

**Agency Purpose**

The Minnesota State Retirement System (MSRS) provides a comprehensive system of retirement programs for its members. Membership is comprised of state employees, state law enforcement and correctional officers, constitutional officers, legislators, judges, employees of the University of Minnesota, the Metropolitan Council, and employees of various other designated state agencies. MSRS also operates other plans for all public employees in the state. They include the Minnesota Deferred Compensation Plan (MNDCP), the Health Care Savings Plan (HCSP), and the Hennepin County Supplemental Retirement Plan (SRHC). In total, 31 employers are covered by MSRS defined benefit (DB) retirement plans, and 650 different employers are contributing to MNDCP and the HCSP.

**Core Functions**

MSRS disburses monthly benefit payments to retired members, survivors, and disabled employees. MSRS disburses lump-sum withdrawals and rollovers to members who have terminated their employment. MSRS reimburses health care costs to the participants of HCSP. Also, MSRS provides a long-term savings plan through its MNDCP.

**Operations**

MSRS operates from its main office in St. Paul and branch offices located in St. Cloud, Mankato, Detroit Lakes, and Duluth. Members receive retirement planning and pension administration services by phone, through onsite visits and through the MSRS interactive web site(s). Services are provided to active members, former members, retired members, survivors, beneficiaries, and all public members who are participants of the MNDCP and HCSP. Beginning July 1, 2009 MSRS will utilize a third-party administrator to provide record keeping services only for all MSRS defined contribution plans. For these plans, contributions and other revenue will flow through the record keeper to a custodian, and at the direction of MSRS's, the record keeper will make distributions to members, vendor payments, and reimbursements to MSRS for administrative fees. Thus the fiscal pages of this budget document omit financial activities for these plans.

**Key Measures**

MSRS measures the funding ratio of the defined benefit plans it administers. This ratio represents what portion of a plan's net assets is available to pay the projected liability for member's retirement benefits. Most of our retirement plans are pre-funded and the higher the funding ratio the better. This measure is determined by an annual actuarial valuation; results of the 2007 valuation are depicted in the table below:

<u>Retirement Plan</u>	<u>Funding Ratio</u>
State Employees Plan (General Plan)	92.49%
State Patrol Plan	91.75%
Correctional Employees Plan	79.04%
Judges Plan	71.66%
Legislators Plan (Note 1)	51.90%
Elective State Officers Plan (Note 2)	5.33%

Note 1: This plan is closed to new entrants since 1997. This plan is funded on a pay-as-you-go basis.

**At A Glance**

Membership on June 30, 2008:

- ◆ 54,522 active members in DB plans
- ◆ 23,443 inactive members in DB plans
- ◆ 29,199 retirees and beneficiaries in DB plans
- ◆ 88,616 MNDCP participants
- ◆ 49,526 HCSP participants
- ◆ 3,689 Unclassified Plan participants
- ◆ 2,192 SRHC participants

Benefits paid in FY 2008:

- ◆ \$557.7 million in annuity benefits
- ◆ \$27.5 million in health care benefits
- ◆ \$180.7 million in refunds/rollovers

**Actuarial Assets and Liabilities (in 000's):**

At 6-30-2007	Assets	Liabilities	Funding Ratio
General Plan	8,904,517	9,627,305	92.49%
State Patrol Plan	617,901	673,444	91.75%
Correctional Plan	559,852	708,292	79.04%
Judges Plan	153,562	214,297	71.66%

The Legislator's and Elective State Officers Plans are funds on a pay-as-you-go basis.

Net Assets as of June 30, 2007:

- ◆ MNDCP = \$3.6 billion
- ◆ HCSP = \$174 million
- ◆ Unclassified Plan = \$317 million

Note 2: This plan is funded on a pay-as-you-go basis.

**Budget**

The MSRS revenues are received from employee and employer contributions and investment earnings. Statutory contribution rates, expressed as a percentage of salary for the various retirement plans, for FY 2009 through FY 2010 are detailed in the table that follows:

<u>Retirement Plan</u>	<u>Employee Rate (%)</u>			<u>Employer Rate (%)</u>		
	<u>7/1/08</u>	<u>7/1/09</u>	<u>7/1/10</u>	<u>7/1/08</u>	<u>7/1/09</u>	<u>7/1/10</u>
General Employees Retirement Plan	4.50	4.75	5.00	4.50	4.75	5.00
Military Affairs Plan	6.10	6.35	6.60	6.10	6.35	6.60
Transportation Department Pilots' Plan	6.10	6.35	6.60	6.10	6.35	6.60
State Fire Marshals Plan	7.28	7.53	7.78	8.70	8.95	9.20
State Patrol Plan	9.80	10.40	10.40	14.60	15.60	15.60
Correctional Employees Retirement Plan	7.00	7.70	8.60	10.10	11.10	12.10
Judges Retirement Plan	8.00	8.00	8.00	20.50	20.50	20.50
Legislators Plan	9.00	9.00	9.00	N/A	N/A	N/A
Unclassified Employees Retirement Plan	4.00	4.00	4.00	6.00	6.00	6.00

These funds are dedicated for the payment of monthly retirement and health care benefits, refunds/rollovers and administrative expenses. All benefit payments are determined either by statute or by IRS regulation. Budgets to cover administrative expenses are recommended by the MSRS staff to the Board of Directors for their review and approval. On 6-30-2008, MSRS employed a staff of 91 full-time equivalent employees. Administrative expenses for FY 2007 totaled \$9.044 million. Administrative expenses allocated to the General Plan totaled \$4.916 million, which is .23% of the payroll on which MSRS contributions are based.

**Membership statistics by fiscal year (All plans included)**

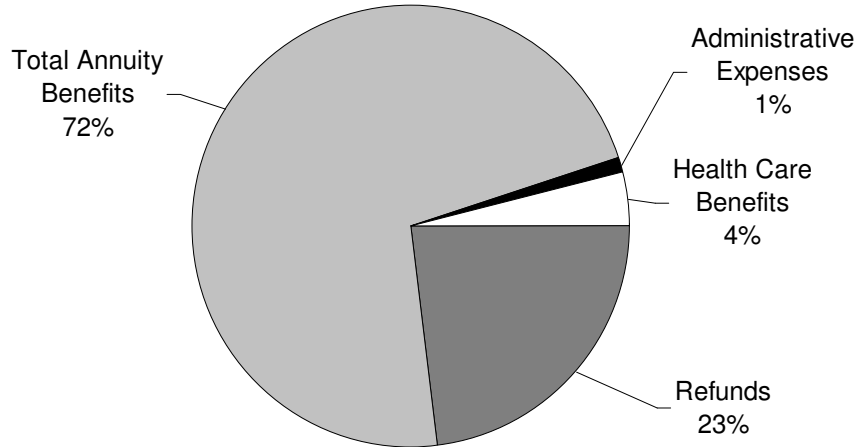
<b>At June 30</b>	<b>Active Members</b>	<b>Inactive Members</b>	<b>Retirees and Beneficiaries</b>
2008	149,436	59,863	41,888
2007	136,376	57,746	39,233
2006	129,488	50,381	35,665
2005	117,217	46,493	37,930
2004	138,477	27,427	37,308

**Benefits paid (in 000's) by fiscal year**

<b>At June 30</b>	<b>Annuity Benefits</b>	<b>Health Care Benefits</b>	<b>Refunds/Rollovers</b>
2008	557,749	27,548	180,727
2007	523,644	23,470	179,157
2006	490,457	18,210	152,766
2005	462,510	13,417	122,330
2004	405,013	9,260	17,722

**Benefits and Expenses  
(FY 2008)**

**Minnesota State Retirement System**  
(Total: \$775 million)



**Contact**

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Visit us on the web at [www.msrs.state.mn.us](http://www.msrs.state.mn.us).  
Telecommunications-device-for-the-deaf (TDD)  
Minnesota Relay Service at (800) 627-3529 and ask to be connected to (651) 296-2761.

**MINN STATE RETIREMENT SYSTEM**

Agency Overview

*Dollars in Thousands*

	Current		Forecast Base		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<b><u>Expenditures by Fund</u></b>					
<b>Open Appropriations</b>					
General	3,076	1,649	1,660	1,671	3,331
Correctional Employees Retire	32,148	30,400	31,160	31,939	63,099
State Employees Retirement	439,931	414,044	424,432	435,080	859,512
Highway Patrol Retirement	42,936	40,442	41,453	42,489	83,942
Unclassified Employees Retire	6,712	20,041	0	0	0
Postretirement Health Care Ben	28,568	26,603	0	0	0
Henn Cty Supplemental Retirmnt	6,048	11,444	0	0	0
Judicial Retirement	15,173	14,201	14,556	14,920	29,476
<b>Statutory Appropriations</b>					
Legislative Annuities	5,212	4,897	5,019	5,145	10,164
<b>Total</b>	<b>579,804</b>	<b>563,721</b>	<b>518,280</b>	<b>531,244</b>	<b>1,049,524</b>
<b><u>Expenditures by Category</u></b>					
Total Compensation	6,244	6,946	7,155	7,370	14,525
Other Operating Expenses	4,286	6,045	5,081	5,208	10,289
Capital Outlay & Real Property	80	0	0	0	0
Other Financial Transactions	569,194	550,730	506,044	518,666	1,024,710
<b>Total</b>	<b>579,804</b>	<b>563,721</b>	<b>518,280</b>	<b>531,244</b>	<b>1,049,524</b>
<b><u>Expenditures by Program</u></b>					
Mn State Retirement System	521,727	504,927	497,045	509,508	1,006,553
Elective Officers Plan	435	449	460	471	931
Judges Plan	15,173	14,201	14,556	14,920	29,476
Legislators Plan	7,853	6,097	6,219	6,345	12,564
Health Care Savings Fund	28,568	26,603	0	0	0
Srhc	6,048	11,444	0	0	0
<b>Total</b>	<b>579,804</b>	<b>563,721</b>	<b>518,280</b>	<b>531,244</b>	<b>1,049,524</b>
<b>Full-Time Equivalents (FTE)</b>	<b>83.9</b>	<b>80.7</b>	<b>80.7</b>	<b>80.7</b>	

**MINN STATE RETIREMENT SYSTEM**

Agency Revenue Summary

*Dollars in Thousands*

	<b>Actual FY2008</b>	<b>Budgeted FY2009</b>	<b>Current Law</b>		<b>Biennium 2010-11</b>
			<b>FY2010</b>	<b>FY2011</b>	
<b><u>Non Dedicated Revenue:</u></b>					
<b>Other Revenues:</b>					
General	181	169	169	169	338
Correctional Employees Retire	31,237	34,896	34,896	34,896	69,792
State Employees Retirement	198,366	207,320	207,320	207,320	414,640
Highway Patrol Retirement	13,805	14,461	14,461	14,461	28,922
Unclassified Employees Retire	11,672	11,550	11,550	11,550	23,100
Postretirement Health Care Ben	71,958	63,126	63,126	63,126	126,252
Henn Cty Supplemental Retirmnt	1,209	1,189	1,189	1,189	2,378
Judicial Retirement	10,811	11,048	11,048	11,048	22,096
<b>Total Non-Dedicated Receipts</b>	<b>339,239</b>	<b>343,759</b>	<b>343,759</b>	<b>343,759</b>	<b>687,518</b>
<b><u>Dedicated Receipts:</u></b>					
<b>Other Revenues:</b>					
Miscellaneous Agency	4	0	0	0	0
<b>Total Dedicated Receipts</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Agency Total Revenue</b>	<b>339,243</b>	<b>343,759</b>	<b>343,759</b>	<b>343,759</b>	<b>687,518</b>