



2023 MSRS Presentation

Who we are



Minnesota State Retirement System

**State Employee
Pension Plans**

**Health Care
Savings Plan
(HCSP)**

**Deferred
Compensation Plan
(MNDCP)**



What is an income gap?

You might have an income gap if:



your savings does not meet your retirement income needs



you retire early and need more retirement savings

or

you fear you will outlive your savings

How much income will it take?

You may need

80% to 100%

of your current income to maintain
your lifestyle in retirement

\$60,000 annual salary



FOR ILLUSTRATIVE PURPOSES ONLY
Figure represents 80% of \$60,000 salary

Pension & Social Security may not be enough

Income your MN public pension replaces¹

- *10 years service = 17%*
- *20 years service = 34%*
- *30 years service = 51%*

Income your Social Security replaces²

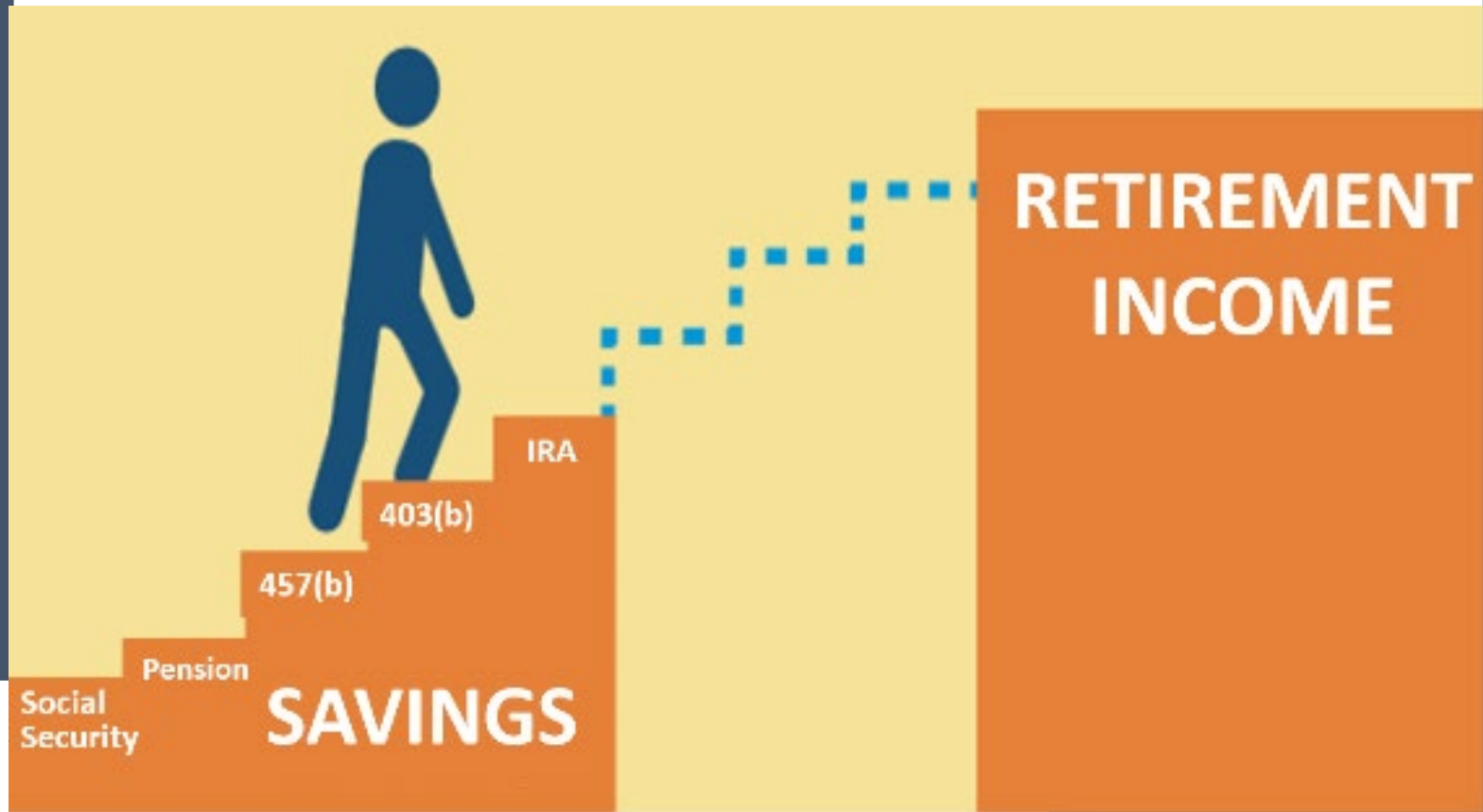
- *Average MN public employee recipient = 32%*



¹ Based on the years of service of MSRS pension recipients. Assumes full retirement age of 66. A TRA recipient replacement percentage would be higher.

² Based on the collecting an unreduced social security benefit at age 66 and a final average salary of 2020 retirees from MSRS, PERA, TRA public pension plans. Does not assume future earnings. Salary Source: MSRS, PERA and TRA 2020 Comprehensive Annual Financial Report. Social Security Source: SSA Benefit Calculator.

Bridge any income gaps



Case study income replacement

Sarah



Anita



Retirement Age	62	66
High-5 monthly salary	\$4,619	\$5,000
Pension replacement	31%	51%
Social Security replacement	24%	31%
TOTAL INCOME REPLACEMENT	55%	82%

FOR ILLUSTRATIVE PURPOSES ONLY Your actual results will vary.

Case study savings needed

Sarah



Anita



Retirement Age	62	66
TOTAL INCOME REPLACEMENT	55%	82%
Savings needed to replace 80%	\$272,500*	\$0
Savings needed to replace 100%	\$485,000*	\$186,000*

FOR ILLUSTRATIVE PURPOSES ONLY Your actual results will vary.

Based on a 5% annual rate of return (not guaranteed) and 2% inflation. Assuming annual withdrawals to reach stated income replacement lasting until age 90.

Calculate how much retirement income you will need



MNDGP



Enrollment

Contribution effects on your paycheck calculator

How much should I save calculator



Investments

Investor Profile Quiz

Target Date Funds

Interactive PDF

Target Date Funds Video



Withdrawals

Plan Withdrawal Calculator

How long will my savings last? Calculator

ROTH Conversion and Distribution Calculator



Pretax vs. Roth After Tax

ROTH Decision Tree

ROTH vs. Pretax Calculator

Do your own calculation

www.msrs.state.mn.us/toolbox#mndcp

Take action

Ways to bridge the income gap



MNDCP account assets

Increase your annual contribution if possible



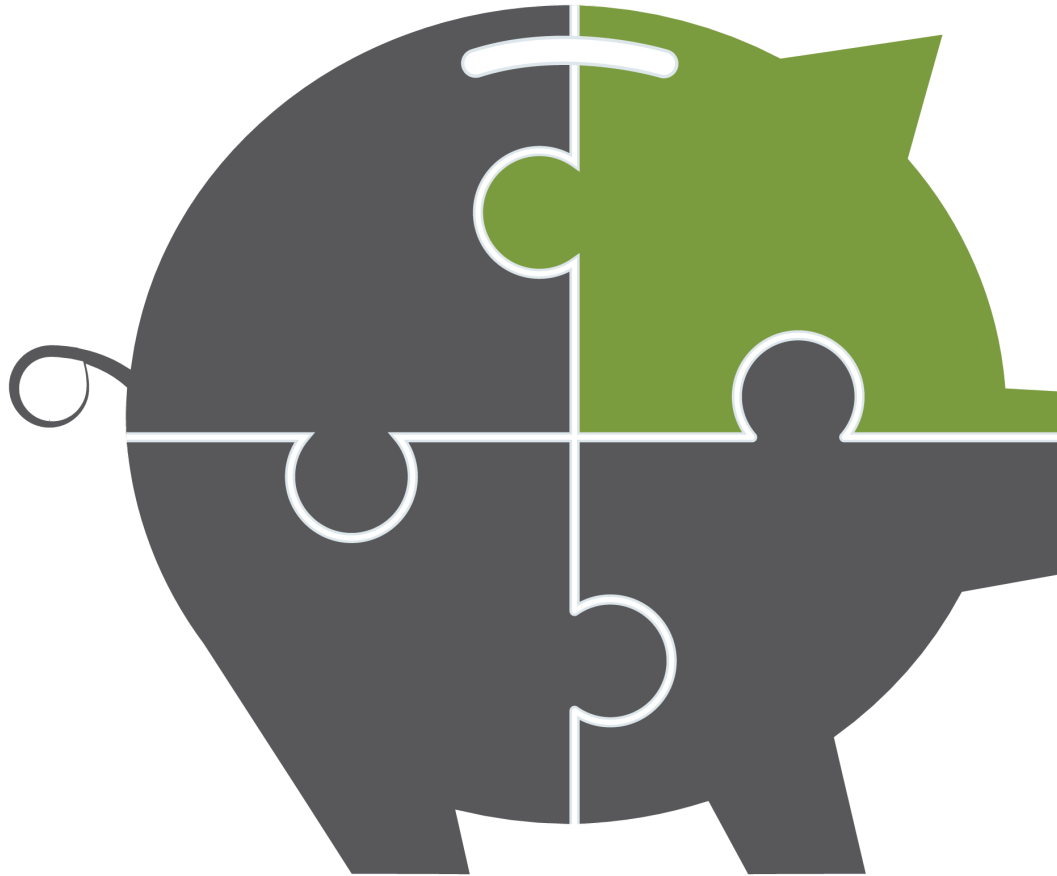
HCSP account assets

Use your HCSP account assets



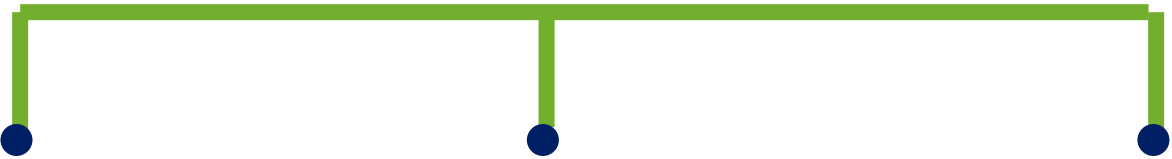
Pension & Social Security

Defer, if possible, the date of your retirement



Minnesota Deferred
Compensation Plan

What is the MNDCP?

A horizontal green line with three vertical green lines extending downwards from it, each ending in a small dark blue circle, connecting the top logo to the three text blocks below.

A voluntary savings plan to supplement your pension & Social Security income

Available to all MN public employees

State sponsored 457(b) Plan

Make the most of the MNDCP

Maximize your contributions

Save more each paycheck

Minimize stock market volatility

Take advantage of lower fees

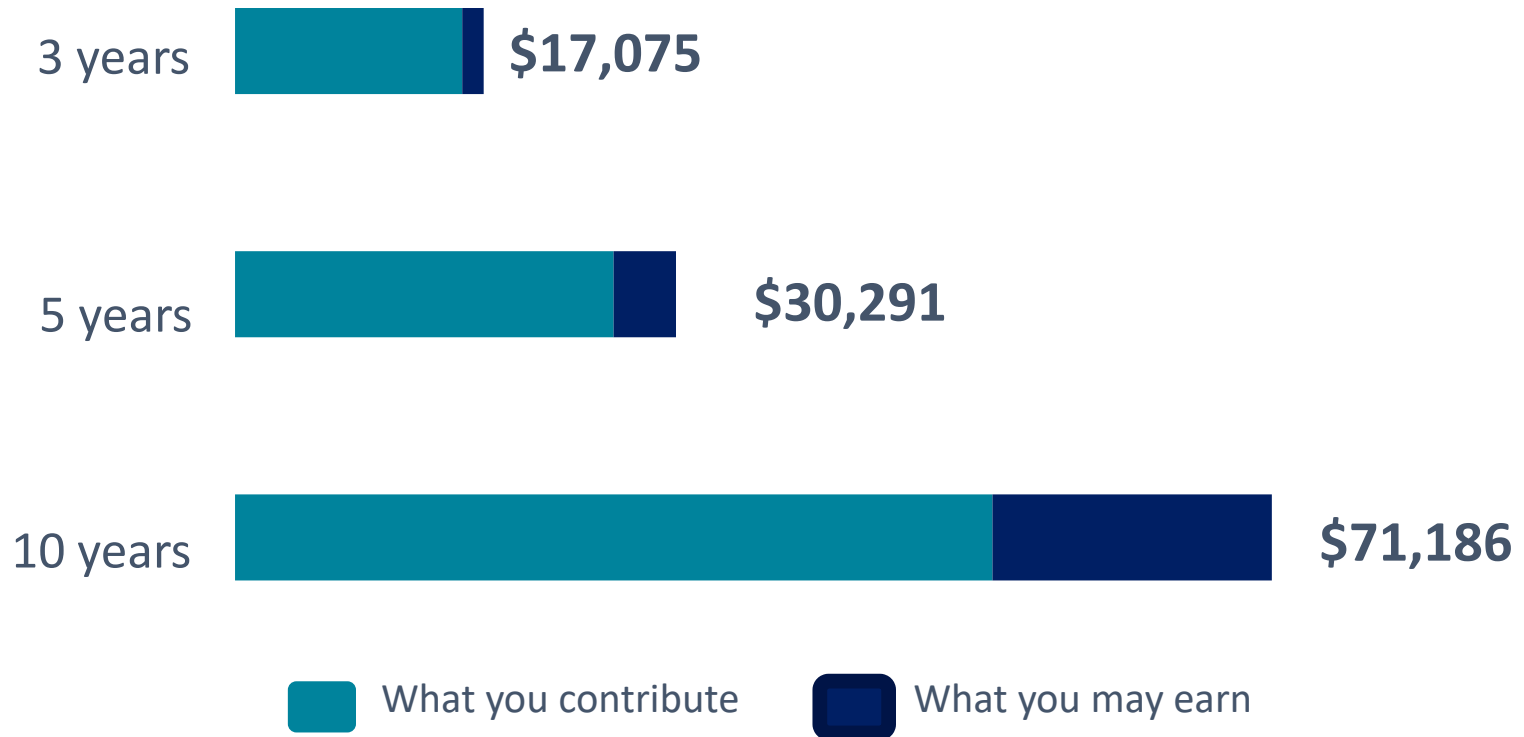
Bridge the income gap

Maximize your contribution



The impact of saving more

Ramping up contributions by \$200/paycheck can add up



FOR ILLUSTRATIVE PURPOSES ONLY

Figures represent the growth of bi-weekly contributions at 6% rate of return (not guaranteed) compounded monthly, reinvestment of earnings with no withdrawals. The tax-deferred amounts shown do not reflect any charges, expenses or fees.

Minimize market fluctuation impact

Investment diversification Spreading your investments over multiple asset classes



Less Diverse

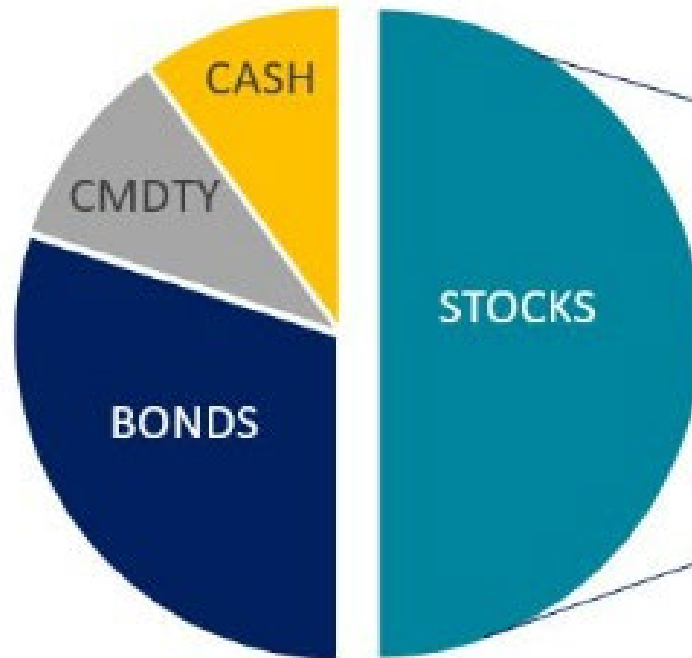


More Diverse

FOR ILLUSTRATIVE PURPOSES ONLY Diversification does not ensure a profit or protect against loss in declining markets.

How diversification works

Sample asset allocation of an investment portfolio



Diversification within the stock allocation



FOR ILLUSTRATIVE PURPOSES ONLY Diversification does not ensure a profit or protect against loss in declining markets.

Sample asset allocation models

Aggressive Portfolio

Best year..... 33.7%

Worst year..... -35.1%

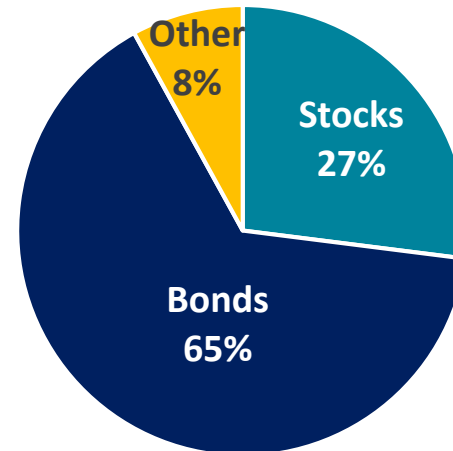
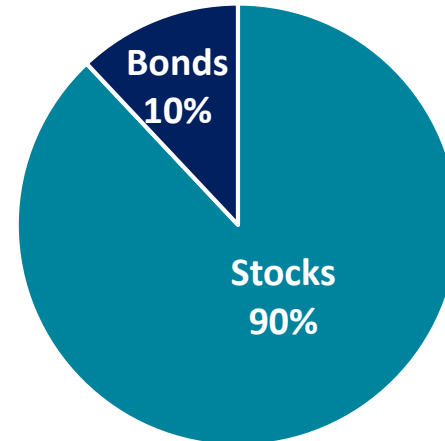
Average..... 9.8%

Conservative Portfolio

Best year..... 20.2%

Worst year..... -14.4%

Average..... 6.9%



FOR ILLUSTRATIVE PURPOSES ONLY The models shown illustrate hypothetical investment allocations for Aggressive & Conservative risk profiles. Index returns were used to provide calendar year returns from 1/1/1991 to 12/31/2022 based on asset allocations used for each model. Results are hypothetical and are not based on the performance of actual portfolios. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. Investing involves risk, including possible loss of principal. (See last slide for additional information)

Source: State Street Global Advisor with data provided by Morningstar & Factset.

Investment Disclosure

Please consider the investment objectives, fees and expenses carefully before investing. The prospectus and/or disclosure documents contain this and other important information about the investments offered through your plan. To obtain a prospectus or disclosure document, or to learn more about the investment options, visit www.msrs.state.mn.us or call 800-657-5757. Read such materials carefully before investing.



Avoid rollover regret



Upon separation of employment:

- You are not required to close or rollout your 457(b) or 403(b) account to an IRA
- Consider consolidating your retirement plan accounts
- Discuss rolling money from one account to another with your financial advisor/planner and consider any potential fees and/or limitations of available investment options

Rollover remorse



One final point!

Once all assets are out of the plan,
you may not rejoin

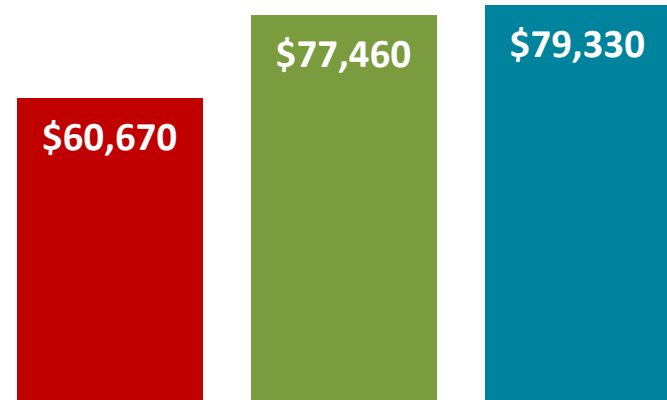


Assumptions

- Starting balance: \$65,000
- No contributions
- 5% annual rate of return
- Annual 4% withdrawal of account balance
- After 25 years

For illustrative purposes only This hypothetical illustration is not intended as a projection of future investment results, nor is it intended as financial planning or investment advice. Rates of any return may vary. The illustration does not reflect other associated charges, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees had been deducted.

Fees can erode your gains



- Account balance with a 1.12% advisor fee¹
- MNDGP account with a 0.10% administrative fee²
- No account fee

¹ Source: 2021 Advisory HQ study; Average Financial Advisor Fees based on assets under management for a \$100,000 account

² MNDGP administrative fee as of 1/1/2022 capped at \$125/year

Withdrawal Considerations



Goals

- Number of years savings should last
- Leave savings to heirs
- Philanthropic wishes

Realities

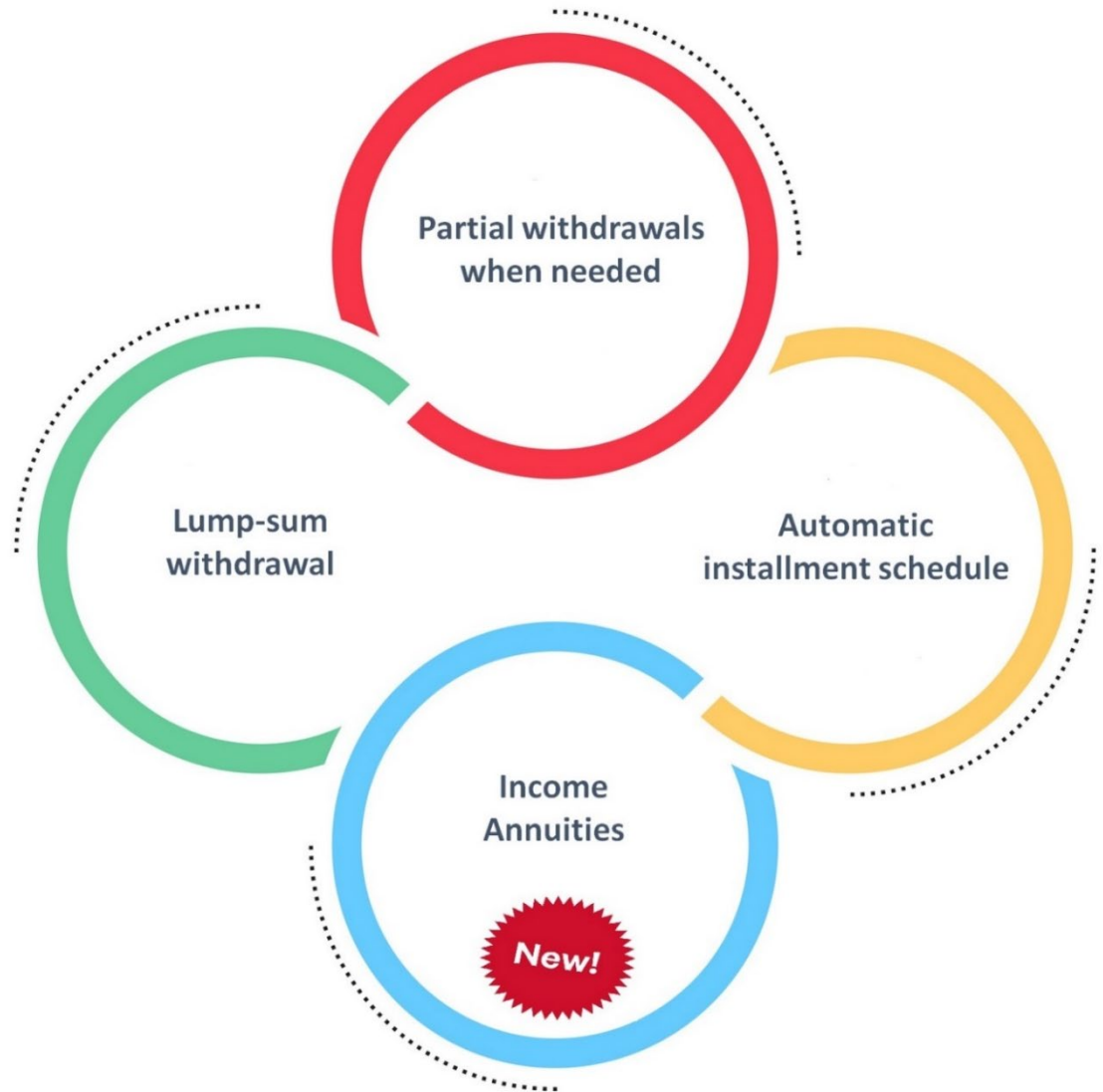
- Meet fixed expenses
- Allow for discretionary expenses
- Cover emergency expenses

Other

- Coordinate withdrawals with the use of other assets
- Tax efficient withdrawals

How to generate income from your retirement plan

Flexible Withdrawal Options



How long will your savings last?

Gross Withdrawal	Savings Balance		
	\$50,000	\$100,000	\$150,000
\$500/month	11 yrs 4 mos	>50 yrs	>50 yrs
\$1,000/month	4 yrs 9 mos	11 yrs 4 mos	22 yrs 3 mos
\$1,500/month	3 yrs	6 yrs 8 mos	11 yrs 4 mos

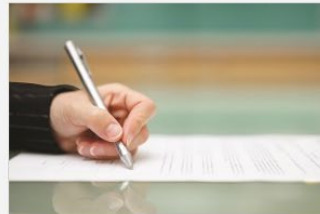
FOR ILLUSTRATIVE PURPOSES ONLY

Your actual results will vary. This hypothetical example assumes a 6% annual rate of return. Rate of return not guaranteed.

Calculate how long your savings will last



MNDCP



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Do your own calculation

www.msrs.state.mn.us/toolbox#mndcp

Understand the tax landscape

Pre-tax
savings

- Withdrawals are **taxable**
- 20% mandatory federal withholding, except
 - Withdrawal schedules lasting 10 or more years
 - RMD payments

Roth
after-tax
savings

- Withdrawals are **tax-free** if:
 - Withdrawal made after age 59½ (death or disability)
 - AND**
 - Roth account established at least five tax years

Withdrawals made prior to age 59½ that are attributable to rollovers from another type of plan may incur a 10% early withdrawal IRS penalty



Fulfill your RMD

- RMDs are mandated by the IRS once you reach age 73 or retire, whichever is later

**Required Minimum
Distributions
(RMDs)**

Calculation

1. MNDCP account balance
as of previous December 31 \$_____
2. Life expectancy factor (see table)
The age you will turn this year _____
3. RMD Amount (line 1 ÷ line 2) \$_____

Uniform Lifetime Table III

For use by:

- Unmarried owner
- Married owner whose spouse is not more than 10 years younger
- Married owner whose spouse is not the sole beneficiary

Age	Life Expectancy Factor
72	27.4
73	26.5
74	25.5
75	24.6

RMD rules to remember



Required Minimum Distribution

- Age 73
- Every year thereafter
- Not required if employed



Excess accumulation penalty

- 25% of amount not distributed as required

Keep beneficiary designations up to date

What happens if something happens to you?

A beneficiary will inherit your money

Plan ahead
**AVOID
PROBATE**



Take action



Maximize
your contributions



Minimize
account fluctuations
with a diversified
investment strategy



Consider
a withdrawal plan that
is right for you



Keep in mind
you are not required
to roll out or close
your MNDCP account



Get more information

Pension Plan

MSRS

www.msrs.state.mn.us

1-800-657-5757

TRA

www.minnesotatra.org

1-800-657-3669

PERA

www.mnpera.org

1-800-652-9026

**Retiree insurance
(health, dental, life)**

State employees

651-355-0100

University of MN employees

612-624-8647

Met Council employees

651-602-1601

Social Security

www.ssa.gov

1-800-772-1213

Medicare

www.medicare.gov

**Administration for
Community Living**

www.acl.gov

NOTE: These Web sites are for general education & information only and are provided as a benefit to the users of the site.



Locations:

St. Paul -	60 Empire Drive · Suite 300
St. Cloud -	4150 Second Street S · Suite 330
Mankato -	11 Civic Center Plaza · Suite 150
Detroit Lakes -	714 Lake Ave · Suite 100
Duluth -	625 East Central Entrance

Contact us

Receive more details about the
information you just saw

or

Make an appointment to speak to
one of our retirement counselors



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1.800.657.5757 or 651.296.2761

! Important Notes

Securities, when presented, are offered and/or distributed by Empower Financial Services, Inc., Member FINRA/SIPC.

This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.

Today's workshop was designed to:

- *Provide you with fundamental information on your MSRS retirement plans*
- *Objectively highlight your investment options*
- *Outline other sources of information for your decisions*



Sample Asset Allocation Model Disclosure

The hypothetical illustrations are for informational and educational purposes only. They are not intended to be a recommendation of a specific investment or investment strategy. In applying a particular asset allocation model to your individual situation, you should consider other assets, income, and investments in addition to the account you are considering for investment, to the extent the model does not consider these additional assets.

Index returns shown are not those of an actual fund or portfolio, and are used to provide calendar year returns back to 1995 based on hypothetical asset allocations used for a Conservative and Aggressive model, respectively. They are not backtested returns and do not reflect the changes to glide paths over time. A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. You cannot invest directly in a benchmark index.

For calendar year return calculations, the following index data from 1/1/1991 to 12/31/2022 was used, reflective of the underlying indices used for the asset allocations. US Large Cap Equities: S&P 500 Index; Global REIT: FTSE EPRA/NAREIT Developed Index; Commodities: Bloomberg Roll Select Commodity Index; US Core Bonds: Bloomberg Barclays US Aggregate; Small/Mid Cap US Equities: Russell Small Cap Completeness Index; Long Government Bonds: Bloomberg Barclays Long Government Bond Index; US Short-Term Government/Credit: Bloomberg Barclays Capital 1-3 Year Government Credit Index.

For returns back to 1991 for indices with insufficient track records, used current indices for existing track records and replaced with equivalent indices with longer track records for the periods prior to index inception. US Intermediate TIPS: Bloomberg Barclays US Treasury Inflation Protected Notes (1-10 Y) from 1/1/1998 to 12/31/2022 and the Bloomberg Barclays US Aggregate Index from 1/1/1991 to 12/31/1997; US High Yield Bonds: Bloomberg Barclays High Yield Very Liquid from 1/1/1995 to 12/31/2022 and the FTSE High Yield Index from 1/1/1991 to 12/31/1994; and International Equity: MSCI ACWI ex USA IMI Index from 1/1/1995 to 12/31/2022 and the MSCI ACWI Index from 1/1/1991 to 12/31/1994.