STATE OF MINNESOTA
Office of the State Auditor

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State Auditor

LARGE PUBLIC PENSION PLAN INVESTMENT REPORT

For the Year Ended December 31, 2009

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, 2009

December 9, 2010

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Office of the State Auditor
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Table of Contents

2009 Appendix

Scope and Methodology

This report reviews the investment performance of Minnesota's large public pension plans for the 2009 calendar year. These pension plans and the State Board of Investment held nearly $44 billion in assets as of December 31, 2009, and represent the retirement savings of hundreds of thousands of public employees.

The six 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 Employees Retirement Fund (MERF), 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

- During 2009, rates of return for the large plans ranged from 15.6 percent (Bloomington Fire) to 27.2 percent (Minneapolis Fire). All of the plans except for Bloomington Fire were able to meet their respective benchmarks. (Pages 7 through 16)

- All of the large plans ended 2009 with funding ratios below 100 percent. Bloomington Fire was the only plan that experienced an increase in its funding ratio. MERF experienced a large decrease in its funding ratio, becoming the lowest-funded large plan. The plan ended the year 55.9 percent funded. (Pages 17 and 18)

- The ten-year period from January 2000 through December 2009 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 2.5 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 4.4 percent. The SBI's Combined Funds returned 3.2 percent for the period. (Pages 21 and 22)

- The plans with the lowest rates of return for the ten-year period were Bloomington Fire and Duluth Teachers', with returns of 0.8 percent and 1.7 percent, respectively. These two plans also had the lowest one-year rates of return for 2009. (Pages 21 and 22)

Recommendations

The State Auditor provides the following recommendations based on a review of the large plans' reporting information:

- Investment policies should be updated to reflect the investment strategy of the plan. Some plans are investing in asset classes that aren't currently reflected in their investment policies.

- The investment policy should be crafted and maintained with a long-term investment perspective in mind. Asset allocations expressed in the investment policy should be closely followed by the plans as part of a long-term investment strategy. Even as markets fluctuate, asset allocations should remain consistent with the policy.

- Trustees should understand their fund managers' investment strategies, monitor the performance of their active fund managers, and hold managers accountable for the performance of the assets being managed. Passively-managed funds and market indices serve as useful comparison tools for fund performance.

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 an asset base, 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

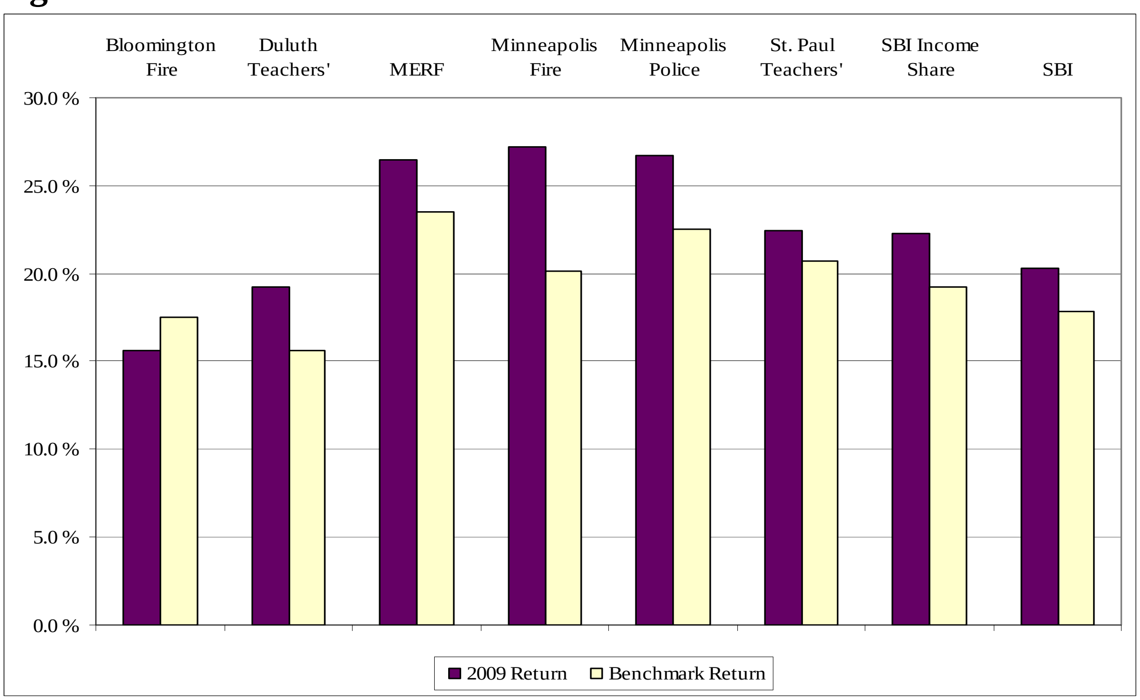
A benchmark is an index to which a plan compares its investments. Market benchmarks are used by individual investors, portfolio managers, and market researchers to determine how well a particular market or market sector performs. Investors look to broad indices as benchmarks to help them gauge not only 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 2009 rates of return and benchmark returns for the large plans and the State Board of Investment (SBI).

Figure 1: 2009 Rates of Return and Benchmark Return



2009 Performance Analysis

Most investments ultimately recovered in 2009 following large losses during the previous year. The economic downturn of 2008, however, carried over into early 2009 before investment returns improved. In March 2009, domestic equity reached its lowest level since 1996, as measured by the Russell 3000 Index. Domestic equity rebounded strongly at this point, returning 56.5 percent from March 1, 2009, through the end of the year. Several economic indicators lagged from the market volatility experienced in 2008. Unemployment reached ten percent by the end of 2009, the first time it reached double-digits since 1983. Consumer spending decreased by 2.8 percent in 2009, which marked the first drop in spending from the previous year since this data was first published in 1984. The decrease in spending was greater than the decline in the Consumer Price Index, which fell 0.4 percent in 2009.

During 2009, domestic equity markets, as measured by the Russell 3000 Index, recovered from their lowest levels in 13 years. The index returned 28.3 percent during 2009 and registered its largest single-year return since 2003.

International equities were the best performing asset class during 2009, returning 41.4 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 during 2009, returning 5.9 percent as measured by the Barclays Capital Aggregate Index. The 2009 return for bonds is slightly higher than the 5.2 percent return achieved during the 2008 economic downturn.

Bloomington Fire Department Relief Association

The Bloomington Fire Department Relief Association returned 15.6 percent in 2009, as calculated by the Office of the State Auditor. Bloomington Fire did not meet its benchmark return of 17.5 percent. The benchmark did not fully represent the plan’s holdings because the benchmark had no allocations to international equities.

Bloomington Fire’s investment policy allocates 60.0 percent to stocks, 35.0 percent to bonds and 5.0 percent to cash. The plan’s actual allocation for 2009 consisted of 44.9 percent domestic stock, 14.2 percent international stock, 33.8 percent bonds, and 7.1 percent cash. Bloomington Fire increased its allocation to bonds by 123.7 percent from 2008 to 2009, and decreased its allocation to cash by 75.6 percent during that period.

At the end of 2009, over 90.0 percent of Bloomington Fire's total assets were held in the State Board of Investment (SBI)'s Supplemental Fund. At year-end, 30.4 percent of the plan's assets with the SBI were invested in the Common Stock Index Account, 5.0 percent in the Money Market Account, 14.2 percent in the Growth Share Account, 13.6 percent in the International Share Account, and 36.8 percent in the Bond Market Account.

The Common Stock Account is a Russell 3000 Index fund that returned 27.9 percent for the year. The Money Market Account returned 0.3 percent while the Growth Share Account returned 29.5 percent. 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 40.2 percent for the year. The account is compared to a composite index that returned 41.5 percent. The Bond Market Account, an actively-managed account, returned 14.5 percent in 2009 and exceeded its benchmark Barclays Capital Aggregate Index return of 5.9 percent.

At the end of 2009, over 7.0 percent of Bloomington Fire's total assets were held by Wells Fargo Advisors. This account is invested in cash, individual stocks, fixed-income, and mutual funds. At the beginning of 2009, the Wells Fargo account consisted of eight separate accounts. In February 2009, the McHugh account, which consisted of cash and managed equities, was closed. In June 2009, the fixed income account was opened bringing the total number of accounts held by Wells Fargo Advisors back to eight. The Wells Fargo account returned 26.7 percent in 2009.

Bloomington Fire also held investments in one internally-managed account. The internally-managed account held just over one percent of the plan's assets, and was entirely invested in short-term cash investments. The account returned 2.0 percent for 2009. At the end of 2009, assets held by the internally-managed fund were reduced by 71.2 percent over the previous year's holdings due to pension benefit payments.

Duluth Teachers' Retirement Fund Association

The Duluth Teachers' Retirement Fund Association returned 19.2 percent in 2009, above its benchmark return of 15.6 percent. A strong above-market return in fixed income investments contributed to the plan's successful return, while only the international equity portfolio failed to reach its respective benchmark.

Duluth Teachers' domestic equity portfolio returned 24.0 percent for the year. Investments in large-capitalization stocks are held through a Wells Fargo S&P 500 Index fund, which was retained by Duluth Teachers' in March 2009. The Wells Fargo fund returned 42.2 percent during the period of 2009 for which it was held, falling closely in line with the benchmark S&P 500 Index return of 42.1 percent during that span. The small-capitalization growth segment of domestic equity is managed by Disciplined Growth Investors, which held 14.8 percent of Duluth Teachers' total assets at the end of

2009. This fund returned a favorable 50.9 percent in 2009 compared to a 34.5 percent return from the Russell 2000 Growth Index benchmark. The small- and mid-capitalization portfolio, comprising 12.4 percent of the plan's total assets, is managed by Wellington. The Wellington Fund returned 38.3 percent in 2009, while its Russell 2500 Value Index benchmark provided a 27.7 percent return. In September of 2009, Duluth Teachers' began investing in a 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 4.9 percent of the plan's total assets at the end of the year, the fund returned negative 1.3 percent during the final months of 2009. The Hussman Strategic Growth Fund is measured against the S&P 500 Index benchmark, which returned 6.0 percent during the same period.

Duluth Teachers' allocates 23.0 percent of its investment policy to fixed-income investments. The fixed-income portfolio held 35.6 percent of the plan's total assets at the end of 2009. Fixed-income investments managed by Western Asset returned 12.7 percent for the year. The fund more than doubled the 5.9 percent benchmark return set by the Barclays Capital Aggregate Index. Metropolitan West, the largest equity manager in the domestic equity portfolio during 2008, reclassified its portfolio from domestic equity holdings to fixed-income holdings in March 2009. The fund's investments included government and investment grade corporate bonds, mortgage and asset backed securities, and non-U.S. fixed-income securities. The fund returned 40.5 percent during 2009 and comprised 8.0 percent of Duluth Teachers' total assets at the end of the year.

The plan's international equities were managed by Artio Global Investors. International investments made up 15.2 percent of Duluth Teachers' total assets at the end of the year. While the fund had a 23.1 percent return in 2009, it failed to reach the benchmark MSCI Europe, Asia, and the Far East (EAFE) Index return of 31.8 percent. The fund may have exposure to emerging markets, however, which is not reflected by the MSCI EAFE Index.

Duluth Teachers' real estate investments made up less than one percent of the plan's total assets. The investments performed well in 2009, returning 13.3 percent for the year. The plan's real estate investment return compared favorably to the benchmark National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index return of negative 16.9 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 may have contributed to the strong return of the asset class for 2009. Duluth Teachers' discontinued investments in commodities during the first quarter of 2009, which were previously managed by Wellington. Commodities returned negative 0.7 percent during the period for which they were held.

The plan's private equity funds are held by HarborVest Partners and Piper Jaffray. 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 5.4 percent of the plan's total assets at the end of the year. The private equity investments returned negative 6.8 percent in 2009.

Minneapolis Employees Retirement Fund

The Minneapolis Employees Retirement Fund (MERF) returned 26.5 percent in 2009, exceeding its benchmark return of 23.5 percent. Above-market returns in domestic equities and bonds contributed to the plan's successful return, while international equities provided the highest return of all asset classes. In October 2008, the MERF board of directors appointed the SBI to be the investment manager of all plan assets.[1]

Investment policy asset allocation targets for MERF were revised in August 2009. The new allocation targets for MERF are 45.0 percent domestic equities, 30.0 percent bonds, 20.0 percent international equities, and 5.0 percent cash.

The domestic equity portfolio for MERF returned 29.4 percent for the year, outperforming the 28.3 percent benchmark return of the Russell 3000 Index. The domestic equity portfolio made up 46.7 percent of MERF's total assets at the end of the year, slightly above the target allocation in the policy. The plan's domestic investments are held in the SBI Common Stock Index Account and the SBI Growth Share Account. The SBI Common Stock Index Account invests in over 2,000 domestic stocks and is designed to replicate the return of the Russell 3000 Index, while the SBI Growth Share Account is actively managed and has the objective of generating high returns from capital appreciation.

MERF's bond portfolio returned 15.3 percent in 2009. The portfolio was able to easily surpass the Barclays Capital Aggregate Index benchmark return of 5.9 percent. Bonds made up 30.7 percent of the plan's total assets at the end of the year, falling closely in line with the target allocation for the portfolio. MERF's bond portfolio is invested through the SBI Bond Market Account, which invests a majority of its assets in high-quality government and corporate bonds and mortgage securities that have intermediate to long-term maturities.

International equities provided the highest return for MERF in 2009, returning 41.3 percent. However, MERF's international equity portfolio fell slightly behind its benchmark MSCI ACW Index ex. U.S. return of 41.5 percent. At the end of the year, MERF's international equity portfolio accounted for 19.0 percent of the total assets, which was 1.0 percent lower than the policy allocation target. The international investments are retained in the SBI International Share Account. The majority of the account is invested in developed markets, with some exposure to emerging markets. Approximately half of the account is actively managed, with the remainder of the account

[1] On July 1, 2010, the Public Employees Retirement Association (PERA) assumed the administration of MERF. Legislation passed in 2010 created the administrative consolidation of MERF into the PERA General Retirement Fund.

being passively and semi-passively managed to consistently track the return of the MSCI ACW Index ex. U.S.

The Deposit Accumulation Fund (DAF), which holds the remaining active members' assets, is not included in the calculation of MERF's asset allocations or total fund return. The DAF is invested in short-term cash equivalents, and returned 2.3 percent during 2009.

Minneapolis Firefighters' Relief Association

The Minneapolis Firefighters' Relief Association returned 27.2 percent in 2009, as calculated by the Office of the State Auditor. The return outpaced the plan's benchmark of 20.1 percent. The strong performance in the equity markets contributed to an increase in the plan's domestic equity holdings of 8.4 percent. The percentage of domestic equity in the plan's portfolio returned to above 50.0 percent, a level not seen since the economic downturn of 2008. As the equity holdings increased, Minneapolis Fire's allocation to bonds decreased by 8.5 percent from the prior year.

The Ivy Global Natural Resources fund again proved to be the most volatile fund in Minneapolis Fire's portfolio. The fund returned 76.0 percent in 2009, one year after posting a return of negative 61.3 percent. The 2009 return far exceeded the fund's Dow AIG Commodity Index benchmark of 18.9 percent. The Leuthold Weeden fund was the next best performing balanced fund, returning 22.8 percent for 2009. Other balanced fund returns included FAF Advisors (16.7 percent), Mairs & Power (16.7 percent), New Century Capital (14.9 percent), and the SBI Income Share Account (22.2 percent). The balanced funds make up just less than half of the plan's portfolio.

Domestic equity performed very well during 2009, returning 39.1 percent. The plan's equity return was well above the S&P 500 Index benchmark of 26.5 percent. The domestic equity holdings of Minneapolis Fire are comprised of four separate fund managers. Although two of the four managers fell short of their respective benchmarks, all of the managers were able to outperform the S&P 500 Index during 2009. Marque Millennium, a domestic equity fund invested in large-capitalization value stocks, was able to take advantage of undervalued stocks after the significant declines in market value during 2008 and early 2009. The fund returned 50.3 percent in 2009, considerably outperforming its Russell 1000 Value Index benchmark of 19.7 percent. White Pine Capital, a small-capitalization growth fund, also had an impressive return for 2009. The fund returned 40.4 percent, exceeding its Russell 2000 Growth Index return of 34.5 percent. Knelman Asset Management, a fund that Minneapolis Fire established in 2008, returned 30.8 percent during 2009. However, this manager fell short of its Russell 1000 Growth Index benchmark of 37.2 percent. Minneapolis Fire invests in the SBI Common Stock Index Account as its fourth domestic equity fund. The goal of this fund is to replicate the returns of the Russell 3000 Index. The Common Stock Index Account returned 28.2 percent during 2009, just shy of the Russell 3000 Index benchmark of 28.3 percent.

Fixed-income investments had a strong performance in 2009, returning 15.6 percent compared to its Barclays Capital Aggregate Index benchmark of 5.9 percent. The Post Advisory Group, a high-yield bond fund, highlighted the plan's bond portfolio by returning 40.4 percent in 2009. Even though the Post Advisory Group was the most significant contributor to the overall bond portfolio return, it fell short of its Merrill Lynch High Yield Index benchmark of 56.3 percent. The three remaining 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 5.9 percent benchmark with returns of 14.4 percent and 10.9 percent, respectively. The final fund, managed by Riversource Investments, failed to meet the benchmark by returning only 4.4 percent.

The international equity portfolio for Minneapolis Fire, which holds 20.1 percent of the plan's assets, also outpaced its benchmark with a return of 41.6 percent. International equity holdings track the MSCI EAFE Index, which returned 31.8 percent for 2009. The international equity portfolio is made up of funds managed by Dodge & Cox and Manning & Napier. The Dodge & Cox fund returned 48.6 percent while Manning & Napier returned 39.4 percent. Minneapolis Fire should consider including an allocation to international equity in its investment policy as it accounts for over one-fifth of the plan's total portfolio.

Minneapolis Police Relief Association

The Minneapolis Police Relief Association returned 26.7 percent in 2009, as calculated by the Office of the State Auditor, topping its benchmark return of 22.5 percent. The plan's above-market overall return was primarily triggered by the strong performance of the fixed-income portfolio.

Minneapolis Police's domestic equity investments returned 28.1 percent in 2009, while the Wilshire 5000 Index provided a benchmark return of 28.3 percent for the asset class. The SBI Common Stock Index Account held 35.2 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 20.3 percent in 2009, surpassing the 5.9 percent return of the Barclays Capital Aggregate Index benchmark. The SBI Bond Market Account is the primary component of the portfolio, accounting for nearly 40.0 percent of the fixed-income investments at the end of the year. The SBI account returned 16.7 percent in 2009. The Galliard Capital Management fund, which provided the lowest return of the asset class, returned 11.1 percent for the year. 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, had the highest returns of the fixed-income portfolio. Loomis Sayles had a return of 35.9 percent in 2009, and Western returned 35.3 percent for the year.

International equity investments returned 38.3 percent in 2009, which fell short of the benchmark MSCI ACW Index ex. U.S. return of 41.4 percent. The SBI International Share Account accounted for nearly 80.0 percent of the international equity portfolio at the end of 2009. The SBI International Share Account returned 41.2 percent for the year, the highest percentage return of any of Minneapolis Police's investment accounts. The Mercator account failed to reach its benchmark, as it returned 28.2 percent compared to the 31.8 percent MSCI EAFE Index benchmark return. At the end of 2009, Minneapolis Police held 20.5 percent of its total assets in international equity investments, the strongest-performing asset class for the year.

Minneapolis Police's global investments also performed well in 2009. The New Perspective Fund, held by Capital Research and Management, returned 39.3 percent for the year. The fund fared better than the 34.6 percent benchmark return provided by the MSCI ACW Index. The Mellon Global Alpha Fund I had an impressive showing in 2009, returning 31.4 percent. The fund easily outperformed its custom benchmark return of 17.4 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, struggled again in 2009, returning negative 35.9 percent for the year. Minneapolis Police's real estate investments failed to attain the negative 30.4 percent benchmark return provided by the NCREIF Open-End Diversified Core. The real estate asset class made up 2.6 percent of Minneapolis Police's total assets at the end of the year.

Minneapolis Police's Leuthold Weeden account, a balanced fund opened in July 2008, returned 25.0 percent in its first full year in the portfolio. It was unable to measure up to the benchmark return of 26.5 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. The balanced account made up 2.7 percent of the plan's total assets at the end of 2009.

St. Paul Teachers' Retirement Fund Association

The St. Paul Teachers' Retirement Fund Association returned 22.4 percent in 2009, as calculated by the Office of the State Auditor, exceeding its benchmark return of 20.7 percent. The plan's market value increased by just over $100.0 million during 2009. Domestic and international equity returns were key contributors to the plan's overall performance. St. Paul Teachers' began including global equities as its own asset class within the investment policy during 2009. The asset allocation at the end of 2009 was in line with the plan's comprehensive investment policy.

The domestic equity holdings of St. Paul Teachers' returned 28.3 percent, slightly below the Russell 1000 Index return of 28.4 percent. St. Paul Teachers' used the Russell 1000 Index as the large-capitalization benchmark for the first time in 2009. The plan had previously benchmarked its large-capitalization equity to the S&P 500 Index. St. Paul

Teachers' added the BGI Russell 1000 Growth Index fund to the portfolio during 2009. This fund, which was not held for the entire year, is now the plan's fourth large-capitalization fund. Both the Barrow & Hanley fund (23.3 percent) and the BGI S&P 500 Index fund (26.8 percent) exceeded their respective benchmarks for 2009. The large-capitalization growth fund managed by Fifth Third Asset Management returned 22.8 percent, which failed to meet its Russell 3000 Index benchmark of 28.3 percent. The lone mid-capitalization fund, managed by Wellington Management, performed very well during 2009. It returned 57.6 percent compared to its benchmarks of 44.2 percent and 40.5 percent. The small-capitalization fund managed by Boston Company returned an impressive 66.7 percent during 2009. The DFA 6-10 Value fund also performed well, returning 36.3 percent compared to its 20.6 percent benchmark.

Fixed-income investments returned 5.5 percent during 2009, falling short of its Barclays Government/Corporate Index benchmark return of 7.0 percent. St. Paul Teachers' previously used the Barclays Capital Aggregate Index as a benchmark for its fixed-income portfolio. RBC Global Asset, a new fixed-income manager, returned 3.9 percent compared to the Barclays Capital Aggregate Index benchmark of 5.9 percent. St. Paul Teachers' fixed-income portfolio also includes a passively-managed fund, which returned 4.5 percent during 2009. Fixed-income investments made up 18.0 percent of the total portfolio in 2009, after accounting for 26.5 percent of the portfolio in 2008.

St. Paul Teachers' international equity portfolio returned 43.0 percent in 2009. The plan classifies the international equity managers as either developed or emerging market. The developed market funds are managed by JP Morgan and Morgan Stanley and track the MSCI EAFE Index benchmark of 31.8 percent. The JP Morgan fund exceeded the benchmark by returning 38.2 percent, while the Morgan Stanley fund fell well short of the benchmark with a return of 21.5 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 77.8 percent in 2009, failing to match the MSCI Emerging Markets Index benchmark of 79.0 percent.

St. Paul Teachers' invested in a fund managed by Lazard in November of 2009. This new fund represents the global equity asset class. Since St. Paul Teachers' invested in the fund late in the year, a return was not computed. The global equity portfolio will track the MSCI All Country World (ACWI) Index.

The real estate holdings for St. Paul Teachers' returned negative 20.1 percent in 2009, compared to its NCREIF Property Index benchmark return of negative 31.3 percent. Real estate fund manager Advantus returned 23.9 percent in 2009, after returning negative 35.7 percent in 2008. The overall return for real estate in 2009 was driven by the holdings managed by UBS, which returned negative 23.0 percent.

Alternative investments returned negative 9.8 percent, as calculated by the Office of the State Auditor. Alternative investments include funds managed by RWI Group, Smith Barney, Piper Jaffray, and Force 10. The alternative investment holdings do not have a benchmark that is followed, so the actual return calculated by the plan is used.

St. Paul Teachers' cash portfolio returned 5.9 percent in 2009. 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 20.3 percent in 2009, exceeding its 17.8 percent benchmark for the year. The SBI's Post Fund merged into the Basic Fund on June 30, 2009, to form the Combined Funds. The Combined Funds are now defined in Minnesota Statute. Previously, the Post Fund and Basic Fund were defined in Minnesota Statute individually and were "combined" for reporting purposes only.

The SBI's domestic equity portfolio returned 29.6 percent in 2009. The portfolio surpassed the benchmark Russell 3000 Index return of 28.3 percent. The SBI allocates 45.0 percent to domestic equities in its investment policy. At the end of 2009, the domestic equity portfolio accounted for 46.7 percent of the SBI's total assets. The portfolio is managed by 23 active money managers, three 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.

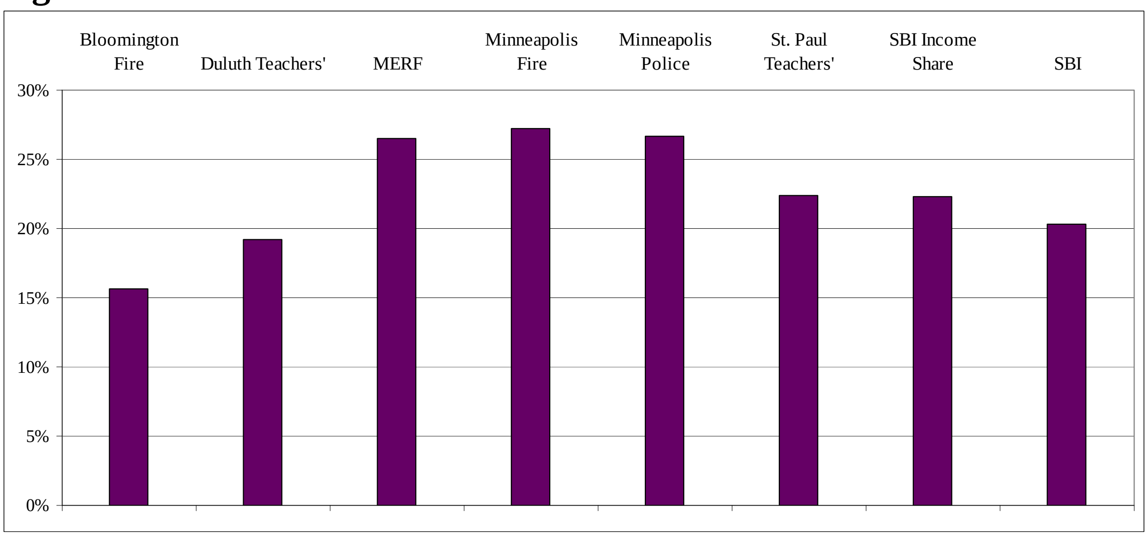
The bond portfolio of the SBI returned 14.2 percent for the year, significantly outperforming the 5.9 percent benchmark return of the Barclays Capital Aggregate Index. An 18.0 percent allocation to bonds is provided for in the SBI's investment policy. The bond portfolio made up 21.4 percent of the SBI's total assets at the end of the year. The SBI targets no more than half of the bond 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 41.2 percent in 2009, easily providing the highest return of all the asset classes. While the international investments performed well during the year, the portfolio had a slightly lower return than its benchmark MSCI ACW Index ex. U.S. return of 41.5 percent. The SBI allocates 15.0 percent to international equities in its investment policy. At the end of the year, international equities accounted for 15.2 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 had a poor showing in 2009, returning negative 10.0 percent. The actual rate of return is also 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 2009. 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 2009 rates of return for the large plans and the State Board of Investment (SBI).

Figure 2: 2009 Rates of Return



Funding Ratios

Funding ratios show the relationship between a plan's assets and its liabilities. An actuary uses statutory assumptions based on historical data to calculate the plan's liability. 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 can be afforded. Investment returns, contributions, actuarial assumptions, plan provisions, and historical funding issues can all have a direct influence on the financial health of the plan.

Bloomington Fire was the only plan that had an increase in its funding ratio during 2009, experiencing a 7.7 percent increase. As it has been for several years, Bloomington Fire is the highest-funded large plan, with a funding ratio of 99.0 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 declined 5.5 percent during 2009. The plan's funding ratio for the year was 76.6 percent. At the end of 2009, Duluth Teachers' reached its highest actuarial accrued unfunded liability amount over the past ten years, at $85.6 million.

MERF experienced a significant drop in its funding ratio during the year. The plan's funding ratio decreased 20.1 percent, ending the year at only 55.9 percent funded. MERF's actuarial accrued unfunded liability increased substantially from $374.7 million in 2008 to $694.9 million in 2009.

Minneapolis Fire's funding ratio fell by 11.0 percent during 2009. The funding ratio of 79.1 percent marks the plan's lowest level over the past ten years. However, Minneapolis Fire still had the second-highest funding ratio among the large plans.

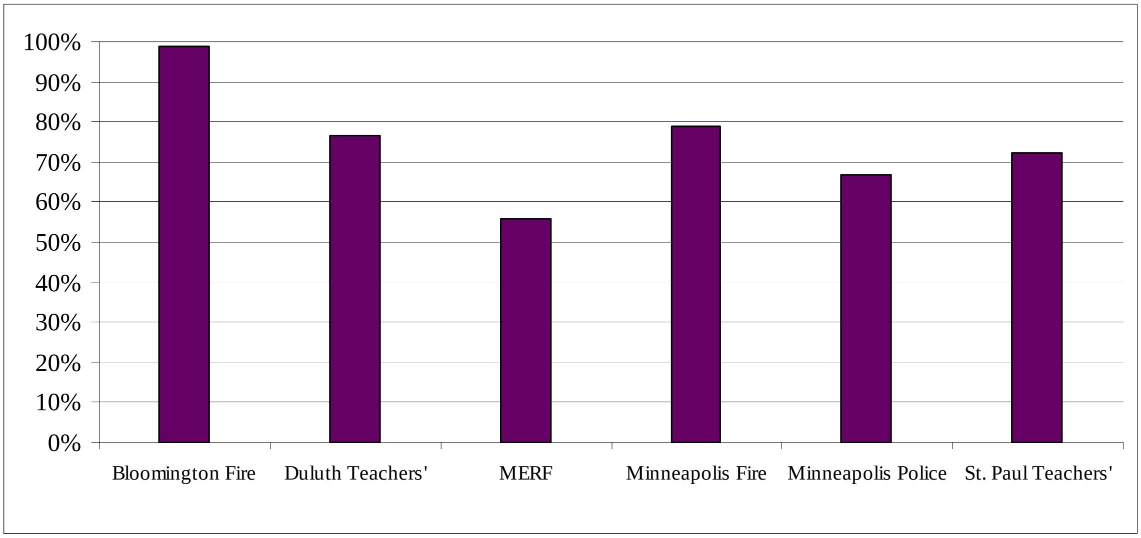
Minneapolis Police saw a decline of 6.6 percent in its funding ratio for 2009. The plan's funding ratio of 66.9 percent is the second-lowest among the large plans.

St. Paul Teachers' funding ratio declined slightly in 2009 to 72.2 percent. Its actuarial accrued unfunded liability exceeded $400.0 million for the first time since 2006. St. Paul Teachers' experienced the smallest percentage change of the five plans whose funding ratio decreased in 2009.

Figure 3 on the next page illustrates the 2009 fiscal year 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 2009 Funded Ratio Percentage



Administrative Expenses

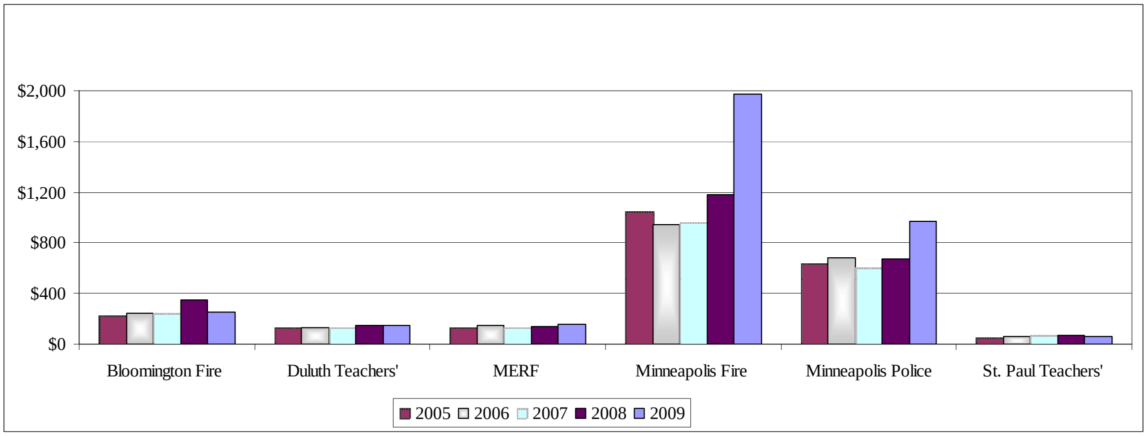
Pension plans are permitted by state law to pay certain administrative expenses. These expenses include items such as staff salaries, legal fees, professional services (including audit and actuarial fees), and other expenses such as travel, postage, and printing. These administrative expenses affect 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 during 2009, totaling $1.1 million. This was a 62.0 percent increase from the amount that the plan spent in 2008. Minneapolis Police also had a large increase in its administrative expenses for 2009. The plan spent $812,279, which was a 40.3 percent increase from the previous year.

Bloomington Fire and St. Paul Teachers' each decreased their administrative expenses from the previous year by 27.9 percent and 12.5 percent, respectively. Bloomington Fire again had the lowest total administrative expenses of the plans, at $77,778. Duluth Teachers' totaled $505,164 in administrative expenses for 2009, a 3.5 percent increase from its 2008 total. MERF had $760,692 in administrative expenses, a 10.2 percent increase from the previous year.

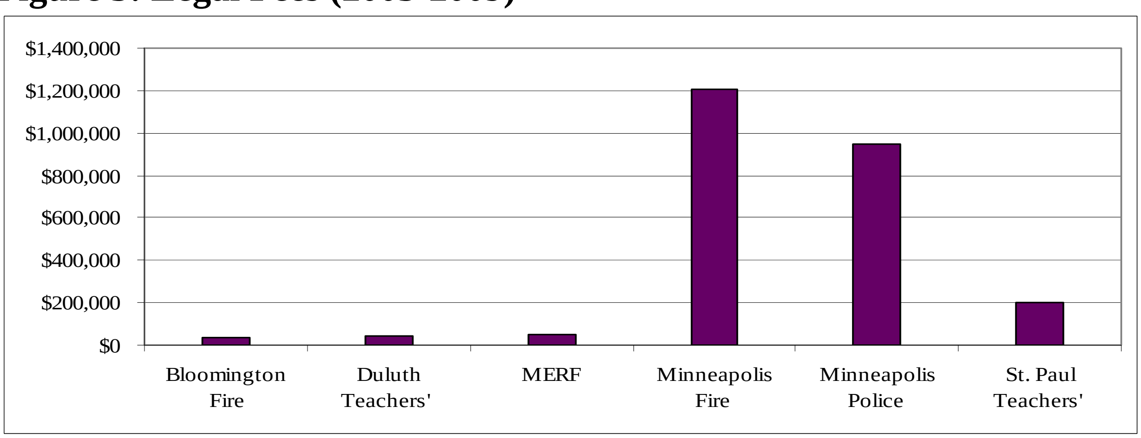
On a per-member basis, Minneapolis Fire and Minneapolis Police had the highest administrative expense figures, at $1,970 and $968, respectively. Both of these plans are closed to new members and their total membership is slowly declining. As a result, administrative expenses over time are spread across fewer members. Besides the closed plans, Bloomington Fire had the highest per-member expense, spending $254 per member. Duluth Teachers' and MERF totaled $150 and $159 per member, respectively. St. Paul Teachers' spent just $60 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 (2005-2009)



Minneapolis Fire and Minneapolis Police again had legal fees that far exceeded 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 47.1 percent of Minneapolis Fire's total administrative expenses and 46.8 percent of Minneapolis Police's total expenses.[1] Legal fees declined in 2009 for Bloomington Fire, Duluth Teachers', and St. Paul Teachers'. After a significant increase in legal fees during 2008, Bloomington Fire's fees decreased by 90.3 percent in 2009. Legal fees for St. Paul Teachers' decreased by 53.2 percent in 2009. Figure 5 below shows the total legal fees for the large plans for the past five-year period.

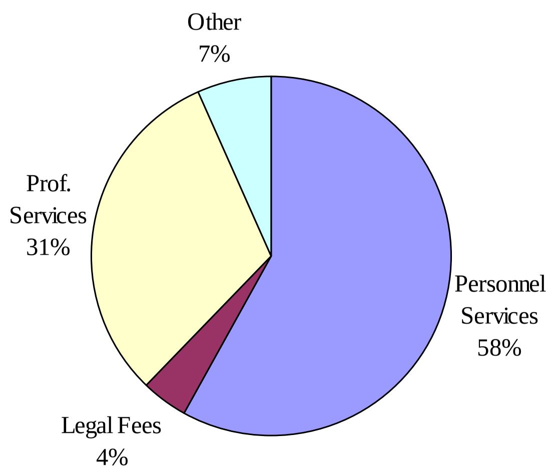
Figure 5: Legal Fees (2005-2009)



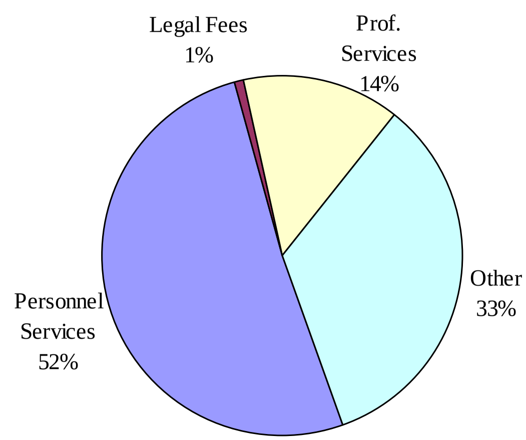
[1] The Minneapolis Firefighter's Relief Association spent $528,334 on legal fees during 2009, and recovered $474,655 through insurance.

Figure 6

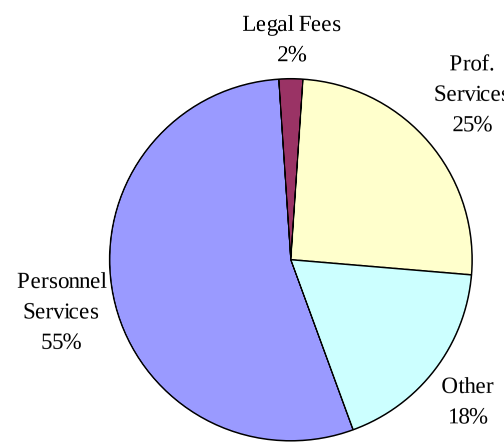
Administrative Expenses for Fiscal Year 2009



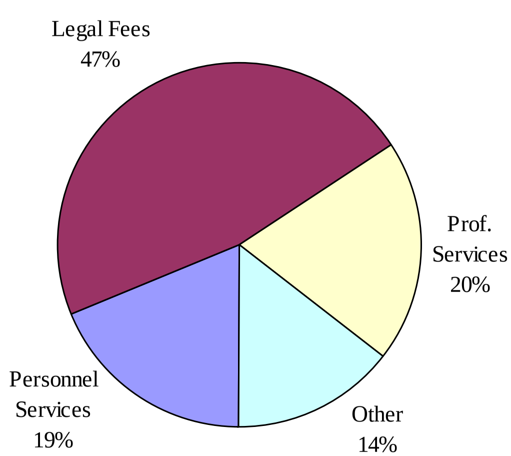
Bloomington Fire - $77,778



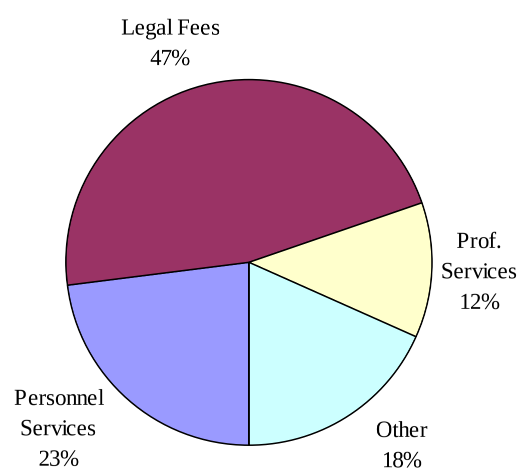
Duluth Teachers' - $505,164



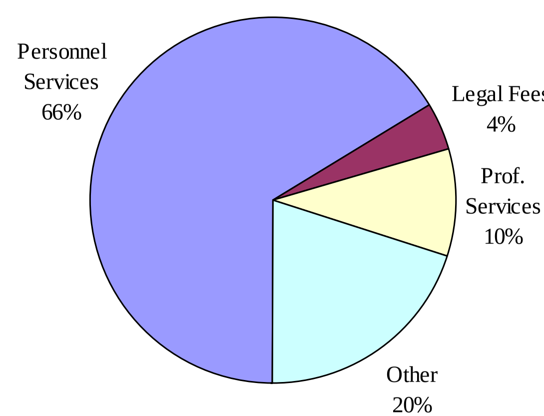
MERF - $760,692



Minneapolis Fire - $1,122,885



Minneapolis Police - $812,279



St. Paul Teachers' - $604,724

Ten-Year Performance Analysis

The volatility of rates of return over the last ten years has resulted in portfolio values remaining fairly constant. For instance, the Russell 3000 Index reached its lowest level during March 2009. Domestic equity posted negative returns during four 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, 2009 can be assessed using market indices as benchmarks. The U.S. stock market, as measured by the Russell 3000 Index, returned negative 0.2 percent over the ten-year period. Domestic equity represented the largest asset allocation for all the large plans, ranging from 36.3 percent (Minneapolis Police) to 50.4 percent (Minneapolis Fire) of total assets. 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 1.2 percent annually over the ten-year period. Bloomington Fire again had the smallest allocation to international equity of all the large plans, at 14.2 percent. St. Paul Teachers' held the largest percentage of international equity with a 25.0 percent allocation. The plan also had a 3.5 percent allocation to global equities. The emerging market segment ended the ten-year period with a remarkable 2009 return of 79.0 percent, as measured by the MSCI Emerging Markets Index. Over the ten-year period, emerging markets averaged an annual return of 10.1 percent.

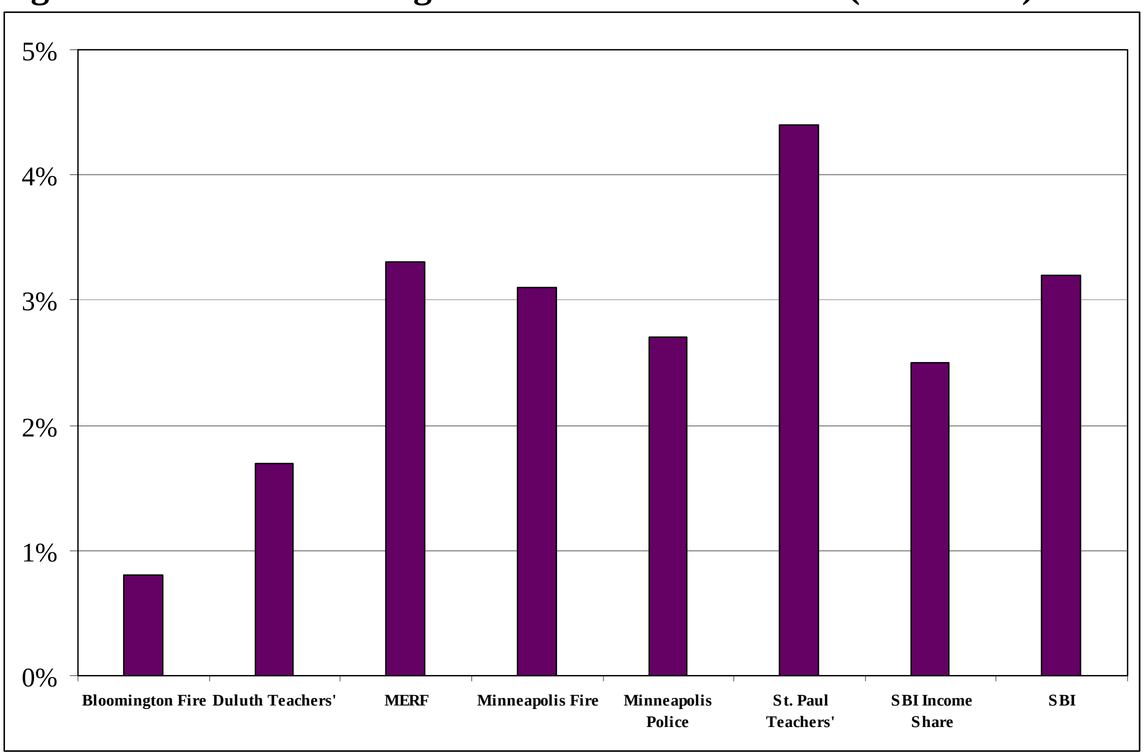
The top performing asset class over the ten-year period was fixed income. The average annual bond market return was 6.3 percent, as measured by the Barclays Capital Aggregate Index. St. Paul Teachers' had 18.0 percent of its portfolio invested in fixed income at the end of 2009, the lowest among the large plans. The largest percentage allocation of fixed income investments was 35.6 percent, held by Duluth Teachers'.

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 are 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 returns than a fixed income or money market account. The Income Share Account's average annual rate of return for the ten-year period was 2.5 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 4.4 percent annual rate of return. St. Paul Teachers' ten-year performance exceeded the next-highest large plan by over 1.0 percent. MERF had the next highest ten-year return, averaging a 3.3 percent annual rate of return. The SBI, which consolidated the basic and post funds in 2009, had a ten-year return of 3.2 percent. Minneapolis Fire was next in line with a ten-year average annual return of 3.1 percent, followed by Minneapolis Police at 2.7 percent. In 2008 Duluth Teachers' experienced the worst single-year return of all large plans over the ten-year period ending December 31, 2009. This played a role in the plan's ten-year return of 1.7 percent. Bloomington Fire had a ten-year return of 0.8 percent, the lowest of all the large plans.

Figure 7 below shows the ten-year average annual rates of return for the large plans and for the SBI.

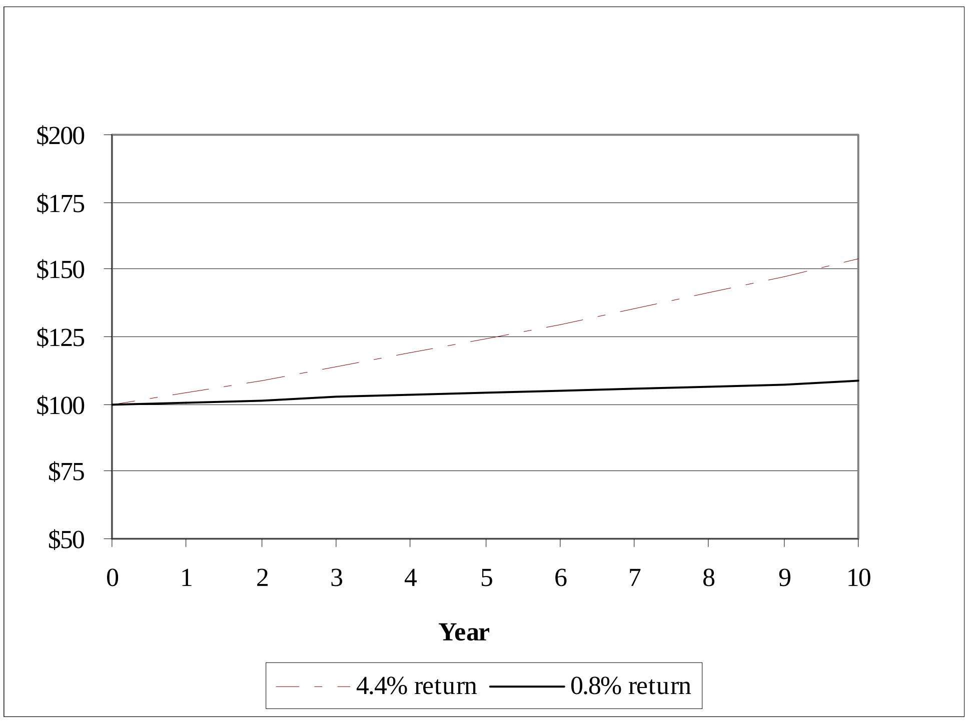
Figure 7: Ten-Year Average Annual Rates of Return (2000-2009)



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 returns into context, consider $100 invested at 4.4 percent (the highest large-plan return) for ten years. At the end of ten years, you would have $154. If you instead only earned 0.8 percent (the lowest large-plan return), you would have $108 at the end of ten years. The higher rate of return yields nearly 43.0 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 8: Ten-Year Growth of $100 at Differing Rates of Return



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2009 Plan Summaries

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How to Read the Plan Summaries

The plan summaries found on pages 29 through 35 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 for 2009, as calculated by the Office of the State Auditor. Under state law, the Duluth Teachers' Retirement Fund Association, Minneapolis Employees Retirement Fund, and the State Board of Investment are allowed to submit limited reporting information. The rates of return for these three 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 for 2009, 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.

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

These 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.

Policy Asset Allocation

Each plan has an investment policy that states how the plan's assets are to be invested across different asset classes. The percentage allocated to each asset class in the investment policy is the policy asset allocation.

Actual Asset Allocation

The percentage actually invested in each asset class as of the end of the year is the actual asset allocation. Since investments increase and decrease at different rates, plans rebalance their portfolios by transferring assets among investments during the year.

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 2009 is the beginning market value/ending market value.

Net Cash Flows

Net cash flows are 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 is the investment return.

Rate of Return

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

Bloomington Fire Department Relief Association

For theYear Ended December 31, 2009

(Dollars in Thousands)

Rates of Return (ROR)	
OSA One-Year ROR	15.6 %
Plan One-Year ROR	15.8 %
Benchmark ROR	17.5 %
Actuarial Assumed ROR - Active	6.0 %
Actuarial Assumed ROR - Retired	6.0 %
OSA Three-Year ROR	(2.5)%
OSA Five-Year ROR	1.8 %
OSA Ten-Year ROR	0.8 %

Benchmark Components and Rates of Return	
S&P 500	26.5 %
Barclays Govt/Corp	4.5 %
90-Day U.S Treasury Bill	0.1 %

Policy Asset Allocation	
Stock	60.0 %
Bonds	35.0 %
Cash	5.0 %

Actual Asset Allocation	
Domestic Equities	44.9 %
International Equities	14.2 %
Fixed Income	33.8 %
Cash	7.1 %

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	$ 33,514	$ 0	$ 6,631	$ 40,145	28.2 %
International Equities	International Equities	8,704	1,500	2,050	12,254	40.2 %
Fixed Income	Fixed Income	14,943	15,100	3,007	33,050	14.5 %
Cash	Cash	21,024	(16,599)	69	4,494	0.3 %
Internally Managed	Balanced	4,646	(3,353)	45	1,338	2.0 %
Wells Fargo Account	Balanced	6,105	0	1,631	7,736	26.7 %
	Total	**$ 88,936**	**$ (3,352)**	**$ 13,433**	**$ 99,017**	

Duluth Teachers' Retirement Fund Association

For the Year Ended December 31, 2009

(Dollars in Thousands)

Rates of Return (ROR)	
Plan One-Year ROR	19.2 %
Benchmark ROR	15.6 %
Actuarial Assumed ROR - Active	8.5 %
Actuarial Assumed ROR - Retired	8.5 %
Plan Three-Year ROR	(6.3)%
Plan Five-Year ROR	0.3 %
Plan Ten-Year ROR	1.7 %

Benchmark Components and Rates of Return	
S&P 500	26.5 %
Russell 2500 Value	27.7 %
Russell 2000 Growth	34.5 %
Barclays Capital Aggregate	5.9 %
MSCI EAFE	31.8 %
91-Day U.S. Treasury Bill	0.2 %
NCREIF Property Index	(16.9)%

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	8.9 %
Equities: Small/Mid Cap Value	12.4 %
Equities: Small Cap Growth	14.8 %
Equities: Risk Controlled	4.9 %
Fixed Income	35.6 %
International Equities	15.2 %
Cash	2.1 %
Real Assets	0.7 %
Private Equity	5.4 %

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	$ 44,969 [1]	$ 13,800	$ 24,054	$ 82,823	24.0 %
Fixed Income	Fixed Income	97,585 [1]	(26,952)	1,079	71,712	15.8 %
International Equities	International Equities	24,706	0	5,949	30,655	23.1 %
Cash	Cash	2,544	1,607	4	4,155	0.1 %
Commodities	Real Assets	8,136	(8,676)	540	0	(0.7)%
Real Estate	Real Estate	1,461	0	0	1,461	13.3 %
Private Equity	Private Equity	8,590	1,950	278	10,818	(6.8)%
	Total	**$ 187,991**	**$ (18,271)**	**$ 31,904**	**$ 201,624**	

[1] The beginning market values for Domestic Equities and Fixed Income were adjusted by $39,416,238 due to the Metropolitan West fund reclassifying to a Fixed Income holding in the first quarter of 2009.

Minneapolis Employees Retirement Fund

For the Year Ended December 31, 2009

(Dollars in Thousands)

Rates of Return (ROR)	
Plan One-Year ROR	26.5 %
Benchmark ROR	23.5 %
Actuarial Assumed ROR - Active	6.0 %
Actuarial Assumed ROR - Retired	5.0 %
Plan Three-Year ROR	(0.8)%
Plan Five-Year ROR	3.7 %
Plan Ten-Year ROR	3.3 %

Benchmark Components and Rates of Return	
Russell 3000	28.3 %
Barclays Capital Aggregate	5.9 %
MSCI ACWI ex. U.S.	41.5 %
90-Day U.S. Treasury Bill	0.2 %

Policy Asset Allocation	
Domestic Equities	45.0 %
Bonds	30.0 %
International Equities	20.0 %
Cash	5.0 %

Actual Asset Allocation	
Domestic Equities	46.7 %
Bonds	30.7 %
International Equities	19.0 %
Cash	3.6 %

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	$ 355,259	$ (26,194)	$ 100,813	$ 429,878	29.4 %
Bonds	Bonds	309,777	(63,582)	36,626	282,821	15.3 %
International Equities	International Equity	169,336	(55,783)	61,566	175,119	41.3 %
Cash	Cash	21,039	11,662	256	32,957	1.4 %
Miscellaneous Expense Account		0	145	(145)	0	0.0 %
Deposit Accumulation Fund [1]	Low Duration Fixed Income	1,106	(169)	(40)	897	2.3 %
	Total	**$ 856,517**	**$ (133,921)**	**$ 199,076**	**$ 921,672**	

[1] The Deposit Accumulation Fund holds the remaining active member dollars in short-term cash equivalent investments. MERF does not consider this account part of their asset allocation, therefore it is not included in the total rate of return, or policy and actual asset allocation.

Minneapolis Firefighters' Relief Association

For the Year Ended December 31, 2009

(Dollars in Thousands)

Rates of Return (ROR)	
OSA One-Year ROR	27.2 %
Plan One-Year ROR	27.4 %
Benchmark ROR[1]	20.1 %
Actuarial Assumed ROR - Active	6.0 %
Actuarial Assumed ROR - Retired	6.0 %
OSA Three-Year ROR	0.4 %
OSA Five-Year ROR	3.9 %
OSA Ten-Year ROR	3.1 %

Benchmark Components and Rates of Return	
S&P 500	26.5 %
Barclays Capital Aggregate	5.9 %
Russell 2000 Growth	34.5 %
MSCI EAFE	31.8 %
DJ-AIG Commodities	18.9 %

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

Actual Asset Allocation	
Domestic Equities	50.4 %
International Equities	20.1 %
Bonds	25.1 %
Cash	4.3 %
Other	0.1 %

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	$ 34,452	$ (1,011)	13,422	$ 46,863	39.1 %
Bonds	Bonds	37,646	(5,786)	5,072	36,932	15.6 %
International Equities	International Equities	27,809	(7,220)	8,969	29,558	41.6 %
Cash	Cash	990	10	13	1,013	2.0 %
FAF Advisors	Balanced	10,140	(10)	1,694	11,824	16.7 %
Ivy Global Funds	Natural Resources - Balanced	4,863	(901)	3,590	7,552	76.0 %
Leuthold Weeden	Balanced	34,241	(3,516)	7,555	38,280	22.8 %
Mairs & Power	Balanced	27,456	(3)	4,596	32,049	16.7 %
New Century Capital	Domestic & Intl. Equities	3,928	1,093	1,271	6,292	14.9 %
SBI Income Share - Health Escrow	Balanced	1,633	0	361	1,994	22.2 %
	Total	**$ 183,158**	**$ (17,344)**	**$ 46,543**	**$ 212,357**	

[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, 2009

(Dollars in Thousands)

Rates of Return (ROR)

OSA One-Year ROR	26.7 %
Plan One-Year ROR	26.5 %
Benchmark ROR	22.5 %
Actuarial Assumed ROR - Active	6.0 %
Actuarial Assumed ROR - Retired	6.0 %
OSA Three-Year ROR	(1.5)%
OSA Five-Year ROR	2.9 %
OSA Ten-Year ROR	2.7 %

Benchmark Components and Rates of Return	
Wilshire 5000	28.3 %
Barclays Capital Aggregate	5.9 %
MSCI ACWI ex. U.S.	41.4 %
MSCI ACWI	34.6 %
NCREIF ODCE	(30.4)%
Mellon Custom Benchmark [1]	17.4 %

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

Actual Asset Allocation		
Domestic Equities		36.3 %
Fixed Income		24.7 %
International Equities		20.5 %
Global Equities		14.5 %
Real Estate		2.6 %
Other		1.4 %
Cash	1.3 %	
Venture Capital	0.1 %	

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	$ 77,816	$ (1,200)	$ 22,682	$ 99,298	28.1 %
Fixed Income	Fixed Income	77,814	(20,375)	11,765	69,204	20.3 %
International Equities	International Equities	40,468	(2,100)	16,786	55,154	38.3 %
Capital Research & Management	Global Equities	25,811	(6,900)	8,827	27,738	39.3 %
Mellon	Global Equities	9,928	(1)	3,120	13,047	31.4 %
Real Estate	Real Estate	11,297	0	(4,060)	7,237	(35.9)%
Cash	Cash	189	43	2	234	0.7 %
Venture Capital	Venture Capital	167	0	5	172	3.0 %
Leuthold Weeden	Balanced	4,763	1,350	1,455	7,568	25.0 %
Healthcare Defined Contribution	Cash	2,123	(52)	208	2,279	10.0 %
	Total	**$ 250,376**	**$ (29,235)**	**$ 60,790**	**$ 281,931**	

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

St. Paul Teachers' Retirement Fund Association

Year Ending December 31, 2009

(Dollars in Thousands)

Rates of Return (ROR)	
OSA One-Year ROR	22.4 %
Plan One-Year ROR	22.3 %
Benchmark ROR	20.7 %
Actuarial Assumed ROR - Active	8.5 %
Actuarial Assumed ROR - Retired	8.5 %
OSA Three-Year ROR	(1.7)%
OSA Five-Year ROR	3.8 %
OSA Ten-Year ROR	4.4 %

Benchmark Components and Rates of Return		Policy Asset Allocation		Actual Asset Allocation	
Russell 1000	28.4 %	Equities: Large Cap	29.4 %	Domestic Equities	44.2 %
Russell 2000	27.2 %	Equities: Small Cap	12.6 %		
Barclays Gov't / Corporate	7.0 %	Fixed Income: Domestic	19.0 %	Domestic Fixed Income	18.0 %
NCREIF Property Index	(31.3)%	Real Estate	9.0 %	Real Estate	7.3 %
MSCI EAFE	31.8 %	Int'l Equities: Core	20.0 %	International Equities	25.0 %
MSCI Emerging Markets	79.0 %	Int'l Equities: Emerging	4.0 %		
MSCI All Country World	35.4 %	Global Equities	4.0 %	Global Equities	3.5 %
Alternative Assets	(26.1)%	Alternative Assets	2.0 %	Alternative Assets	1.3 %
90-Day U.S. Treasury Bill	0.2 %	Cash	0.0 %	Cash	0.7 %

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	$ 303,216	$ (12,337)	$ 93,709	$ 384,588	28.3 %
Domestic Fixed Income	Domestic Fixed Income	203,903	(54,500)	6,954	156,357	5.5 %
Real Estate	Real Estate	78,474	637	(15,429)	63,682	(20.1)%
International Equities	International Equities	165,988	(25,000)	76,861	217,849	43.0 %
Global Equities	Global Equities	0	30,000	196	30,196	0.7 %
Alternatives	Alternative Assets	7,912	4,178	(570)	11,520	(9.8)%
Cash	Cash	10,164	(4,763)	398	5,799	5.9 %
	Total	**$ 769,657**	**$ (61,785)**	**$ 162,119**	**$ 869,991**	

State Board of Investment

For the Year Ended December 31, 2009

(Dollars in Thousands)

Rates of Return (ROR)	
Plan One-Year ROR	20.3 %
Benchmark ROR	17.8 %
Actuarial Assumed ROR - Active	8.5 %
Actuarial Assumed ROR - Retired	8.5 %
Plan Three-Year ROR	(0.9)%
Plan Five-Year ROR	4.1 %
Plan Ten-Year ROR	3.2 %

Benchmark Components and Rates of Return	
Russell 3000	28.3 %
Barclays Capital Aggregate	5.9 %
MSCI ACWI ex. U.S.	41.5 %
Alternative Assets [1]	(10.0)%
90-Day U.S. Treasury Bill	0.2 %

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

Actual Asset Allocation	
Domestic Equities	46.7 %
Bonds	21.4 %
International Equities	15.2 %
Alternative Assets	14.2 %
Cash	2.5 %

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	$ 15,315,561	$ (622,097)	$ 4,481,252	$ 19,174,716	29.6 %
Bonds	Bonds	8,222,331	(505,695)	1,068,268	8,784,904	14.2 %
International Equities	International Equities	5,168,676	(972,200)	2,063,884	6,260,360	41.2 %
Alternatives	Alternative Assets	6,225,340	216,113	(618,812)	5,822,641	(10.0)%
Cash & Disbursement Account	Cash	925,319	101,024	10,106	1,036,449	1.3 %
Miscellaneous Expense Account		0	831	(831)	0	0.0 %
	Total	**$ 35,857,227**	**$ (1,782,024)**	**$ 7,003,867**	**$ 41,079,070**	

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

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2009 Appendix

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Table 1

Historical Rates of Return

For Calendar Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire	(3.9)%	(7.9)%	(14.4)%	19.4 %	9.5 %	4.7 %	13.0 %	6.9 %	(25.2)%	15.6 %
Duluth Teachers'	(1.6)%	(4.3)%	(12.6)%	28.2 %	10.6 %	7.6 %	14.7 %	6.6 %	(35.1)%	19.2 %
MERF	(1.3)%	(6.1)%	(11.4)%	23.8 %	12.8 %	7.3 %	14.8 %	7.2 %	(28.1)%	26.5 %
Minneapolis Fire	(2.7)%	(3.3)%	(10.0)%	20.0 %	10.1 %	6.6 %	12.5 %	11.5 %	(28.7)%	27.2 %
Minneapolis Police	(2.0)%	(4.1)%	(10.1)%	22.3 %	10.1 %	6.0 %	13.8 %	6.9%	(29.5)%	26.7 %
Minneapolis Teachers'	(6.0)%	(7.7)%	(16.1)%	22.8 %	10.2 %	5.7 %	*	*	*	*
St. Paul Teachers'	(0.2)%	(1.7)%	(10.1)%	26.7 %	14.1 %	9.9 %	15.6 %	8.1%	(28.2)%	22.4 %
SBI Basic Fund	(1.8)%	(6.8)%	(11.6)%	22.7 %	13.0 %	10.2 %	14.7 %	9.7%	(26.1)%	^20.3%
SBI Post Fund	(3.8)%	(5.1)%	(11.6)%	23.5 %	11.8 %	9.6 %	14.5 %	9.2%	(26.2)%	^20.3%

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.
^ The SBI Basic and Post Funds were combined in 2009.

Table 2

State of Minnesota Contributions

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004
Bloomington Fire (12/31)	$ 370,100	$ 363,938	$ 411,764	$ 495,967	$ 625,566
Duluth Teachers' (6/30)	486,000	486,000	486,000	-	-
MERF (6/30)	3,595,647	3,707,729	3,232,000	6,632,000	7,093,000
Minneapolis Fire (12/31)	783,880	905,282	1,024,112	1,328,901	2,146,934
Minneapolis Police (12/31)	3,268,063	3,448,383	5,413,835	5,879,854	7,089,022
Minneapolis Teachers' (6/30)	17,183,077	17,166,223	16,408,795	16,791,942	16,771,302
St. Paul Teachers' (6/30)	3,572,726	3,572,726	3,257,761	3,383,761	3,392,761
Total	**$ 29,259,493**	**$ 29,650,281**	**$ 30,234,267**	**$ 34,512,425**	**$ 37,118,585**

Public Pension Plans	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 585,966	$ 606,454	$ 517,023	$ 439,902	$ 372,096
Duluth Teachers' (6/30)	-	-	-	-	346,000
MERF (6/30)	8,064,635	9,000,000	9,000,000	8,866,510	9,000,000
Minneapolis Fire (12/31)	1,913,951	1,221,161	1,259,931	1,413,297	2,285,077
Minneapolis Police (12/31)	6,573,582	5,200,521	3,167,214	2,275,349	3,424,326
Minneapolis Teachers' (6/30)	16,764,411	*	*	*	*
St. Paul Teachers' (6/30)	3,397,761	3,399,761	3,651,216	3,509,320	3,343,013
Total	**$ 37,300,306**	**$ 19,427,897**	**$ 17,595,384**	**$ 16,504,378**	**$ 18,770,512**

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).

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 3

Employer Contributions

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004
Bloomington Fire (12/31)	$ -	$ -	$ -	$ 742,343	$ 2,986,280
Duluth Teachers' (6/30)	3,026,454	3,010,595	2,955,816	2,933,172	2,826,730
MERF (6/30)	13,013,923	11,233,852	12,260,956	38,102,470	38,366,011
Minneapolis Fire (12/31)	1,154,484	326,969	5,907	4,270	2,670
Minneapolis Police (12/31)	1,295,071	10,812	2,912,060	13,540,305	20,800,530
Minneapolis Teachers' (6/30)	25,373,644	25,738,703	25,696,261	25,394,648	24,231,782
St. Paul Teachers' (6/30)	19,049,291	19,996,142	20,958,423	19,986,168	20,378,315
Total	**$ 62,912,867**	**$ 60,317,073**	**$ 64,789,423**	**$ 100,703,376**	**$ 109,592,318**

Public Pension Plans	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 1,576,139	$ 841,138	$ -	$ -	$ -
Duluth Teachers' (6/30)	2,845,684	2,867,299	2,940,697	2,994,086	2,954,026
MERF (6/30)	11,330,441	35,953,244	19,545,176	6,405,104	6,645,526
Minneapolis Fire (12/31)	4,737,705	1,348,855	3,030,347	3,336,852	1,837,448
Minneapolis Police (12/31)	24,976,747	5,366,224	3,647,229	3,535,999	2,870,590
Minneapolis Teachers' (6/30)	22,782,933	*	*	*	*
St. Paul Teachers' (6/30)	20,435,230	20,615,130	20,466,200	20,775,392	21,501,237
Total	**$ 88,684,879**	**$ 66,991,890**	**$ 49,629,649**	**$ 37,047,433**	**$ 35,808,827**

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.

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 4

Employee Contributions

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004
Bloomington Fire (12/31)	$ -	$ -	$ -	$ -	$ -
Duluth Teachers' (6/30)	3,152,295	3,141,228	3,275,405	3,298,902	2,991,801
MERF (6/30)	6,069,060	5,368,087	4,779,661	4,167,298	3,342,960
Minneapolis Fire (12/31)	295,016	133,031	149,260	136,209	39,852
Minneapolis Police (12/31)	166,325	56,995	20,620	3,815	-
Minneapolis Teachers' (6/30)	16,168,629	16,321,023	17,715,111	16,672,305	15,461,562
St. Paul Teachers' (6/30)	13,183,734	13,152,552	14,467,695	14,222,154	14,307,616
Total	**$ 39,035,059**	**$ 38,172,916**	**$ 40,407,752**	**$ 38,500,683**	**$ 36,143,791**

Public Pension Plans	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ -	$ -	$ -	$ -	$ -
Duluth Teachers' (6/30)	2,924,264	3,030,418	2,978,435	2,954,062	2,927,260
MERF (6/30)	3,086,571	2,312,034	1,665,150	1,431,245	1,072,130
Minneapolis Fire (12/31)	12,010	-	-	-	-
Minneapolis Police (12/31)	-	-	-	-	-
Minneapolis Teachers' (6/30)	13,820,754	*	*	*	*
St. Paul Teachers' (6/30)	13,586,719	13,453,021	13,438,323	13,642,161	13,863,565
Total	**$ 33,430,318**	**$ 18,795,473**	**$ 18,081,908**	**$ 18,027,468**	**$ 17,862,955**

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 5

Average Contribution per Member

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 1,272	$ 1,197	$ 1,363	$ 4,309	$12,567	$ 7,558	$ 4,975	$ 1,673	$ 1,433	$ 1,216
Duluth Teachers' (6/30)	2,093	2,008	1,956	1,784	1,776	1,766	1,817	1,751	1,766	1,843
MERF (6/30)	3,537	3,269	3,347	8,354	8,541	4,055	8,771	5,818	3,347	3,492
Minneapolis Fire (12/31)	2,946	1,868	1,656	2,130	3,302	10,445	4,125	7,056	8,051	7,233
Minneapolis Police (12/31)	4,619	3,488	8,482	20,254	29,701	34,257	11,754	7,797	6,757	7,503
Minneapolis Teachers' (6/30)	5,010	4,787	4,607	4,439	4,193	3,931	*	*	*	*
St. Paul Teachers' (6/30)	4,148	4,094	4,076	3,921	3,864	3,776	3,768	3,774	3,766	3,815

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 6

Average of Total Benefits per Retired Member/Beneficiary

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 16,516	$ 16,906	$ 17,343	$ 19,095	$ 18,880	$ 19,744	$ 20,193	$ 20,543	$ 21,612	$ 22,515
Duluth Teachers' (6/30)	12,499	13,719	14,815	15,365	15,309	15,931	16,235	16,517	17,408	18,192
MERF (6/30)	21,382	24,008	26,124	27,171	27,669	28,681	29,596	30,852	32,060	33,126
Minneapolis Fire (12/31)	35,836	37,683	37,956	31,666	35,070	35,141	36,184	39,094	39,686	38,537
Minneapolis Police (12/31)	33,222	32,655	33,108	34,070	35,611	37,378	38,599	41,899	44,453	41,965
Minneapolis Teachers' (6/30)	26,286	28,867	31,061	31,389	31,657	32,352	*	*	*	*
St. Paul Teachers' (6/30)	24,283	26,439	27,835	28,618	29,174	29,349	30,323	30,778	31,502	31,716

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 7

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

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Consumer Price Index	*3.40 %*	*2.80 %*	*1.60 %*	*2.30 %*	*2.70 %*	*3.40 %*	*3.20 %*	*2.90 %*	*3.80 %*	*(0.30)%*
Bloomington Fire (12/31)	12.07 %	2.36 %	2.58 %	10.10 %	(1.13)%	4.57 %	2.27 %	1.74 %	5.20 %	4.18 %
Duluth Teachers' (6/30)	5.62 %	9.76 %	7.99 %	3.71 %	(0.36)%	4.06 %	1.91 %	1.74 %	5.40 %	4.50 %
MERF (6/30)	9.92 %	12.28 %	8.82 %	4.00 %	1.83 %	3.66 %	3.19 %	4.24 %	3.91 %	3.33 %
Minneapolis Fire (12/31)	0.42 %	5.15 %	0.73 %	(16.57)%	10.75 %	0.20 %	2.97 %	8.04 %	1.52 %	(2.90)%
Minneapolis Police (12/31)	17.46 %	(1.71)%	1.39 %	2.91 %	4.52 %	4.96 %	3.27 %	8.55 %	6.09 %	(5.60)%
Minneapolis Teachers' (6/30)	8.15 %	9.82 %	7.60 %	1.05 %	0.85 %	2.20 %	*	*	*	*
St. Paul Teachers' (6/30)	6.48 %	8.88 %	5.28 %	2.81 %	1.94 %	0.60 %	3.32 %	1.50 %	2.35 %	0.68 %

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 8

Funded Ratio Percentage

For Fiscal Years 2000 to 2009

Public Pension Plans		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)		144.12 %	123.57 %	96.42 %	110.21 %	115.12 %	124.16 %	133.93 %	130.94 %	91.28 %	99.01 %
Duluth Teachers' (6/30)		103.80 %	107.60 %	100.40 %	95.70 %	91.80 %	86.40 %	84.10 %	86.80 %	82.10 %	76.55 %
MERF (6/30)		93.00 %	93.00 %	92.00 %	92.00 %	92.00 %	92.00 %	92.00 %	86.00 %	76.00 %	55.88 %
Minneapolis Fire (12/31)	^	107.50 %	103.90 %	87.20 %	80.60 %	90.20 %	86.20 %	87.50 %	92.80 %	90.13%	79.07 %
Minneapolis Police (12/31)	^	87.50 %	75.10 %	66.80 %	64.50 %	68.60 %	77.30 %	85.70 %	87.90 %	73.50 %	66.87 %
Minneapolis Teachers' (6/30)		66.54 %	65.95 %	61.94 %	56.85 %	50.75 %	44.61 %	*	*	*	*
St. Paul Teachers' (6/30)		80.32 %	81.91 %	78.82 %	75.57 %	71.82 %	69.65 %	69.11 %	73.01 %	75.13 %	72.20 %

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

^ 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 2000 to 2009

Public Pension Plans		2000	2001	2002	2003	2004
Bloomington Fire (12/31)		$ (31,750,789)	$ (17,924,916)	$ 2,914,369	$ (8,516,589)	$ (13,307,091)
Duluth Teachers' (6/30)		(9,108,000)	(19,363,000)	(1,087,000)	12,642,000	24,755,000
MERF (6/30)		99,472,000	108,813,000	127,650,000	126,500,000	129,751,133
Minneapolis Fire (12/31)		(22,098,000)	(11,491,000)	37,484,000	56,964,000	26,967,000
Minneapolis Police (12/31)		56,003,000	115,479,000	153,820,000	165,122,000	147,279,000
Minneapolis Teachers' (6/30)		516,725,000	548,381,000	631,629,000	715,069,000	851,787,000
St. Paul Teachers' (6/30)		196,430,000	191,886,000	241,728,000	290,601,000	352,600,000
Total		**$ 805,673,211**	**$ 915,780,084**	**$ 1,194,138,369**	**$ 1,358,381,411**	**$ 1,519,832,042**

Public Pension Plans		2005	2006	2007	2008	2009
Bloomington Fire (12/31)		$ (20,457,329)	$ (29,632,941)	$ (28,864,471)	$ 8,465,842	$ 990,413
Duluth Teachers' (6/30)		42,443,000	51,303,000	43,952,000	64,977,000	85,555,000
MERF (6/30)		134,641,560	127,373,249	227,139,467	374,685,175	694,878,370
Minneapolis Fire (12/31)	^	43,137,000	37,650,000	20,982,000	25,988,000	53,230,000
Minneapolis Police (12/31)	^	105,190,000	62,979,000	51,815,000	117,076,000	137,637,000
Minneapolis Teachers' (6/30)		972,559,000	*	*	*	*
St. Paul Teachers' (6/30)		394,539,000	419,701,000	375,576,000	356,089,000	404,360,000
Total		**$ 1,672,052,231**	**$ 669,373,308**	**$ 690,599,996**	**$ 947,281,017**	**$ 1,376,650,783**

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

^ Minneapolis Police and Minneapolis Fire 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 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004
Bloomington Fire (12/31)	$ 104,088,281	$ 93,960,664	$ 78,447,410	$ 91,904,997	$ 101,341,890
Duluth Teachers' (6/30)	298,838,376	266,702,972	234,368,916	231,247,693	258,831,515
MERF (6/30)	1,667,011,994	1,463,731,615	1,250,320,810	1,194,940,521	1,282,717,353
Minneapolis Fire (12/31)	310,820,185	276,816,112	226,580,974	250,351,289	254,086,792
Minneapolis Police (12/31)	376,849,745	332,847,764	277,143,300	323,467,991	348,910,983
Minneapolis Teachers' (6/30)	1,099,515,863	932,398,241	770,489,009	719,598,888	763,089,276
St. Paul Teachers' (6/30)	873,227,927	824,224,957	768,931,641	757,639,499	871,902,589
Total	**$ 4,730,352,371**	**$ 4,190,682,325**	**$ 3,606,282,060**	**$ 3,569,150,878**	**$ 3,880,880,398**

Public Pension Plans	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 105,139,140	$ 116,978,895	$ 122,158,440	$ 88,639,493	$ 98,707,362
Duluth Teachers' (6/30)	267,383,556	281,950,173	318,973,530	271,616,844	179,933,200
MERF (6/30)	1,288,106,030	1,314,009,680	1,405,709,635	1,211,320,281	853,375,472
Minneapolis Fire (12/31)	254,424,228	265,244,602	276,046,212	182,391,932	211,052,137
Minneapolis Police (12/31)	366,406,914	390,831,714	389,025,966	249,250,216	280,741,244
Minneapolis Teachers' (6/30)	745,214,858	*	*	*	*
St. Paul Teachers' (6/30)	934,667,364	1,005,745,229	1,156,017,206	1,023,639,596	773,258,985
Total	**$ 3,961,342,090**	**$ 3,374,760,293**	**$ 3,667,930,989**	**$ 3,026,858,362**	**$ 2,397,068,400**

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 11

Net Assets per Member

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 357,692	$ 309,081	$ 259,760	$ 314,743	$ 350,664	$ 363,803	$ 401,989	$ 395,335	$ 288,728	$ 322,573
Duluth Teachers' (6/30)	93,856	80,672	68,230	66,203	78,984	81,819	86,861	94,371	80,622	53,266
MERF (6/30)	260,024	235,630	206,426	204,124	224,487	232,342	243,832	270,693	242,701	178,269
Minneapolis Fire (12/31)	410,053	378,681	318,232	362,828	383,238	398,784	425,754	454,023	309,139	370,267
Minneapolis Police (12/31)	368,017	330,206	281,650	337,297	371,577	397,836	434,741	445,110	289,826	334,614
Minneapolis Teachers' (6/30)	93,807	75,357	59,332	54,272	56,672	54,892	*	*	*	*
St. Paul Teachers' (6/30)	101,162	91,897	81,017	79,028	88,482	94,325	101,141	116,171	101,652	76,206

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 12

Actuarial Accrued Unfunded Liability per Member

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ (109,109)	$ (58,964)	$ 9,650	$ (29,166)	$ (46,045)	$ (70,787)	$ (101,831)	$ (93,413)	$ 27,576	$ 3,237
Duluth Teachers' (6/30)	(2,861)	(5,857)	(316)	3,619	7,554	12,987	15,805	13,004	19,287	25,327
MERF (6/30)	15,516	17,517	21,075	21,609	22,708	24,286	23,636	43,740	75,072	145,159
Minneapolis Fire (12/31)	(29,153)	(15,720)	52,646	82,557	40,674	67,613	60,433	34,510	72,731	93,386
Minneapolis Police (12/31)	54,690	114,563	156,321	172,181	156,847	114,213	70,055	59,285	211,891	164,049
Minneapolis Teachers' (6/30)	44,085	44,321	48,639	53,931	63,259	71,638	*	*	*	*
St. Paul Teachers' (6/30)	22,756	21,394	25,469	30,312	35,782	39,816	42,206	37,743	35,361	39,850

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 13

Administrative Expenses
For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 75,548	$ 79,303	$ 83,633	$ 75,953	$ 64,223	$ 64,844	$ 71,254	$ 74,683	$ 107,871	$ 77,778
Duluth Teachers' (6/30)	400,516	419,807	447,584	444,810	448,704	436,507	424,840	456,987	487,944	505,164
MERF (6/30)	742,134	699,869	748,180	737,200	717,952	731,566	792,843	665,281	690,456	760,692
Minneapolis Fire (12/31)	1,005,294	709,643	707,462	615,867	577,336	668,027	586,587	581,704	692,982	1,122,885
Minneapolis Police (12/31)	1,241,787	1,095,313	874,230	582,371	769,566	589,491	613,007	529,561	578,932	812,279
Minneapolis Teachers' (6/30)	587,328	671,516	711,486	804,173	730,890	721,099	*	*	*	*
St. Paul Teachers' (6/30)	447,459	443,745	451,749	473,934	515,716	558,574	590,852	695,700	691,157	604,724
Total	**$ 4,500,066**	**$ 4,119,196**	**$ 4,024,324**	**$ 3,734,308**	**$ 3,824,387**	**$ 3,770,108**	**$ 3,079,383**	**$ 3,003,916**	**$ 3,249,342**	**$ 3,883,522**

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 14

Administrative Expenses per Member

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	$ 260	$ 261	$ 277	$ 260	$ 222	$ 224	$ 245	$ 242	$ 351	$ 254
Duluth Teachers' (6/30)	126	127	130	127	137	134	131	135	145	150
MERF (6/30)	116	113	124	126	126	132	147	128	138	159
Minneapolis Fire (12/31)	1,326	971	994	893	871	1,047	942	957	1,175	1,970
Minneapolis Police (12/31)	1,213	1,087	888	607	820	640	682	606	673	968
Minneapolis Teachers' (6/30)	50	54	55	61	54	53	*	*	*	*
St. Paul Teachers' (6/30)	52	49	48	49	52	56	59	70	69	60

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 15

Members at Fiscal Year End

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	291	304	302	292	289	289	291	309	307	306
Duluth Teachers' (6/30)	3,184	3,306	3,435	3,493	3,277	3,268	3,246	3,380	3,369	3,378
MERF (6/30)	6,411	6,212	6,057	5,854	5,714	5,544	5,389	5,193	4,991	4,787
Minneapolis Fire (12/31)	758	731	712	690	663	638	623	608	590	570
Minneapolis Police (12/31)	1,024	1,008	984	959	939	921	899	874	860	839
Minneapolis Teachers' (6/30)	11,721	12,373	12,986	13,259	13,465	13,576	*	*	*	*
St. Paul Teachers' (6/30)	8,632	8,969	9,491	9,587	9,854	9,909	9,944	9,951	10,070	10,147
Total	**32,021**	**32,903**	**33,967**	**34,134**	**34,201**	**34,145**	**20,392**	**20,315**	**20,187**	**20,027**

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 16

Members at Fiscal Year End - Retirees & Beneficiaries Receiving Benefits

For Fiscal Years 2000 to 2009

Public Pension Plans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bloomington Fire (12/31)	129	133	141	139	147	149	151	161	160	163
Duluth Teachers' (6/30)	996	1,058	1,085	1,107	1,137	1,153	1,190	1,227	1,243	1,264
MERF (6/30)	5,026	5,043	5,021	4,960	4,981	4,908	4,882	4,771	4,646	4,493
Minneapolis Fire (12/31)	653	645	634	630	621	601	592	581	563	546
Minneapolis Police (12/31)	924	933	928	935	921	904	884	860	846	828
Minneapolis Teachers' (6/30)	3,307	3,444	3,545	3,642	3,764	3,839	*	*	*	*
St. Paul Teachers' (6/30)	1,964	2,050	2,136	2,248	2,361	2,505	2,624	2,738	2,851	2,933
Total	**12,999**	**13,306**	**13,490**	**13,661**	**13,932**	**14,059**	**10,323**	**10,338**	**10,309**	**10,227**

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

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

Table 17

Investment Expenses

For Fiscal Years 2000 to 2009

Public Pension Plans	**2000**	**2001**	**2002**	**2003**	**2004**
Bloomington Fire (12/31)	$ 175,100	$ 182,228	$ 161,551	$ 64,744	$ 78,689
Duluth Teachers' (6/30)	1,391,248	1,190,624	1,237,863	959,000	1,203,295
MERF (6/30)	4,869,352	5,179,031	4,190,896	3,252,744	3,885,872
Minneapolis Fire (12/31)	681,756	606,936	1,093,627	1,001,354	1,042,816
Minneapolis Police (12/31)	1,782,611	1,287,191	1,150,027	932,425	922,855
Minneapolis Teachers' (6/30)	4,082,679	3,494,217	2,804,119	2,106,092	2,406,831
St. Paul Teachers' (6/30)	2,664,417	2,769,233	2,656,216	2,774,231	3,059,912
Total	**$ 15,647,163**	**$ 14,709,460**	**$ 13,294,299**	**$ 11,090,590**	**$ 12,600,270**

Public Pension Plans	**2005**	**2006**	**2007**	**2008**	**2009**
Bloomington Fire (12/31)	$ 86,305	$ 29,588	$ 17,251	$ 57,751	$ 60,234
Duluth Teachers' (6/30)	1,169,704	1,289,870	1,758,675	1,566,292	1,289,965
MERF (6/30)	3,635,973	3,271,325	3,367,787	3,075,509	579,410
Minneapolis Fire (12/31)	1,088,434	1,141,368	1,061,056	847,469	794,662
Minneapolis Police (12/31)	645,622	504,973	555,491	521,518	468,414
Minneapolis Teachers' (6/30)	2,518,116	*	*	*	*
St. Paul Teachers' (6/30)	3,422,410	4,609,937	5,064,712	4,767,302	3,635,962
Total	**$ 12,566,564**	**$ 10,847,061**	**$ 11,824,972**	**$ 10,835,841**	**$ 6,828,647**

Note: Investment Expenses excludes securities lending.

* The Minneapolis Teachers' Retirement Fund Association was rolled into the Teachers' Retirement Association in 2006.

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