalization growth domestic equity. Although benchmark indices are not directly available for investment purposes, mutual and collective index funds can be obtained which hold the same securities as the index. Known as "index funds," these funds are managed with a passive style. Figure 1 below compares the 2010 rates of return and benchmark returns for the large plans and the State Board of Investment (SBI).

Figure 1: 2010 Rates of Return and Benchmark Return



2010 Performance Analysis

Investments continued to recover in 2010 following large losses during 2008 and the first part of 2009. The S&P 500 Index, which is a gauge of the large-capitalization U.S. equities market, returned 15.1 percent in 2010. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies, representing nearly all of the investable U.S. equity market. The Russell 3000 Index returned 16.9 percent.

International equities performed well, returning 11.2 percent as measured by the Morgan Stanley Capital International (MSCI) All-Country World Index excluding the United States (ACW Index ex. U.S.). This index measures the performance of both developed and emerging markets.

Domestic bonds posted another year of steady returns, returning 6.5 percent as measured by the Barclays Capital Aggregate Index. The 2010 return for bonds slightly outperformed the 5.9 percent return achieved during the 2009 economic downturn.

Economic indicators also improved slightly, as unemployment dropped to 9.4 percent. Consumer spending decreased, however, by 2.0 percent. The decrease in spending was greater than the change in the Consumer Price Index, which in fact rose 1.6 percent. Housing and jobs, as well as European debt and other geopolitical issues, were concerns that contributed to the slow, but recovering, economy.

Bloomington Fire Department Relief Association

The Bloomington Fire Department Relief Association returned 13.0 percent in 2010, as calculated by the Office of the State Auditor. Bloomington Fire exceeded its benchmark return of 11.0 percent. The plan's investment policy was updated during 2010 to include an international equity component.

Bloomington Fire's investment policy allocates 50.0 percent to domestic equities, 10.0 percent to international equities, 35.0 percent to bonds, and 5.0 percent to cash. The plan's actual allocation for 2010 consisted of 49.9 percent domestic equities, 14.3 percent international equities, 31.9 percent bonds, and 3.9 percent cash. Bloomington Fire increased its allocation to domestic equities by 25.1 percent from 2009 to 2010, and decreased its allocation to cash by 38.3 percent during that period.

At the end of 2010, 86.7 percent of Bloomington Fire's total assets were held in the SBI's Supplemental Fund; 34.6 percent of the plan's assets with the SBI were invested in the Common Stock Index Account, 16.9 percent in the Growth Share Account, 14.3 percent in the International Share Account, and 34.2 percent in the Bond Market Account. In

2010, Bloomington Fire liquidated its money market account with the SBI and transferred the funds to Union Bank and Trust.

The Common Stock Account is a Russell 3000 Index fund that returned 17.3 percent for the year. The Growth Share Account is an actively-managed domestic equity account that exceeded its Russell 3000 Index benchmark. The International Share Account, consisting of active, semi-passive, and passive managers, returned 12.3 percent for the year. The account is compared to a composite index that returned 11.2 percent. The Bond Market Account, an actively-managed account, returned 9.0 percent and exceeded its benchmark Barclays Capital Aggregate Index return of 6.5 percent.

Wells Fargo Advisors held 10.3 percent of Bloomington Fire's total assets. This account was invested in cash, individual stocks, fixed-income, and mutual funds. The Wells Fargo account returned 12.1 percent.

Bloomington Fire also held investments in an internally-managed account. The account held 2.8 percent of the plan's assets, and was entirely invested in short-term cash investments. The account returned 0.1 percent. Assets held by the internally-managed account increased by 130.2 percent over the 2009 holdings.

Duluth Teachers' Retirement Fund Association

The Duluth Teachers' Retirement Fund Association returned 16.0 percent in 2010, above its benchmark return of 14.7 percent. An above-market return in fixed-income investments mixed with strong domestic equity returns contributed to the plan's overall success.

Duluth Teachers' domestic equity portfolio returned 21.9 percent. Investments in large-capitalization stocks were held through a Wells Fargo S&P 500 Index fund, which comprised 12.1 percent of the plan's total assets. The Wells Fargo fund returned 15.3 percent, falling closely in line with the benchmark S&P 500 Index return of 15.1 percent. The S&P 500 Index is also used as the benchmark for the Hussman Strategic Growth Fund. This risk-controlled equity fund seeks to achieve long-term capital appreciation with added emphasis on the protection of capital during unfavorable market conditions. Comprising 4.5 percent of the plan's total assets, the fund returned negative 3.6 percent. The small-capitalization growth segment of domestic equity is managed by Disciplined Growth Investors, which held 15.1 percent of Duluth Teachers' total assets. This fund returned a favorable 33.8 percent compared to a 29.1 percent return from the Russell 2000 Growth Index benchmark. The small- and mid-capitalization portfolio, comprising 11.6 percent of the plan's total assets, is managed by Wellington. The Wellington Fund returned 24.4 percent, while its Russell 2500 Value Index benchmark provided a 24.8 percent return.

In its investment policy, Duluth Teachers' allocates 23.0 percent of its assets to fixed-income investments. The fixed-income portfolio held 29.7 percent of the plan's total assets. Fixed-income investments managed by Western Asset Management returned 10.2 percent. The fund exceeded the 6.5 percent benchmark return set by the Barclays Capital Aggregate Index. Metropolitan West, which reclassified its portfolio from domestic equity holdings to fixed-income holdings in 2009, comprised 4.9 percent of Duluth Teachers' total assets at the end of 2010. The fund's investments included government and investment grade corporate bonds, mortgage- and asset-backed securities, and non-U.S. fixed-income securities. The Metropolitan West fund returned 31.9 percent.

The plan's international equities were managed by Artio Global Investors. International investments made up 15.7 percent of Duluth Teachers' total assets. While the fund had an 8.2 percent return, it failed to reach the benchmark MSCI ACW Index ex. U.S. return of 11.2 percent.

Duluth Teachers' real estate investments made up less than one percent of the plan's total assets. The investments performed well, returning 13.8 percent for the year. The plan's real estate investment return slightly outperformed the benchmark National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index return of 13.1 percent. The plan's real estate investments consist of the buildings which house the plan's offices. Rental income from the buildings is included by Duluth Teachers' in the calculation of the investment return for real estate, which contributed to the above-market return of the asset class.

The plan's private equity funds are held by HarbourVest Partners and North Sky Capital. Private equity consists of equity securities in operating companies that are not publicly traded on a stock exchange. The assets are invested in venture funds, buyout funds, and international private equity funds. Investments in private equity comprised 7.2 percent of the plan's total assets at the end of the year. The private equity investments returned 9.9 percent.

Minneapolis Firefighters' Relief Association

The Minneapolis Firefighters' Relief Association returned 12.0 percent in 2010, as calculated by the Office of the State Auditor. The return fell short of the plan's benchmark return of 12.3 percent. The strong performance in the equity markets contributed to an increase in the plan's domestic equity holdings of 9.7 percent. The percentage of domestic equity in the plan's portfolio was 53.4 percent. As the equity holdings increased, Minneapolis Fire's allocation to bonds decreased by 7.4 percent from 2009.

The Ivy Global Natural Resources fund returned 17.2 percent, one year after posting a return of 76.0 percent. The 2010 return exceeded the fund's Dow Jones-AIG Commodity Index benchmark return of 16.8 percent. The Mairs & Power fund was the next best-performing balanced fund, returning 14.8 percent. Other balanced fund returns included FAF Advisors (9.9 percent), Leuthold Weeden (4.3 percent), New Century Capital (5.3

percent), and the SBI Income Share Account (13.3 percent). The balanced funds make up less than half of the plan's portfolio.

Domestic equity performed well during 2010, returning 19.9 percent. The plan's equity return was well above the S&P 500 Index benchmark of 15.1 percent. The domestic equity holdings of Minneapolis Fire at the beginning of 2010 were comprised of four separate fund managers, and a fifth fund manager was added in November 2010. At year end, three managers met or exceeded their respective benchmarks, and four of the managers were able to outperform the S&P 500 Index. The domestic equity fund that Minneapolis Fire added in November 2010, the MD SASS Enhanced Equity fund, had a two month rate of return of 4.7 percent. Marque Millennium returned 15.3 percent, missing its Russell 1000 Value Index benchmark return of 15.5 percent. White Pine Capital, a small-capitalization growth fund, returned 35.8 percent, exceeding its Russell 2000 Growth Index return of 29.1 percent. Knelman Asset Management returned 17.9 percent. This manager exceeded its Russell 1000 Growth Index benchmark of 16.7 percent. Minneapolis Fire also invested in the SBI Common Stock Index Account. The goal of this fund is to replicate the returns of the Russell 3000 Index. The Common Stock Index Account returned 17.1 percent, exceeding the Russell 3000 Index benchmark return of 16.9 percent.

Fixed-income investments returned 6.9 percent, outperforming its Barclays Capital Aggregate Index benchmark of 6.5 percent. The Post Advisory Group, a high-yield bond fund, was closed in May 2010 after a solid performance in 2009. The three remaining fixed-income funds were all aggregate bond funds that track the Barclays Capital Aggregate Index as a benchmark. The SBI Bond Market Account and the Pimco fund both exceeded the 6.5 percent benchmark return, with returns of 9.1 percent and 21.9 percent, respectively. The fixed-income fund managed by Columbia Management Investment Advisers (FKA Riversource Investments) failed to meet its benchmark, returning only 5.4 percent.

The international equity portfolio for Minneapolis Fire, which held 20.2 percent of the plan's assets, also outpaced its benchmark with a return of 10.2 percent. International equity holdings track the MSCI EAFE Index, which returned 7.8 percent. Minneapolis Fire's international equity portfolio is made up of funds managed by Dodge & Cox and Manning & Napier. The Dodge & Cox fund returned 12.8 percent while the Manning & Napier fund returned 9.2 percent.

Minneapolis Police Relief Association

The Minneapolis Police Relief Association returned 13.9 percent in 2010, as calculated by the Office of the State Auditor, topping its benchmark return of 12.7 percent. The plan's above-market overall return was primarily triggered by the strong performance of its domestic equity and global equity portfolios.

Minneapolis Police's domestic equity investments returned 18.8 percent, while the Dow Jones U.S. Total Stock Index provided a benchmark return of 17.5 percent for the asset class. The SBI Common Stock Index Account held 26.0 percent of Minneapolis Police's assets, and accounted for the majority of the plan's domestic equity portfolio.

The fixed-income portfolio for Minneapolis Police returned 9.9 percent, surpassing the 6.5 percent return of the Barclays Capital Aggregate Index benchmark. The SBI Bond Market Account is the primary component of the portfolio, accounting for nearly 43.6 percent of fixed-income investments. The SBI account returned 9.0 percent. The Galliard Capital Management fund, which provided the lowest return of the asset class, returned 8.8 percent. Two of Minneapolis Police's fixed-income accounts held investments in high-yield bonds, which are not tracked by the Barclays Capital Aggregate Index. These two accounts, Loomis Sayles and Western Asset Management, had the highest returns of the fixed-income portfolio. Loomis Sayles had a return of 12.9 percent, and Western returned 11.9 percent for the year.

International equity investments returned 10.7 percent, which fell short of the benchmark MSCI ACW Index ex. U.S. return of 11.2 percent. The SBI International Share Account accounted for nearly 74.7 percent of the international equity portfolio. The SBI International Share Account returned 12.3 percent for the year. The Mercator account failed to reach its benchmark, as it returned 5.4 percent compared to the 7.8 percent MSCI EAFE Index benchmark return. Minneapolis Police held 19.3 percent of its total assets in international equity investments.

Minneapolis Police's global investments had a strong performance during the year. The New Perspective Fund, held by Capital Research and Management, returned 13.1 percent. The fund outperformed the 12.7 percent benchmark return provided by the MSCI ACW Index. The Mellon Global Alpha I Fund returned 16.1 percent. The fund outperformed its custom benchmark return of 8.7 percent, which is comprised of 60.0 percent MSCI World Index and 40.0 percent Citigroup World Government Bond Index.

Prudential PRISA, a real estate account, returned 14.2 percent for the year. Minneapolis Police's real estate investments, however, did not attain the 15.7 percent benchmark return provided by the NCREIF Open-End Diversified Core. The real estate asset class made up 2.7 percent of Minneapolis Police's total assets.

Minneapolis Police's Leuthold Weeden account, which is a balanced fund, returned 3.7 percent. The fund was unable to measure up to the benchmark return of 15.1 percent that was provided by the S&P 500 Index. The fund primarily consists of domestic and international stock investments, while also containing a mixture of allocations to bonds, money market instruments, and alternative investments, and made up 2.0 percent of the plan's total assets.

St. Paul Teachers' Retirement Fund Association

The St. Paul Teachers' Retirement Fund Association returned 13.7 percent in 2010, as calculated by the Office of the State Auditor, exceeding its benchmark return of 13.6 percent. The plan's market value increased by $57.8 million. Domestic equity and real estate returns were key contributors to the plan's overall performance. The asset allocation was in line with the plan's comprehensive investment policy.

The domestic equity holdings of St. Paul Teachers' returned 19.5 percent, which was above the S&P 500 Index return of 15.1 percent. St. Paul Teachers' used the S&P 500 Index as the large-capitalization benchmark. The plan had previously benchmarked its large-capitalization equity to the Russell 1000 Index. The BGI Russell 1000 Growth Index fund returned 16.8 percent and exceeded the Russell 1000 Growth Index benchmark of 16.7 percent. This fund is now the plan's third largest large-capitalization fund. The Barrow & Hanley fund's rate of return of 10.5 percent did not exceed the Russell 1000 Value Index benchmark return of 15.5 percent. The BGI S&P 500 Index fund returned 15.2 percent, exceeding the S&P 500 Index benchmark of 15.1 percent. The large-capitalization growth fund managed by Fifth Third Asset Management returned 15.7 percent, which failed to meet its Russell 3000 Index benchmark of 16.9 percent. The lone mid-capitalization fund, managed by Wellington Management, returned 25.5 percent. The small-capitalization fund managed by Boston Company returned 31.8 percent. The DFA 6-10 Value fund returned 34.0 percent compared to its 24.5 percent benchmark return.

Fixed-income investments returned 6.6 percent, exceeding its Barclays Capital Aggregate Index benchmark return of 6.5 percent. St. Paul Teachers' previously used the Barclays Government/Corporate Index as a benchmark for its fixed-income portfolio. RGI U.S. Debt Index Fund, a new fixed-income manager, returned 6.7 percent compared to the Barclays Capital Aggregate Index benchmark of 6.5 percent. St. Paul Teachers' fixed-income portfolio also included a passively-managed fund, which returned 6.6 percent. Fixed-income investments made up 16.2 percent of the total portfolio, after accounting for 18.0 percent of the portfolio in 2009.

St. Paul Teachers' international equity portfolio returned 8.4 percent. The plan classifies the international equity managers as either developed or emerging market. The developed market funds were managed by JP Morgan and Morgan Stanley and track the MSCI EAFE Index benchmark, which returned 7.8 percent. The JP Morgan fund did not meet the benchmark after returning 7.2 percent, while the Morgan Stanley fund also fell short of the benchmark with a return of 6.2 percent. The emerging market segment played a significant role in the overall return of the plan's international equity portfolio. The emerging market fund managed by Capital International returned 16.8 percent, missing the MSCI Emerging Markets Index benchmark of 19.2 percent.

St. Paul Teachers' was invested in a global equity fund managed by Lazard. The Lazard Thematic Global Fund returned 8.8 percent, falling short of the MSCI ACWI Index benchmark of 13.2 percent.

The real estate holdings for St. Paul Teachers' returned 18.6 percent, compared to its NCREIF Property Index benchmark return of 13.1 percent. Real estate fund manager Advantus returned 30.6 percent, after returning 23.9 percent in 2009. The other real estate fund held by St. Paul Teachers' was UBS Trumbull, which returned 13.8 percent.

Alternative investments returned a negative 2.4 percent, as calculated by the Office of the State Auditor. Alternative investments included funds managed by RWI Group, Smith Barney, Piper Jaffray, and Force Ten Networks. St. Paul Teachers' uses the actual rate of return for its alternative investments as the benchmark for this asset class.

St. Paul Teachers' cash portfolio returned 10.9 percent. The cash account includes the cash overlay account managed by the Clifton Group. The portfolio rate of return was affected by this account, which overlaid equity returns on cash.

State Board of Investment

The State Board of Investment (SBI)'s Combined Funds returned 14.4 percent in 2010, exceeding its 13.3 percent benchmark for the year. The SBI's domestic equity, fixed-income, international equity, and cash asset classes all exceeded their respective benchmarks.

The SBI's domestic equity portfolio returned 17.1 percent, providing the highest return of all asset classes, and surpassed the benchmark Russell 3000 Index return of 16.9 percent. The portfolio is managed by 21 active money managers, four semi-passive managers, and one passive manager. Each active manager is expected to exceed its respective Russell style index over time by an amount appropriate for its active risk level. The semi-passive managers are expected to add incremental value relative to the Russell 1000 Index, employing a strategy that more closely tracks the benchmark than the active managers. The passive manager consistently tracks the Russell 3000 Index.

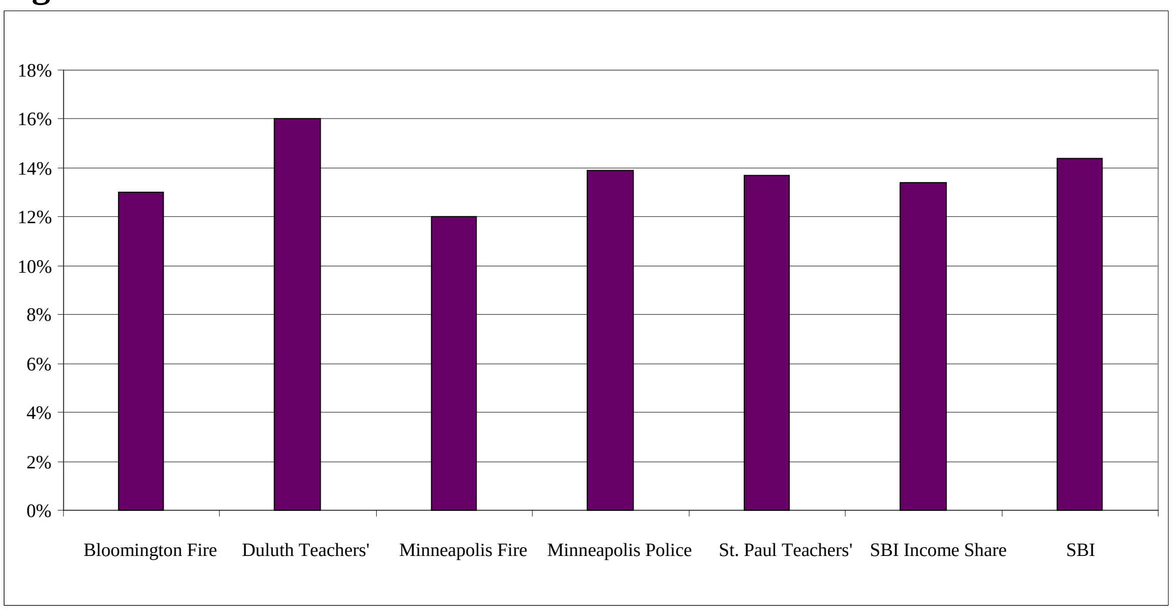
The fixed-income portfolio of the SBI returned 9.0 percent for the year, outperforming the 6.5 percent benchmark return of the Barclays Capital Aggregate Index. An 18.0 percent allocation to fixed income is provided for in the SBI's investment policy, and the fixed-income portfolio made up 20.2 percent of the SBI's total assets at the end of the year. The SBI targets no more than half of the fixed-income portfolio for active management, while having at least half managed semi-passively. The objective of the five active managers is to outperform the Barclays Capital Aggregate Index by focusing on high quality fixed-income securities across all sectors of the market. The three semi-passive managers have the goal of adding incremental value through superior bond selection and sector allocation rather than through interest rate exposure.

The SBI's international equity portfolio returned 12.3 percent, surpassing its benchmark MSCI ACW Index ex. U.S. return of 11.2 percent. The SBI allocates 15.0 percent to international equities in its investment policy, and at year-end international equities accounted for 15.8 percent of the total assets. The SBI's international equity portfolio has ten active managers, three semi-passive managers, and one passive manager. Seven of the ten active managers and the three semi-passive managers invest entirely in developed markets. The remaining three active managers invest solely in emerging markets. SBI's target is to have at least one-third of the portfolio managed actively, no more than one-third managed semi-passively, and at least one-quarter managed passively.

The alternative investments of the SBI returned 13.9 percent. The actual rate of return is used as the benchmark for this asset class. A target allocation of 20.0 percent is established in the investment policy, with an actual allocation of 14.2 percent to alternative investments at the end of 2010. The majority of the portfolio is allocated to private equity, with assets also being held in yield-oriented investments, resource investments, and real estate.

Figure 2 below shows the 2010 rates of return for the large plans and the SBI.

Figure 2: 2010 Rates of Return



Funding Ratios

Funding ratios show the relationship between a plan's assets and its liabilities. A plan's liabilities are calculated by an actuary using statutory assumptions based on historical data. Examining the ratio between assets and liabilities can help determine how well-funded the plan is, whether additional contributions to the plan will be needed, and whether future benefit increases would be sustainable. Investment returns, contributions, actuarial assumptions, plan provisions, changes in benefit levels, and historical funding issues can all have a direct influence on the financial health of the plan.

Bloomington Fire had an increase in its funding ratio during 2010 of 6.4 percent. Bloomington Fire is the highest-funded large plan, with a funding ratio of 105.4 percent. Because the assets for Bloomington Fire are not smoothed, the funding ratio is subject to greater volatility than the other large plans.[1]

Duluth Teachers' funding ratio increased 5.1 percent, for a funding ratio of 81.7 percent. Duluth Teachers' actuarial accrued unfunded liability amount was $57.3 million.

Minneapolis Fire's funding ratio decreased 1.7 percent. Minneapolis Fire still had the third-highest funding ratio among the large plans. However, the funding ratio of 77.4 percent marks the plan's lowest funding level over the past ten years.

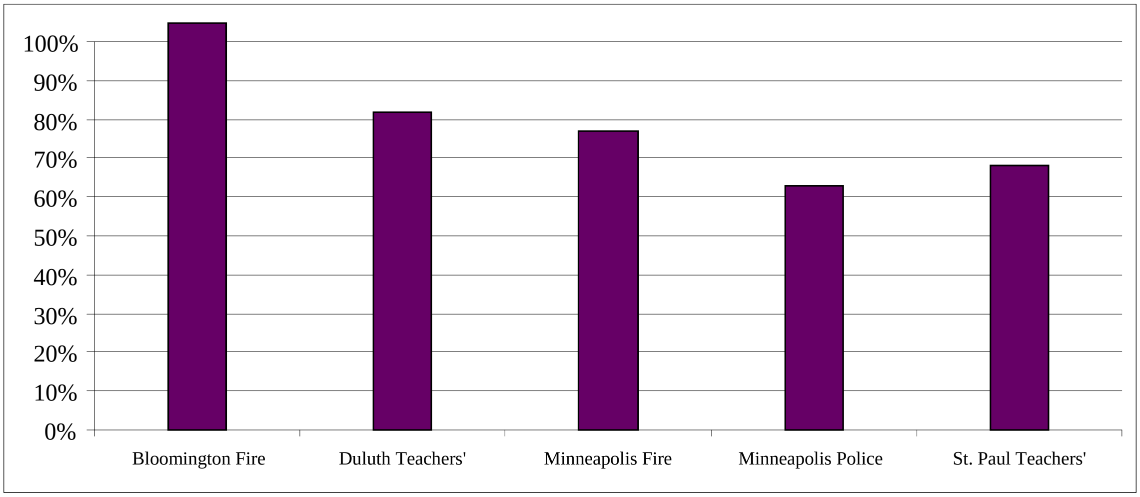
Minneapolis Police saw a decline of 4.1 percent in its funding ratio, for a funding ratio of 62.8 percent. This is the lowest funding ratio among the large plans.

St. Paul Teachers' funding ratio declined slightly, to 68.1 percent. Its actuarial accrued unfunded liability exceeded $470.0 million for the first time.

Figure 3 on the next page illustrates the funded ratios for the large plans.

[1] The other large plans have statutorily-required three-year or five-year asset-smoothing actuarial valuation of assets.

Figure 3: Fiscal Year 2010 Funded Ratio Percentage



Administrative Expenses

Pension plans are permitted by state law to pay certain administrative expenses out of the pension plan's assets. These expenses include items such as staff salaries, legal fees, professional services (including audit and actuarial fees), and other expenses such as travel, postage, and printing. These administrative expenses affect funding ratios and contribution rates since they come directly out of the pension plan's assets. It is important to limit expenses to those that are necessary and reasonable while still maintaining a well-managed pension plan.

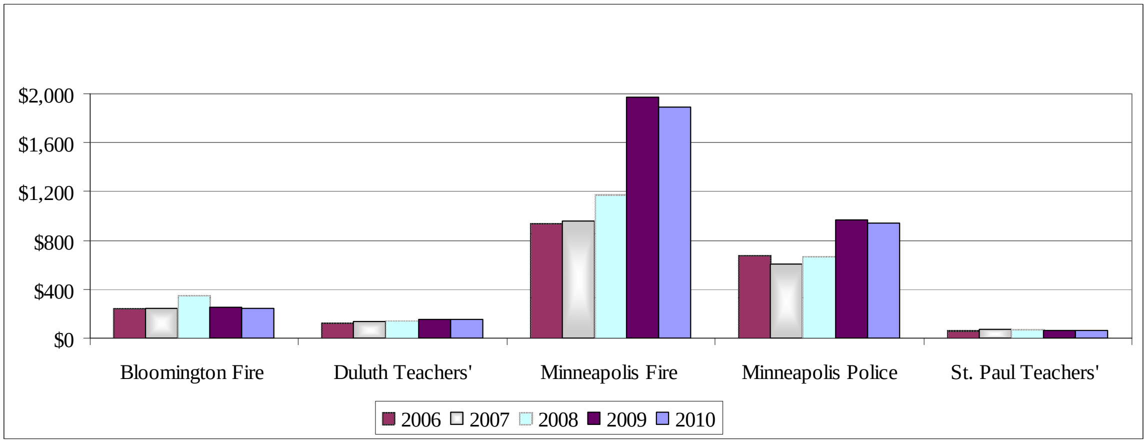
Minneapolis Fire spent the most on administrative expenses, totaling $1.0 million, an 8.4 percent decrease from 2009. Minneapolis Police also had a decrease in its administrative expenses. The plan spent $767,575, which was a 5.5 percent decrease from the previous year.

Bloomington Fire and St. Paul Teachers' both decreased their administrative expenses from the previous year by 3.2 percent and 0.5 percent, respectively. Bloomington Fire had the lowest total administrative expenses of the plans, at $75,288. Duluth Teachers' totaled $505,672 in administrative expenses.

On a per-member basis, Minneapolis Fire and Minneapolis Police had the highest administrative expense amounts, at $1,887 and $943, respectively. Both of these plans are closed to new members and their total membership is slowly declining. As a result, administrative expenses over time are spread across fewer members. Bloomington Fire had the next highest per-member administrative expense, spending $248 per member. Duluth Teachers' had $150 per member in administrative expenses. St. Paul Teachers' spent $59 per member in administrative expenses, the lowest of all the large plans.

Figure 4 below shows the per-member administrative expense amounts for the large plans for each of the past five years.

Figure 4: Administrative Expenses per Member (2006-2010)



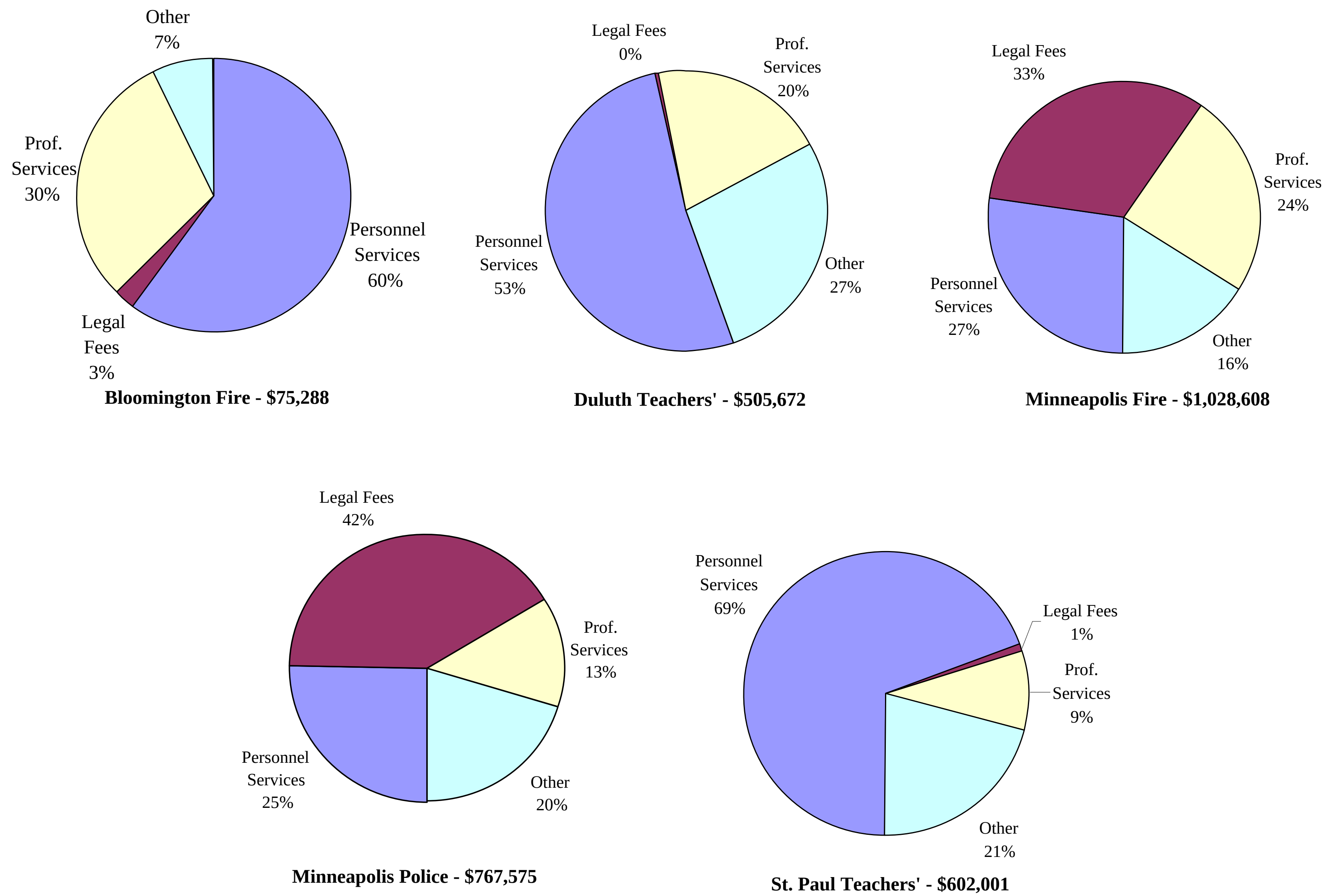
Minneapolis Fire and Minneapolis Police had the highest total and per-member administrative expense amounts, which was due in part to their high legal fees. The legal fees for Minneapolis Fire and Minneapolis Police far exceeded the legal fees of the other large plans. Both plans have been involved in ongoing litigation, which has had an impact on their legal fees. Legal fees accounted for 32.7 percent of Minneapolis Fire's total administrative expenses and 41.2 percent of Minneapolis Police's total administrative expenses.[1] Legal fees declined for Bloomington Fire, Duluth Teachers', and St. Paul Teachers'. Bloomington Fire's legal fees decreased by 41.3 percent, St. Paul Teachers' decreased by 77.7 percent, and legal fees for Duluth Teachers' decreased by 65.3 percent.

Figure 5 on the next page provides further detail on the administrative expenses for the large plans.

[1] The Minneapolis Firefighters' Relief Association spent $336,486 on legal fees during 2010, and recovered $271,496 through insurance.

Figure 5

Administrative Expenses for Fiscal Year 2010



Ten-Year Performance Analysis

The volatility of rates of return over the last ten years has resulted in portfolio values remaining fairly constant. The Russell 3000 Index rebounded in 2010 after reaching its lowest levels in 2009. Domestic equity posted negative returns during three of the ten years, as measured by the Russell 3000 Index. This ten-year period will allow us to measure the performance of Minnesota's large plans during a time of stagnant investment growth.

The investment returns of Minnesota's large plans over the ten-year period ending December 31, 2010 can be assessed by using market indices as benchmarks. The U.S. stock market, as measured by the Russell 3000 Index, returned 2.2 percent over the ten-year period. Domestic equity represented the largest asset allocation for all the large plans. The two teacher plans, Duluth and St. Paul, are the only plans that specify domestic equity capitalization allocations in their investment policies.

International equity, as measured by the MSCI EAFE Index, averaged 3.5 percent annually over the ten-year period. Emerging markets averaged an annual return of 16.2 percent over the period, as measured by the MSCI Emerging Markets Index.

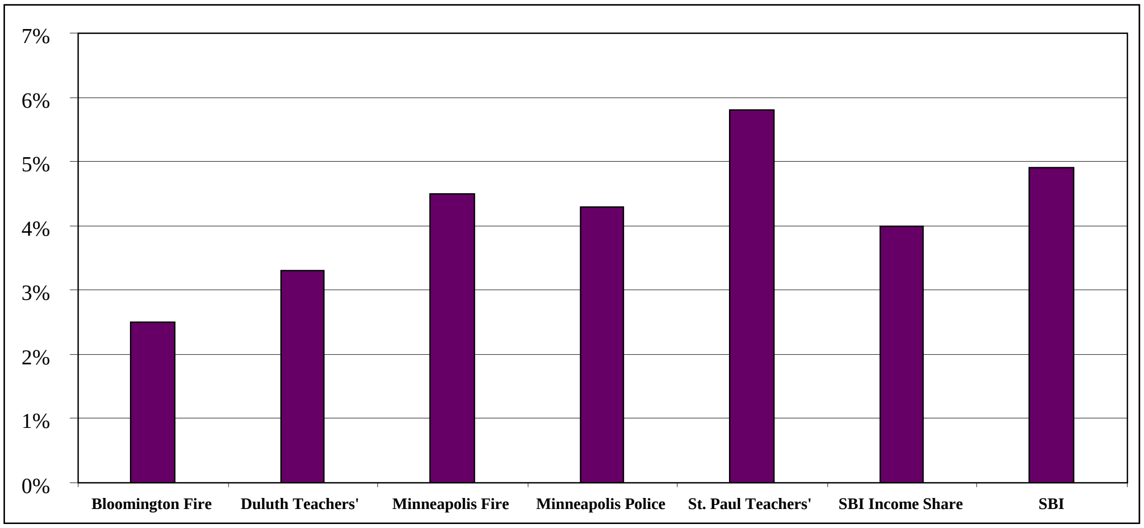
The average bond market return over the ten-year period was 5.8 percent, as measured by the Barclays Capital Aggregate Index.

An example of a return that was available over the ten-year period is the State Board of Investment's Income Share Account. The target asset allocations for this account were 60.0 percent domestic equities, 35.0 percent bonds, and 5.0 percent cash. The stock component of this account is indexed to the Russell 3000 Index and the bond portion is actively managed and includes corporate bonds, mortgage securities, and government-issued bonds. The Income Share Account represents a balanced fund and over time is expected to average higher rates of return than a fixed-income or money market account. The Income Share Account's average annual rate of return for the ten-year period was 4.0 percent. All of Minnesota's large plans except for Bloomington Fire and Duluth Teachers' exceeded the Income Share Account ten-year rate of return. However, all of the large plans failed to meet their actuarial assumed average annual rates of return over the ten-year period.

The top performing plan over the ten-year period was St. Paul Teachers', averaging a 5.8 percent annual rate of return. The SBI, which consolidated the basic and post funds in 2009, had a ten-year return of 4.9 percent. Minneapolis Fire was next in line with a ten-year average annual return of 4.5 percent, followed by Minneapolis Police at 4.3 percent. Duluth Teachers' had a 3.3 percent rate of return over the ten-year period. Bloomington Fire had a ten-year return of 2.5 percent, the lowest of all the large plans.

Figure 6 below shows the ten-year average annual rates of return for the large plans and for the SBI.

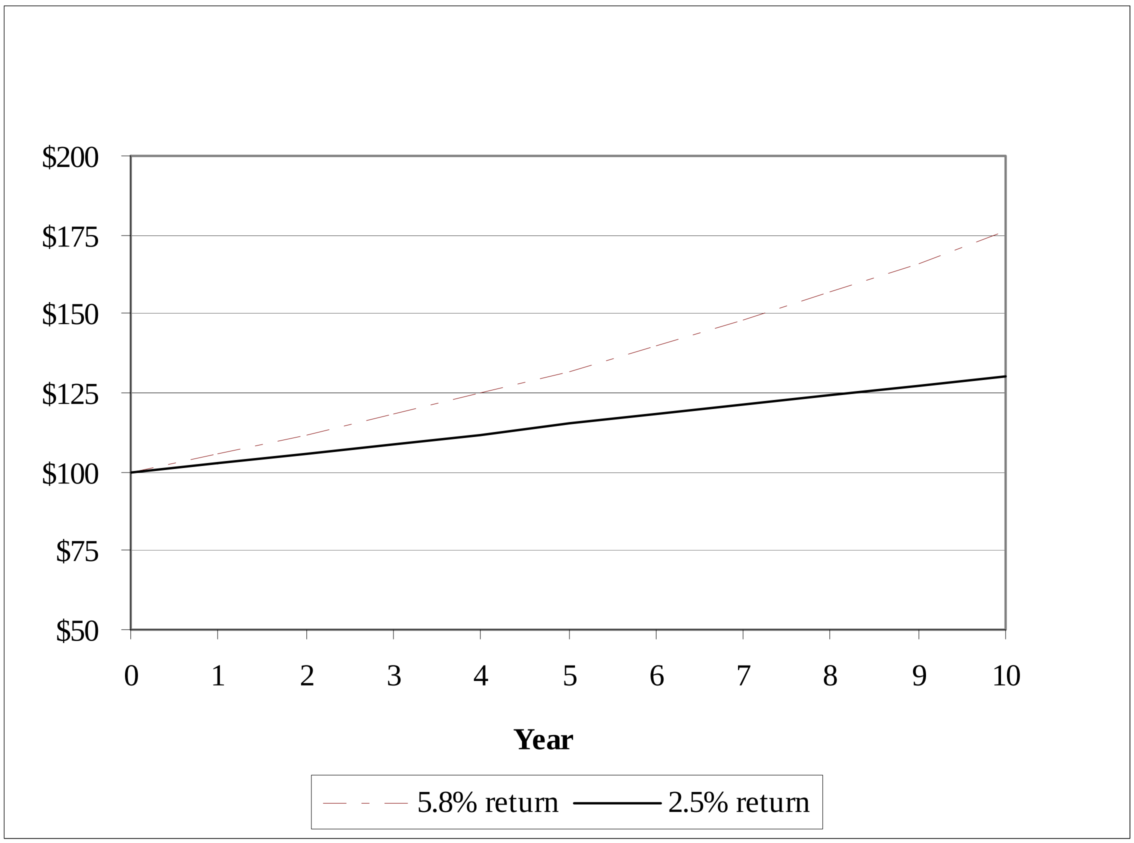
Figure 6: Ten-Year Average Annual Rates of Return (2001-2010)



Why Rates of Return Matter

Rates of return matter because what may seem like small differences can make large differences in actual dollars. To put the rates of return into context, consider $100 invested at 5.8 percent (the highest large-plan return) for ten years. At the end of ten years, you would have $176. If you only earned 2.5 percent (the lowest large-plan return), you would have $130 at the end of ten years. The higher rate of return yields nearly 35.4 percent more in actual dollars. If plan provisions are set up optimally, high rates of return could allow for lower contribution rates and possible benefit increases. Although the growth won't be as steady as illustrated in the example below, the result will be the same. Additionally, all of the large plans have actuarial statutorily-assumed rates of return.

Figure 7: Ten-Year Growth of $100 at Differing Rates of Return



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2010 Plan Summaries

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How to Read the Plan Summaries

The plan summaries found on pages 27 through 32 of this report contain various acronyms and investment terms that are defined below.

Rates of Return (ROR)

- **OSA One-Year ROR –** The pension plan's total return on its assets, as calculated by the Office of the State Auditor. *Note: Under State law, the Duluth Teachers' Retirement Fund Association and the State Board of Investment are allowed to submit limited reporting information. The rates of return for these two plans are provided by the plans and are not re-calculated by the Office of the State Auditor.*

- **Plan One-Year ROR –** The pension plan's return on its assets, as calculated by the plan or its consultant.

- **Benchmark ROR –** The rate of return of a hypothetical portfolio invested in the plan's chosen benchmark components, in the percentages dictated by the plan's investment policy. Although not perfect, it is a good measure of what return the plan could have achieved during the year had it invested passively.

- **Actuarial Assumed ROR –** The rate of return required for the plan to meet its actuarial assumptions.

- **Three-, Five-, and Ten-Year ROR –** The average annual returns earned by the plan over the specified time period, either calculated by the Office of the State Auditor or reported by the plan. *Note: Under State law, the Duluth Teachers' Retirement Fund Association and the State Board of Investment are allowed to submit limited reporting information. The rates of return for these two plans are provided by the plans and are not re-calculated by the Office of the State Auditor.*

Asset Class

A group of similar investments, such as domestic equity, bonds, cash, or alternative investments. Pension plans invest in different asset classes for diversification purposes. When returns for one asset class decline another may increase, offsetting the loss. In this report, any account or fund that holds investments from more than one asset class is reported as its own asset class.

Benchmark Components and Rates of Return

Benchmark components are the different indices to which the plan compares its investments. Indices track different asset classes, such as domestic equity or bonds. They may also track subsets of an asset class. To evaluate investment performance, it is important to use appropriate indices. The rates of return for each benchmark component are also provided.

Policy Asset Allocation

The percentage allocated to each asset class in the investment policy.

Actual Asset Allocation

The percentage actually invested in each asset class as of the year-end.

Beginning Market Value/Ending Market Value

The market value is the price as determined by buyers and sellers in an open market. The dollar amount in the asset class or investment as of the beginning/end of 2010 is the beginning market value/ending market value.

Net Cash Flows

The net amount of cash (or securities) deposited or withdrawn from the asset class or investment during the year.

Investment Return

The net amount of interest, dividends, and appreciation or depreciation the asset class or investment gained or lost during the year.

Rate of Return

The net (after fees) return of the asset class or investment during the year.

Bloomington Fire Department Relief Association

For theYear Ended December 31, 2010

(Dollars in Thousands)

Rates of Return (ROR)	
OSA One-Year ROR	13.0 %
Plan One-Year ROR	12.8 %
Benchmark ROR	11.0 %
Actuarial Assumed ROR - Active	6.0 %
Actuarial Assumed ROR - Retired	6.0 %
OSA Three-Year ROR	(0.7)%
OSA Five-Year ROR	3.4 %
OSA Ten-Year ROR	2.5 %

Benchmark Components and Rates of Return	
S&P 500	15.1 %
MSCI World (Net)	11.8 %
Barclays Capital Aggregate	6.5 %
90-Day U.S. Treasury Bill	0.1 %

Policy Asset Allocation	
Stock	50.0 %
International Stock	10.0 %
Bonds	35.0 %
Cash	5.0 %

Actual Asset Allocation	
Domestic Equities	49.9 %
International Equities	14.3 %
Fixed Income	31.9 %
Cash	3.9 %

Asset Class	Investment Type	Beginning Market Value	Net Cash Flow (Net of Fees)	Investment Return	Ending Market Value	Rate of Return
Domestic Equities	Domestic Equities	$ 40,145	$ 2,500	$ 7,074	$ 49,719	17.2 %
International Equities	International Equities	12,254	0	1,506	13,760	12.3 %
Fixed Income	Fixed Income	33,050	(2,500)	2,799	33,349	9.0 %
Cash	Cash	4,494	(4,481)	0	13	0.0 %
Internally Managed	Balanced	1,338	1,734	7	3,079	0.1 %
Wells Fargo	Balanced	7,736	2,500	1,236	11,472	11.4 %
	Total	**$ 99,017**	**$ (247)**	**$ 12,622**	**$ 111,392**	

Duluth Teachers' Retirement Fund Association

For the Year Ended December 31, 2010

(Dollars in Thousands)

Rates of Return (ROR)

Plan One-Year ROR	16.0 %
Benchmark ROR	14.7 %
Actuarial Assumed ROR - Active	8.5 %
Actuarial Assumed ROR - Retired	8.5 %
Plan Three-Year ROR	(3.6)%
Plan Five-Year ROR	1.8 %
Plan Ten-Year ROR	3.3 %

Benchmark Components and Rates of Return	
S&P 500	15.1 %
Russell 2500 Value	24.8 %
Russell 2000 Growth	29.1 %
Barclays Capital Aggregate	6.5 %
MSCI ACWI ex. U.S.	11.2 %
91-Day U.S. Treasury Bill	0.1 %
NCREIF Property Index	13.1 %

Policy Asset Allocation	
Equities: Large Cap	25.0 %
Equities: Small/Mid Cap Value	10.0 %
Equities: Small Cap Growth	13.0 %
Fixed Income	23.0 %
International Equities	15.0 %
Cash	3.0 %
Real Assets	6.0 %
Private Equity	5.0 %

Actual Asset Allocation	
Equities: Large Cap	16.6 %
Equities: Small/Mid Cap Value	11.6 %
Equities: Small Cap Growth	15.1 %
Fixed Income	29.7 %
International Equities	15.7 %
Cash	3.4 %
Real Assets	0.7 %
Private Equity	7.2 %

Asset Class	Investment Type	Beginning Market Value	Net Cash Flow (Net of Fees)	Investment Return	Ending Market Value	Rate of Return
Domestic Equities	Domestic Equities	$ 82,823	$ (8,500)	$ 17,688	$ 92,011	21.9 %
Fixed Income	Fixed Income	71,712	(16,762)	8,296	63,246	12.7 %
International Equities	International Equities	30,655	0	2,778	33,433	8.2 %
Cash	Cash	4,155	3,059	4	7,218	0.1 %
Real Estate	Real Estate	1,461	0	0	1,461	13.8 %
Private Equity	Private Equity	10,818	3,210	1,199	15,227	9.9 %
	Total	**$ 201,624**	**$ (18,993)**	**$ 29,965**	**$ 212,596**	

Minneapolis Firefighters' Relief Association

For the Year Ended December 31, 2010

(Dollars in Thousands)

Rates of Return (ROR)	
OSA One-Year ROR	12.0 %
Plan One-Year ROR	11.9 %
Benchmark ROR[1]	12.3 %
Actuarial Assumed ROR - Active	6.0 %
Actuarial Assumed ROR - Retired	6.0 %
OSA Three-Year ROR	0.5 %
OSA Five-Year ROR	4.9 %
OSA Ten-Year ROR	4.5 %

Benchmark Components and Rates of Return	
S&P 500	15.1 %
Barclays Capital Aggregate	6.5 %
Russell 2000 Growth	29.1 %
MSCI EAFE	7.8 %
Dow Jones-AIG Commodity	16.8 %

Policy Asset Allocation	
Domestic Equities	40-70%
Domestic Bonds	20-40%
Real Estate and Other	0-5%

Actual Asset Allocation	
Domestic Equities	53.4 %
International Equities	20.2 %
Bonds	22.5 %
Cash	3.9 %

Asset Class	Investment Type	Beginning Market Value	Net Cash Flow (Net of Fees)	Investment Return	Ending Market Value	Rate of Return
Domestic Equities	Domestic Equities	$ 46,863	$ 8,089	$ 9,801	$ 64,753	19.9 %
Bonds	Bonds	36,932	(6,007)	2,601	33,526	6.9 %
International Equities	International Equities	29,558	(4,003)	2,328	27,883	10.2 %
Cash	Cash	1,013	(263)	3	753	0.9 %
Ivy Global Funds	Natural Resources - Balanced	7,552	(1)	1,299	8,850	17.2 %
Leuthold Weeden	Balanced	38,280	(7,514)	1,181	31,947	4.3 %
Mairs & Power	Balanced	32,049	(3)	4,730	36,776	14.8 %
New Century Capital	Domestic & Intl. Equities	6,292	(6,608)	316	0	5.3 %
Nuveen (FAF Advisors)	Balanced	11,824	(13)	1,170	12,981	9.9 %
SBI Income Share - Health Escrow	Balanced	1,994	0	266	2,260	13.3 %
	Total	**$ 212,357**	**$ (16,323)**	**$ 23,695**	**$ 219,729**	

[1] The benchmark rate of return consists of 40% allocated to S&P 500, 35% Barclays Aggregate, 5% Russell 2000 Growth, 15% MSCI EAFE, and 5% Dow Jones AIG Commodities.

Minneapolis Police Relief Association

For the Year Ended December 31, 2010

(Dollars in Thousands)

Rates of Return (ROR)	
OSA One-Year ROR	13.9 %
Plan One-Year ROR	13.7 %
Benchmark ROR	12.7 %
Actuarial Assumed ROR - Active	6.0 %
Actuarial Assumed ROR - Retired	6.0 %
OSA Three-Year ROR	0.6 %
OSA Five-Year ROR	4.3 %
OSA Ten-Year ROR	4.3 %

Benchmark Components and Rates of Return	
Dow Jones U.S. Total Stock Index	17.5 %
Barclays Capital Aggregate	6.5 %
MSCI ACWI ex. U.S.	11.2 %
MSCI ACWI	12.7 %
NCREIF ODCE	15.7 %
Mellon Custom Benchmark [1]	8.7 %

Policy Asset Allocation	
Domestic Equities	34.0 %
Fixed Income	26.0 %
International Equities	19.0 %
Global Equities	10.0 %
Real Estate	4.0 %
Opportunistic	7.0 %

Actual Asset Allocation		
Domestic Equities		36.6 %
Fixed Income		23.5 %
International Equities		19.3 %
Global Equities		15.0 %
Real Estate		2.7 %
Other		2.9 %
Cash	2.7 %	
Venture Capital	0.2 %	

Asset Class	Investment Type	Beginning Market Value	Net Cash Flow (Net of Fees)	Investment Return	Ending Market Value	Rate of Return
Domestic Equities	Domestic Equities	$ 99,298	$ (5,070)	$ 17,380	$ 111,608	18.8 %
Fixed Income	Fixed Income	69,204	(3,400)	6,733	72,537	9.9 %
International Equities	International Equities	55,154	(4,150)	5,631	56,635	10.7 %
Capital Research & Management	Global Equities	27,738	(1,045)	3,628	30,321	13.1 %
Mellon	Global Equities	13,047	0	2,098	15,145	16.1 %
Real Estate	Real Estate	7,237	(107)	1,016	8,146	14.2 %
Cash	Cash	234	353	4	591	1.3 %
Venture Capital	Venture Capital	172	0	58	230	33.6 %
Leuthold Weeden	Balanced	7,568	(1,600)	236	6,204	3.7 %
Healthcare Defined Contribution	Cash	2,279	(195)	139	2,223	6.4 %
	Total	**$ 281,931**	**$ (15,214)**	**$ 36,923**	**$ 303,640**	

[1] The Mellon Custom Benchmark is weighted 60% MSCI World Index and 40% Citigroup WBGI Index.

St. Paul Teachers' Retirement Fund Association

For the Year Ended December 31, 2010

(Dollars in Thousands)

Rates of Return (ROR)	
OSA One-Year ROR	13.7 %
Plan One-Year ROR	13.7 %
Benchmark ROR	13.6 %
Actuarial Assumed ROR - Active	8.5 %
Actuarial Assumed ROR - Retired	8.5 %
OSA Three-Year ROR	0.0 %
OSA Five-Year ROR	4.5 %
OSA Ten-Year ROR	5.8 %

Benchmark Components and Rates of Return	
S&P 500	15.1 %
Russell 2000	26.9 %
Barclays Capital Aggregate	6.5 %
NCREIF Property Index	13.1 %
MSCI EAFE	7.8 %
MSCI Emerging Markets	19.2 %
MSCI ACWI	13.2 %
Alternative Assets	16.7 %
90-Day U.S. Treasury Bill	0.1 %

Policy Asset Allocation		Actual Asset Allocation	
Equities: Large Cap	28.0 %	Domestic Equities	43.5 %
Equities: Small Cap	14.0 %		
Fixed Income: Domestic	19.0 %	Domestic Fixed Income	16.2 %
Real Estate	8.0 %	Real Estate	8.2 %
Int'l Equities: Core	19.0 %	International Equities	23.9 %
Int'l Equities: Emerging	5.0 %		
Global Equities	4.0 %	Global Equities	4.1 %
Alternative Assets	2.0 %	Alternative Assets	1.5 %
Cash	1.0 %	Cash	2.6 %

Asset Class	Investment Type	Beginning Market Value	Net Cash Flow (Net of Fees)	Investment Return	Ending Market Value	Rate of Return
Domestic Equities	Domestic Equities	$ 384,588	$ (49,450)	$ 68,518	$ 403,656	19.5 %
Domestic Fixed Income	Domestic Fixed Income	156,357	(17,000)	10,445	149,802	6.6 %
Real Estate	Real Estate	63,682	423	11,849	75,954	18.6 %
International Equities	International Equities	217,849	(13,000)	17,144	221,993	8.4 %
Global Equities	Global Equities	30,196	5,000	3,190	38,386	9.2 %
Alternatives	Alternative Assets	11,520	2,351	(238)	13,633	(2.4)%
Cash	Cash	5,799	17,290	1,279	24,368	10.9 %
	Total	**$ 869,991**	**$ (54,386)**	**$ 112,187**	**$ 927,792**	

State Board of Investment

For the Year Ended December 31, 2010

(Dollars in Thousands)

Rates of Return (ROR)	
Plan One-Year ROR	14.4 %
Benchmark ROR	13.3 %
Actuarial Assumed ROR - Active	8.5 %
Actuarial Assumed ROR - Retired	8.5 %
Plan Three-Year ROR	0.5 %
Plan Five-Year ROR	5.0 %
Plan Ten-Year ROR	4.9 %

Benchmark Components and Rates of Return	
Russell 3000	16.9 %
Barclays Capital Aggregate	6.5 %
MSCI ACWI ex. U.S.	11.2 %
Alternative Assets [1]	13.9 %
90-Day U.S. Treasury Bill	0.1 %

Policy Asset Allocation	
Domestic Equities	45.0 %
Fixed Income	18.0 %
International Equities	15.0 %
Alternative Assets	20.0 %
Cash	2.0 %

Actual Asset Allocation	
Domestic Equities	47.9 %
Bonds	20.2 %
International Equities	15.8 %
Alternative Assets	14.2 %
Cash	1.9 %

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Asset Class	Investment Type	Beginning Market Value	Net Cash Flow (Net of Fees)	Investment Return	Ending Market Value	Rate of Return
Domestic Equities	Domestic Equities	$ 19,174,716	$ (552,743)	$ 3,385,212	$ 22,007,185	17.1 %
Fixed Income	Fixed Income	8,784,904	(311,131)	822,538	9,296,311	9.0 %
International Equities	International Equities	6,260,360	165,701	848,342	7,274,403	12.3 %
Alternatives	Alternative Assets	5,822,641	(105,533)	790,513	6,507,621	13.9 %
Cash & Disbursement Account	Cash	1,036,449	(147,686)	4,087	892,850	0.6 %
	Total	**$ 41,079,070**	**$ (951,392)**	**$ 5,850,692**	**$ 45,978,370**	

[1] The actual rate of return is used as the benchmark for Alternative Assets.

2010 Appendix

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Table 1

Historical Rates of Return

For Calendar Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire	(7.9)%	(14.4)%	19.4 %	9.5 %	4.7 %	13.0 %	6.9 %	(25.2)%	15.6 %	13.0 %
Duluth Teachers'	(4.3)%	(12.6)%	28.2 %	10.6 %	7.6 %	14.7 %	6.6 %	(35.1)%	19.2 %	16.0 %
Minneapolis Fire	(3.3)%	(10.0)%	20.0 %	10.1 %	6.6 %	12.5 %	11.5 %	(28.7)%	27.2 %	12.0 %
Minneapolis Police	(4.1)%	(10.1)%	22.3 %	10.1 %	6.0 %	13.8 %	6.9%	(29.5)%	26.7 %	13.9 %
St. Paul Teachers'	(1.7)%	(10.1)%	26.7 %	14.1 %	9.9 %	15.6 %	8.1%	(28.2)%	22.4 %	13.7 %
SBI Basic Fund	(6.8)%	(11.6)%	22.7 %	13.0 %	10.2 %	14.7 %	9.7%	(26.1)%	20.3%[1]	14.4%[1]
SBI Post Fund	(5.1)%	(11.6)%	23.5 %	11.8 %	9.6 %	14.5 %	9.2%	(26.2)%		

[1] The SBI Basic and Post Funds were combined in 2009.

Table 2

State of Minnesota Contributions

For Fiscal Years 2001 to 2010

Public Pension Plans	**2001**	**2002**	**2003**	**2004**	**2005**
Bloomington Fire (12/31)	$ 363,938	$ 411,764	$ 495,967	$ 625,566	$ 585,966
Duluth Teachers' (6/30)	486,000	486,000	-	-	-
Minneapolis Fire (12/31)	905,282	1,024,112	1,328,901	2,146,934	1,913,951
Minneapolis Police (12/31)	3,448,383	5,413,835	5,879,854	7,089,022	6,573,582
St. Paul Teachers' (6/30)	3,572,726	3,257,761	3,383,761	3,392,761	3,397,761
Total	**$ 8,776,329**	**$ 10,593,472**	**$ 11,088,483**	**$ 13,254,283**	**$ 12,471,260**

Public Pension Plans	**2006**	**2007**	**2008**	**2009**	**2010**
Bloomington Fire (12/31)	$ 606,454	$ 517,023	$ 439,902	$ 372,096	$ 380,275
Duluth Teachers' (6/30)	-	-	-	346,000	760,000
Minneapolis Fire (12/31)	1,221,161	1,259,931	1,413,297	2,285,077	2,293,859
Minneapolis Police (12/31)	5,200,521	3,167,214	2,275,349	3,424,326	3,575,883
St. Paul Teachers' (6/30)	3,399,761	3,651,216	3,509,320	3,343,013	4,108,442
Total	**$ 10,427,897**	**$ 8,595,384**	**$ 7,637,868**	**$ 9,770,512**	**$ 11,118,459**

Note: This table includes any amount from the State of Minnesota regardless of where it is reported in the financial statements (e.g., as part of Employer Contributions).

Table 3

Employer Contributions

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005
Bloomington Fire (12/31)	$ -	$ -	$ 742,343	$ 2,986,280	$ 1,576,139
Duluth Teachers' (6/30)	3,010,595	2,955,816	2,933,172	2,826,730	2,845,684
Minneapolis Fire (12/31)	326,969	5,907	4,270	2,670	4,737,705
Minneapolis Police (12/31)	10,812	2,912,060	13,540,305	20,800,530	24,976,747
St. Paul Teachers' (6/30)	19,996,142	20,958,423	19,986,168	20,378,315	20,435,230
Total	**$ 23,344,518**	**$ 26,832,206**	**$ 37,206,258**	**$ 46,994,525**	**$ 54,571,505**

Public Pension Plans	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ 841,138	$ -	$ -	$ -	$ 3,245,667
Duluth Teachers' (6/30)	2,867,299	2,940,697	2,994,086	2,954,026	2,866,150
Minneapolis Fire (12/31)	1,348,855	3,030,347	3,336,852	1,837,448	1,377,896
Minneapolis Police (12/31)	5,366,224	3,647,229	3,535,999	2,870,590	11,635,632
St. Paul Teachers' (6/30)	20,615,130	20,466,200	20,775,392	21,501,237	21,107,889
Total	**$ 31,038,646**	**$ 30,084,473**	**$ 30,642,329**	**$ 29,163,301**	**$ 40,233,234**

Note: This table includes all city contributions where the city is the employer. The Employer Contributions are calculated by adding the employer regular and special contributions together. Some of the above entities include State of Minnesota contributions as Employer Contributions for financial reporting purposes, but they have been removed for purposes of this table.

Table 4

Employee Contributions

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005
Bloomington Fire (12/31)	$ -	$ -	$ -	$ -	$ -
Duluth Teachers' (6/30)	3,141,228	3,275,405	3,298,902	2,991,801	2,924,264
Minneapolis Fire (12/31)	133,031	149,260	136,209	39,852	12,010
Minneapolis Police (12/31)	56,995	20,620	3,815	-	-
St. Paul Teachers' (6/30)	13,152,552	14,467,695	14,222,154	14,307,616	13,586,719
Total	**$ 16,483,806**	**$ 17,912,980**	**$ 17,661,080**	**$ 17,339,269**	**$ 16,522,993**

Public Pension Plans	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ -	$ -	$ -	$ -	$ -
Duluth Teachers' (6/30)	3,030,418	2,978,435	2,954,062	2,927,260	2,899,071
Minneapolis Fire (12/31)	-	-	-	-	-
Minneapolis Police (12/31)	-	-	-	-	-
St. Paul Teachers' (6/30)	13,453,021	13,438,323	13,642,161	13,863,565	13,831,670
Total	**$ 16,483,439**	**$ 16,416,758**	**$ 16,596,223**	**$ 16,790,825**	**$ 16,730,741**

Table 5

Average Contribution per Member

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ 1,197	$ 1,363	$ 4,309	$ 12,567	$ 7,558	$ 4,975	$ 1,673	$ 1,433	$ 1,216	$ 11,927
Duluth Teachers' (6/30)	2,008	1,956	1,784	1,776	1,766	1,817	1,751	1,766	1,843	1,936
Minneapolis Fire (12/31)	1,868	1,656	2,130	3,302	10,445	4,125	7,056	8,051	7,233	6,664
Minneapolis Police (12/31)	3,488	8,482	20,254	29,701	34,257	11,754	7,797	6,757	7,503	18,687
St. Paul Teachers' (6/30)	4,094	4,076	3,921	3,864	3,776	3,768	3,774	3,766	3,815	3,842

Note: This average is calculated by dividing all Contributions by the number of Members at Fiscal Year End.

Table 6

Average of Total Annual Benefits per Retired Member/Beneficiary

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ 16,906	$ 17,343	$ 19,095	$ 18,880	$ 19,744	$ 20,193	$ 20,543	$ 21,612	$ 22,515	$ 22,934
Duluth Teachers' (6/30)	13,719	14,815	15,365	15,309	15,931	16,235	16,517	17,408	18,192	18,311
Minneapolis Fire (12/31)	37,683	37,956	31,666	35,070	35,141	36,184	39,094	39,686	38,537	38,148
Minneapolis Police (12/31)	32,655	33,108	34,070	35,611	37,378	38,599	41,899	44,453	41,965	38,151
St. Paul Teachers' (6/30)	26,439	27,835	28,618	29,174	29,349	30,323	30,778	31,502	31,716	31,656

Note: Beneficiaries include retirees, disabled members and surviving spouses.

Table 7

Percent Increase in Average of Total Benefits per Retired Member/Beneficiary and the Consumer Price Index

For Fiscal Years 2001 to 2010

Public Pension Plans	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Consumer Price Index	*2.80 %*	*1.60 %*	*2.30 %*	*2.70 %*	*3.40 %*	*3.20 %*	*2.90 %*	*3.80 %*	*(0.30)%*	*1.60 %*
Bloomington Fire (12/31)	2.36 %	2.58 %	10.10 %	(1.13)%	4.57 %	2.27 %	1.74 %	5.20 %	4.18 %	1.86 %
Duluth Teachers' (6/30)	9.76 %	7.99 %	3.71 %	(0.36)%	4.06 %	1.91 %	1.74 %	5.40 %	4.50 %	0.65 %
Minneapolis Fire (12/31)	5.15 %	0.73 %	(16.57)%	10.75 %	0.20 %	2.97 %	8.04 %	1.52 %	(2.90)%	(1.01)%
Minneapolis Police (12/31)	(1.71)%	1.39 %	2.91 %	4.52 %	4.96 %	3.27 %	8.55 %	6.09 %	(5.60)%	(9.09)%
St. Paul Teachers' (6/30)	8.88 %	5.28 %	2.81 %	1.94 %	0.60 %	3.32 %	1.50 %	2.35 %	0.68 %	(0.19)%

Note: Beneficiaries include retirees, disabled members and surviving spouses.

Table 8

Funded Ratio Percentage

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	123.57 %	96.42 %	110.21 %	115.12 %	124.16 %	133.93 %	130.94 %	91.28 %	99.01 %	105.41 %
Duluth Teachers' (6/30)	107.60 %	100.40 %	95.70 %	91.80 %	86.40 %	84.10 %	86.80 %	82.10 %	76.55 %	81.66 %
Minneapolis Fire (12/31)[1]	103.90 %	87.20 %	80.60 %	90.20 %	86.20 %	87.50 %	92.80 %	90.13%	79.07 %	77.35 %
Minneapolis Police (12/31)[1]	75.10 %	66.80 %	64.50 %	68.60 %	77.30 %	85.70 %	87.90 %	73.50 %	66.87 %	62.75 %
St. Paul Teachers' (6/30)	81.91 %	78.82 %	75.57 %	71.82 %	69.65 %	69.11 %	73.01 %	75.13 %	72.20 %	68.05 %

Note: The Funded Ratio Percentage is calculated by dividing the actuarial value of plan assets by the actuarial accrued liability.

[1] The Minneapolis Police and Minneapolis Fire Relief Associations were required to revise the 2008 actuarial valuation pursuant to a court order dated November 20, 2009. The 2008 percentages are the resulting restated Funded Ratio Percentages.

Table 9

Actuarial Accrued Unfunded Liability

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005
Bloomington Fire (12/31)	$ (17,924,916)	$ 2,914,369	$ (8,516,589)	$ (13,307,091)	$ (20,457,329)
Duluth Teachers' (6/30)	(19,363,000)	(1,087,000)	12,642,000	24,755,000	42,443,000
Minneapolis Fire (12/31)	(11,491,000)	37,484,000	56,964,000	26,967,000	43,137,000
Minneapolis Police (12/31)	115,479,000	153,820,000	165,122,000	147,279,000	105,190,000
St. Paul Teachers' (6/30)	191,886,000	241,728,000	290,601,000	352,600,000	394,539,000
Total	**$ 258,586,084**	**$ 434,859,369**	**$ 516,812,411**	**$ 538,293,909**	**$ 564,851,671**
Public Pension Plans	**2006**	**2007**	**2008**	**2009**	**2010**
Bloomington Fire (12/31)	$ (29,632,941)	$ (28,864,471)	$ 8,465,842	$ 990,413	$ (5,700,134)
Duluth Teachers' (6/30)	51,303,000	43,952,000	64,977,000	85,555,000	57,341,000
Minneapolis Fire (12/31)[1]	37,650,000	20,982,000	25,988,000	53,230,000	54,749,000
Minneapolis Police (12/31)[1]	62,979,000	51,815,000	117,076,000	137,637,000	151,322,000
St. Paul Teachers' (6/30)	419,701,000	375,576,000	356,089,000	404,360,000	470,186,000
Total	**$ 542,000,059**	**$ 463,460,529**	**$ 572,595,842**	**$ 681,772,413**	**$ 727,897,866**

[1] Minneapolis Police and Minneapolis Fire Relief Associations were required to revise the 2008 actuarial valuation pursuant to a court order dated November 20, 2009. The 2008 amounts are the resulting restated Actuarial Accrued Unfunded Liabilities.

Table 10

Net Assets Held in Trust for Pension Benefits

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005
Bloomington Fire (12/31)	$ 93,960,664	$ 78,447,410	$ 91,904,997	$ 101,341,890	$ 105,139,140
Duluth Teachers' (6/30)	266,702,972	234,368,916	231,247,693	258,831,515	267,383,556
Minneapolis Fire (12/31)	276,816,112	226,580,974	250,351,289	254,086,792	254,424,228
Minneapolis Police (12/31)	332,847,764	277,143,300	323,467,991	348,910,983	366,406,914
St. Paul Teachers' (6/30)	824,224,957	768,931,641	757,639,499	871,902,589	934,667,364
Total	**$ 1,794,552,469**	**$ 1,585,472,241**	**$ 1,654,611,469**	**$ 1,835,073,769**	**$ 1,928,021,202**

Public Pension Plans	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ 116,978,895	$ 122,158,440	$ 88,639,493	$ 98,707,362	$ 111,072,465
Duluth Teachers' (6/30)	281,950,173	318,973,530	271,616,844	179,933,200	192,402,546
Minneapolis Fire (12/31)	265,244,602	276,046,212	182,391,932	211,052,137	217,167,206
Minneapolis Police (12/31)	390,831,714	389,025,966	249,250,216	280,741,244	301,008,825
St. Paul Teachers' (6/30)	1,005,745,229	1,156,017,206	1,023,639,596	773,258,985	815,307,121
Total	**$ 2,060,750,613**	**$ 2,262,221,354**	**$ 1,815,538,081**	**$ 1,543,692,928**	**$ 1,636,958,163**

Note: These Net Assets only include any net assets that are "Held in Trust for Pension Benefits."

Table 11

Net Assets per Member

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$309,081	$259,760	$314,743	$350,664	$363,803	$401,989	$395,335	$288,728	$322,573	$365,370
Duluth Teachers' (6/30)	80,672	68,230	66,203	78,984	81,819	86,861	94,371	80,622	53,266	57,076
Minneapolis Fire (12/31)	378,681	318,232	362,828	383,238	398,784	425,754	454,023	309,139	370,267	394,133
Minneapolis Police (12/31)	330,206	281,650	337,297	371,577	397,836	434,741	445,110	289,826	334,614	369,790
St. Paul Teachers' (6/30)	91,897	81,017	79,028	88,482	94,325	101,141	116,171	101,652	76,206	80,223

Note: This calculation is the result of dividing the Net Assets Held in Trust for Pension Benefits by the Members at Fiscal Year End.

Table 12

Actuarial Accrued Unfunded Liability per Member

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ (58,964)	$ 9,650	$ (29,166)	$ (46,045)	$ (70,787)	$ (101,831)	$ (93,413)	$ 27,576	$ 3,237	$ (18,750)
Duluth Teachers' (6/30)	(5,857)	(316)	3,619	7,554	12,987	15,805	13,004	19,287	25,327	17,010
Minneapolis Fire (12/31)	(15,720)	52,646	82,557	40,674	67,613	60,433	34,510	72,731	93,386	99,363
Minneapolis Police (12/31)	114,563	156,321	172,181	156,847	114,213	70,055	59,285	211,891	164,049	185,899
St. Paul Teachers' (6/30)	21,394	25,469	30,312	35,782	39,816	42,206	37,743	35,361	39,850	46,264

Note: This calculation is the result of dividing the Actuarial Accrued Unfunded Liability by the Members at Fiscal Year End.

Table 13

Administrative Expenses

For Fiscal Years 2001 to 2010

Public Pension Plans	**2001**	**2002**	**2003**	**2004**	**2005**
Bloomington Fire (12/31)	$ 79,303	$ 83,633	$ 75,953	$ 64,223	$ 64,844
Duluth Teachers' (6/30)	419,807	447,584	444,810	448,704	436,507
Minneapolis Fire (12/31)	709,643	707,462	615,867	577,336	668,027
Minneapolis Police (12/31)	1,095,313	874,230	582,371	769,566	589,491
St. Paul Teachers' (6/30)	443,745	451,749	473,934	515,716	558,574
Total	**$ 2,747,811**	**$ 2,564,658**	**$ 2,192,935**	**$ 2,375,545**	**$ 2,317,443**

Public Pension Plans	**2006**	**2007**	**2008**	**2009**	**2010**
Bloomington Fire (12/31)	$ 71,254	$ 74,683	$ 107,871	$ 77,778	$ 75,288
Duluth Teachers' (6/30)	424,840	456,987	487,944	505,164	505,672
Minneapolis Fire (12/31)	586,587	581,704	692,982	1,122,885	1,028,608
Minneapolis Police (12/31)	613,007	529,561	578,932	812,279	767,575
St. Paul Teachers' (6/30)	590,852	695,700	691,157	604,724	602,001
Total	**$ 2,286,540**	**$ 2,338,635**	**$ 2,558,886**	**$ 3,122,830**	**$ 2,979,144**

Table 14

Administrative Expenses per Member

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ 261	$ 277	$ 260	$ 222	$ 224	$ 245	$ 242	$ 351	$ 254	$ 248
Duluth Teachers' (6/30)	127	130	127	137	134	131	135	145	150	150
Minneapolis Fire (12/31)	971	994	893	871	1,047	942	957	1,175	1,970	1,887
Minneapolis Police (12/31)	1,087	888	607	820	640	682	606	673	968	943
St. Paul Teachers' (6/30)	49	48	49	52	56	59	70	69	60	59

Table 15

Members at Fiscal Year End

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	304	302	292	289	289	291	309	307	306	304
Duluth Teachers' (6/30)	3,306	3,435	3,493	3,277	3,268	3,246	3,380	3,369	3,378	3,371
Minneapolis Fire (12/31)	731	712	690	663	638	623	608	590	570	551
Minneapolis Police (12/31)	1,008	984	959	939	921	899	874	860	839	814
St. Paul Teachers' (6/30)	8,969	9,491	9,587	9,854	9,909	9,944	9,951	10,070	10,147	10,163
Total	**14,318**	**14,924**	**15,021**	**15,022**	**15,025**	**15,003**	**15,122**	**15,196**	**15,240**	**15,203**

Note: "Members" is the sum of retired/beneficiary, terminated and active members at fiscal year end.

Table 16

Members at Fiscal Year End - Retirees & Beneficiaries Receiving Benefits

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	133	141	139	147	149	151	161	160	163	166
Duluth Teachers' (6/30)	1,058	1,085	1,107	1,137	1,153	1,190	1,227	1,243	1,264	1,295
Minneapolis Fire (12/31)	645	634	630	621	601	592	581	563	546	528
Minneapolis Police (12/31)	933	928	935	921	904	884	860	846	828	806
St. Paul Teachers' (6/30)	2,050	2,136	2,248	2,361	2,505	2,624	2,738	2,851	2,933	3,044
Total	**4,819**	**4,924**	**5,059**	**5,187**	**5,312**	**5,441**	**5,567**	**5,663**	**5,734**	**5,839**

Note: Beneficiaries are defined as retirees, disabled members, and surviving spouses.

Table 17

Investment Expenses

For Fiscal Years 2001 to 2010

Public Pension Plans	2001	2002	2003	2004	2005
Bloomington Fire (12/31)	$ 182,228	$ 161,551	$ 64,744	$ 78,689	$ 86,305
Duluth Teachers' (6/30)	1,190,624	1,237,863	959,000	1,203,295	1,169,704
Minneapolis Fire (12/31)	606,936	1,093,627	1,001,354	1,042,816	1,088,434
Minneapolis Police (12/31)	1,287,191	1,150,027	932,425	922,855	645,622
St. Paul Teachers' (6/30)	2,769,233	2,656,216	2,774,231	3,059,912	3,422,410
Total	**$ 6,036,212**	**$ 6,299,284**	**$ 5,731,754**	**$ 6,307,567**	**$ 6,412,475**

Public Pension Plans	2006	2007	2008	2009	2010
Bloomington Fire (12/31)	$ 29,588	$ 17,251	$ 57,751	$ 60,234	$ 93,871
Duluth Teachers' (6/30)	1,289,870	1,758,675	1,566,292	1,289,965	1,209,193
Minneapolis Fire (12/31)	1,141,368	1,061,056	847,469	794,662	835,285
Minneapolis Police (12/31)	504,973	555,491	521,518	468,414	751,593
St. Paul Teachers' (6/30)	4,609,937	5,064,712	4,767,302	3,635,962	4,594,683
Total	**$ 7,575,736**	**$ 8,457,185**	**$ 7,760,332**	**$ 6,249,237**	**$ 7,484,625**

Note: Investment Expenses excludes securities lending.

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