



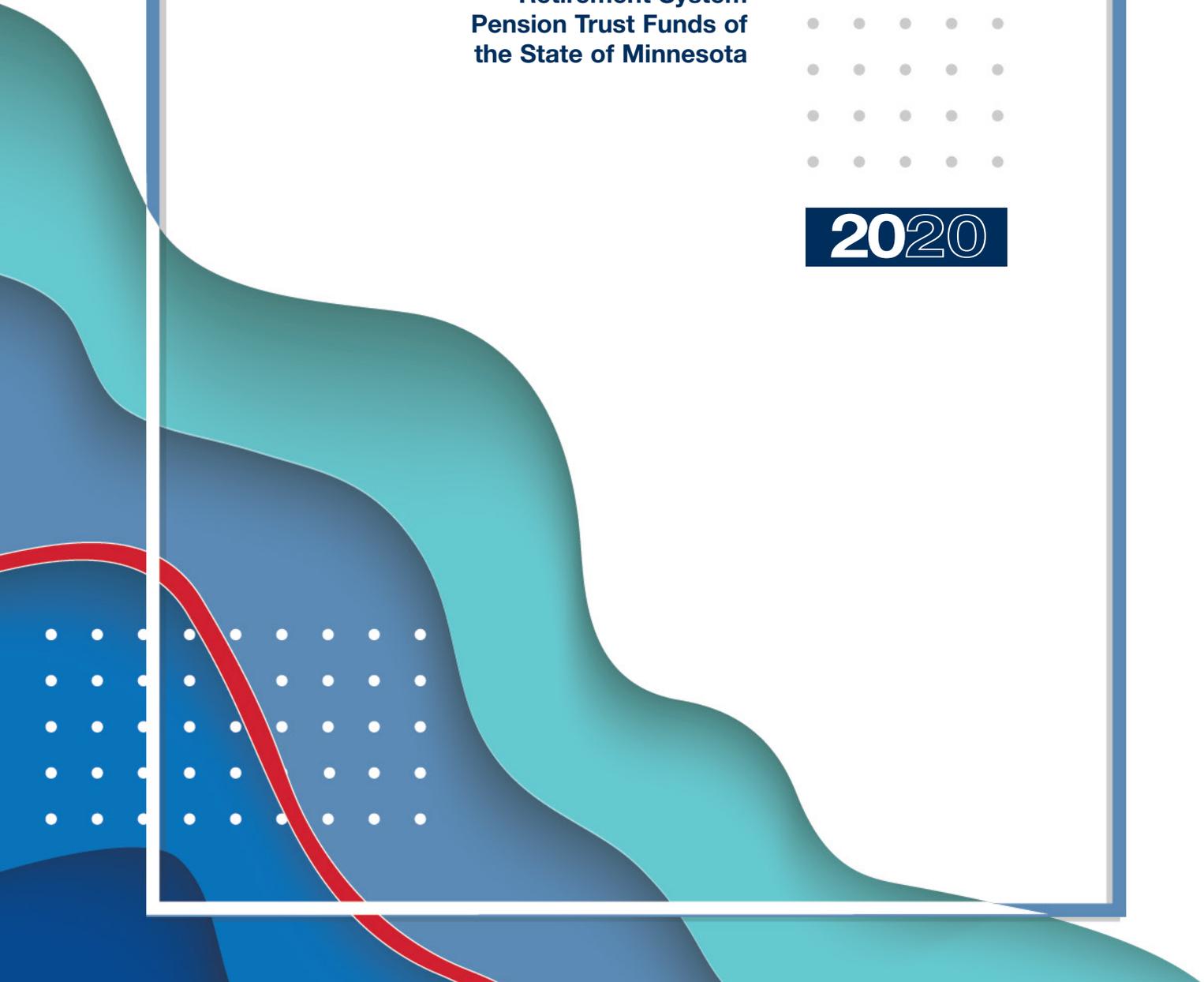
Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Minnesota State
Retirement System
Pension Trust Funds of
the State of Minnesota



2020



The Popular Annual Report (PAFR) is a summary of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020. Both are consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Board and can be found online at: www.msrs.state.mn.us/annual-reports-fy-2020.

From the Executive Director

It is my pleasure to share the Minnesota State Retirement System (MSRS) Popular Annual Financial Report for the fiscal year ending June 30, 2020. This report provides a snapshot of the performance of your retirement funds.

While fiscal year 2020 had many challenges, it was generally a positive year for MSRS. The funded status of MSRS' largest retirement plan, the General Employees Retirement Plan, improved to over 91 percent (calculated on the market value of assets) as of June 30, 2020. This is largely due to positive investment returns, adjustments in actuarial assumptions to more closely reflect plan experience, and increases in employee and employer contributions in fiscal year 2020. MSRS' fiduciary net position as of June 30, 2020, totaling almost \$26 billion, increased about 2 percent from the prior year.

MSRS accomplished many administrative goals. Having completed the second year of our three-year Strategic Plan, MSRS has finished many strategic initiatives to move toward being a nationally recognized leader in public retirement by:

- *Attracting, hiring, developing, empowering and retaining an engaged workforce*
- *Enhancing customer service to each other and our customers*
- *Increasing retirement readiness of Minnesota public employees*
- *Ensuring the long-term viability of MSRS pension plans*

MSRS also implemented numerous processes to provide services to our members during the COVID-19 pandemic. Virtual member counseling, live streaming seminars, electronic workflows, more online self-service options and many additional actions were established to ensure we met the needs of our stakeholders.

We are excited for the future and committed to our mission to empower Minnesota public employees to build a strong foundation for retirement.



Erin Leonard, Executive Director

83%
OF MSRS RETIREES
ARE MINNESOTA
RESIDENTS

**\$1
Billion**
MSRS PENSION
BENEFITS PAID
ANNUALLY

**49
Thousand**
MSRS PENSION
BENEFIT RECIPIENTS

**41
Thousand**
MSRS PENSION
BENEFIT RECIPIENTS
LIVING IN MINNESOTA

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Pension Plans

Employees and employers contribute to a defined benefit plan throughout the working years of the member. At retirement, the member will receive a guaranteed ongoing monthly distribution, with the amount based on years of service, average salary, plan provisions and the distribution option selected by the member.

TOTAL MEMBERSHIP

NET POSITION¹



State Employees (General) Plan

FY20	122,664	\$13.9 billion
FY19	<u>120,634</u>	<u>13.8 billion</u>
Change	2,030 member increase	\$83.4 million increase
% Change	↑ 1.68%	↑ 0.61%



State Patrol Plan

FY20	2,137	\$757.6 million
FY19	<u>2,108</u>	<u>753.1 million</u>
Change	29 member increase	\$4.5 million increase
% Change	↑ 1.38%	↑ 0.59%



Correctional Employees Plan

FY20	10,543	\$1.2 billion
FY19	<u>10,346</u>	<u>1.2 billion</u>
Change	197 member increase	\$39.5 million increase
% Change	↑ 1.90%	↑ 3.34%



Judges Plan

FY20	729	\$216.7 million
FY19	<u>718</u>	<u>212.3 million</u>
Change	11 member increase	\$4.4 million increase
% Change	↑ 1.53%	↑ 2.11%



Legislators Plan

FY20	408	No assets. This is a closed plan funded by a General Fund Appropriation.
FY19	<u>419</u>	
Change	11 member decrease	
% Change	↓ 2.63%	

¹Increases in member and employer contributions as well as a 4.2% investment return led to the net position increases in fiscal year 2020. Net position can be defined as assets available to pay benefits.

Defined Contribution Plans

Employees invest a portion of their salary in a defined contribution plan throughout their career. The balance of the member account is available for withdrawal at retirement in a variety of distribution options. The funds are distributed until they have been depleted. Each plan is unique and has its own qualifications and limits. Not all employees are eligible for each plan.

TOTAL MEMBERSHIP

NET POSITION¹



Unclassified Employees Plan

FY20	3,298	\$330.7 million
FY19	<u>3,304</u>	<u>322.7 million</u>
Change	6 member decrease	\$8.0 million increase
% Change	↓ 0.18%	↑ 2.49%



Health Care Savings Plan

FY20	137,160	\$1.3 billion
FY19	<u>129,467</u>	<u>1.2 billion</u>
Change	7,693 member increase	\$109.6 million increase
% Change	↑ 5.94%	↑ 9.19%



Minnesota Deferred Compensation Plan (MNDCCP)

FY20	93,638	\$7.7 billion
FY19	<u>91,577</u>	<u>7.5 billion</u>
Change	2,061 member increase	\$232.0 million increase
% Change	↑ 2.25%	↑ 3.09%



Hennepin County Supplemental Plan

FY20	1,130	\$159.8 million
FY19	<u>1,205</u>	<u>160.7 million</u>
Change	75 member decrease	\$891.6 thousand decrease
% Change	↓ 6.22%	↓ 0.55%

¹Changes in the defined contribution funds net position were affected by the same investment market conditions that impacted the MSRS defined benefit retirement funds.

MSRS is committed to empowering Minnesota public employees to build a strong foundation for retirement.

Summary Statement - Changes in Net Position

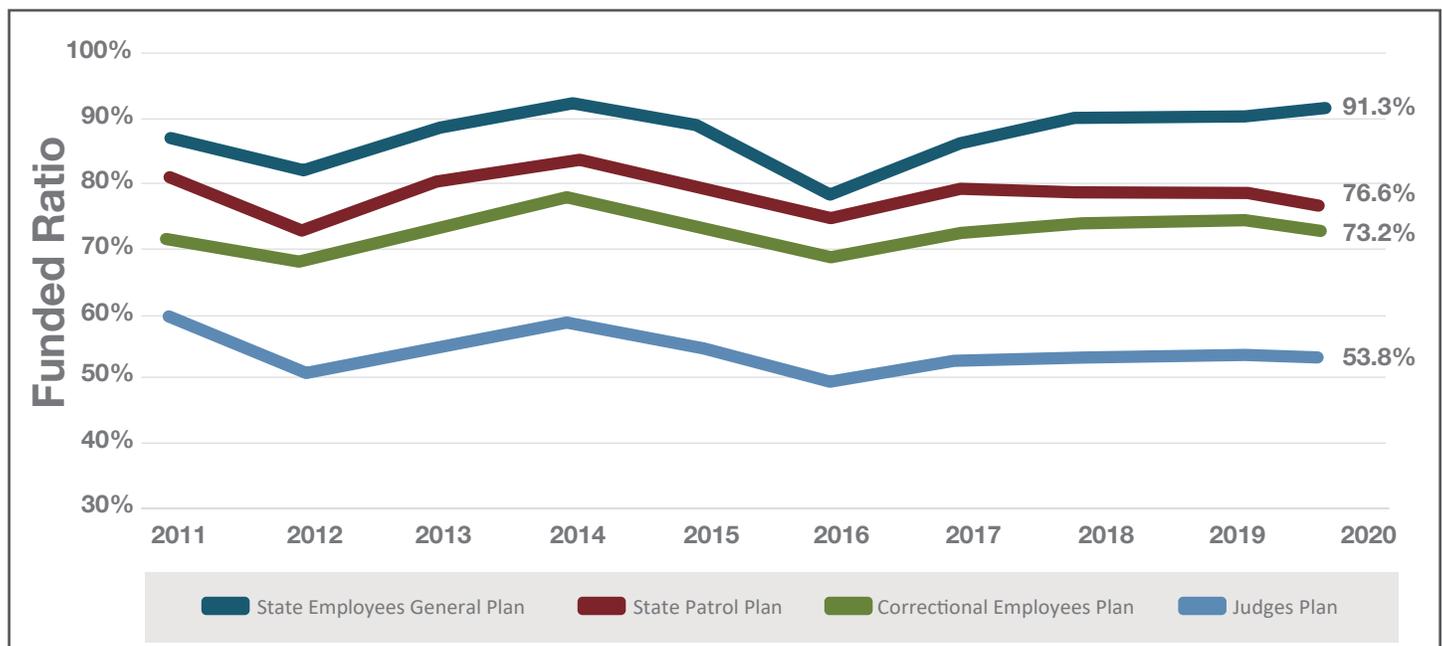
This chart shows changes in net position for all MSRS pension trust funds for the fiscal years ended June 30, 2020 and 2019. Dollars shown in thousands.

Additions (by Major Source)	FY 2020	FY 2019	Change	% Change
Plan Member Contributions	\$717,975	\$680,151	\$37,824	5.56%
Employer Contributions	289,327	259,598	29,729	11.45
Investment Income (Net)	1,036,600	1,742,753	(706,153)	(40.52)
Other	48,666	58,352	(9,686)	(16.60)
Total Additions	\$ 2,092,568	\$ 2,740,854	\$ (648,286)	(23.65)%
Deductions (by Type)				
Benefits, Withdrawals & Reimbursements	\$ 1,215,822	\$1,156,256	\$59,566	5.15%
Refunds	338,586	327,285	11,301	3.45
Recordkeeper Expenses	4,836	4,632	204	4.40
Administrative Expenses	19,245	18,075	1,170	6.47
Other	33,516	43,162	(9,646)	(22.35)
Total Deductions	\$ 1,612,005	\$ 1,549,410	\$ 62,595	4.04%
Net Increase (Decrease) in Net Position Restricted for Pensions	\$ 480,563	\$ 1,191,444	\$ (710,881)	(59.67)%

- Total additions decreased 23.65% primarily due to lower investment returns. Increases in member and employer contributions were not sufficient to offset the investment return decline.
- Total deductions increased 4.04% largely due to the result of post-retirement benefit increases and the growth in the number of benefit recipients.

Funding

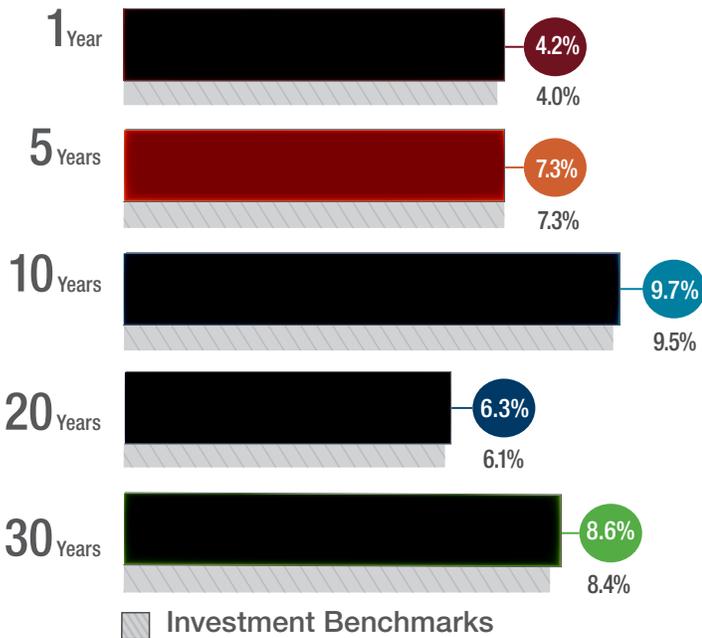
The funded ratio is measured on June 30th of each year. It is based on the market value of assets and actuarially calculated liabilities. Funding for pension plans consists of investment returns, employee contributions and employer contributions.



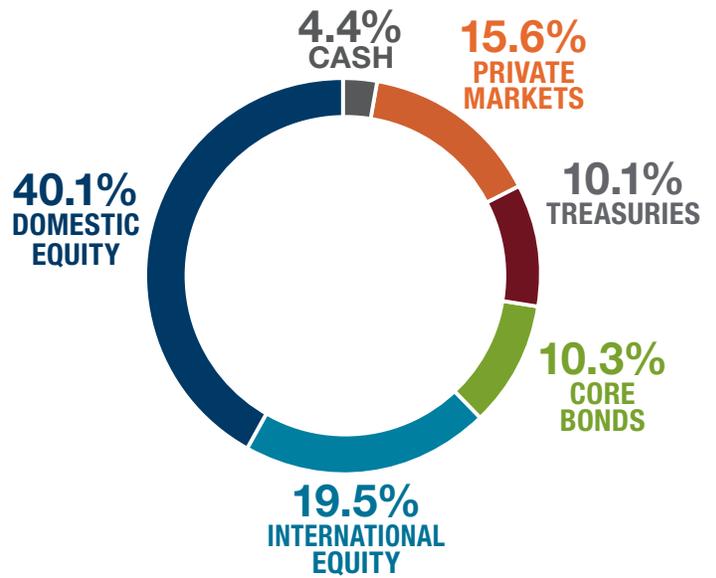
State Board of Investment (SBI)

The SBI is responsible for the investment management of all funds for the State of Minnesota, including MSRS assets. On June 30, 2020, the market value of all assets under SBI management was \$102.4 billion. The combined funds of various retirement systems, including MSRS, totaled \$71.1 billion. Below is a breakdown of the combined retirement assets and how they are allocated, as well as a historical breakdown of annualized returns.

Historical Annualized Returns



Asset Allocation June 30, 2020



How We Work

MSRS is governed by an eleven-member Board of Directors. The distribution of membership is:

- 3 Governor appointees
- 4 members elected by the General and Unclassified Plan
- 1 member elected by the Correctional Plan
- 1 member elected by the State Patrol Plan
- 1 member elected by retirees
- 1 member representing the Metropolitan Council Transit Operations

The MSRS Board has a fiduciary responsibility to act in the exclusive interest of the members and beneficiaries of all MSRS plans, the taxpayers and the State of Minnesota.



Questions? Contact Us!

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