

MSRS Unclassified Plan

Presentation to the
Legislative Commission on Pensions and Retirement
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Defined Contribution Plans Administered by MSRS

- ▶ **Voluntary Minnesota Deferred Compensation Plan (MNDCP)**
 - Governed by IRS Code 457
 - Fifth largest deferred compensation plan in the Country
 - 82,000 participants
 - \$5.8 billion in assets
- ▶ **Health Care Savings Plan (HCSP)**
 - Largest public health care savings plan in the Country
 - 100,000 participants
 - \$780 million in assets
- ▶ **Hennepin County Supplemental Plan**
 - 1,500 participants
 - \$140 million in assets

Unclassified Plan

- ▶ **3,261 participants**
 - 1,200 contributing members
- ▶ **\$315 million in assets**
- ▶ **Governed by IRS Code 401(a)**

Who is in the Plan?

- ▶ **Legislative staff**
- ▶ **Commissioners and other high level Executive Branch employees**
- ▶ **Employees of designated agencies**
- ▶ **Legislators first elected after July 1, 1997**

Contribution Rates & Vesting

- ▶ **EmployEE: 5.5% (tied to General Plan contributions)**
- ▶ **EmployER: 6.0%**
- ▶ **Immediate Vesting**

Investment Options

Invest in any combination of investment options offered

Broad International Stock Fund
US Stock Actively Managed Fund
US Stock Index Fund
Target Retirement Date Funds (Default Option)
Balanced Fund
Bond Fund
Stable Value Fund
Money Market*

Potentially Higher Risk/Reward



Potentially Lower Risk/Reward

**An investment in the Money Market Account is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the Account seeks to preserve the value of the investment at \$1 per share, there is no assurance that it will be able to do so. While the Account's objective includes the preservation of capital, it is possible to lose money by investing in the Account.*

Investment Fees

Period Ended September 30, 2015

Account Name	Annual Investment Expenses
Broad International Stock Fund	0.30%
U.S. Stock Actively Managed Fund	0.22%
U.S. Stock Index Fund	0.02%
Target Retirement Fund	0.12%
Balanced Fund	0.01%
Bond Fund	0.11%
Stable Value Fund	0.28%
Money Market Fund	0.01%

Administrative Fees

Account Balance	Monthly Fee
Up to \$10,000	\$2
\$10,000 to \$30,000	\$4
\$30,000 to \$90,000	\$6
Over \$90,000	\$8

Payout Options

- ◆ Unclassified Plan refunds/rollovers include both employee and employer contributions and investment return
- ◆ Monthly benefits available as early as age 55

Refund/Rollover Options

- ▶ Receive a lump sum of employer contributions, employee deductions and investment earnings
- ▶ A Lump-sum payout is subject to 20% federal income tax withholding and a possible 10% early withdrawal penalty, if members terminate before age 55 and take a distribution of their funds prior to age 59 ½
 - *There is not a 10% penalty if members terminate state service after age 55 and withdraw their funds*
- ▶ If members choose to “rollover” their funds to another qualified retirement plan or IRA, the distribution is not subject to the 10% penalty or tax withholding at that time

Monthly Payout Options

Examples of Monthly Benefits

(Amount per \$100,000 – subject to change)

- ▶ **Single Life:**
 - **Age 55 \$633**
 - **Age 60 \$671**
 - **Age 62 \$690**
 - **Age 65 \$723**

- ▶ **Allow partial lump-sum/monthly payments**

Unclassified Plan members may be able to Switch to the General Plan

- ▶ If members are hired before July 1, 2010, with 10 or more years of Unclassified Plan or General Plan service, they can switch to the General Plan (not available to legislators)
- ▶ If first hired after June 30, 2010, members can switch to the General Plan within the first seven years (not available to legislators)
- ▶ General Plan vesting changed to five years effective July 1, 2010

Payout Alternatives

- ▶ **Allow retirees to access their account with greater flexibility:**
 - Monthly payments
 - Quarterly payments
 - Upon request
- ▶ **Contract with a firm to provide annuity alternatives**