2026 Mid-Career Presentation

A PDF copy of the slide presentation is available: www.mnretire.gov/mid-career-webinar-details
(this link is in your reminder e-mail)

Who we are

Minnesota State Retirement System

State Employee Pension Plans

Health Care Savings Plan (HCSP)

Deferred Compensation Plan (MNDCP)

Retirement Readiness

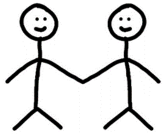
Be Prepared

Consider the realities

- High cost of health care

High cost of health care

Amount needed to cover health care costs in retirement

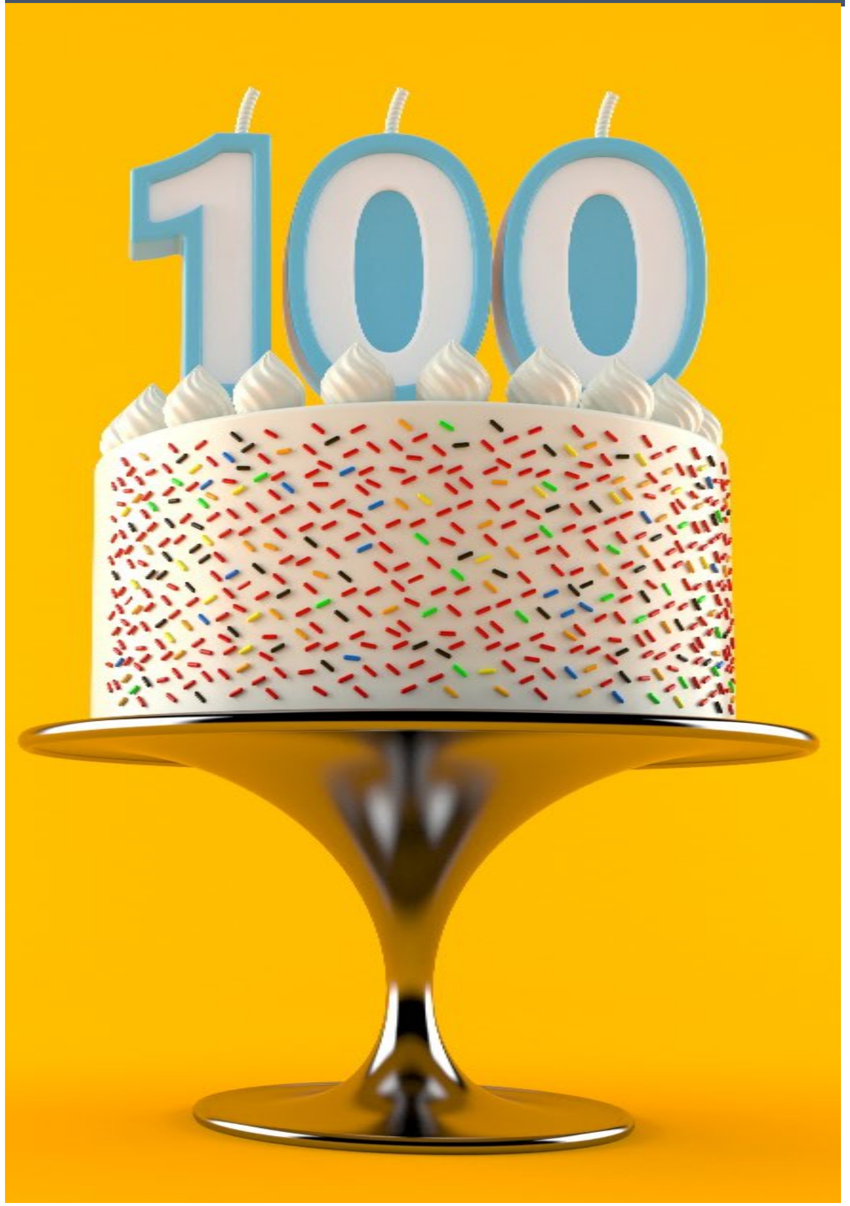
	For a 50% chance of covering	For a 90% chance of covering
 65-year-old man	$109,000	$191,000
 65-year-old woman	$133,000	$226,000
 65-year-old couple	$243,000	$366,000

FOR ILLUSTRATIVE PURPOSES ONLY

Source: Employee Benefit Research Institute Press Release, Projected Savings Medicare Beneficiaries Need for Health Expenses Continued to Rise in 2024. Mar 6, 2025

Includes: Medicare (Part B & D) and Medigap premiums plus median prescription drug expenses. Excludes long-term care

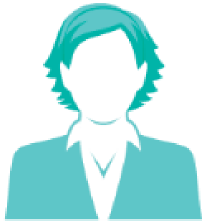
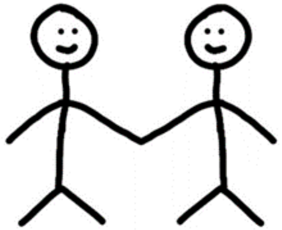
Be Prepared



Consider the realities

- High cost of health care
- **We’re living longer**

Life expectancy – we're living longer

	65-year-old man	65-year-old woman	65-year-old couple*
50% Chance	**Age 86**	**Age 88**	**Age 92**
25% Chance	**Age 92**	**Age 94**	**Age 96**

FOR ILLUSTRATIVE PURPOSES ONLY
Source: Society of Actuaries Mortality MP-2021 Scale and the 2019 Social Security Mortality Table
**At least one surviving individual.*

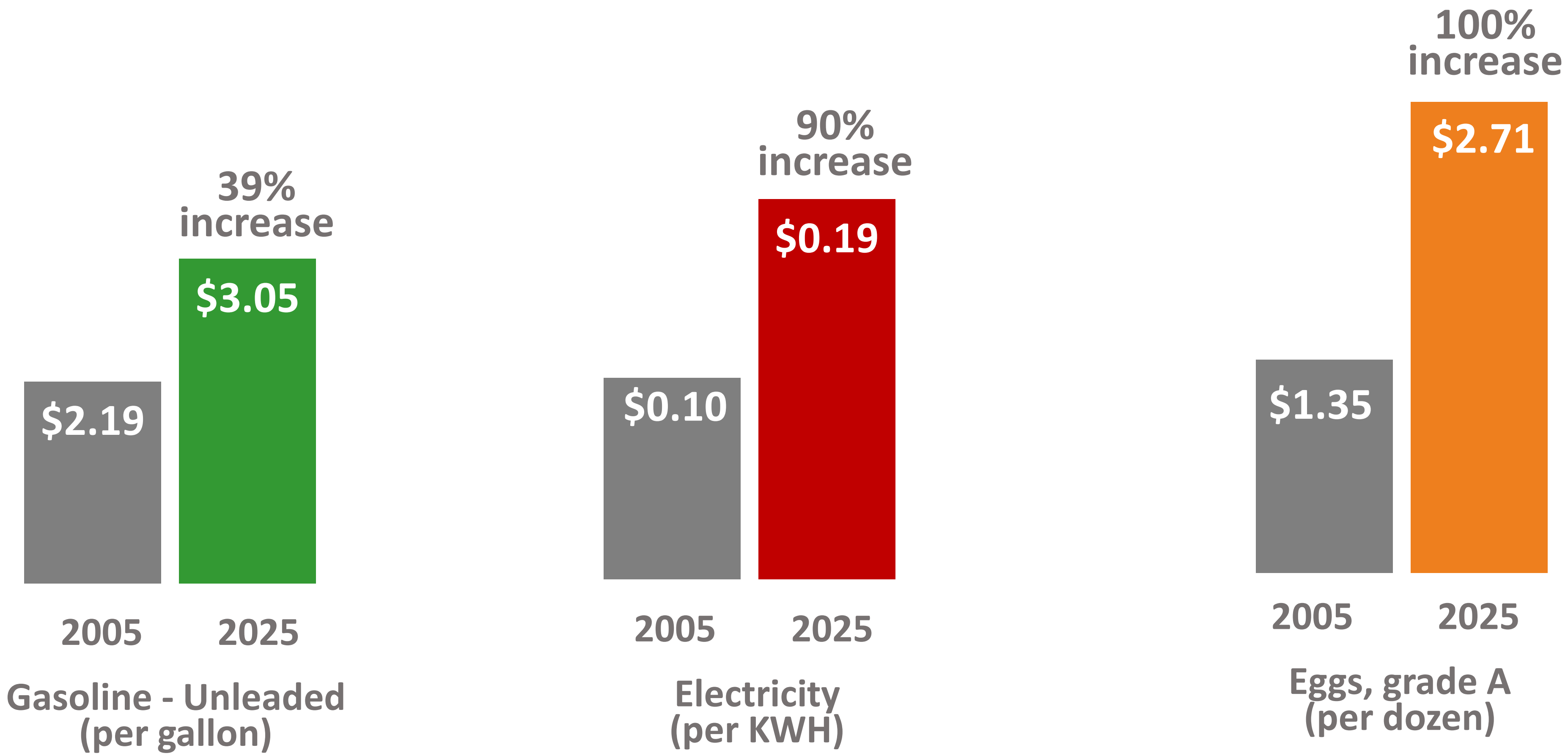
Be Prepared

Consider the realities

- High cost of health care
- We’re living longer
- **Inflation**

Inflation – what money will buy

The effect of inflation over 20 years



FOR ILLUSTRATIVE PURPOSES ONLY

Source: U.S. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average Price Data (12/2005 – 12/2025)

Be Prepared

Prepare your retirement budget

How much will you need to maintain your standard of living?

Review your financial situation to determine:

- all your sources of retirement income
- how your expenses will differ in retirement

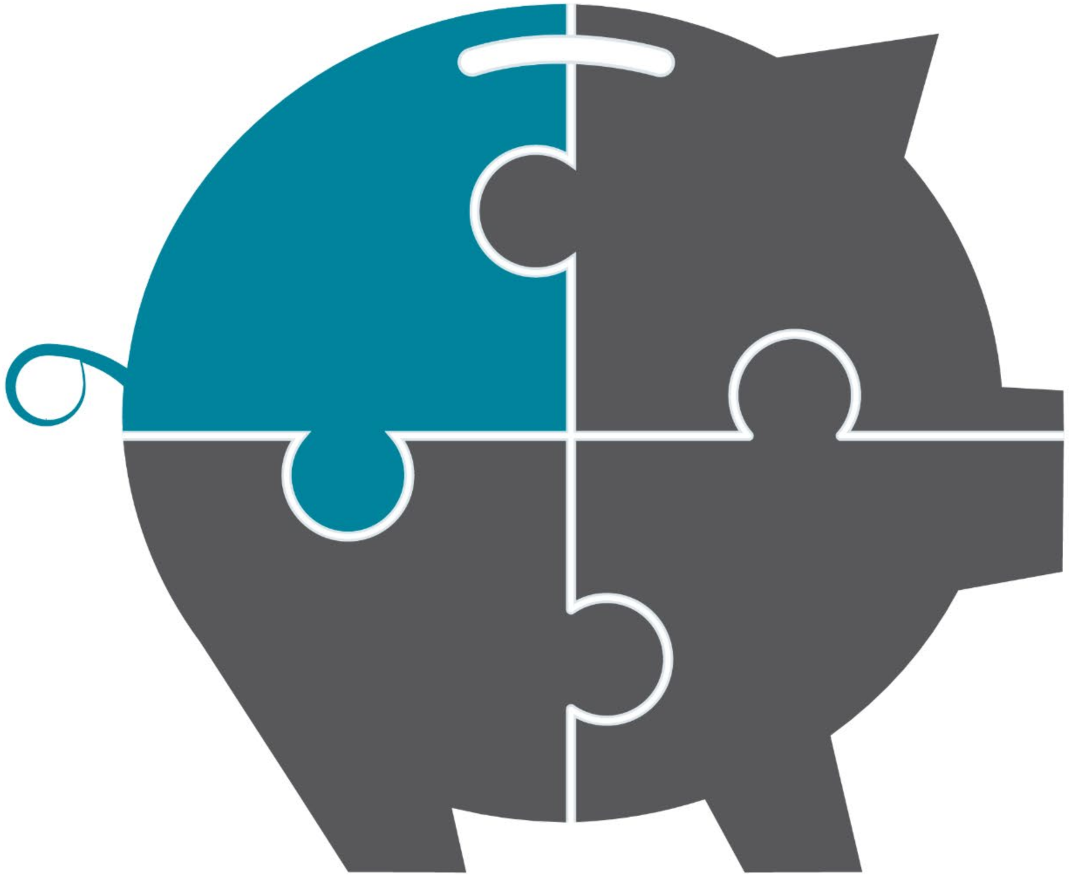
Take action

Consider how the following factors could affect your retirement savings

- Higher health care costs
- Increasing life expectancies
- Inflation

Prepare a retirement budget

Visit www.mnretire.gov/create-a-budget



Pensions

What is a pension benefit

Lifetime income paid monthly once you retire

About MSRS pension plans

90% of state employees are members of the MSRS General Employees Retirement Plan

Membership is mandatory

Employee and employer contribute a % of employee's gross salary to fund their pension

Qualifying for a pension benefit

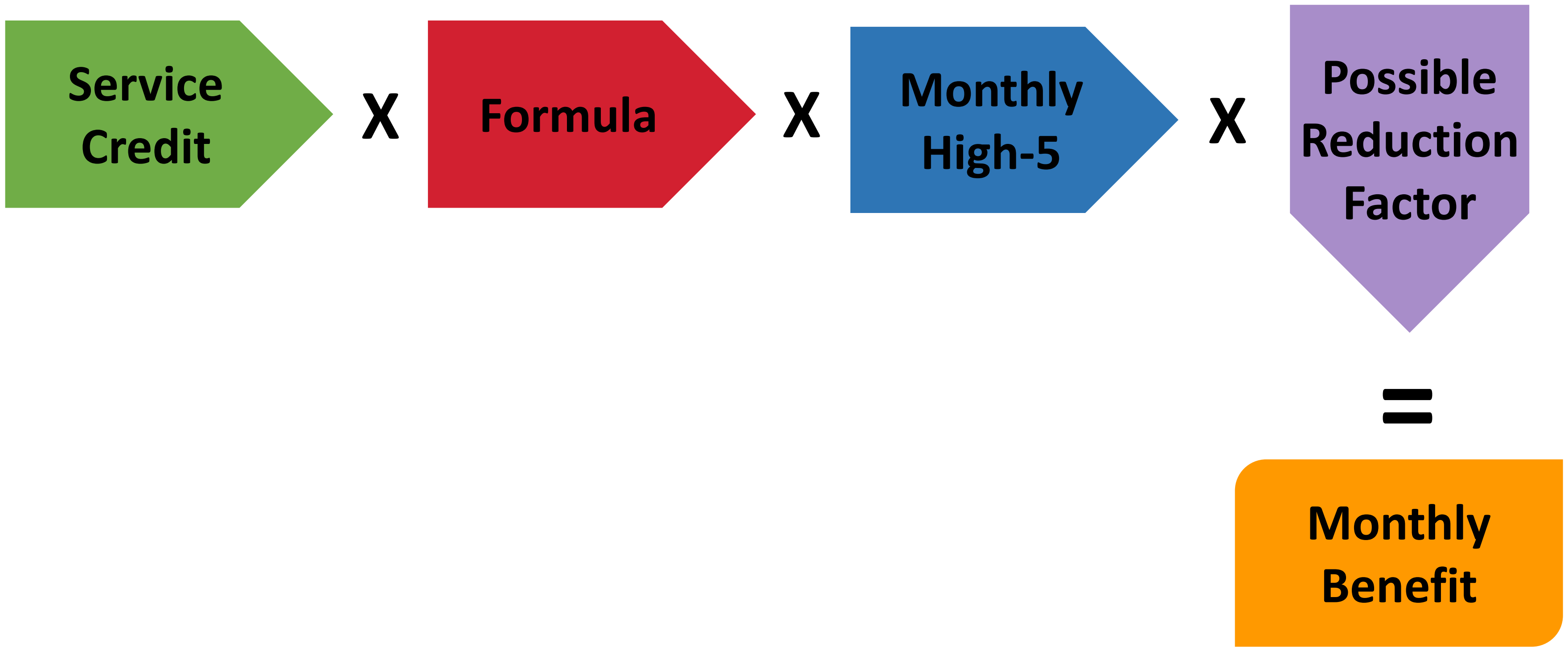
What is vesting?

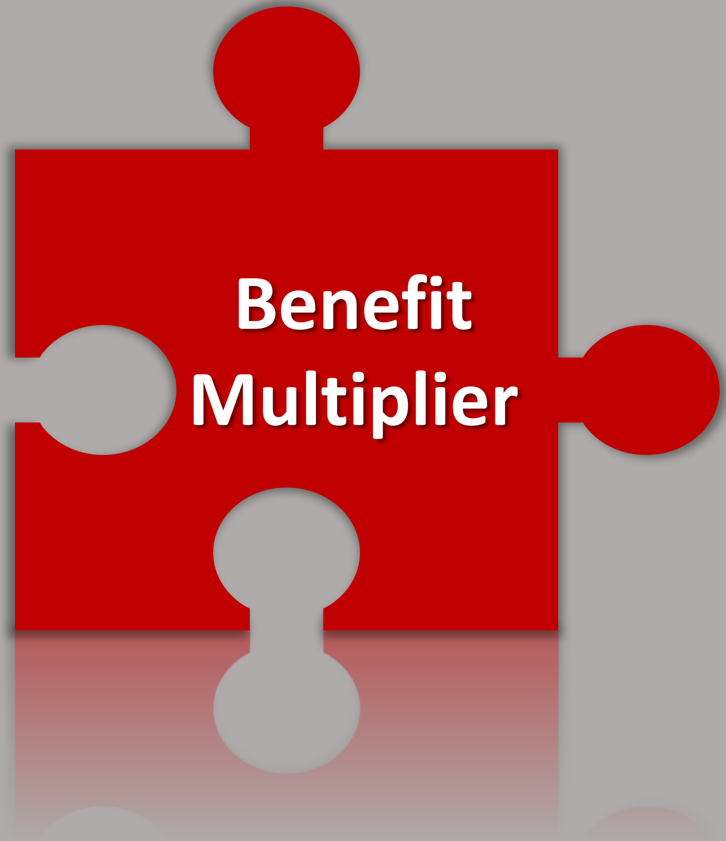
Refers to the time period you must work before you are eligible for a lifetime retirement benefit

General Plan vesting

Working after June 30, 2023	3 years service

How your pension benefit is calculated





General Plan multiplier

The formula dictated by Minnesota law used to calculate your benefit

1.7% for service through June 2025

1.9% for service earned after June 2025

Retirement age determines reduction

Early Retirement Age	Full Retirement Age
■ Age 55-65 Pension benefit subject to reduction	■ Age 66 & older

Meet Anita & Sarah

Each began employment at the same time
Each earn the same salary

Anita

- Plans to retire at age 66
- With 30 years at DNR

Sarah

- Plans to retire at age 62
- With 26 years at DOT

Benefit comparison

Service Credit X Formula X Monthly High-5 X Possible Reduction = Monthly Benefit

Anita retires age 66

30 years X 1.7% X $5,000 X N/A = $2,550

Sarah retires age 62

26 years X 1.7% X $4,619 X 0.6924 = $1,414

FOR ILLUSTRATIVE PURPOSES ONLY Your actual results will vary based on your retirement date.

Benefit deferral comparison

Service Credit X Formula X Monthly High-5 X Possible Reduction = Monthly Benefit

Sarah retires age 62

26 years X 1.7% X $4,619 X 0.6924 = $1,414

Sarah retires age 62 BUT DEFERS TO AGE 66

26 years X 1.7% X $4,619 X N/A = $2,042

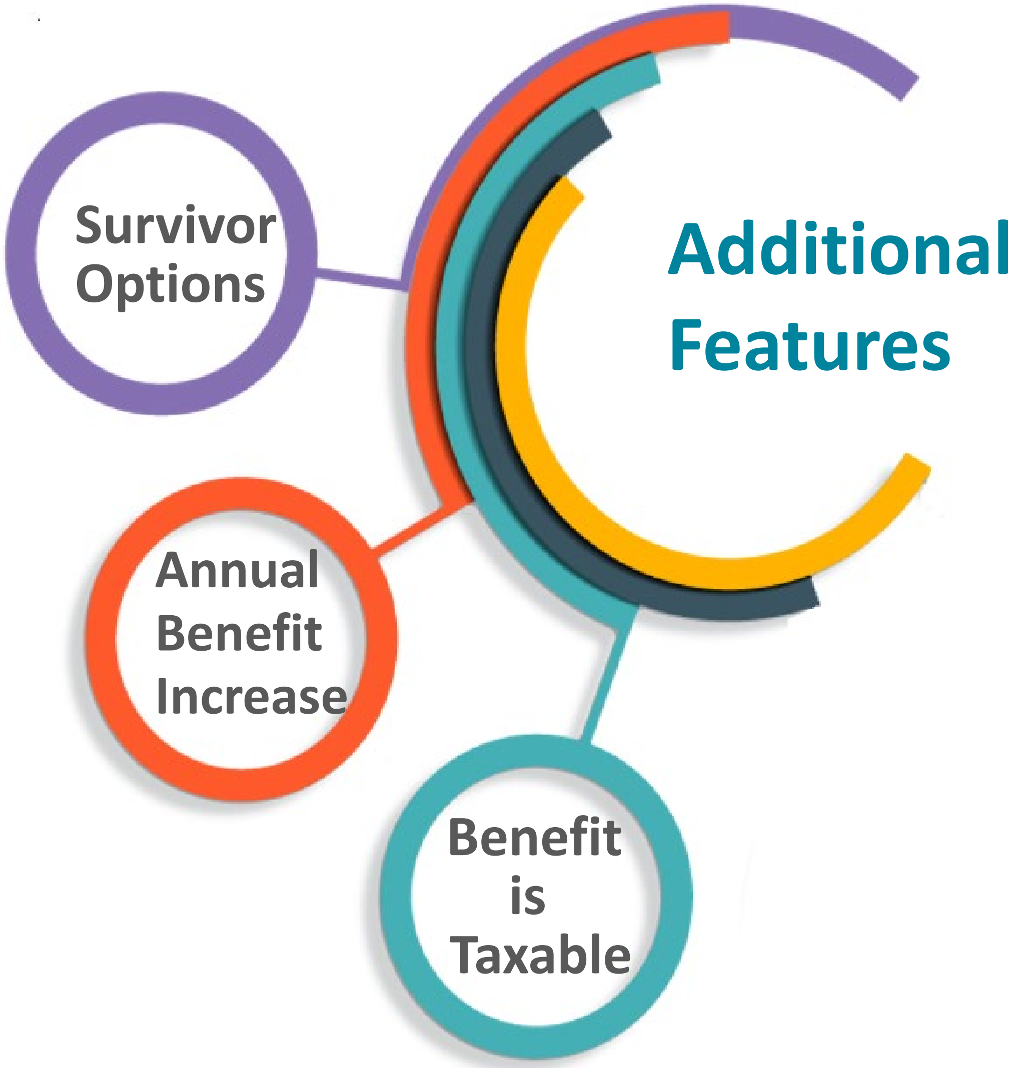
FOR ILLUSTRATIVE PURPOSES ONLY Your actual results will vary based on your retirement date.

Combined service annuity

Service with another MN public pension plan (e.g., TRA or PERA)

Requirements for a coordinated benefit:

- Minimum six months service with each plan
- Must terminate from all plans
- Must collect from all plans within one year


Additional Features
Survivor Options
Annual Benefit Increase
Benefit is Taxable

Take action

Review your estimated pension benefit

- Annual statement
- Online account
- Schedule an appointment with an MSRS Representative

Understand the impact of retiring before your full retirement age

Further you are from your full retirement age, greater the benefit reduction

YOUR
VOICE
MATTERS

TAKE OUR
SURVEY

surveymonkey.com/r/MSRS_webinar_survey

Pension Q&A

- Click on the button to raise your hand
- Once your name is called, you will be able to un-mute
- General questions
- Please mute yourself again and take down your hand
- To follow-up with MSRS, visit www.mnretire.gov and select “Contact Us”

Income Gap

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 replaces[1]

- *10 years service = 19%*
- *20 years service = 38%*
- 30 years service = 57%

Income your Social Security replaces[2]

- *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.

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

MNDCP

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 Withdawal 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.mnretire.gov/toolbox#mndcp

Take action

Bridge the income gap

MNDCP account

Maximize contributions if possible

HCSP account

Use your HCSP account assets

Pension & Social Security

Consider delaying your retirement date

Minnesota Deferred Compensation Plan

What is the MNDCP?

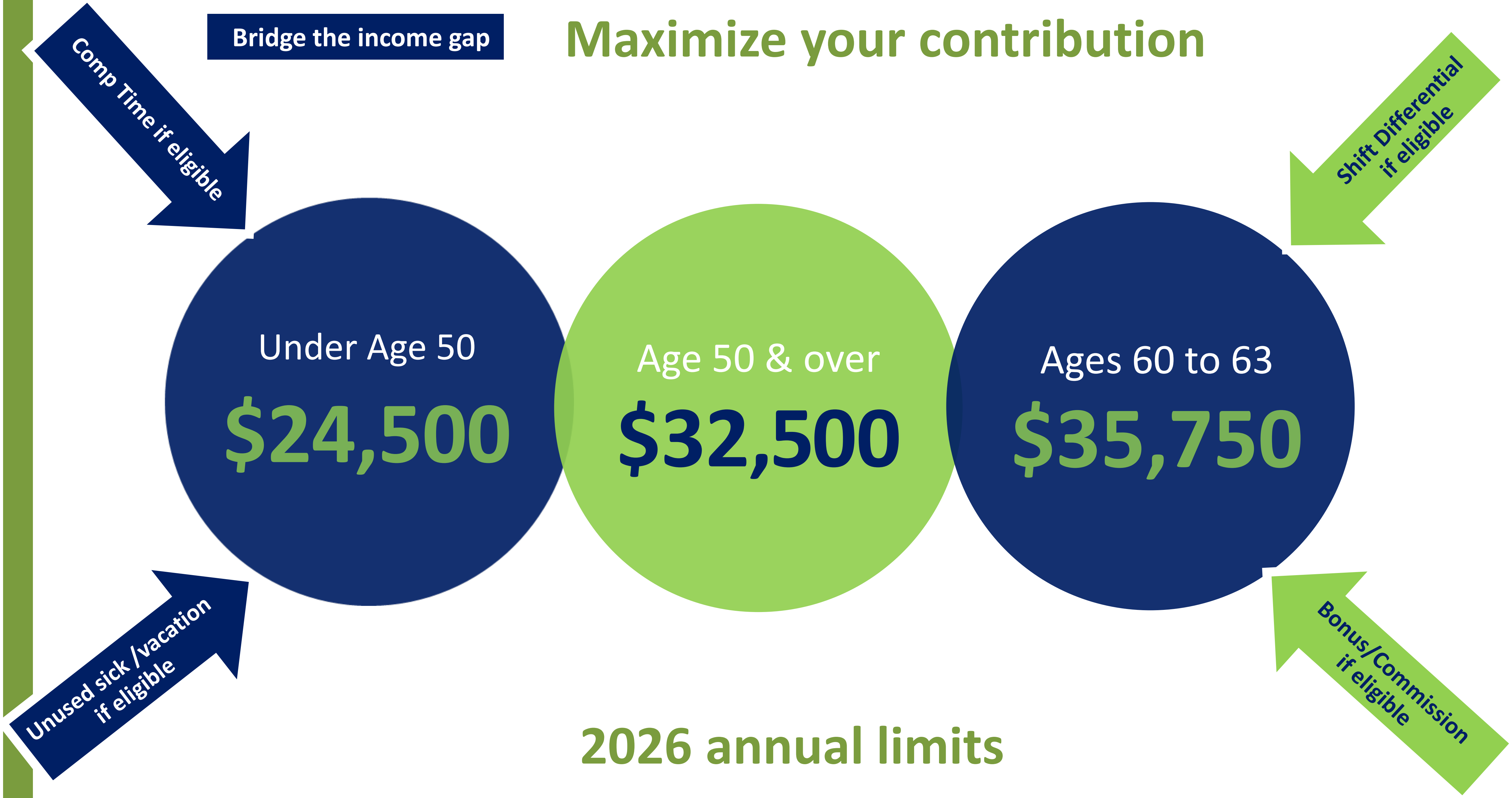
MNDCP Minnesota Deferred Compensation Plan

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

Available to all MN public employees and elected officials

State sponsored 457(b) Plan

Maximize your contribution



2026 annual limits

About age-based contributions

Age-Based Catch-Up Contribution Limits

Eligibility is based on the participant's age at end of the calendar year

Standard Contribution Limit	Age 50+ Contribution Limit	Age 60-63 Contribution Limit	3-year Special Catch-Up Provision
• Maximum $24,500	• Additional $8,000* • Maximum $32,500	• Additional $11,250* • Maximum $35,750	• Must be applied for and approved • Up to an additional $24,500 (not to exceed the participant's approved catch-up credit) • Maximum $49,000

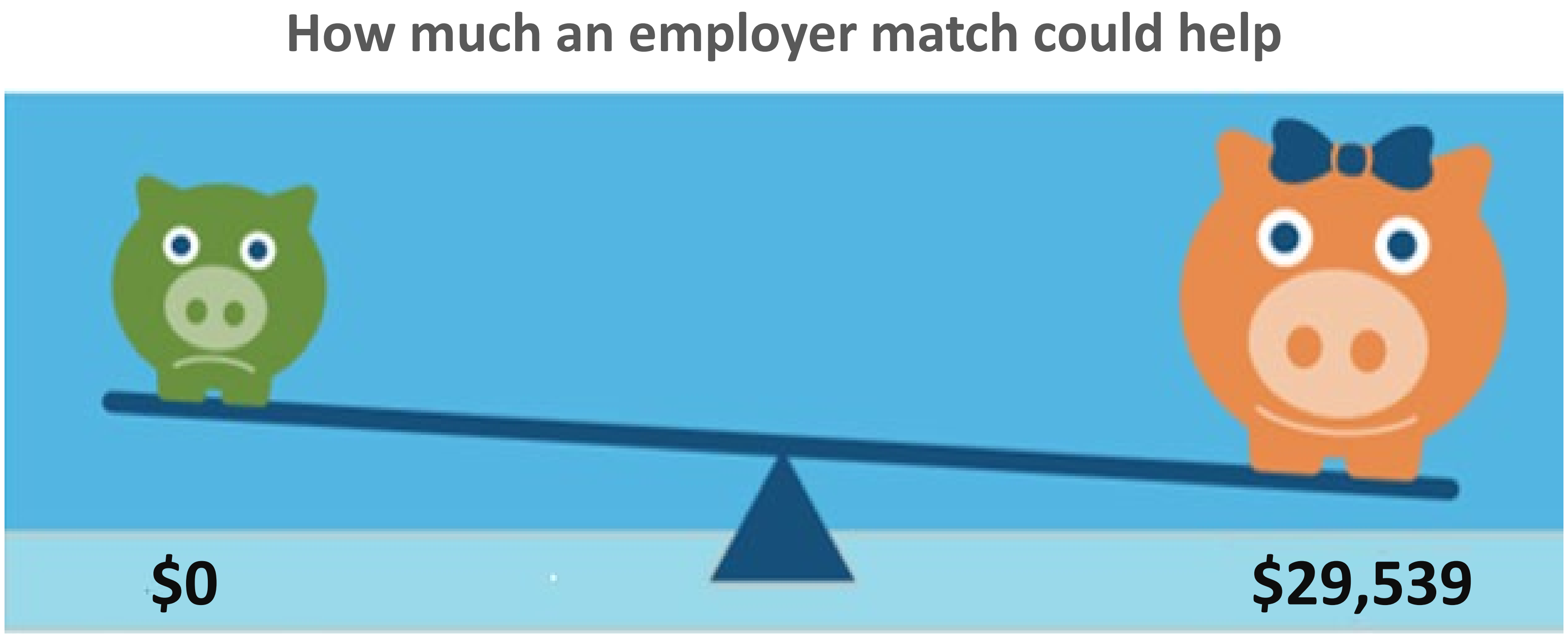
3-year catch-up provision may not be combined with age-based limits

www.mnretire.gov/about-contributions-mndcp

Note that stated limits are based on 2026 contribution limits and may change for future years

*For participants with wages above $150,000 in the previous year, these amounts must be made as after-tax Roth contributions

Take advantage of matching dollars



FOR ILLUSTRATIVE PURPOSES ONLY Figures represents the growth of a minimum $10 contribution per pay period plus an annual $250 employer matching contribution over 25 years at 6% interest (not guaranteed) compounded annually.

Maximize your contribution

Contribution per pay period	10 years	20 years
$25	$8,810	$24,602
$50	$17,620	$49,203
$100	$35,240	$98,407
$200	$70,481	$196,814
$500	$176,202	$492,035

FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration is not intended as a projection or prediction of future investment results, nor is it intended as financial planning or investment advice. It assumes 26 pay periods per year, a 6% annual rate of return and reinvestment of earnings with no withdrawals. Rates of return may vary. The illustration does not reflect any charges, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees had been deducted.

Pre-tax vs Roth after-tax

	Pre-Tax	Roth After-Tax
Contributions	Tax deferred	Taxable
Earnings	Tax deferred	Tax free*
Distributions	Taxable	Tax free*

**As long as Roth account was held for 5-year period and the distribution is on/after age 59½. If both conditions are not met, the earnings portion only of a Roth distribution is taxable.*

How to build a diversified portfolio

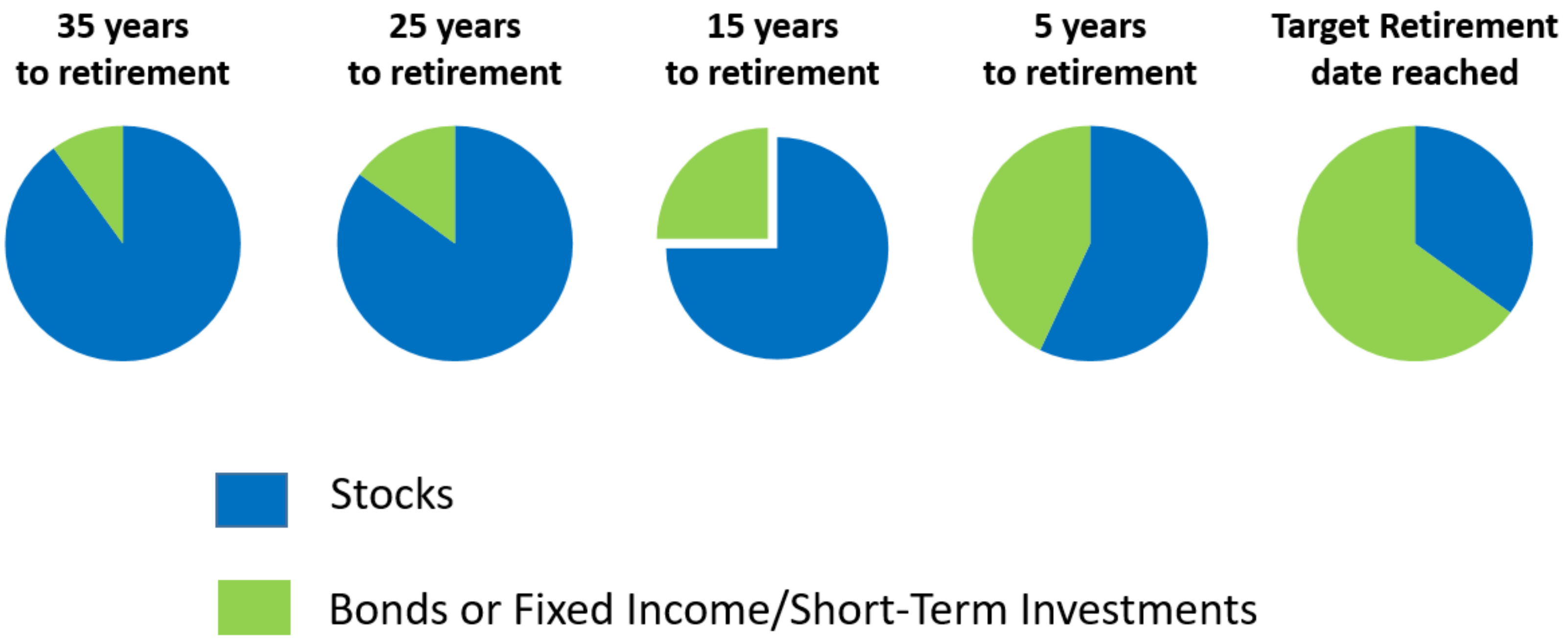
Generally, there are two options to consider:

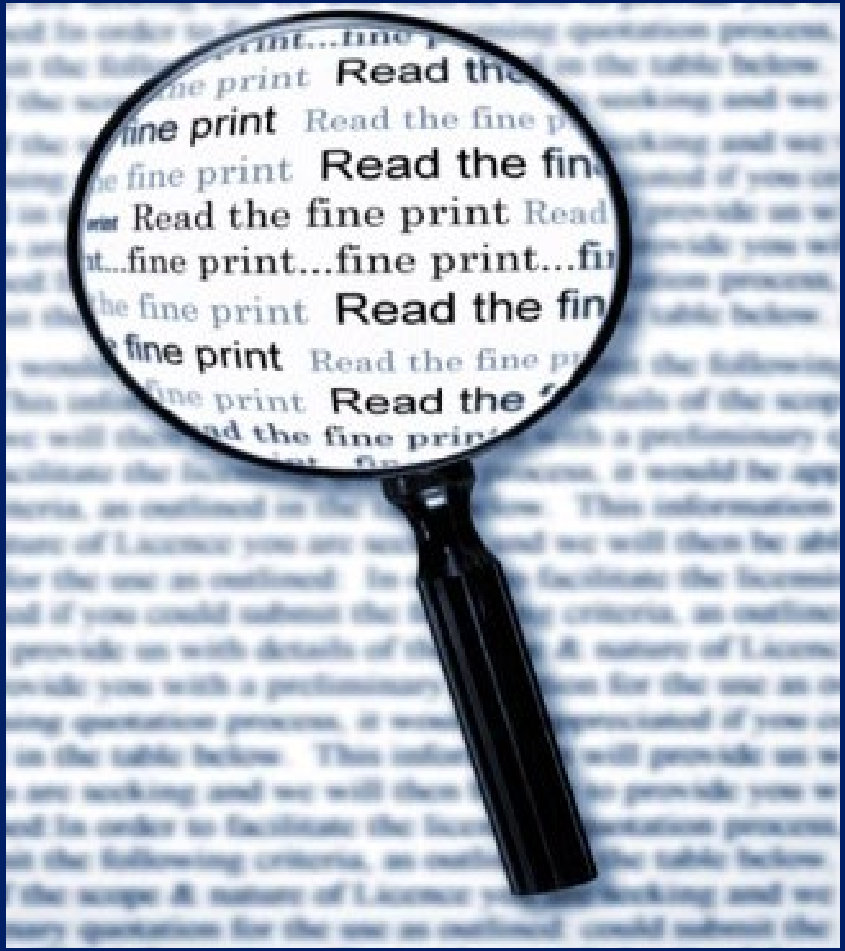
① **For the Hands-Off Investor**
Invest in professionally managed, diversified funds such as a target retirement fund or balanced fund

② **For the Hands-On Investor**
Build your own portfolio from the core investment options available to you

Hands off investor

Select one Target Retirement Fund



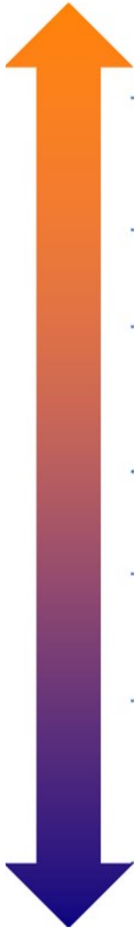


Target Date Funds Disclosure

Generally, the asset allocation of each target date fund will gradually become more conservative as the fund nears the target retirement date. The date in a target date fund's name is the approximate date when investors plan to start withdrawing their money (which is assumed to be at age 65). The principal value of the fund(s) is not guaranteed at any time, including at the time of the target date and/or withdrawal. For more information, please refer to the fund disclosure document.

Hands on investor
Choose your investments

Higher Risk
Potential Reward

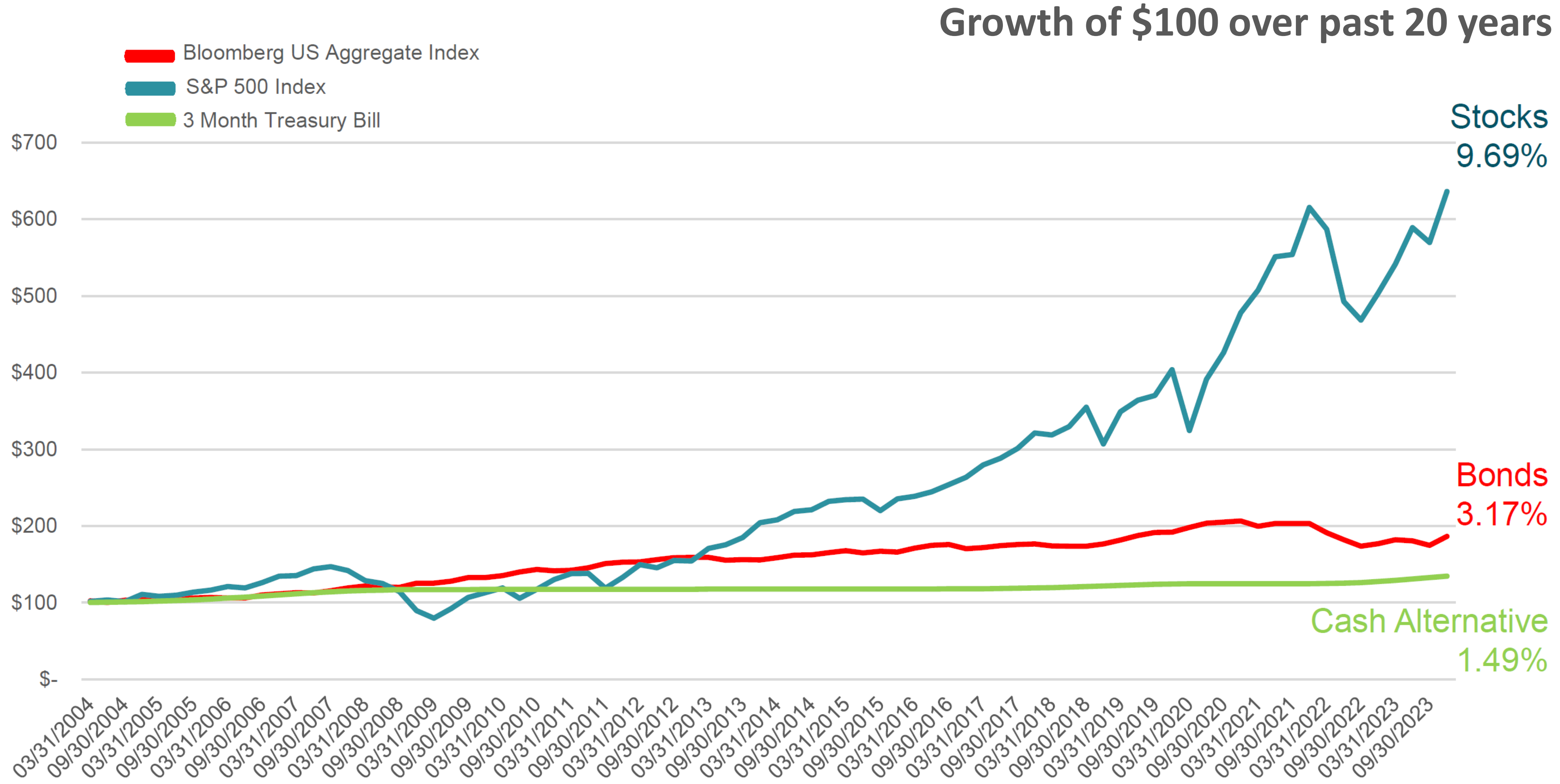


Lower Risk
Potential Reward

Asset Class	MNDCP Investment Options
Small-Cap U.S. Stock	T. Rowe Price Small-Cap Stock Fund
International Stock	Fidelity Diversified International Comingled Pool Vanguard Total International Stock Index Fund
Mid-Cap U.S. Stock	Vanguard Mid-Cap Index Fund
Large-Cap U.S. Stock	Vanguard Total Stock Market Index Fund Vanguard Institutional Index Fund Vanguard Dividend Growth Fund
Balanced	Vanguard Balanced Index Fund
Bond	Core Bond Account Vanguard Total Bond Index Fund
Short-Term Investments	Stable Value Account Money Market Account

Investing involves risk, including possible loss of principal.

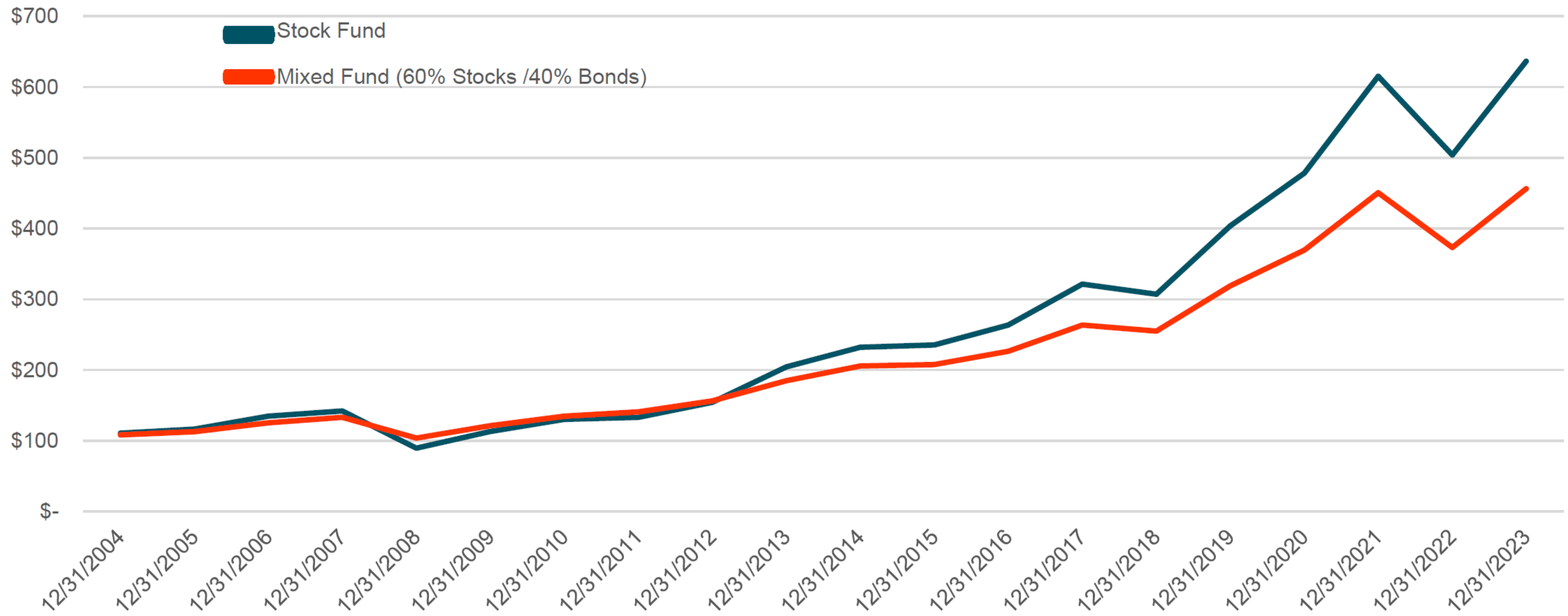
How different investments have performed over time



FOR ILLUSTRATIVE PURPOSES ONLY. Returns are annualized. Source: Factset Systems as of December 31, 2023. Bloomberg US Aggregate, S&P 500 Index, and Citigroup (3M) Treasury Bill are benchmark indexes. A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of a fund will generally be less than its benchmark index. You cannot invest in a benchmark index. Past performance is not a guarantee of future results.

Comparing two investment portfolios

Growth of $100 over past 20 years



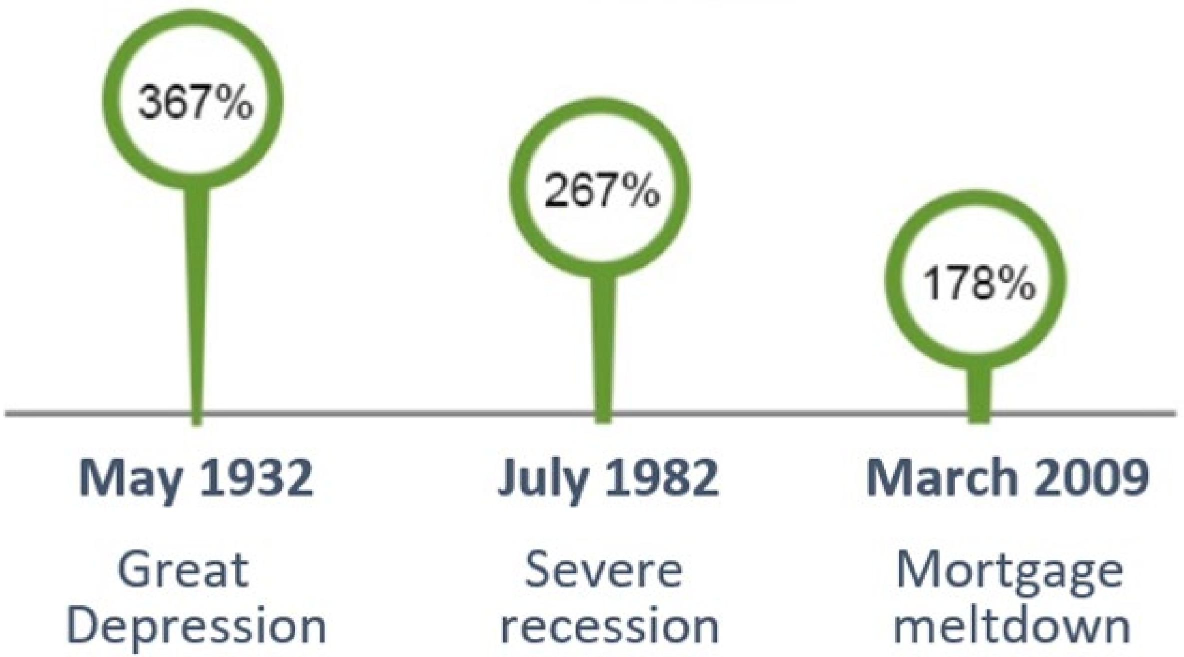
FOR ILLUSTRATIVE PURPOSES ONLY. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. It is not intended as financial planning or investment advice nor as a projection or prediction of future investment results. Past performance is not a guarantee or prediction of future results.

Annual return data from Factset Systems, as of December 31, 2023. Example assumes portfolios are not rebalanced. Stock fund is represented by S&P 500 Index and Mixed Fund is represented by S&P 500 Index and Bloomberg US Aggregate Bond Index returns.

Keep perspective

It has paid to stay invested in U.S. stocks during troubled times

Subsequent 5-year S&P 500 Index® return

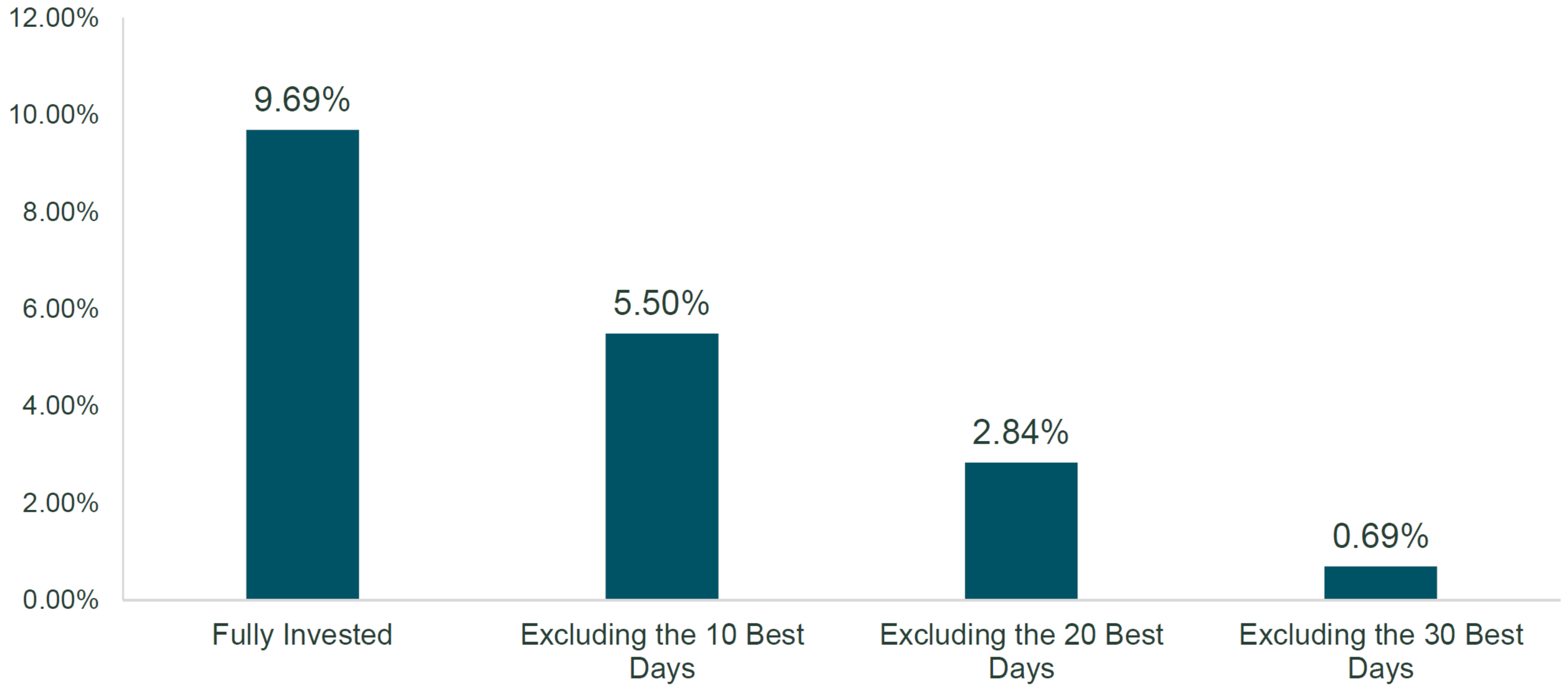


FOR ILLUSTRATIVE PURPOSES ONLY Past performance is not a guarantee or prediction of future results. You cannot invest directly in a benchmark index. U.S. stock market returns represented by total return of S&P 500 Index®, which is an index used as a proxy for the stock market in general.

Source: Fidelity Investments. https://institutional.fidelity.com/app/item/RD_13569_23965.html With data provided by Ibbotson, Factset, FMR Co., Fidelity Asset Allocation Research Team (AART) as of 3/31/2015.

Managing investments in economic downturns

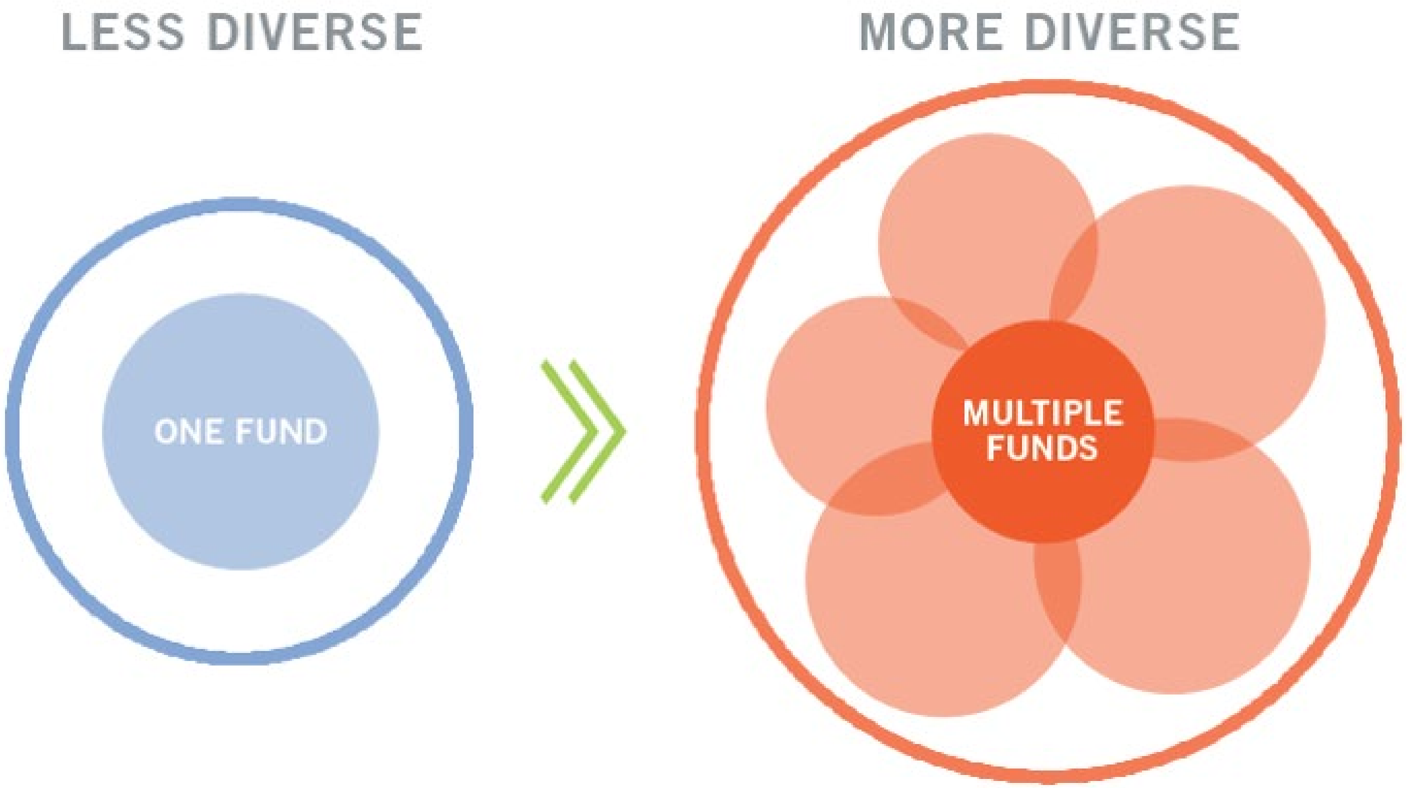
Returns of S&P 500 Index® - 20 years ended December 31, 2023



FOR ILLUSTRATIVE PURPOSES ONLY. Source: Data obtained from Factset Systems. S&P 500® index returns January 1, 2004 through December 31, 2023. Returns expressed as total returns. This chart is intended for illustrative purposes only; it is not investment advice. Past performance is not a guarantee of future results. S&P 500® Index is a registered trademark of Standard & Poor's Financial Services LLC, and is an unmanaged index considered indicative of the domestic Large-Cap equity market. An index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of a fund will generally be less than its benchmark index. You cannot invest directly in a benchmark index.

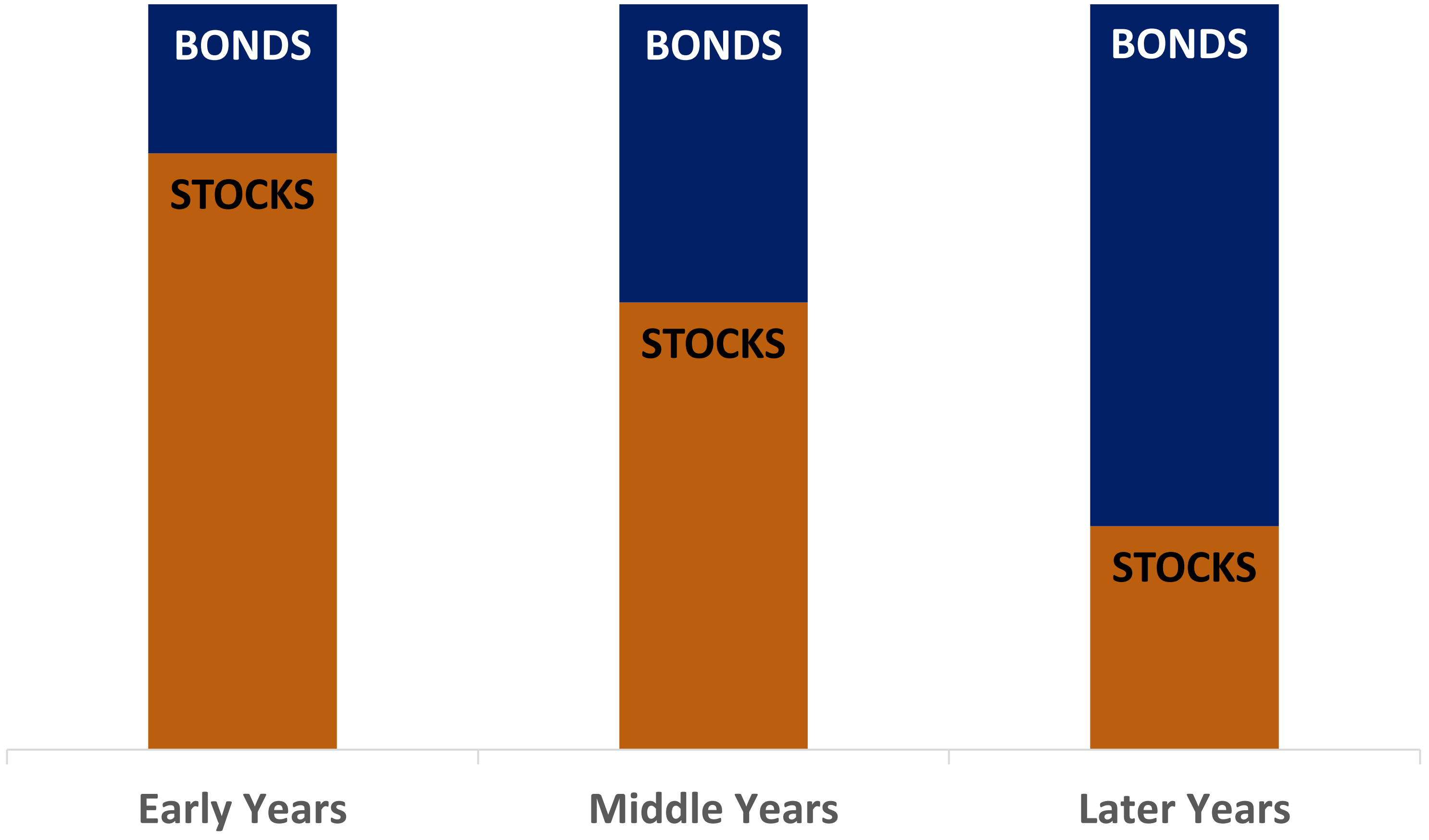
Diversify to manage risk

Diversification - Holding a mix of investments such as stocks in large, small and international companies, bonds (government and corporate) and cash alternatives (Stable Value, Money Market)



FOR ILLUSTRATIVE PURPOSES ONLY. Diversification does not ensure a profit or guarantee against loss.

Asset allocation example



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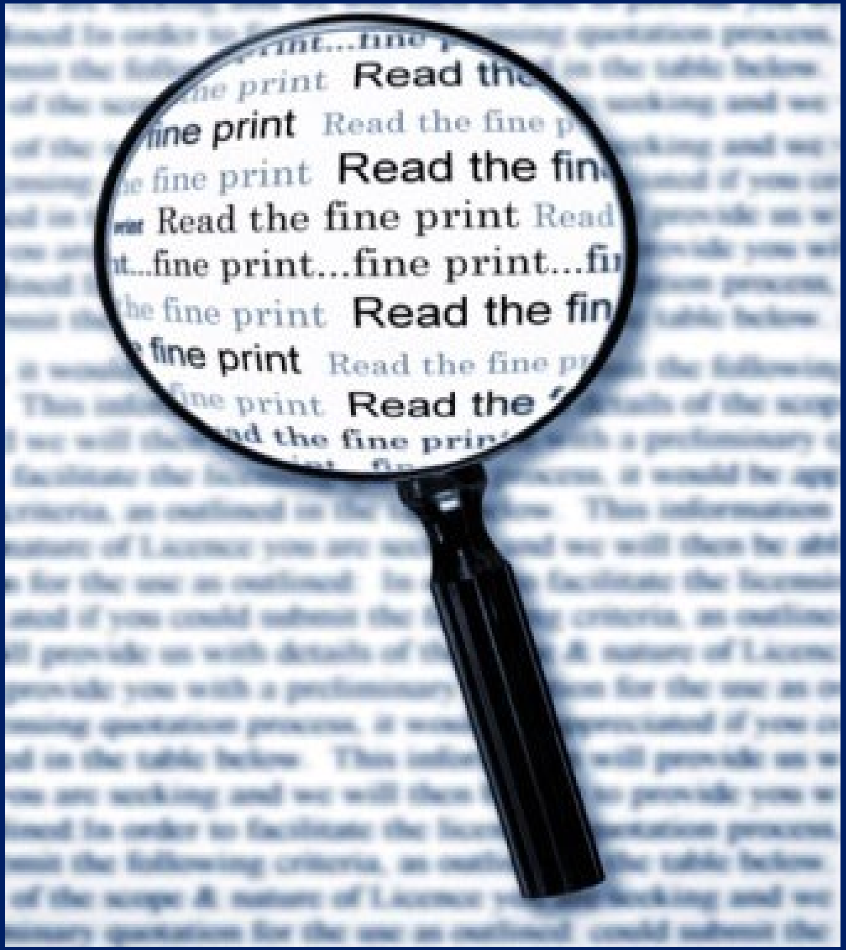


Money Market Account Disclosure

You could lose money by investing in a money market account. Although the fund seeks to preserve the value of your investment at $1 per share, it cannot guarantee it will do so. An investment in the account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The account's sponsor has no legal obligation to provide financial support to the account, and you should not expect that the sponsor will provide financial support to the account at any time.

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.mnretire.gov** or call 800-657-5757. Read such materials carefully before investing.*

Distribution eligibility

You are not required to withdraw your MNDCP account balance upon severance of employment

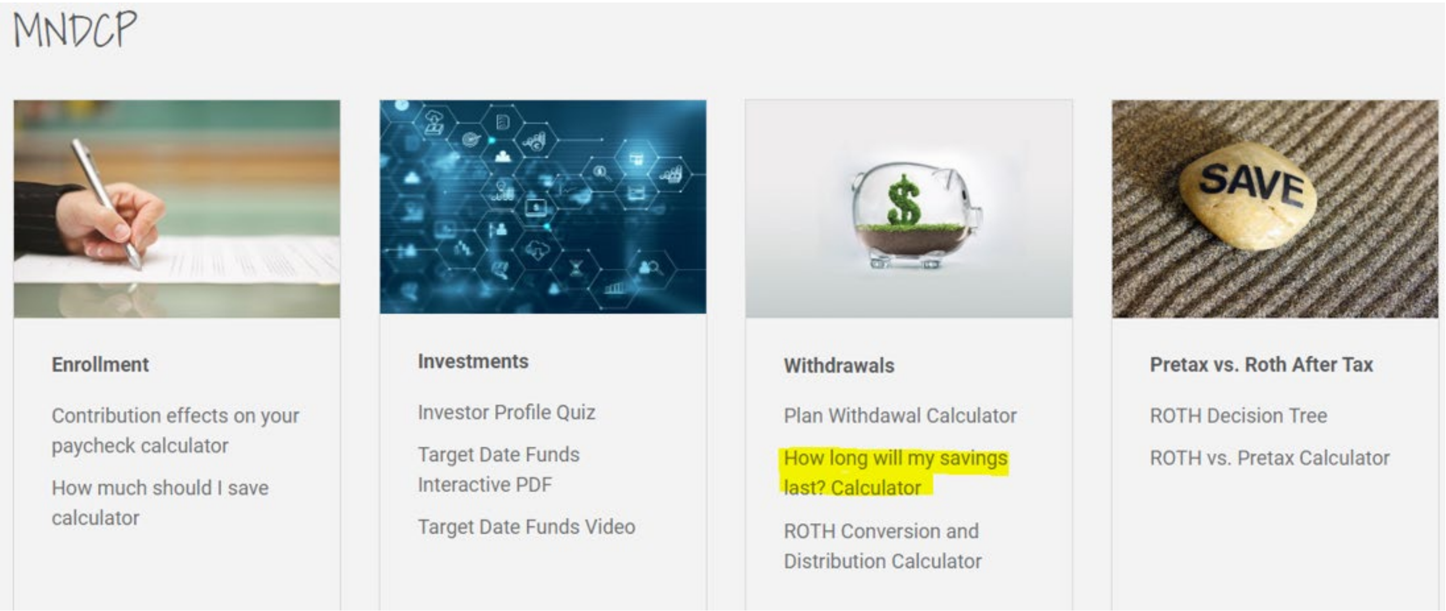
- Distribution eligibility begins:
  - 30 days after ending employment, at any age
  - On/After age 59½, regardless of employment status
  - Upon death or disability
- No IRS 10% tax penalty on withdrawals prior to age 59½

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



Do your own calculation

www.mnretire.gov/toolbox#mndcp

Keep beneficiary designations up-to-date

What happens if something happens to you?

A beneficiary will inherit your account assets

Plan ahead

AVOID PROBATE

Take action

Maximize
your contributions

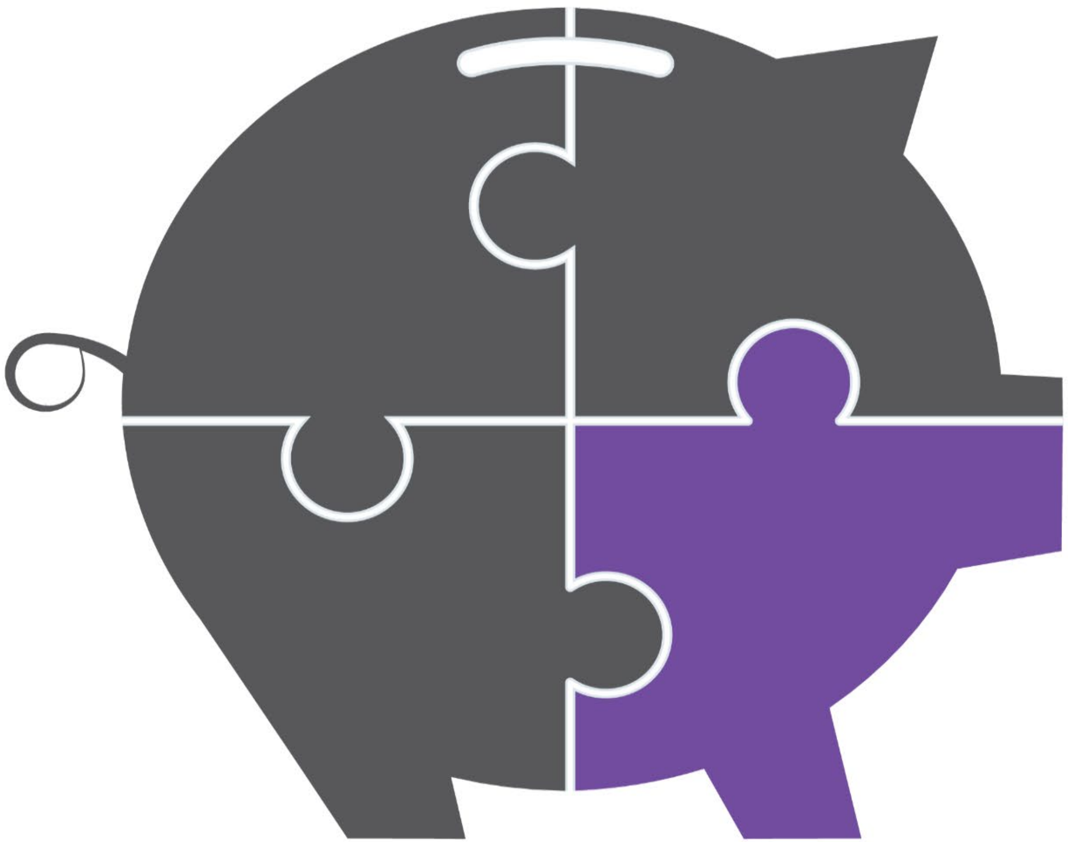
Minimize
account fluctuations with a diversified investment strategy

Get free money
enjoy any employer matching dollars

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

MNDCP Q&A

- Click on the button to raise your hand
- Once your name is called, you will be able to un-mute
- General questions
- Please mute yourself again and take down your hand
- To follow-up with MSRS, visit www.mnretire.gov and select “Contact Us”



Health Care Savings Plan

What is the HCSP?

A tax-free savings account

- ✓ Tax-free contributions
- ✓ Tax-free potential growth
- ✓ Tax-free reimbursements
- ✓ No Social Security, Medicare or income taxes

Reimburse eligible **post-employment** health care expenses for employee, spouse, legal tax dependents, and children up to 26th birthday.

NOTE: Your Social Security benefit may be slightly reduced because no FICA tax is collected on contributions

Tax-free matters

Taxable Cash Payout	
Severance payment	$10,000
Federal Income Tax	2,200
State Income Tax	680
FICA Tax	765
Net cash payment	**$6,355**

Tax-Free HCSP Payout	
Severance payment	$10,000
Federal Income Tax	0
State Income Tax	0
FICA Tax	0
Net cash payment	**$10,000**

FOR ILLUSTRATIVE PURPOSES ONLY
This hypothetical example assumes a 22% federal withholding rate + 6.80% state withholding rate + 7.65% FICA (Social Security and Medicare) tax rate. Individual tax rates will vary based on total taxable income and filing status for the year.

Eligibility for participation

Participation MUST be…

- negotiated in union contract

  or

- included in personnel policy for non-union employees

Participation CANNOT be…

- individual choice—group participation must be specified in union contract or personnel policy

State employee participation

Union	Paycheck contribution	Severance	Vacation
AFSCME		√	√
MAPE	1%	√	√
MMA	2%*	√	√
Managerial & Commissioners	1%	√	√**

For participation specifics, refer to your union contract at:

https://mn.gov/mmb/employee-relations/labor-relations/labor/

*Effective 7/1/2026

**See contract for details

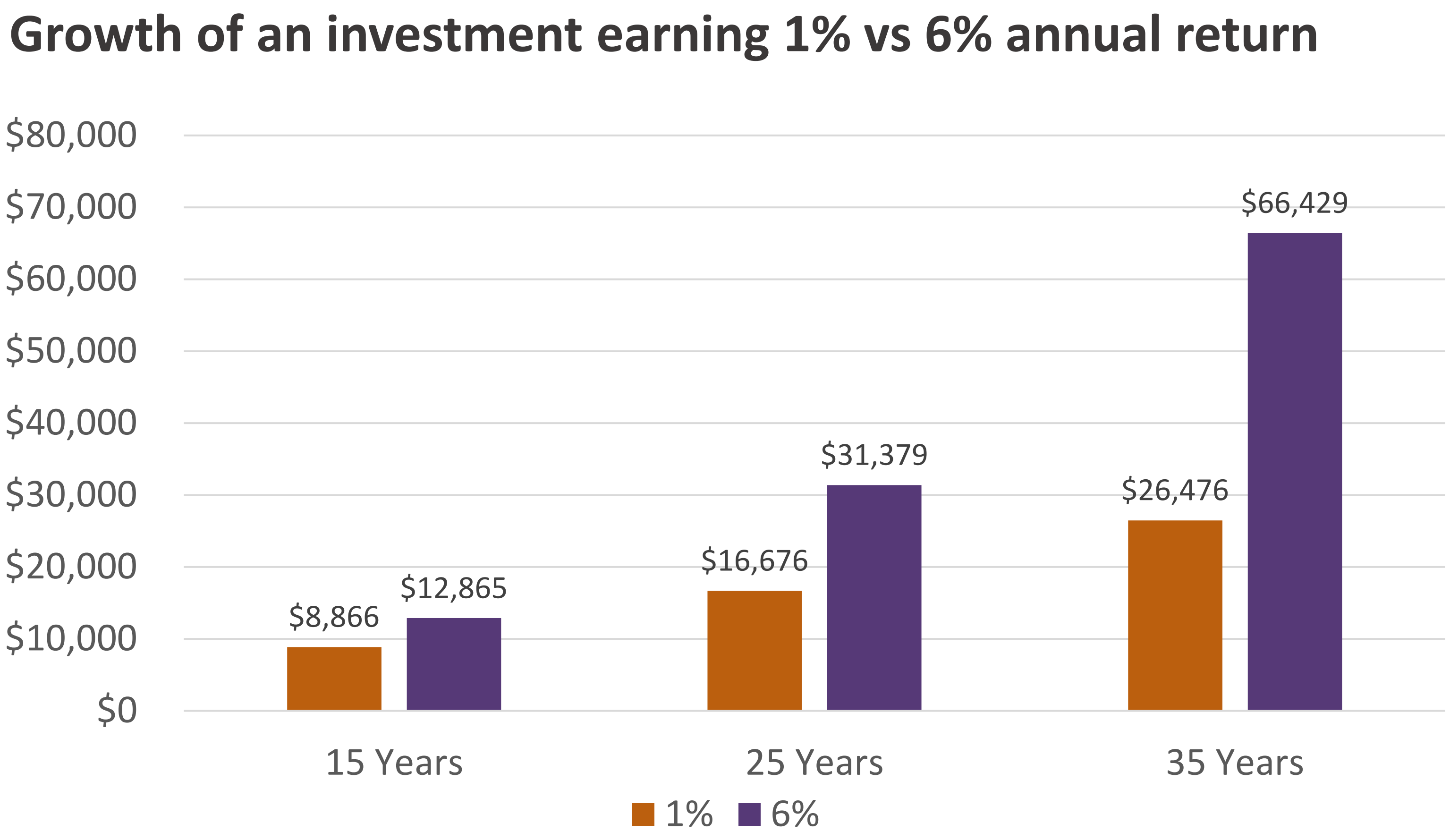
Investment Default

Money Market Account

- Seeks to maintain the value of the original investment
- Seeks to earn interest competitive with short-term interest rates
- Plan expenses may exceed earned interest
- Other investment options available

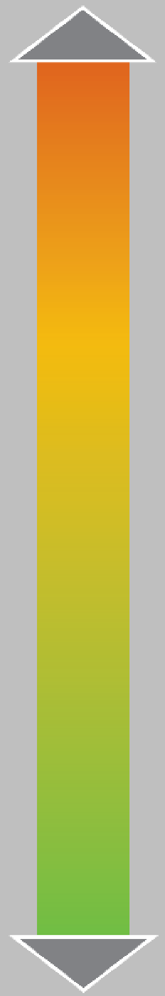
You could lose money by investing in a money market. Although the account seeks to preserve the value of your investment at $1 per share, it cannot guarantee it will do so. An investment in the account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The account's sponsor has no legal obligation to provide financial support to the account, and you should not expect that the sponsor will provide financial support to the account at any time.

Investments matter



FOR ILLUSTRATIVE PURPOSES ONLY Figures represents the growth of 1% of salary for the periods shown at 1% and 6% interest (not guaranteed) compounded annually less the 0.65% annual HCSP administrative fee. Data assumes a starting $50,000 annual salary with annual 2% raises.

Higher Risk
Potential Reward



Lower Risk
Potential Reward

Investment options

T. Rowe Price Small Cap Stock Fund

Vanguard Total International Stock Index Fund

Vanguard Mid Cap Index Fund

Vanguard Total Stock Market Index Fund

Vanguard Dividend Growth Fund

Vanguard Balanced Index Fund

Core Bond Account

Vanguard Total Bond Market Index Fund

Stable Value Account

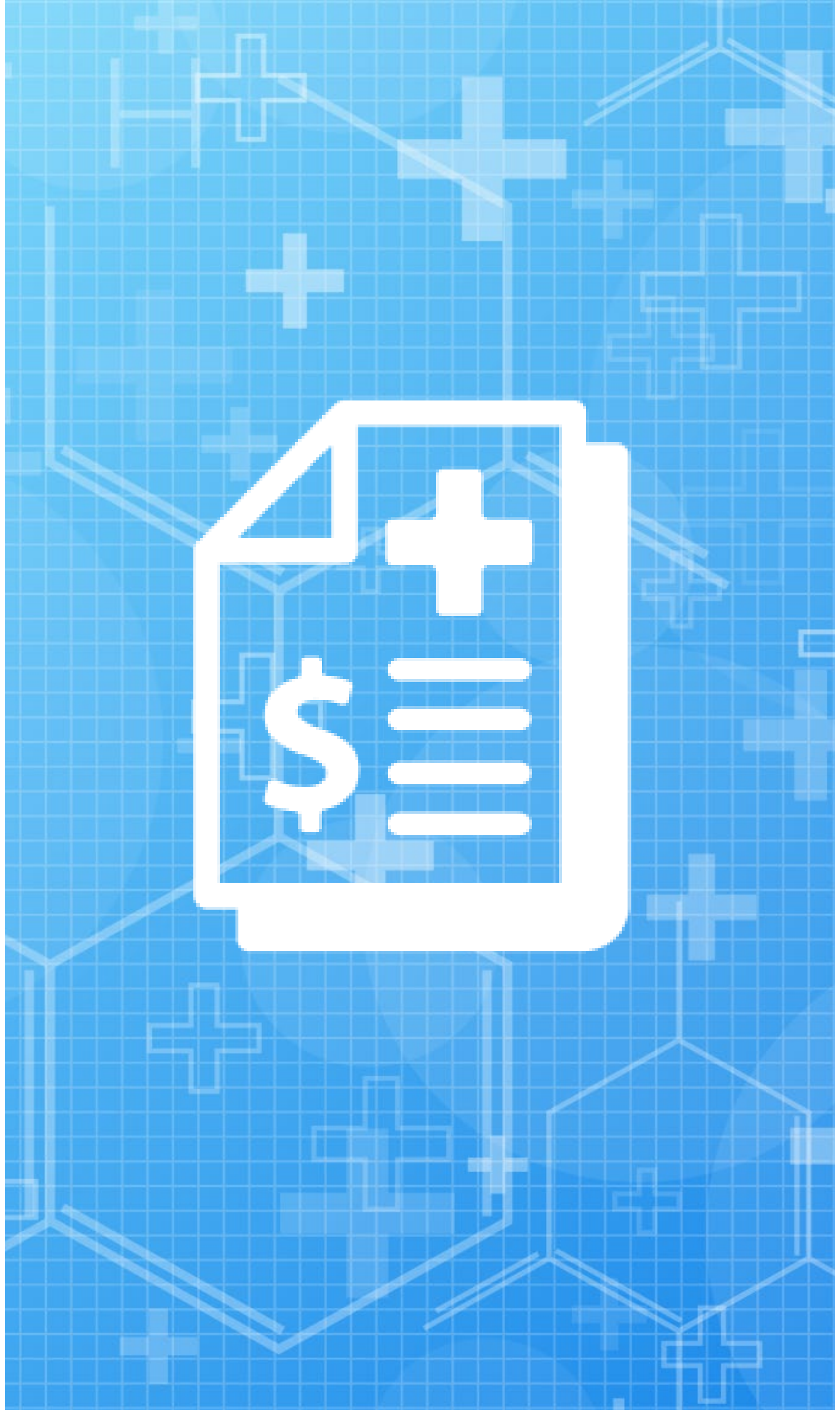
Investing involves risk, including possible loss of principal.

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.mnretire.gov or call 800-657-5757. Read such materials carefully before investing.

No investment is 100% risk free. You can incur loss of principal by investing. There is no assurance that investing will ensure a profit or protect against loss.

Foreign investments involve special risks, including currency fluctuation, taxation differences and political developments. Equity securities of small and mid-sized companies may be more volatile than securities of larger, more established companies. Asset allocation and balanced investment options and models are subject to the risks of the underlying funds, which can be a mix of stocks/stock funds and bond/bond funds. A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.



Request reimbursements

- Upon termination of employment… at any age
- Once retired
- If collecting a disability benefit from a MN public pension plan

What is reimbursable

Eligible medical/dental expenses, including:

- *Insurance Premiums*
    - Health, Medicare, Dental, Long-Term Care
- *Dental costs*
- *Eye-care costs*
- *Co-payments & prescription drugs*
- *Over-the-counter drugs with prescription*

For other eligible expenses, see IRS Publication 502

Some examples that <u>cannot</u> be reimbursed

- Life insurance premiums
- Teeth bleaching
- Cosmetic surgery
- Finance charges on bills
- Fees for health club membership
- Funeral expenses
- Vitamins

Not all inclusive

About beneficiary designations

What happens if something happens to you?

Spouse or legal dependents[1]

- Account balance automatically transfers to HCSP account for spouse

  OR, if no spouse

  Account balance automatically transfers to HCSP account for dependent(s)
- Reimbursements remain **tax-free**

If NO spouse or legal dependents[1]

- Account balance transfers to HCSP account for your designated beneficiaries
- Reimbursements taxed as ordinary income

[1]Legal dependent is someone you can claim on your federal tax return

Take action

Review your investments
The Money Market Account is the investment default

Remember
post-employment account for health expenses only

No tax reporting
since reimbursements are exempt from federal and state taxation

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- Click on the button to raise your hand
- Once your name is called, you will be able to un-mute
- General questions
- Please mute yourself again and take down your hand
- Follow-up with MSRS, visit www.mnretire.gov and select “Contact Us”

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*

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