



Popular Annual

Financial Report

• For the Fiscal Year Ended June 30, 2021 •

Minnesota State Retirement System



Pension Trust Funds of the State of Minnesota

The Popular Annual Financial Report (PAFR) is a summary of the Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021. 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-2021.

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, 2021. This report provides a snapshot of the performance of your retirement funds.

While fiscal year 2021 continued to have many challenges, it was a positive year for MSRS. The funding status of MSRS' largest retirement plan, the General Employees Retirement Plan, improved to over 111 percent (calculated on the market value of assets) as of June 30, 2021. This is largely due higher than expected investment returns. An investment return of 4.2 percent in fiscal year 2020 was followed by an impressive 30.3 percent investment return in fiscal year 2021. MSRS' fiduciary net position as of June 30, 2021, totaling over \$32 billion, increased over 25 percent from the prior year.

MSRS accomplished many administrative goals. Continuing to carry out initiatives identified in our Strategic Plan, MSRS is progressing in our vision to be 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 continued to implement numerous processes to provide services to our members and keep our employees safe during the COVID-19 pandemic. Enhancing our virtual member counseling, providing safe in-person counseling, live streaming seminars, updating our website design and functionality so our online presence is modern, unified, and more integrated with our recordkeeper 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

82%
OF MSRS RETIREES
ARE MINNESOTA
RESIDENTS

**\$1.1
Billion**
MSRS PENSION
BENEFITS PAID
ANNUALLY

**51
Thousand**
MSRS PENSION
BENEFIT RECIPIENTS

30.3%
INVESTMENT
RETURN

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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

FY21	123,198	\$17.4 billion
FY20	<u>122,664</u>	<u>13.9 billion</u>
Change	534 member increase	\$3.5 billion increase
% Change	↑0.44%	↑ 25.18%



State Patrol Plan

FY21	2,138	\$957.9 million
FY20	<u>2,137</u>	<u>757.6 million</u>
Change	1 member increase	\$200.3 million increase
% Change	↑ 0.05%	↑ 26.44%



Correctional Employees Plan

FY21	10,728	\$1.6 billion
FY20	<u>10,543</u>	<u>1.2 billion</u>
Change	185 member increase	\$400 million increase
% Change	↑ 1.75%	↑ 33.33%



Judges Plan

FY21	733	\$276.6 million
FY20	<u>729</u>	<u>216.7 million</u>
Change	4 member increase	\$59.9 million increase
% Change	↑ 0.55%	↑ 27.64%



Legislators Plan

FY21	396	No assets. This is a closed plan funded by a General Fund Appropriation.
FY20	<u>408</u>	
Change	12 member decrease	
% Change	↓ 2.94%	

¹Increases in member and employer contributions as well as a 30.3% investment return led to the net position increases in fiscal year 2021. 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 in a variety of distribution options after employment ends. 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

FY21	3,321	\$401.6 million
FY20	<u>3,298</u>	<u>330.7 million</u>
Change	23 member increase	\$70.9 million increase
% Change	↑ 0.70%	↑ 21.44%



Health Care Savings Plan

FY21	143,205	\$1.6 billion
FY20	<u>137,160</u>	<u>1.3 billion</u>
Change	6,045 member increase	\$300.0 million increase
% Change	↑ 4.41%	↑ 23.08%



Minnesota Deferred Compensation Plan (MNDCCP)

FY21	95,181	\$9.7 billion
FY20	<u>93,638</u>	<u>7.7 billion</u>
Change	1,543 member increase	\$2.0 billion increase
% Change	↑ 1.65%	↑ 25.97%



Hennepin County Supplemental Plan

FY21	1,052	\$190.5 million
FY20	<u>1,130</u>	<u>159.8 million</u>
Change	78 member decrease	\$30.7 million increase
% Change	↓ 6.90%	↑ 19.21%

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

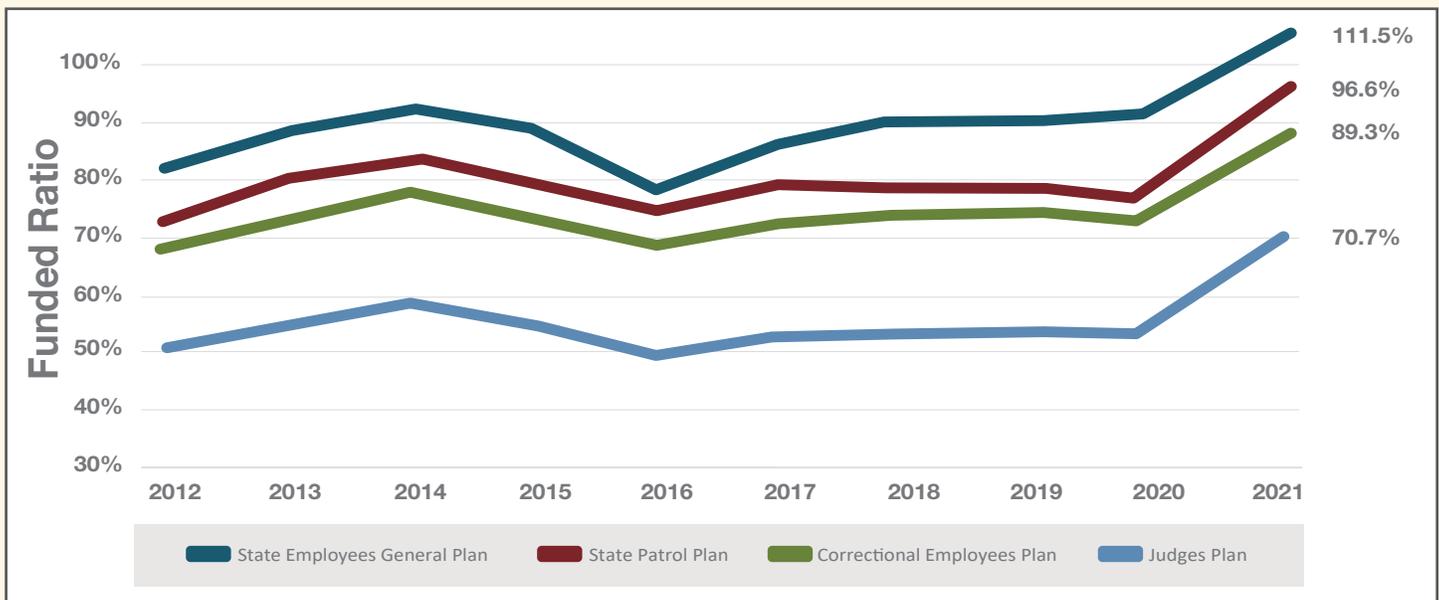
This chart shows changes in net position for all MSRS pension trust funds for the fiscal years ended June 30, 2021, and 2020. Dollars shown in thousands.

Additions (by Major Source)	FY 2021	FY 2020	Change	% Change
Plan Member Contributions	\$ 762,464	\$ 717,975	\$ 44,489	6.20%
Employer Contributions	299,452	289,327	10,125	3.50
Investment Income (Net)	7,152,042	1,036,600	6,115,442	589.95
Other	58,491	48,666	9,825	20.19
Total Additions	\$ 8,272,449	\$ 2,092,568	\$ 6,179,881	295.33%
Deductions (by Type)				
Benefits, Withdrawals & Reimbursements	\$ 1,261,730	\$ 1,215,822	\$ 45,908	3.78%
Refunds	393,224	338,586	54,638	16.14
Recordkeeper Expenses	3,715	4,836	(1,121)	(23.18)
Administrative Expenses	20,102	19,245	857	4.45
Other	43,419	33,516	9,903	29.55
Total Deductions	\$ 1,722,190	\$ 1,612,005	\$ 110,185	6.84%
Net Increase in Net Position Restricted for Pensions	\$ 6,550,259	\$ 480,563	\$ 6,069,696	1,263.04%

- Total additions increased 295.33% primarily due to higher investment returns.
- Total deductions increased 6.84% largely due to the result of post-retirement benefit increases and the growth in the number of benefit recipients.

Funding

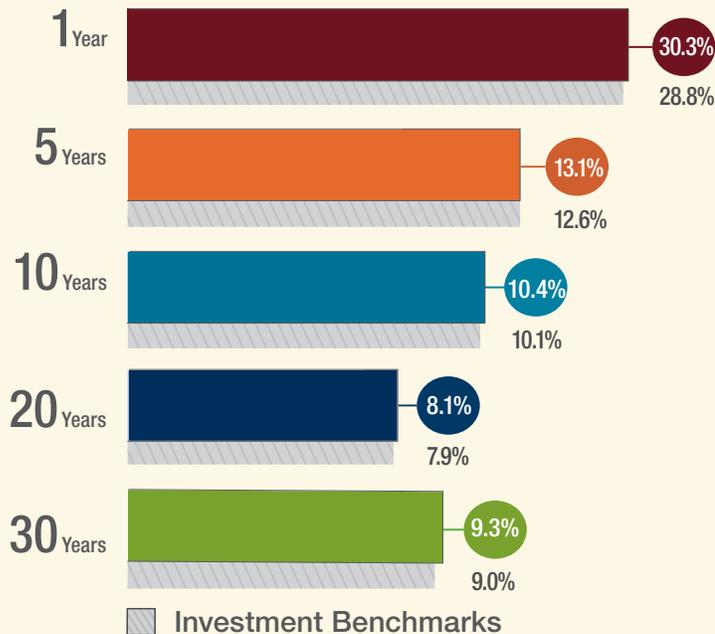
The funded ratio, which is the value of a plan's assets in proportion to the pension liability, is measured on June 30th of each year. Funding for pension plans consists of investment returns, employee contributions and employer contributions.



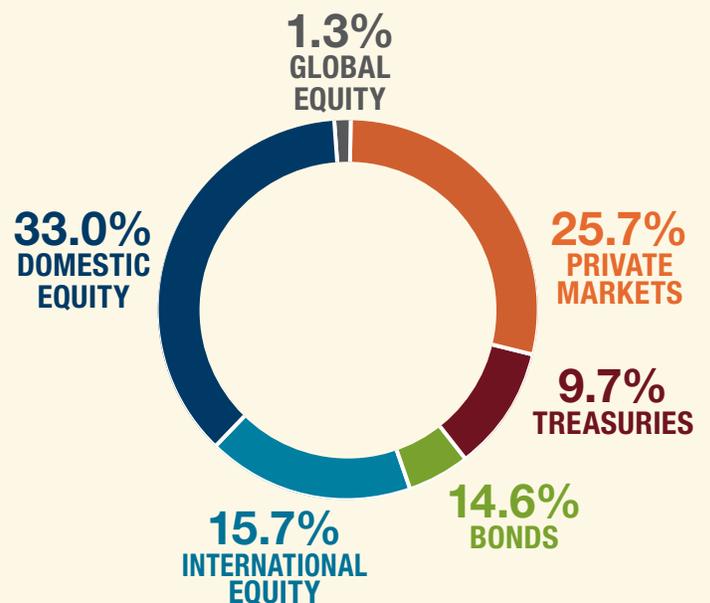
State Board of Investment (SBI)

The SBI is responsible for the investment management of all funds for the State of Minnesota, including MSRS assets. On June 30, 2021, the market value of all assets under SBI management was \$129.2 billion. The combined funds of various retirement systems, including MSRS, totaled \$89.5 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, 2021

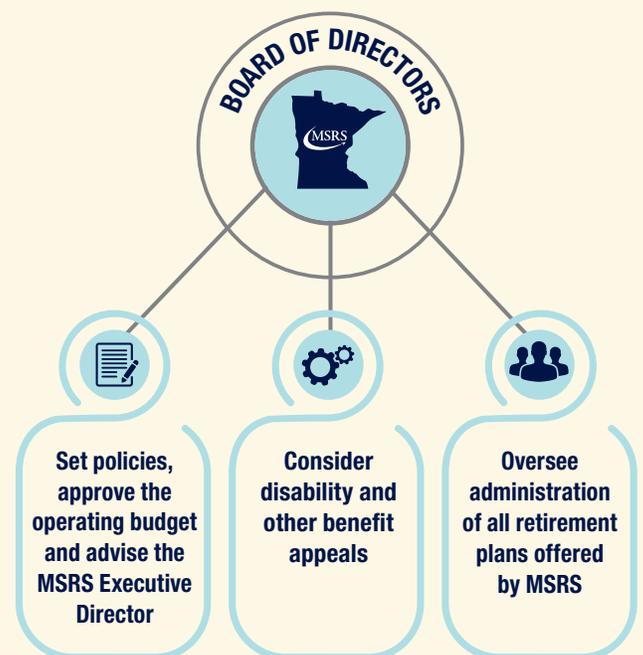


How We Work

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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The MSRS Popular Annual Financial Report can be made available in alternative formats upon request to ensure that it is accessible to people with disabilities. Contact MSRS to obtain this document in an alternate format.