

# Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2018  
Minnesota State Retirement System  
Pension Trust Funds of the State of Minnesota



**The Popular Annual Report (PAFR)** is a summary of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. The financial data in the PAFR derives from the more detailed CAFR. 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/financial-information](http://www.msrs.state.mn.us/financial-information).

**87%**

OF MSRS RETIREES  
ARE MINNESOTA  
RESIDENTS

**\$957  
Million**

MSRS PENSION  
BENEFITS PAID  
ANNUALLY

**46**

**Thousand**

PLAN MEMBERS  
RECEIVE AN  
MSRS PENSION  
BENEFIT

**107**

**Thousand**

RETIREES  
LIVE IN  
MINNESOTA

## From the Executive Director

It is my pleasure to present the Minnesota State Retirement System Popular Annual Financial Report for the fiscal year ending June 30, 2018. This report provides a brief picture of the performance of your retirement funds.

Fiscal year 2018 was a successful year for the Minnesota State Retirement System (MSRS). The funded status of MSRS' largest retirement plan, the General Employees Retirement Plan, improved to almost 91 percent (calculated on the market value of assets) as of June 30, 2018. This is largely due to legislative changes in plan provisions and to a higher than expected investment return of over 10 percent. MSRS' fiduciary net position as of June 30, 2018, totaling almost \$24 billion, increased about 7 percent from the prior year.

The 2018 state legislative session ended with the Legislature unanimously passing the 2018 Omnibus Retirement Act. This act included reforms intended to improve the funding status of Minnesota's public pension funds.

MSRS also accomplished many administrative goals including the beginnings of our three-year strategic plan implementation to guide us toward fulfilling our mission and vision. Our strategic plan includes goals, objectives and initiatives around talent management, service delivery, participant success and financial sustainability.

Fiscal year 2018 has been a productive year. We are excited for the future and committed to our mission, which is to *empower Minnesota public employees to build a strong foundation for retirement.*



Erin Leonard  
EXECUTIVE DIRECTOR

# Pension Plans

Employers and employees 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.

## FIDUCIARY NET POSITION JUNE 30, 2018

## MEMBERSHIP



### State Employees (General) Plan

**\$13.3 Billion total assets**

**\$807.8 Million increase**  
over previous year (6.5%)

51,223 Active Members  
25,344 Deferred Members  
40,821 Benefit Recipients

**117,388 Total Members**



### Correctional Employees Plan

**\$1.1 Billion total assets**

**\$91.1 Million increase**  
over previous year (8.9%)

4,650 Active Members  
2,190 Deferred Members  
3,259 Benefit Recipients

**10,099 Total Members**



### State Patrol Plan

**\$729.8 Million total assets**

**\$38.2 Million increase**  
over previous year (5.5%)

921 Active Members  
78 Deferred Members  
1,071 Benefit Recipients

**2,070 Total Members**



### Judges Plan

**\$201.8 Million total assets**

**\$16.6 Million increase**  
over previous year (9.0%)

317 Active Members  
15 Deferred Members  
369 Benefit Recipients

**701 Total Members**



### Legislators Plan

No assets. This is a closed plan funded by a General Fund Appropriation

19 Active Members  
39 Deferred Members  
372 Benefit Recipients

**430 Total Members**

# 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 at retirement in a variety of distribution options and 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.

## PLAN

## STATISTICS



### Unclassified Employees Plan

A mandatory plan for certain positions including elected officials, department heads, commissioners and legislative staff.

**3,217 Total Members**

**\$323.9 Million total assets**



### Health Care Savings Plan (HCSP)

An employer-sponsored savings plan that allows Minnesota public employees to invest tax-free money for reimbursement of eligible health care expenses after leaving employment.

**122,346 Total Members**

**\$1.1 Billion total assets**



### Minnesota Deferred Compensation Plan (MNDCP)

A voluntary savings plan, available to any Minnesota public employee, intended for long-term investing for retirement.

**88,993 Total Members**

**\$7.0 Billion total assets**



### Hennepin County Supplemental Plan

A voluntary plan created specifically for Hennepin County employees. Only employees who were hired before April 14, 1982 are eligible for this plan.

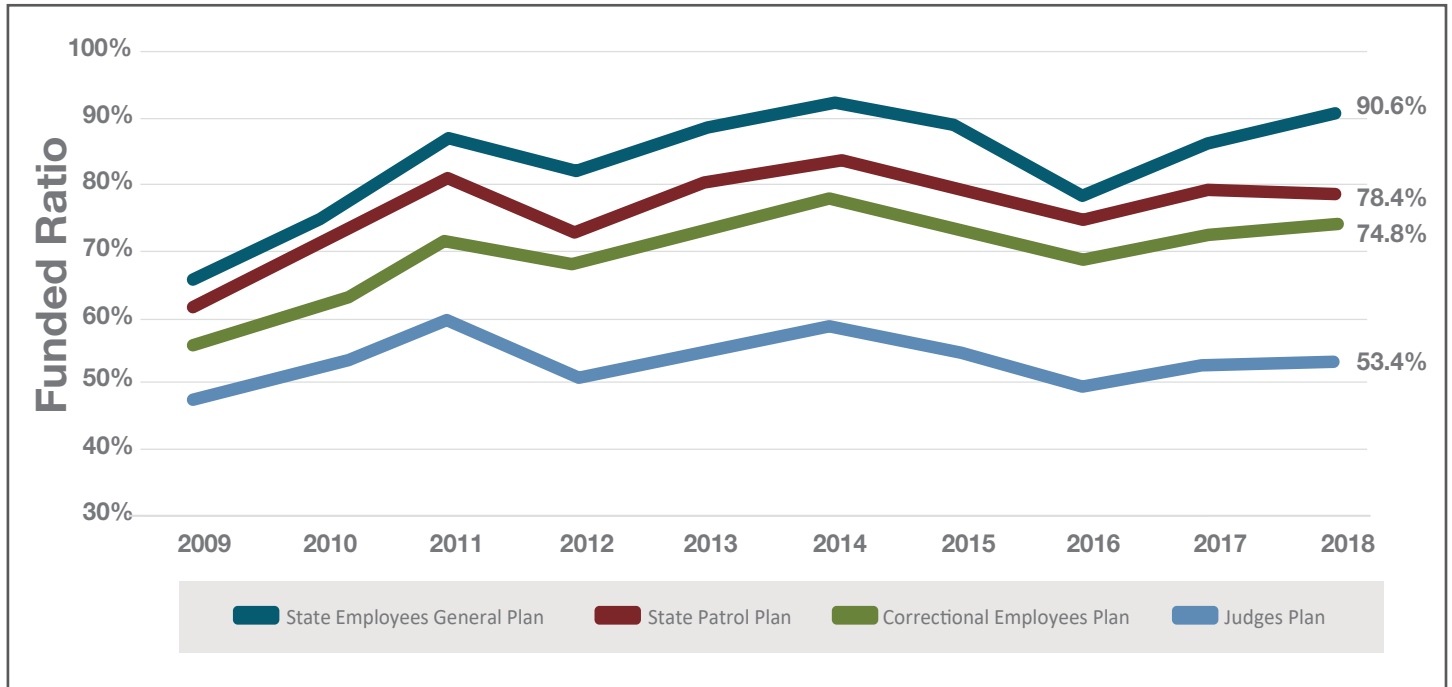
**1,276 Total Members**

**\$159.0 Million total assets**

**MSRS is committed** to empowering Minnesota public employees to build a strong foundation for retirement.

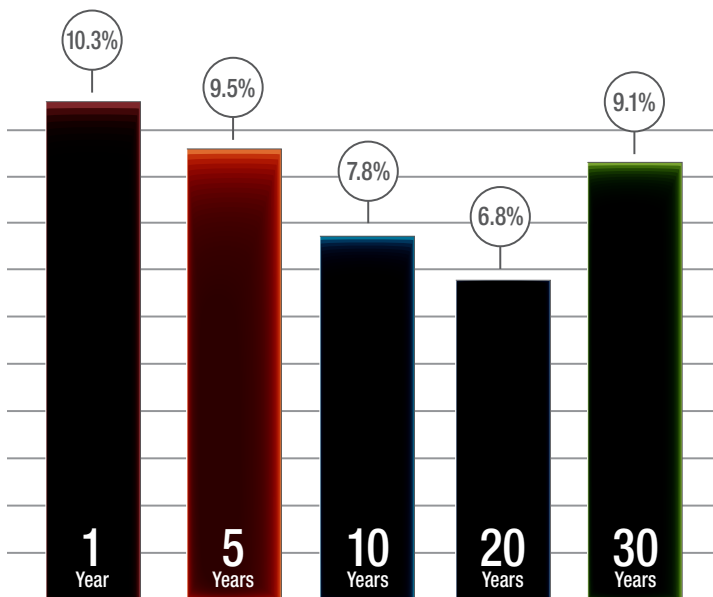
# Funding

The funded ratio is measured on June 30th of each year. It is based on the market value of assets and actuarially calculated liabilities. Funding for pension plans consists of investment returns, employer contributions, and employee contributions.

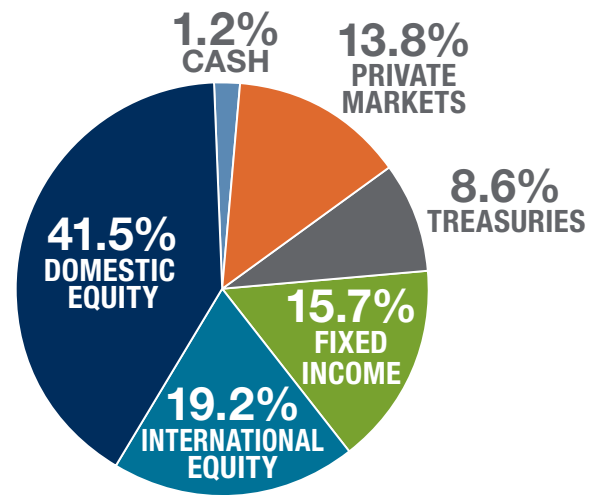


# State Board of Investment (SBI)

The SBI is responsible for the investment management of various retirement funds, trust funds and cash accounts. On June 30, 2018, the market value of all assets under SBI management was \$96.2 billion. The combined funds of various retirement systems, including MSRS, totaled \$68.2 billion. Below is a breakdown of the combined retirement assets and how they are allocated, as well as a historical breakdown of annualized returns.



SBI Historical Annualized Returns



Asset Allocation June 30, 2018

# About MSRS

Minnesota State Retirement System (MSRS) was established by the Legislature in 1929 to provide retirement benefits to state employees.

MSRS administers multiple retirement plans. We provide retirement, survivor and disability benefit coverage for Minnesota state employees, the Metropolitan Council and many non-faculty employees at the University of Minnesota.

MSRS covers over 57,000 active defined benefit employees and currently pays monthly benefits to over 45,000 retirees, survivors and employees. We administer the Minnesota Deferred Compensation Plan (MNDCCP) and the Health Care Savings Plan (HCSP).

## How We Work

MSRS is governed by an eleven-member Board of Directors. Three members are appointed by the Governor. Five members are elected by the membership at large. The remaining three members represent the State Patrol Retirement Plan, the Correctional Retirement Plan and 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. While MSRS is

ultimately governed by the laws and statutes, the MSRS Board is responsible for setting policies, hearing disability and benefit appeals, and overseeing the administration of all MSRS plans. MSRS Board members do not receive a salary for serving in this capacity.

The State Board of Investment (SBI) is responsible for selecting the investments for the pension plan assets. They continually evaluate the performance of the investment managers.



Questions? Contact Us!

1-800-657-5757 or 651-296-2761 | [www.msrs.state.mn.us](http://www.msrs.state.mn.us)  
60 Empire Drive, Suite 300 | St. Paul, MN 55103-3000