



POPULAR ANNUAL
**FINANCIAL
REPORT**

For the Fiscal Year Ended June 30, 2023

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

2023

The Popular Annual Financial Report (PAFR) is a summary of the Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2023. 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-2023.

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, 2023. This report provides a snapshot of the performance of your retirement funds.

The state of MSRS retirement plans remain strong in 2023. Reducing the investment return assumption, as well as some other plan changes, led to slight decreases in the funding status of all plans. Despite this, the encouraging investment gain of 8.90 percent improved the net position of all plans, and the funding status of MSRS' largest retirement plan, the General Employees Retirement Plan, remains at 94.5 percent (calculated on the fair value of assets) as of June 30, 2023. Continuing to focus on strengthening and improving MSRS plans ensures that MSRS will provide benefits to our members long into the future.

MSRS accomplished many administrative goals during the year. As we continue to carry out initiatives identified in the 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

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

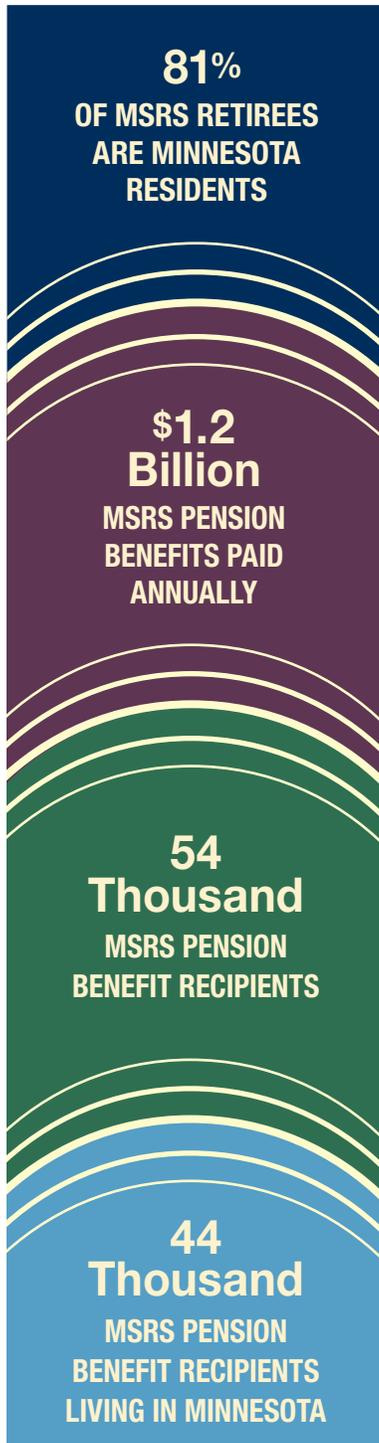


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Pension Plans

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

FY23	130,298	\$16.6 billion
FY22	<u>126,555</u>	<u>15.8 billion</u>
Change	3,743 member increase	\$800.0 million increase
% Change	↑ 2.96%	↑ 5.15%



State Patrol Plan

FY23	2,277	\$943.1 million
FY22	<u>2,196</u>	<u>\$883.6 million</u>
Change	81 member increase	\$59.5 million increase
% Change	↑ 3.69%	↑ 6.74%



Correctional Employees Plan

FY23	11,368	\$1.6 billion
FY22	<u>10,978</u>	<u>\$1.5 billion</u>
Change	390 member increase	\$100.0 million increase
% Change	↑ 3.55%	↑ 8.26%



Judges Plan

FY23	760	\$269.0 million
FY22	<u>752</u>	<u>\$254.0 million</u>
Change	8 member increase	\$15.0 million increase
% Change	↑ 1.06%	↑ 5.91%



Legislators Plan

FY23	375	No assets. This is a closed plan funded by a General Fund Appropriation.
FY22	<u>386</u>	
Change	11 member decrease	
% Change	↓ 2.85%	

¹An investment return of 8.9% led to the net position increases in fiscal 2023. 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

FY23	3,521	\$358.2 million
FY22	<u>3,404</u>	<u>\$334.0 million</u>
Change	117 member increase	\$24.2 million increase
% Change	↑ 3.44%	↑ 7.26%



Health Care Savings Plan

FY23	160,551	\$1.8 billion
FY22	<u>151,572</u>	<u>1.6 billion</u>
Change	8,979 member increase	\$200.0 million increase
% Change	↑ 5.92%	↑ 13.83%



Minnesota Deferred Compensation Plan (MNDCP)

FY23	100,138	\$9.2 billion
FY22	<u>97,567</u>	<u>8.5 billion</u>
Change	2,571 member increase	\$700.0 million increase
% Change	↑ 2.64%	↑ 8.87%



Hennepin County Supplemental Plan

FY23	894	\$163.9 million
FY22	<u>976</u>	<u>156.2 million</u>
Change	82 member decrease	\$7.7 million increase
% Change	↓ 8.40%	↑ 4.92%

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

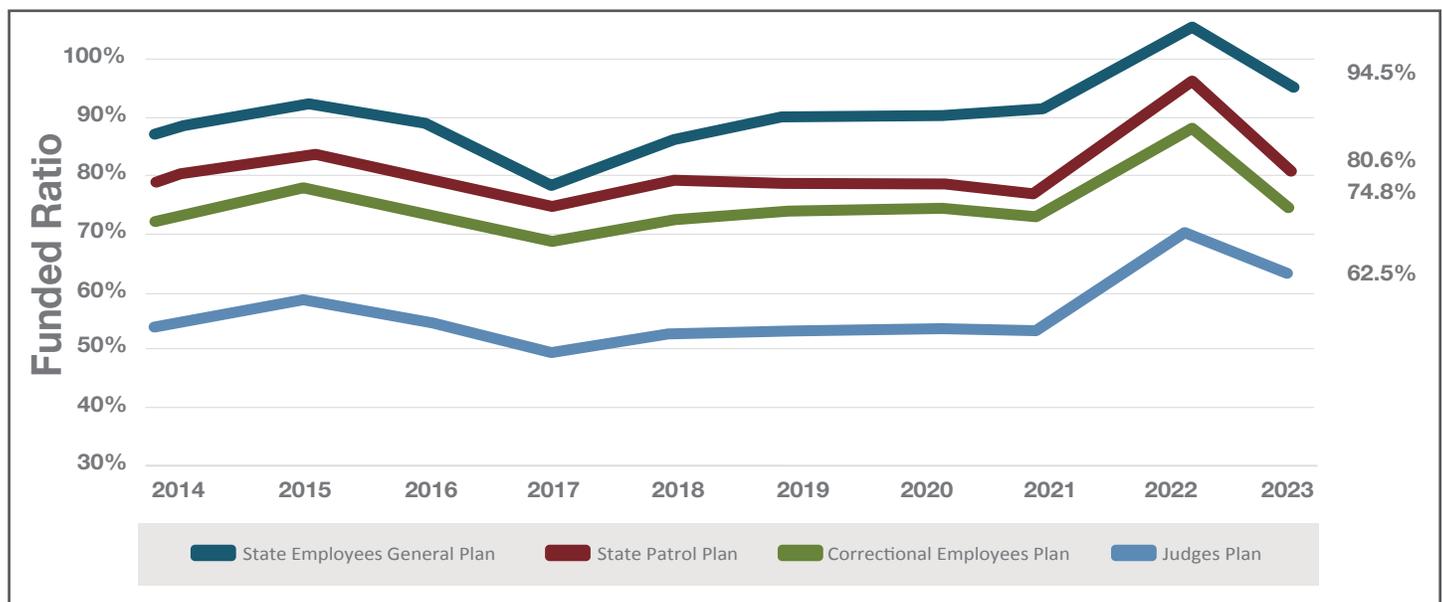
This chart shows changes in net position for all MSRS pension trust funds for the fiscal years ended June 30, 2023, and 2022. Dollars shown in thousands.

Additions (by Major Source)	FY23	FY22	Change	% Change
Plan Member Contributions	\$829,061	\$817,025	\$12,036	1.47%
Employer Contributions	346,874	328,984	17,890	5.44
Investment Income (Net)	2,693,885	(2,447,712)	5,141,597	210.06
Other	55,418	56,801	(1,383)	(2.43)
Total Additions	\$3,925,238	\$(1,244,902)	\$5,170,140	415.30%
Deductions (by Type)				
Benefits, Withdrawals & Reimbursements	\$1,397,489	\$1,348,327	\$49,162	3.65%
Refunds	447,054	469,587	(22,533)	(4.80)
Recordkeeper Expenses	4,067	3,884	183	4.71
Administrative Expenses	21,436	19,488	1,948	10.00
Other	40,294	42,122	(1,828)	(4.34)
Total Deductions	\$1,910,340	\$1,883,408	\$26,932	1.43%
Net Increase in Net Position Restricted for Pensions	\$2,014,898	\$(3,128,310)	\$5,143,208	164.41%

- Total additions decreased 415.30% primarily due to higher investment returns. Member and employer contributions continued to increase due to growth in membership.
- Total deductions increased slightly, 1.43%, 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 decreased almost 5%.

Funding

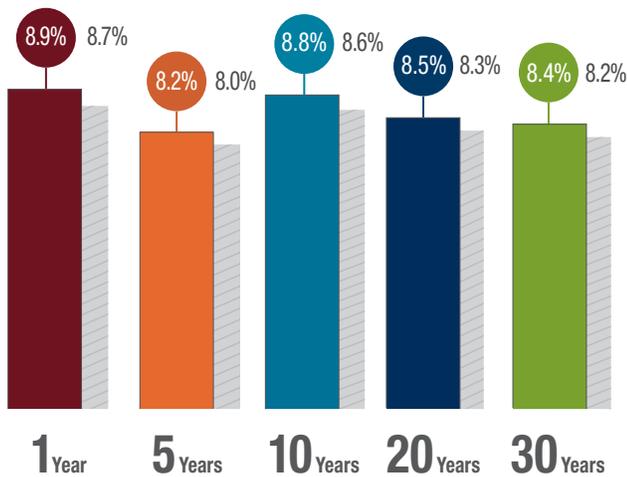
The funded ratio, which is the value of a plan's assets in proportion to the pension liability, is measured on June 30th of each year. Funding for pension plans consists of investment returns, employee contributions and employer contributions.



State Board of Investment (SBI)

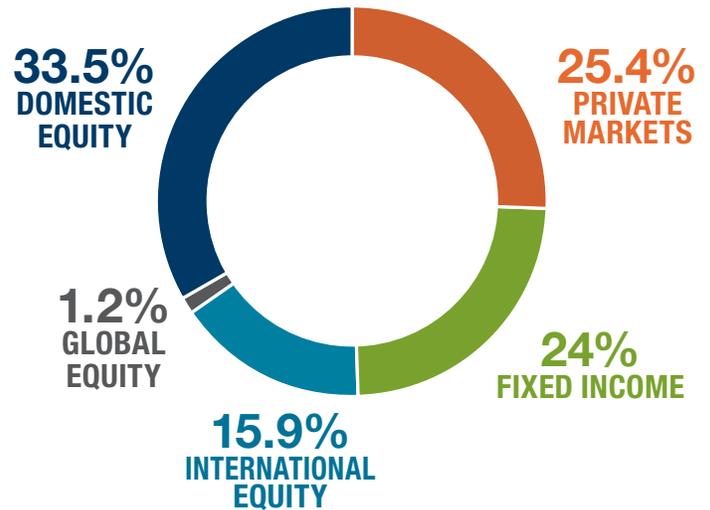
The SBI is responsible for the investment management of all funds for the State of Minnesota, including MSRS assets. On June 30, 2023, the fair value of all assets under SBI management was \$134.7 billion. The combined funds of various retirement systems, including MSRS, totaled \$85.7 billion. Below 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



■ Investment Benchmarks

Asset Allocation June 30, 2023



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