

# Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2019  
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, 2019. 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-2019](http://www.msrs.state.mn.us/annual-reports-fy-2019)

## From the Executive Director

*It is my pleasure to present the Minnesota State Retirement System (MSRS) Popular Annual Financial Report for the fiscal year ending June 30, 2019. This report provides a brief picture of the performance of your retirement funds.*

*Fiscal year 2019 was a positive year for 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, 2019. This is largely due to positive investment returns and increases in employee and employer contributions in fiscal year 2019. MSRS' fiduciary net position as of June 30, 2019, totaling over \$25 billion, increased about 5 percent from the prior year.*

*MSRS accomplished many administrative goals. Having completed the first year of our three-year Strategic Plan, MSRS has laid a solid groundwork of goals to move toward being 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*

*Fiscal year 2019 has been a successful year. 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.

## MEMBERSHIP

## NET POSITON<sup>1</sup>



### State Employees (General) Plan

120,634 Total Members

3,246 Member Increase  
over previous year (2.8%)

\$13.8 Billion

\$478.9 Million Increase  
over previous year (3.6%)



### State Patrol Plan

2,108 Total Members

38 Member Increase  
over previous year (1.8%)

\$753.1 Million

\$23.3 Million Increase  
over previous year (3.2%)



### Correctional Employees Plan

10,346 Total Members

247 Member Increase  
over previous year (2.4%)

\$1.2 Billion

\$69.1 Million Increase  
over previous year (6.2%)



### Judges Plan

718 Total Members

17 Member Increase  
over previous year (2.4%)

\$212.3 Million

\$10.5 Million Increase  
over previous year (5.21%)



### Legislators Plan

419 Total Members

11 Member Decrease  
over previous year ( 2.6%)

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

<sup>1</sup>Increases in employee and employer contributions as well as a 7.3 percent investment return led to the net position increases in fiscal year 2019. 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 at retirement in a variety of distribution options. 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.

## MEMBERSHIP

## NET POSITION<sup>1</sup>



### Unclassified Employees Plan

3,304 Total Members

87 Member Increase  
over previous year (2.7%)

\$323.9 Million

\$1.2 Million Decrease  
over previous year ( 0.4%)



### Health Care Savings Plan (HCSP)

129,467 Total Members

7,121 Member Increase  
over previous year (5.8%)

\$1.2 Billion

\$121.8 Million Increase  
over previous year (11.4%)



### Minnesota Deferred Compensation Plan (MNDCP)

91,577 Total Members

2,584 Member Increase  
over previous year (2.9%)

\$7.5 Billion

\$487.5 Million Increase  
over previous year (7.0%)



### Hennepin County Supplemental Plan

1,205 Total Members

71 Member Decrease  
over previous year ( 5.6%)

\$160.7 Million

\$1.6 Million Increase  
over previous year (1.0%)

<sup>1</sup>Changes 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, 2019 and 2018. Dollars shown in thousands.

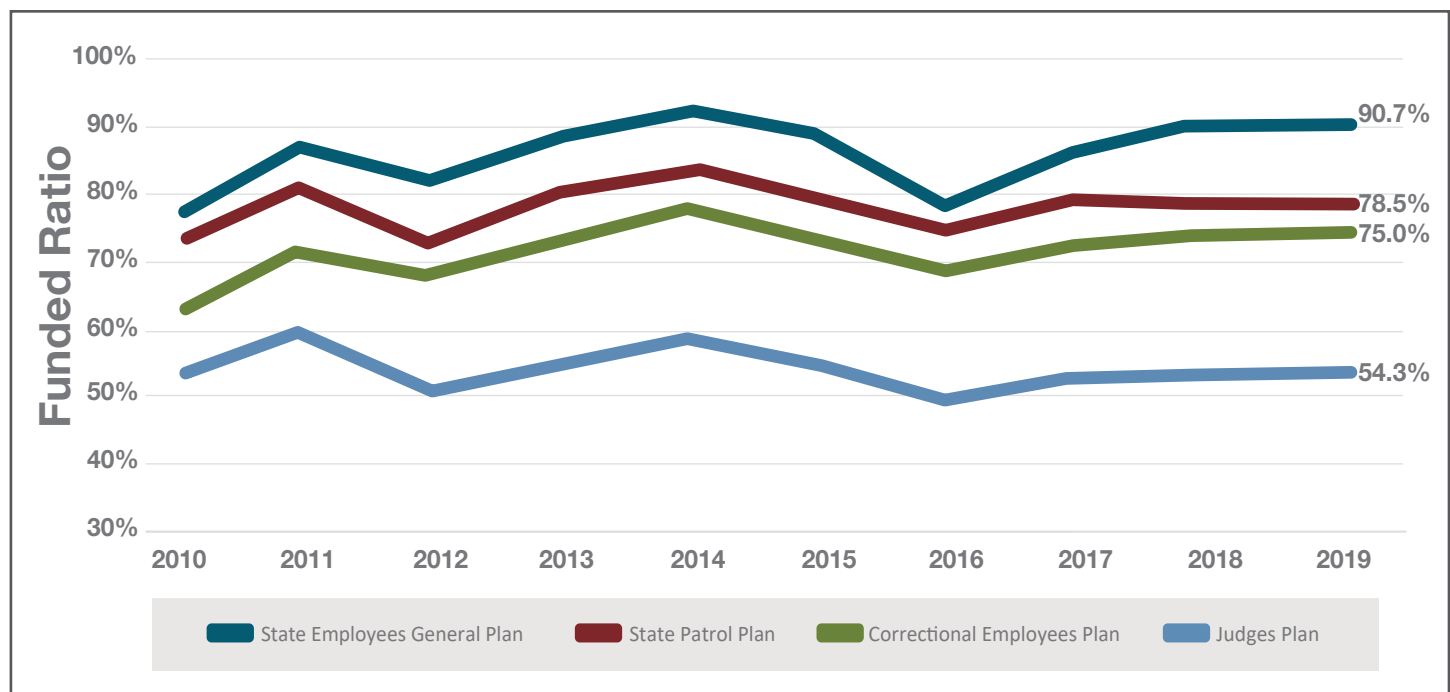
Additions (by Major Source)	FY 2019	FY 2018	Change	% Change
Plan Member Contributions	\$680,151	\$635,250	\$44,901	7.07%
Employer Contributions	259,598	231,659	27,939	12.06
Investment Income (Net)	1,742,753	2,142,208	(399,455)	(18.65)
Other	58,352	47,715	10,637	22.29
<b>Total Additions <sup>1</sup></b>	<b>\$2,740,854</b>	<b>\$3,056,832</b>	<b>\$(315,978)</b>	<b>(10.34)%</b>
Deductions (by Type)				
Benefits, Withdrawals & Reimbursements	\$1,156,256	\$1,091,907	\$64,349	5.89%
Refunds	327,285	300,939	26,346	8.75
Recordkeeper Expenses	4,632	4,444	188	4.22
Administrative Expenses	18,075	16,601	1,474	8.88
Other	43,162	32,092	11,070	34.50
<b>Total Deductions <sup>2</sup></b>	<b>\$1,549,410</b>	<b>\$1,445,983</b>	<b>\$103,427</b>	<b>7.15%</b>
<b>Net Increase (Decrease) in Net Position Restricted for Pensions</b>	<b>\$1,191,444</b>	<b>\$1,610,849</b>	<b>\$(419,405)</b>	<b>(26.04)%</b>

<sup>1</sup>Total additions decreased 10.3 percent, which was primarily due to a lower investment return than was reported in the previous fiscal year.

<sup>2</sup>Total deductions increased 7.2 percent largely due to the result of post-retirement benefit increases and the growth in the number of benefit recipients.

## Funding

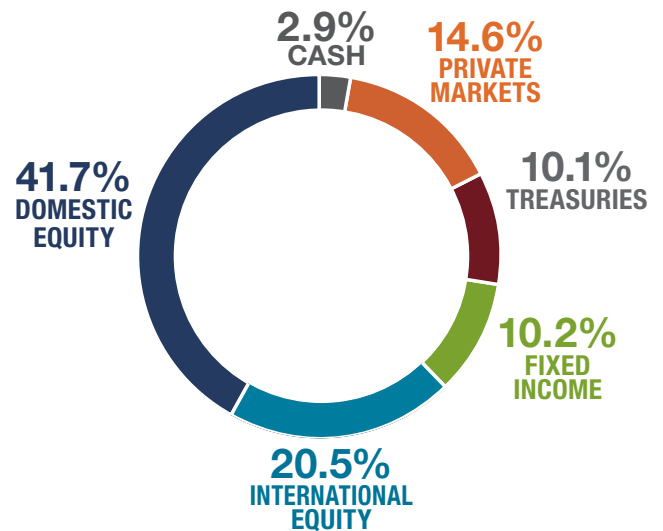
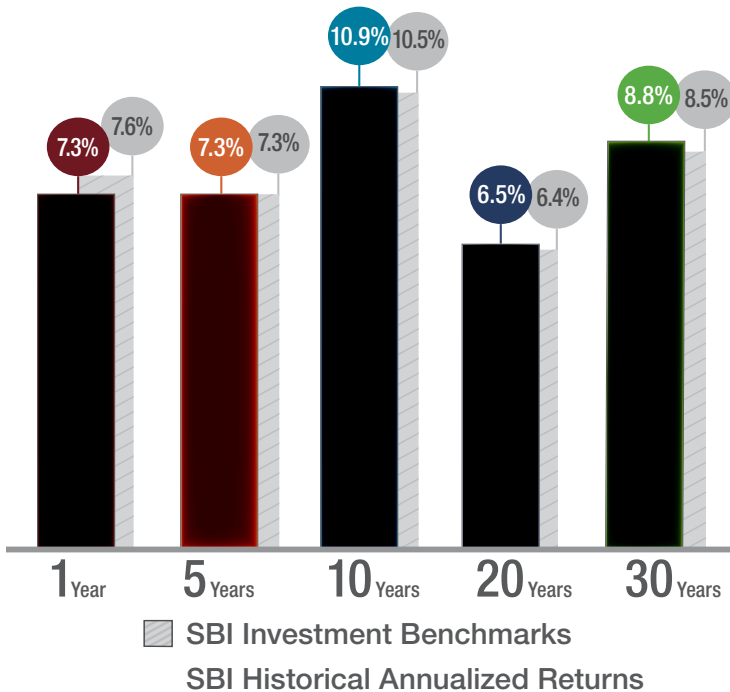
The funded ratio is measured on June 30th of each year. It is based on the market value of assets and actuarially calculated liabilities. Funding for pension plans consists of investment returns, employee contributions and employer contributions.





# 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, 2019, the market value of all assets under SBI management was \$101.1 billion. The combined funds of various retirement systems, including MSRS, totaled \$70.7 billion. Below is a breakdown of the combined retirement assets and how they are allocated, as well as a historical breakdown of annualized returns.

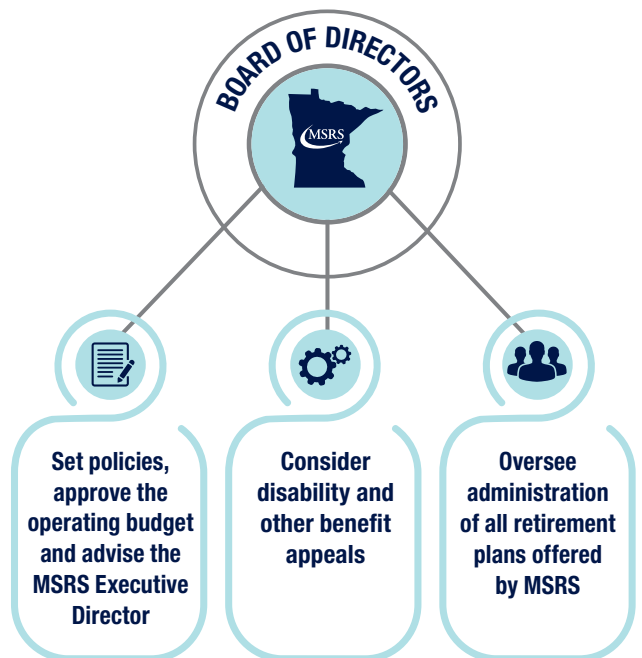


## How We Work

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](http://www.msrs.state.mn.us)  
60 Empire Drive, Suite 300 | St. Paul, MN 55103-3000