Background Information on MSRS-General Coverage, in General

1. In General. The General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), found in Minnesota Statutes, Chapter 352, is a plan for general state employees, covering nearly all state employees. The largest groups of state employees who are not in the plan are primarily State Patrol officers or correctional officers who are in public safety or quasi-public safety plans within the MSRS system. Legislators are another group not in MSRS-General. Legislators who first took office after June 30, 1997, are in the Unclassified State Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified). Legislators who took office before then were covered by the Legislators Retirement Plan, but these legislators were permitted to transfer coverage to MSRS-Unclassified and many have done so. Legislative staff, department commissioners, and other high-ranking unclassified managers who are state employees at state agencies are typically covered by MSRS-Unclassified or by MSRS-General, depending upon their preference.

2. Membership Totals, Assets, Liabilities. According to the 2011 actuarial valuation, MSRS-General has 47,955 active members, 24,900 retirees, 3,541 survivors, 15,422 deferred retirees, and 1,723 disabilitants. Plan assets were $9.1 billion and liabilities are $10.6 billion, creating a funding ratio of 86%.

3. Benefits. Unlike employment covered by public safety and quasi-public safety plans, it is presumed that the employment positions covered by general employee plans are not hazardous. The benefits typically provided per year of service by general employee plans are considerably less than public safety plans. In part this is because general plan-covered employees pay into Social Security due to the employment, and they are expected to draw Social Security benefits in old age to supplement the income that will be provided by the general plan annuity. The normal retirement age in MSRS-General is much higher than in public safety plans. The normal age for retirement with unreduced benefits in public safety plans is age 55. In contrast, individuals can retire from MSRS-General as early as age 55, but with a considerable reduction due to early retirement, or at age 65 or 66 with full, unreduced benefits.

   MSRS-General is a high-five average salary plan. The accrual rate for individuals retiring at or near normal retirement age is 1.7%, much lower than the 3.0% accrual rate used in the public safety plans, MSRS-State Patrol or the Public Employees Retirement Association Police and Fire (PERA-P&F) plan. Currently, an individual in MSRS-General with a high-five average salary of $50,000 and 30 years of service who retires at age 65 or later would receive an annual benefit of $25,500 ($50,000 x 30 years x 1.7% = $25,500). If the high-five average salary were $60,000 with 30 years of service, the annual benefit would be $30,600.

   MSRS-General also provides disability benefits to employees who are vested and who become totally disabled. To qualify for benefits the person must be physically or mentally incapacitated and unable to hold any form of gainful employment for at least one year. The disability benefit is the same as the retirement benefit, but without any reduction due to early retirement. There is no minimum floor on disability benefits. Individuals who have barely enough service to vest will have a very modest benefit, because of the short service and the plan's modest accrual rate.

   The plan also provides surviving spouse coverage in death-while-active or disabled situations, based on the value of the service pension the deceased had earned as of the date of death. Disabilitants or retirees can elect joint-and-survivor coverage to provide continuing benefits to a spouse or other person.

4. Funding Sources. The contribution rates currently specified in law are a 5% employee contribution and a 5% employer contribution. The employer contribution is financed from the general fund or any other sources available to state agencies. A provision in statutes (Minn. Stat. Sec. 352.045) provides a mechanism for automatically revising contribution rates based on plan requirements. If for two consecutive years the plan's official actuarial valuation indicates a contribution deficiency of at least one-half percent of payroll, the MSRS executive director must recommend an increase in contributions to reduce the deficiency to no more than one-quarter percent of payroll. This recommendation will be reported to the chair and executive director of the Legislative Commission on Pensions and Retirement. If the Commission does not recommend a modification of the rate change, the change will become effective the following July. Large increases, if needed, will be phased in. A similar process will be used to reduce contribution rates if a sufficiency greater than one-half percent of payroll exists for two consecutive years.