

MINNESOTA

WINTER 2020



Board Elections

The Minnesota State Retirement System (MSRS) Board election begins soon. Active and deferred members of the General, Unclassified, Correctional Retirement Plans and all retirees will receive a ballot in the mail in early February.

Four positions are up for election this year. General and Unclassified Retirement Plan members vote for two candidates. Correctional Retirement Plan members and retirees vote for one candidate. The State Patrol Retirement Plan is not included in the 2020 election.

Two Ways to Vote:

- **By mail – Deadline: Postmarked Monday, March 2, 2020**
- **Online – Deadline: Monday, March 2, 2020 at 11:59 p.m.**

Ballots will be counted on March 19. Each position is a four-year term that begins on May 4, 2020.



BOARD RESPONSIBILITIES



Set policies, approve the operating budget and advise the MSRS Executive Director



Consider disability and other benefit appeals

Membership, elections, terms, duties and powers of the MSRS Board of Directors are specified in Minnesota Statutes 352.03.



Oversee administration of all retirement plans offered by MSRS

Pension Funding Updates Inside ▶

New Year, New Decade

The Minnesota State Retirement System (MSRS) was established nine decades ago. At the beginning of a new year and new decade, it is a good time to reflect on the past and how things have evolved, review the current state of affairs, and project goals and potential outcomes in the future. Each year the MSRS Board of Directors evaluates the health and financial fitness of the MSRS pension plans. The Board uses the MSRS actuarial valuations and the Comprehensive Annual Financial Report (CAFR) published at the end of the previous calendar year to assess plan financial health. In addition, every four to five years the actuaries review the experience of the plan to determine how closely they aligned with the projected outcomes. These reports help the Board determine if changes in assumptions, contributions or benefit features are required to ensure the long-term financial sustainability of the pension plans.

During the last decade, pension plan funding faced many challenges. Here are a few highlights of the challenges, the changes, and the impact of those changes.

2010 Following the Great Recession, significant benefit reform legislation was adopted including increased contributions and reductions in retiree post-retirement increases. These changes and a positive 15.2% return in FY2010 resulted in an improved funded ratio from 65% to 75% (market value basis).

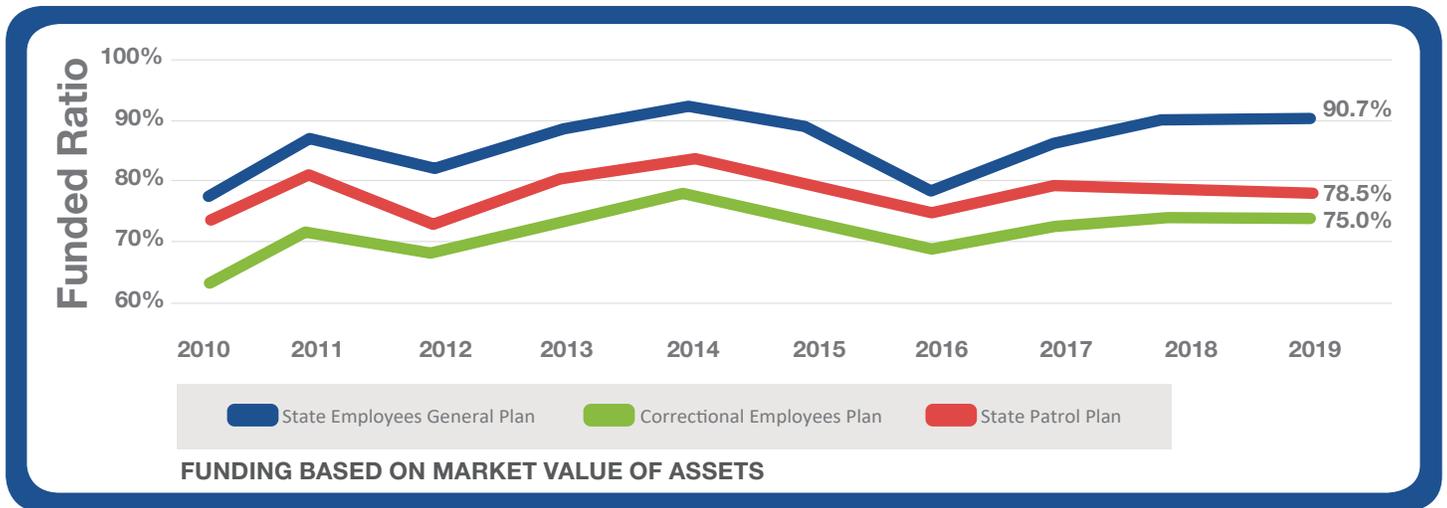
2011 The assumed rate of return for all MSRS pension plans started reducing from 8.5% to 8.0%. This is one of the most important assumptions when valuing a pension plan because the future liabilities for the plan are discounted by the assumption. Using a more conservative investment assumption increases plan liabilities because a smaller portion of the future benefits are paid with investment earnings. This change was adopted without additional benefit changes or contribution increases. A lower investment assumption resulted in a decline in funded ratio because of the increased liabilities.

2016 The MSRS Board of Directors proposed benefit modifications and increased contributions to respond to increased life expectancies of current and future members. The proposal also included reducing the assumed rate of return from 8.0% to 7.5%. These legislative proposals were not adopted.

2017

2018 The largest and most significant pension legislation in Minnesota history was adopted resulting in improved retirement security for over 500,000 Minnesotans. The legislation impacted all MSRS plan members. It modified benefits, increased contributions and reduced future post-retirement increases. These changes reduced future plan liabilities while adopting a lower investment return assumption of 7.5%. This unanimously supported legislation has greatly improved the funding outlook for MSRS pension plans.

Recent Funding Progress



Current Financial Health

Current health is measured by the funded ratio on June 30 of each year. This measurement is a ratio of the calculated liabilities compared to assets on hand. Another way to think of this measurement is having enough money in your checkbook to pay your expected bills. In the case of the General Plan, \$13.8 billion is held in trust to pay \$15.2 billion in liabilities, resulting in a funded ratio of 90.7%.

FUNDED RATIO AT MARKET VALUE



Contribution Sufficiency/Deficiency

Pension plans are designed to be “pre-funded”, which means that the current contributions collected are enough to pre-fund benefits earned by current workers. When there’s a contribution *deficiency*, either benefits must be reduced or contributions must be increased to ensure future benefits are properly funded. For example, let’s say you want to pre-pay for a dream vacation. If you haven’t saved enough, you’ll either have to increase your savings rate or change your vacation to fit your budget. A contribution *sufficiency* means that current contributions are enough to pre-fund future benefits within the funding period. Having a sufficiency provides a cushion to absorb potential market downturns or future assumption changes.

CONTRIBUTION SUFFICIENCY AT MARKET VALUE



*Assuming full implementation of phased contribution increases in 2018 legislation

Current Funding Projections

Current calculations help predict funding levels. The plan is healthy if the projections are moving in an upward direction toward 100% funded. If the projections are flat or moving downward, the plan may need additional funding or benefit changes to move the trajectory upward.

2020 Outlook

Current projections indicate that MSRS plans are heading toward the goal of 100% funding within the funding period. Legislation

passed in 2018 and positive market returns have greatly improved the funding outlook of MSRS pension plans. With positive plan health factors and an improved funding outlook, the MSRS Board does not plan to propose any changes to benefits or contribution rates this year.

PROJECTED FULL FUNDING DATES



Financial Reports

View the MSRS FY2019 Financial and Actuarial reports online
www.msrs.state.mn.us/annual-reports-fy-2019

Planning to Retire?

Consider attending a half-day, no cost retirement planning seminar sponsored by MSRS. The Pre-Retirement seminars are for those retiring within the next five years. Seminars are offered at locations throughout Minnesota.

RETIREMENT SEMINAR TOPICS

- Pension retirement income and survivor options
- Health Care Savings Plan (HCSP) overview and how to access funds
- Minnesota Deferred Compensation Plan (MNDCP) retirement income options
- Social Security retirement benefits

SIGN-UP & RESOURCES

View dates, locations and reserve a spot online for you and a guest
www.msrs.state.mn.us/pre-retirement-seminars

Can't attend? View a prerecorded video on our website
www.msrs.state.mn.us/toolbox

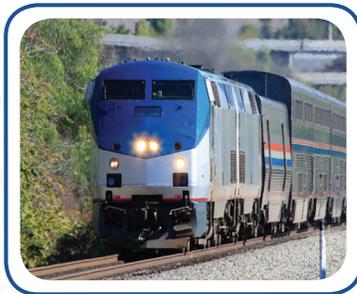


1971 A LOOK BACK

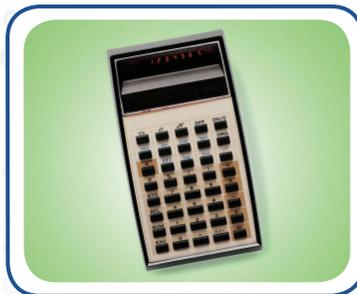
As MSRS celebrates 90 years of service to Minnesota public employees, we are highlighting an important milestone in our history that enhances the overall retirement security of MSRS members. **In 1971, the Minnesota Deferred Compensation Plan (MNDCP) was created to allow public employees to supplement their retirement savings.** This voluntary savings program has grown to be the fifth largest plan of its kind with over 91,000 participants with \$7.5 billion in assets.



Notable Events in 1971



- Wendell Richard “Wendy” Anderson served as the 33rd Governor of Minnesota.
- The NASDAQ (National Association of Securities Dealers Automated Quotations) began operations, becoming the world’s first electronic stock market.
- The Walker Art Center in Minneapolis, designed by Edward Larrabee Barnes, opened to critical acclaim.
- F. Scott Fitzgerald House was designated as a historic landmark.
- Legislation authorizing the establishment of Voyageurs National Park, a natural water-based park, was signed into law.
- Amtrak railroad began operations, the result of legislation to consolidate 20 existing passenger railroads into one.
- The twenty-sixth amendment to the Constitution was ratified, lowering the voting age from 21 to 18.
- First pocket calculator was released
- The Etch-A-Sketch, Operation, Battleship and Rock’em Sock’em Robots were the popular toys released.





Communication Survey

MSRS is seeking your feedback on how we share information with you about your MSRS pension plan, Minnesota Deferred Compensation Plan (MNDCP) and/or the Health Care Savings Plan (HCSP). Your participation in this survey will help us focus our future communication efforts to best suit plan participants.



Take the 3-Minute Survey: surveymonkey.com/r/MSRSsurvey

Your
Feedback
makes a
Difference!

