



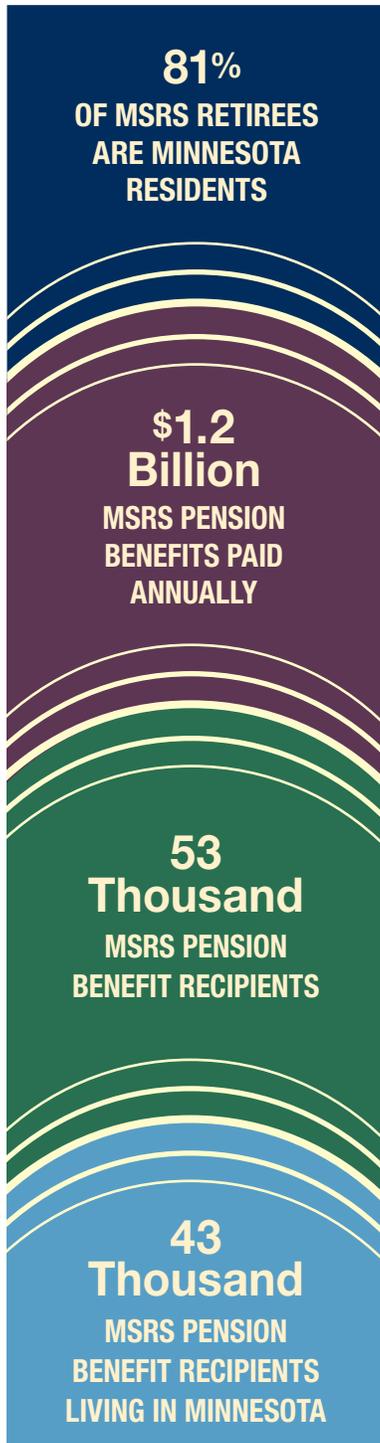
Popular Annual

Financial Report

• For the Fiscal Year Ended June 30, 2022 •

Minnesota State Retirement System

The Popular Annual Financial Report (PAFR) is a summary of the Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022. 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-2022.



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, 2022. This report provides a snapshot of the performance of your retirement funds.

While fiscal year 2022 brought some challenges, the state of the MSRS plans continues to be strong. A disappointing investment loss of 6.4 percent had an impact on the net position of all plans, yet the funding status of our largest retirement plan, the General Employees Retirement Plan, remains at 98.5 percent (calculated on the fair value of assets) as of June 30, 2022. Continuing to focus on strengthening and improving the MSRS plans, even in years of high returns, allows MSRS plans to successfully weather years of negative returns.

MSRS accomplished many administrative goals during the year. 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

Perhaps most importantly, MSRS welcomed employees back to the office after two years of limited in-office staffing. Throughout the pandemic, members have received retirement counseling through phone calls and web conferencing, but now in-person counseling has returned. We are proud to offer members the services they need in the format that works best for them, and it's always a pleasure to meet members face-to-face.

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

TABLE OF CONTENTS

PG. 2
Letter from the
Executive Director

PG. 3
Pension
Plans

PG. 4
Defined
Contribution
Plans

PG. 5
Summary
Statement &
Funding

PG. 6
State Board
of Investment

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

FY22	126,555	\$15.8 billion
FY21	<u>123,198</u>	<u>17.4 billion</u>
Change	3,357 member increase	\$1.6 billion decrease
% Change	↑ 2.72%	↓ 9.23%



State Patrol Plan

FY22	2,196	\$883.6 million
FY21	<u>2,138</u>	<u>957.9 million</u>
Change	58 member increase	\$74.3 million decrease
% Change	↑ 2.71%	↓ 7.76%



Correctional Employees Plan

FY22	10,978	\$1.5 billion
FY21	<u>10,728</u>	<u>1.6 billion</u>
Change	250 member increase	\$107 million decrease
% Change	↑ 2.33%	↓ 6.77%



Judges Plan

FY22	752	\$254.0 million
FY21	<u>733</u>	<u>276.6 million</u>
Change	19 member increase	\$22.6 million decrease
% Change	↑ 2.59%	↓ 8.19%



Legislators Plan

FY22	386	No assets. This is a closed plan funded by a General Fund Appropriation.
FY21	<u>396</u>	
Change	10 member decrease	
% Change	↓ 2.53%	

¹An investment return of -6.4% led to the net position decreases in fiscal 2022. 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

FY22	3,404	\$334.0 million
FY21	<u>3,321</u>	<u>401.6 million</u>
Change	83 member increase	\$67.6 million decrease
% Change	↑ 2.50%	↓ 16.84%



Health Care Savings Plan

FY22	151,572	\$1.58 billion
FY21	<u>143,205</u>	<u>1.63 billion</u>
Change	8,367 member increase	\$50.0 million decrease
% Change	↑ 5.84%	↓ 2.98%



Minnesota Deferred Compensation Plan (MNDCP)

FY22	97,567	\$8.5 billion
FY21	<u>95,181</u>	<u>9.7 billion</u>
Change	2,386 member increase	\$1.2 billion decrease
% Change	↑ 2.51%	↓ 12.05%



Hennepin County Supplemental Plan

FY22	976	\$156.2 million
FY21	<u>1,052</u>	<u>190.5 million</u>
Change	76 member decrease	\$34.3 million decrease
% Change	↓ 7.22%	↓ 18.00%

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

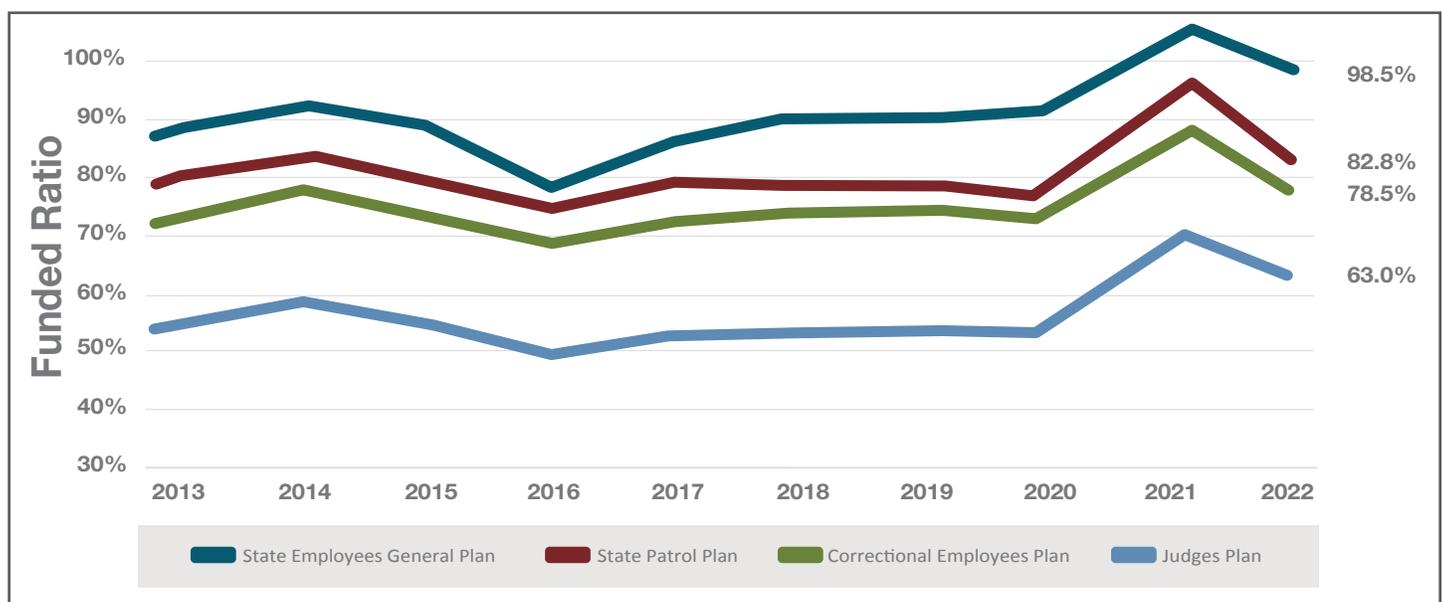
This chart shows changes in net position for all MSRS pension trust funds for the fiscal years ended June 30, 2022, and 2021. Dollars shown in thousands.

Additions (by Major Source)	FY22	FY21	Change	% Change
Plan Member Contributions	\$817,025	\$762,464	\$54,561	7.16%
Employer Contributions	328,984	299,452	29,532	9.86
Investment Income (Net)	(2,447,712)	7,152,042	(9,599,754)	(134.22)
Other	56,801	58,491	(1,690)	(2.89)
Total Additions	\$(1,244,902)	\$8,272,449	\$(9,517,351)	(115.05)%
Deductions (by Type)				
Benefits, Withdrawals & Reimbursements	\$1,348,327	\$1,261,730	\$86,597	6.86%
Refunds	469,587	393,224	76,363	19.42
Recordkeeper Expenses	3,884	3,715	169	4.56
Administrative Expenses	19,488	20,102	(614)	(3.06)
Other	42,122	43,419	(1,297)	(2.99)
Total Deductions	\$1,883,408	\$1,722,190	\$161,218	9.36%
Net Increase in Net Position Restricted for Pensions	\$(3,128,310)	\$6,550,259	\$(9,678,569)	(147.76)%

- Total additions decreased 115.05% primarily due to lower investment returns. Member and employer contributions continued to increase due to growth in membership.
- Total deductions increased 9.36% largely due to the result of post-retirement benefit increases and the growth in the number of benefits recipients. Refunds are variable and this year increased almost 20%.

Funding

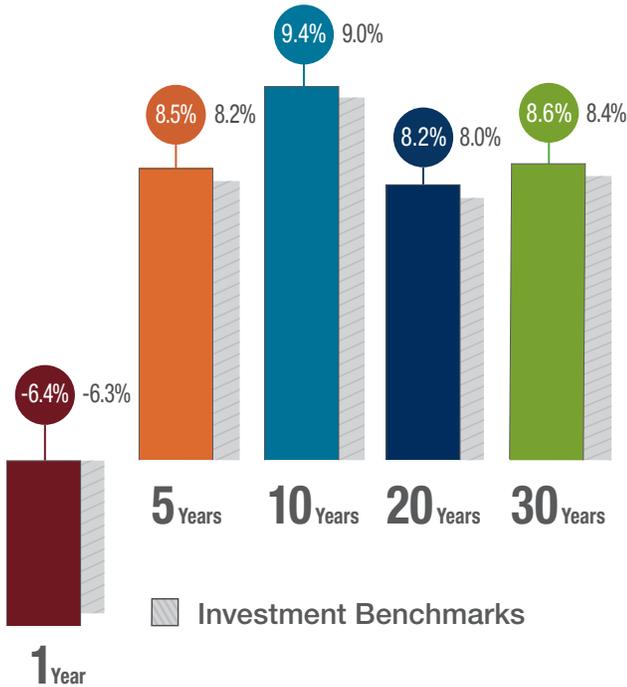
The funded ratio, which is the value of a plan's assets in proportion to the pension liability, is measured on June 30th of each year. Funding for pension plans consists of investment returns, employee contributions and employer contributions.



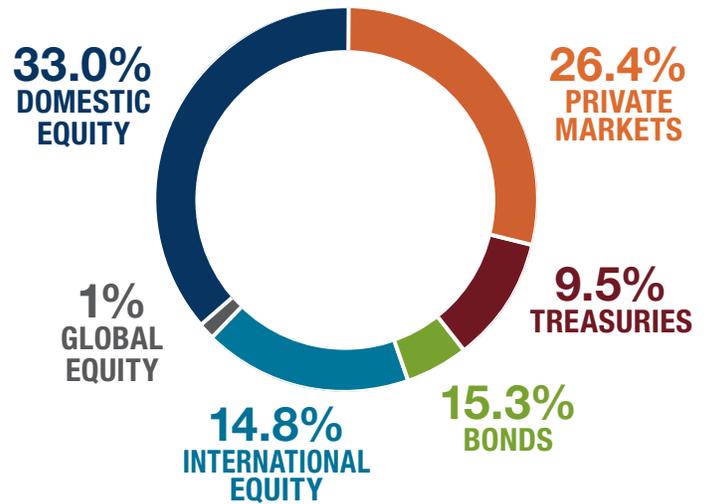
State Board of Investment (SBI)

The SBI is responsible for the investment management of all funds for the State of Minnesota, including MSRS assets. On June 30, 2022, the fair value of all assets under SBI management was \$124.8 billion. The combined funds of various retirement systems, including MSRS, totaled \$81.3 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, 2022



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!

1-800-657-5757 or 651-296-2761 | www.msrs.state.mn.us
60 Empire Drive, Suite 300 | St. Paul, MN 55103-3000

MSRS communications can be made available in alternative formats upon request. Contact MSRS to obtain an alternate format.