

Messenger

FALL 2020

Thank You Minnesota State Employees

As public employees you have dedicated most, if not all, of your careers working hard to improve the lives of Minnesotans. That has become even more evident during this unprecedented time. When the time arrives for you to complete your career, you fully deserve to retire with peace of mind and excitement for a future with all the new opportunities it holds. MSRS remains committed to ensuring that our public employees have this ability to retire with ease and comfort.

Minnesota public employees are incredible at what they do to serve our communities and keep our state running smoothly.



MSRS' vision – to prepare, manage and protect the retirement plans for many of the state's thousands of current and former public employees – is inspired by the work we watch public servants accomplish daily, for the long-term benefit of current and future retirees.

Since day one of its creation in 1929, MSRS has been an ally to Minnesota public employees to build their financial futures – and while we are operating in a new normal, we are here to support the vital work that you accomplish each day. Contact us for your retirement needs.

We're Here to Help

There are several ways we can assist you with your retirement plan when we can't meet in-person.

- ▶ Call MSRS at 651.296.2761 or 1.800.657.5757 during normal business hours (Mon - Fri, 8 a.m. to 4:30 p.m.)
- ▶ Schedule a phone appointment or Zoom meeting on the MSRS website. Complete and submit a *Request an Appointment* form. A representative will call you on the date and time you indicate on the form.
- ▶ Complete the *Contact Us* form on the MSRS website to email us your general questions.
- ▶ Mail completed forms and documents to our office. Or if you prefer, you can place them in the locked drop box in the lobby of the Retirement Systems Building of Minnesota in St Paul. Mon - Fri, 8 a.m. - 4 p.m.
(You are encouraged to call our office in advance for an update of the status of this service and building hours.)

See inside for the latest ▶

- Health Care Savings Plan Review
- 2020 Pension Funding Results
- General Actuary Assumptions

Review Your Health Care Savings Plan Investments

The MSRS Health Care Savings Plan (HCSP) was established in 2001. Many current, former and retired state employees have an account balance in the plan. Contributions to your HCSP are automatically invested in the Money Market Fund. You have the flexibility to change your investment allocation or transfer the existing account balance at any time.

Consider choosing a mix of funds (stocks, bonds and cash alternatives) based on your risk tolerance and the amount of time you have to save before you end employment. Diversification may help manage risks associated with investing, but it does not ensure a profit nor protect against loss in declining markets.

You can transfer all or a portion of your existing account balance among any of the investment options offered by the plan. Restrictions may apply. Investment performance and fee information is available on our website.

Review your investment selection regularly. An investment allocation that meets your needs today may not necessarily be appropriate for you in the future.

Two Ways to Change HCSP Investments:



Log into your account:
www.msrs.state.mn.us



Contact an MSRS representative:
1.800.657.5757 or 651.296.2761

A Comparison of Investment Returns

Below is a comparison of three different employees who have an HCSP account balance of \$10,000. This illustrates the long-term effect of leaving the money in the Money Market Fund compared to moving the money to a mix of funds.



Meet ALISON

She left her entire \$10,000 account balance in the Money Market Fund

Average annual return is 2%*

3 years = \$10,612

5 years = \$11,041

10 years = \$12,190



Meet DAVID

He transferred his \$10,000 account balance from the Money Market Fund to a mix of funds

Average annual return is 5%

3 years = \$11,576

5 years = \$12,763

10 years = \$16,289



Meet LAURA

She transferred her \$10,000 account balance from the Money Market Fund to a mix of funds

Average annual return is 7%

3 years = \$12,253

5 years = \$14,028

10 years = \$19,675

* Hypothetical example

FOR ILLUSTRATIVE PURPOSES ONLY. These assumptions are not representative of the performance of any security. There is no assurance similar results can be achieved, and this information should not be relied upon as a specific recommendation or an offer to buy or sell securities. Investing involves risk, including possible loss of principal.

You could lose money by investing in the Money Market Fund. Although the fund seeks to preserve the value of your investment at \$1 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Preliminary Funding Results — FY2020

The State Board of Investment (SBI) reported a 4.2% investment return for the fiscal year ending June 30, 2020. While the return is less than our assumed rate of return of 7.5%, the MSRS pension plans remain in a strong financial position and are on a sustainable path toward full funding.

Measurements of Pension Plan Health

1. 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 versus assets on hand. Another way to think of this measurement is having enough money in your checkbook to pay your expected bills. For example, the General Plan has \$13.8 billion held in trust to pay \$15.6 billion in liabilities, resulting in a funded ratio of 88.3% (before the plan assumptions are updated based on our actuary's recommendation).

- See [General Plan updates to assumptions article](#) for more information on assumptions.

Funded Ratio Market Value Basis

General Plan	88.3%
Correctional Plan	73.6%
State Patrol Plan	76.6%

3. CURRENT FUNDING PROJECTIONS

Current calculations help predict future funded ratios. The pension plan is healthy if the current projections are moving in an upward direction toward 100% funded. If the projections are flat or moving downward, the plan may need additional contributions or benefit changes to shift the trajectory upward.

Current projections indicate that MSRS plans are heading toward the goal of 100% funding within the required funding period. Legislation passed in 2018, positive market returns, and updated demographic assumptions have greatly improved the funding outlook of MSRS pension plans.

2. CONTRIBUTION SUFFICIENCY/DEFICIENCY

Pension plans are “pre funded,” which means that the current contributions collected are enough to pre fund benefits earned by current workers. 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. When there's a contribution deficiency, benefits must be reduced or contributions must be increased to ensure future benefits are properly funded.

For comparison, let's say you want to pre pay for a dream vacation. If you don't have enough saved, you'll either have to increase your savings rate or adjust your vacation plans to fit your budget.

Contribution Sufficiency Market Value Basis

General Plan	0.46%
Correctional Plan*	2.11%
State Patrol Plan*	5.77%

**Assuming full implementation of phased contribution increase from 2018 legislation*

General Plan — Updates to Assumptions

The MSRS actuary conducts a study every four years to review assumptions used to determine funding, liabilities and necessary contributions to pre-fund retirement benefits for active employees. This study is important to compare expectations to actual experience and adjust future assumptions, if necessary.

Changes to assumptions impact the projected liabilities of the plan. Some updates will increase liabilities and some will reduce liabilities, which affect the funded level of the plan.

As the result of a recent study of the MSRS General Plan, the actuary-recommended changes are expected to reduce plan liabilities by approximately \$430 million and improve plan funding. The MSRS Board reviewed the recommendations and forwarded them to the Legislative Commission on Pensions and Retirement for review earlier this year. The recommended changes will be reflected in the 2020 valuation results.

The actuaries completed a similar study for other MSRS plans this year. Assuming the recommendations are approved, the adjusted assumptions will be reflected in the 2021 valuations for Correctional, State Patrol and Judges Plans.

2 Main Categories of Assumptions

Economic

Economic assumptions are things that are financial such as inflation, payroll growth, salary growth and the assumed rate of return.

Demographic

Demographic assumptions are expectations about plan participants such as retirement age, life expectancy and age of entry into the plan.



Minnesota State Retirement System

@MNRetire

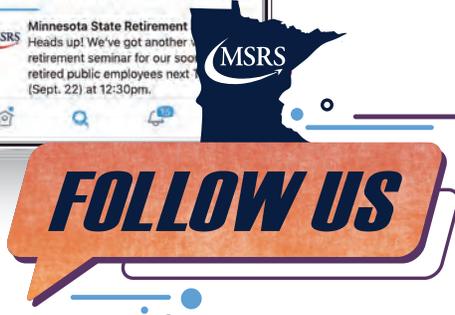
Official Twitter account for the Minnesota State Retirement System | Building a foundation for retirement for 250,000+ Minnesotans

📍 Minnesota msrs.state.mn.us 📅 Joined January 2020



Follow Us on Twitter

The official MSRS Twitter page is live! Follow us @MNRetire for up-to-date news and information on retirement readiness topics and the occasional fun fact about MSRS and the retirement plans we administer.



@MNRetire

Plan for Retirement Today!

Attend a free, half-day retirement planning seminar online sponsored by MSRS. Learn more about your retirement options and get your questions answered.

TOPICS:

- Pension retirement income & survivor options to pass on your pension
- Health Care Savings Plan (HCSP) overview & how to access your account
- Minnesota Deferred Compensation Plan (MNDCP) retirement income options
- Social Security retirement benefits

SIGN-UP:



Go online to view dates & reserve a spot to attend a virtual seminar:
www.msrs.state.mn.us/pre-retirement-seminars

View a pre-recorded video on our website if you cannot attend:
www.msrs.state.mn.us/toolbox