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Minnesota State Retirement System

Agency Profile 1

<https://www.mnretire.gov/>

AT A GLANCE

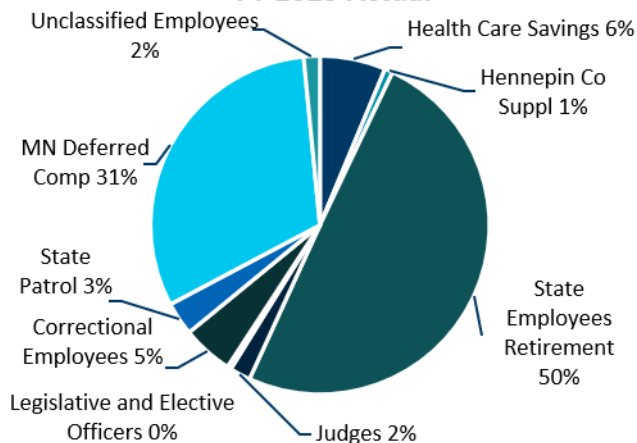
- The Minnesota State Retirement System (MSRS) was established in 1929.
- MSRS manages five defined benefit retirement funds and four defined contribution retirement funds.
- MSRS has \$23.0 billion in defined benefit fund net assets held at trust and \$14.1 billion in defined contribution fund net assets held at trust as of June 30, 2025.
- MSRS has 154,856 defined benefit fund members and 287,293 defined contribution fund participants.
- MSRS has 989 total participating employers.
- MSRS manages a fiscal year 2025 administrative and recordkeeping budget of \$31.4 million.
- MSRS is governed by an 11-member board of directors.
- MSRS employs 162 people.

PURPOSE

The Minnesota State Retirement System's (MSRS) mission is to empower Minnesota public employees to build a strong foundation for retirement.

BUDGET

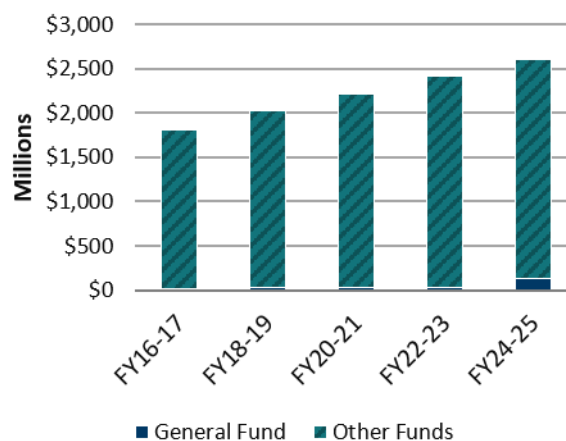
**Spending by Program
FY 2025 Actual**



Spending by Program includes retirement benefit payments, distributions to participants, and administrative expenses.

Source: MSRS 2025 Annual Comprehensive Financial Report

Historical Spending



Other Funds includes MSRS' Defined Benefit pension trust funds. Although mostly indiscernible on the bar chart, General Fund appropriations finance some retirement benefits and other administrative expenses for the Judges and Legislators Retirement Plans. In FY24 supplemental state aid increased general fund spending.

Source: MSRS Annual Comprehensive Financial Reports

MSRS administers multiple retirement plans that provide retirement, survivor, and disability benefit coverage for Minnesota state employees and select component units, the Metropolitan Council, the Minnesota Sports Facilities Authority, and non-instructional employees at the University of Minnesota. MSRS covers over 63,000 active employees and currently pays monthly benefits to over 56,000 retirees and survivors. We also administer the Minnesota Deferred Compensation Plan and the Health Care Savings Plan.

MSRS administers five defined benefits funds internally: the State Employees, State Patrol, Correctional Employees, Judges, and Legislators Retirement Plans. All of these plans, except the Legislators Retirement Plan, are funded primarily with investment earnings, which comprise approximately 76 percent of revenues for the period ending June 30, 2025. Plan member and employer contributions comprised about 24 percent of revenues in the same period. MSRS contribution rates were 5.50 percent for employees and 6.25 percent for employers for the State Employees Retirement fund for the period ending June 30, 2025. The defined benefit funds have realized an annualized investment rate of return of 10.9 percent for the period ending June 30, 2025, and 8.9 percent for the ten-year period ending June 30, 2025. MSRS' administrative expenses for these funds continue to be less than one percent of plan net assets.

MSRS receives an annual \$6 million General Fund contribution to the Judges Retirement Fund until the fund is 110 percent funded for three consecutive years on an actuarial value of assets. For the State Patrol Retirement Fund, MSRS receives supplemental General Fund aid of \$1 million annually until the Public Employees Retirement Association Police and Fire Retirement Fund and the State Patrol Retirement Fund become 100 percent funded on an actuarial value of assets basis for three consecutive years. For the Legislators Retirement Plan, MSRS receives state General Fund appropriations to finance monthly regular retirement and survivor benefit payments, and the plan's proportionate share of MSRS' administrative expenses on a pay-as-you-go basis.

MSRS also administers four defined contribution funds: the Unclassified Employees Retirement, Minnesota Deferred Compensation, Health Care Savings, and the Supplemental Retirement for Hennepin County Plans. For these plans, participants' tax-deferred contributions are invested daily and held in trust until retirement or termination of employment. Participant administrative fees include recordkeeping, custodial, and other MSRS administrative expenses. These plans require no state appropriation for funding purposes.

STRATEGIES

The MSRS vision is to be a nationally recognized leader in public retirement plans by leveraging our engaged workforce, customer-focused culture, and innovative technologies to promote sustainable retirement options for Minnesota public employees.

MSRS uses the following strategies to accomplish its stated mission and vision:

- **Talent Management:** Our goal is to attract, hire, develop, empower, and retain an engaged workforce that reflects the diversity of our state and the populations we serve by cultivating an organizational culture that encourages collaboration and performance; promoting trust and accountability; coordinating learning and development opportunities to further the MSRS mission to ensure employees understand their role and the roles of others; and identifying staffing needs and responding promptly to fill gaps.
- **Service Delivery:** Our goal is to provide exceptional customer-focused service to participants and to each other by fostering a customer-focused culture to provide excellent service; and modernizing organizational processes and technology to match or exceed industry peers.
- **Participant Success:** Our goal is to improve retirement readiness of all Minnesota public employees by providing a comprehensive customer experience; improving participant-facing technology; and enhancing participant retirement income with optional defined contribution plans.
- **Financial Sustainability and Organizational Resilience:** Our goal is to ensure the long-term viability of MSRS with a commitment to governance and adaptive leadership. This will be accomplished by maintaining pension plan sustainability with an awareness of generational equity; implementing, enhancing, and maintaining controls based on risk; and enhancing security posture and preparedness for disruptive events.

MSRS operates from its main office in St. Paul and branch offices located in St. Cloud, Mankato, Detroit Lakes, and Duluth. MSRS is organized around two functional areas: retirement services and administrative support. Retirement Services staff provide records management, education, benefit determinations, and retirement counseling to members of all MSRS retirement plans by phone, web conference, onsite visits, and through the MSRS website. Administrative divisions support includes accounting, contract administration, information technology, and financial reporting.

For MSRS' defined benefit plans, MSRS collects member and employer contributions through payroll deductions and transfers these assets to the Minnesota State Board of Investment where they are pooled with the assets of other statewide retirement associations and invested in various securities. MSRS disburses monthly benefit payments to retired members, survivors, and disabled employees, and processes lump-sum withdrawals and rollovers to members who have terminated employment.

For MSRS' defined contribution plans, participants' tax deferred contributions flow from the employer to the recordkeeper and custodian for daily investment. Individual participants select their own investments from the various options offered. The recordkeeper will make distributions to participants and vendors, and reimburse MSRS for each plan's proportionate share of administrative expenses. Financial transactions of these funds are not captured in the state's accounting system. Thus, the fiscal pages of this budget document omit the financial activities for these plans.

RESULTS

Part A: Performance Data

The 2025 Legislature increased the multiplier used to calculate the retirement annuity for members of the MSRS General State Employees Retirement Plan from 1.7% to 1.9%, applying to years of service earned after June 30, 2025. The annual postretirement adjustment (COLA) for the General and Legislators Retirement Plans increased from 1.50% to 1.75% effective January 1, 2026.

Three measures of a defined benefit plan's financial health are:

- **Contribution Sufficiency/Deficiency Rate** – This rate is the difference between the actuary's computation of required employer and employee contributions rates and the statutory contribution rates, expressed as a percent of payroll. A sufficiency indicates that the plan is on target to reach a 100 percent funded ratio before its full funding date; conversely, a deficiency means the retirement system is not collecting enough contributions to meet its full funding target date.
- **Unfunded Actuarial Accrued Liability** – This is the difference between the actuary's valuation of assets and the present value of members' future benefits.
- **Funded Ratio** – This ratio is the percent of a retirement fund's net assets, calculated for actuarial purposes, that is available to pay the present value of benefits that employees already earned. The higher the ratio, the better positioned the retirement plan is to pay future benefits when they become due.

The table below presents performance measurement data for MSRS' defined benefit funds as of June 30, 2025, based on computations using the market value of assets.

Measure	Measure type	Measure data source	Historical trend	Most recent data
State Employees Plan - Contribution Sufficiency/(Deficiency)	Quality	FY 2025 Actuarial Valuation	Decreasing since FY 2021	1.80%
State Employees Plan - Unfunded Actuarial Accrued Liability	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2024	\$313 million
State Employees Plan - Funded Ratio	Quality	FY 2025 Actuarial Valuation	Decreasing since FY 2024	98.40%
State Patrol Plan - Contribution Sufficiency/(Deficiency)	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2023	13.10%
State Patrol Plan - Unfunded Actuarial Accrued Liability	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2024	\$161 million
State Patrol Plan - Funded Ratio	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2023	87.80%
Correctional Employees Plan - Contribution Sufficiency/(Deficiency)	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2024	4.50%
Correctional Employees Plan - Unfunded Actuarial Accrued Liability	Quality	FY 2025 Actuarial Valuation	Decreasing since FY 2023	\$412 million
Correctional Employees Plan - Funded Ratio	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2023	82.80%
Judges Plan - Contribution Sufficiency/(Deficiency)	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2023	5.10%
Judges Plan - Unfunded Actuarial Accrued Liability	Quality	FY 2025 Actuarial Valuation	Decreasing since FY 2023	\$151 million
Judges Plan - Funded Ratio	Quality	FY 2025 Actuarial Valuation	Increasing since FY 2023	67.90%

Note: The Legislators Retirement Fund is funded by the General Fund on a pay-as-you-go basis and therefore performance trends are not measurable.

Part B: Evidence of Effectiveness

This section is not applicable to the Minnesota State Retirement System (MSRS). MSRS administers pension benefits and retirement programs established in statute and does not operate evidence-based programs or practices. MSRS is governed by an 11-member Board of Directors that has a fiduciary responsibility to the participants and beneficiaries of all MSRS plans, as well as to the taxpayers of the State of Minnesota. While MSRS does not participate in Minnesota's evidence-based practices reporting framework, the agency uses an established strategic plan with performance measures to evaluate the effectiveness of its operations, initiatives, and decision making.

Legal Citations:

State Employees Retirement Fund – M.S. Sections 352.01-352.87 (<https://www.revisor.mn.gov/statutes/?id=352>)

State Patrol Retirement Fund – M.S. Chapter 352B (<https://www.revisor.mn.gov/statutes/?id=352B>)

Correctional Employees Retirement Fund – M.S. Sections 352.90-352.955
(<https://www.revisor.mn.gov/statutes/?id=352>)

Judges Retirement Fund – M.S. Chapter 490 (<https://www.revisor.mn.gov/statutes/?id=490>)

Legislators and Constitutional Officers Plan – M.S. Chapter 3A (<https://www.revisor.mn.gov/statutes/?id=3A>)

Unclassified Employees Retirement Fund – M.S. Chapter 352D (<https://www.revisor.mn.gov/statutes/?id=352D>)

Health Care Savings Plan – M.S. Section 352.98 (<https://www.revisor.mn.gov/statutes/?id=352.98>)

Minnesota Deferred Compensation Fund – M.S. Section 352.965
(<https://www.revisor.mn.gov/statutes/?id=352.965>)

Hennepin County Supplemental Retirement Plan – M.S. Section 383B.46
(<https://www.revisor.mn.gov/statutes/?id=383B.46>)