

Measuring the Economic Benefits



The Retirement Systems of Minnesota is comprised of the three statewide retirement systems: the Minnesota State Retirement System (MSRS), the Teachers Retirement Association (TRA), and the Public Employees Retirement Association (PERA).

KEY FINDINGS

- Minnesota's public pension systems serve nearly one-half million persons, one in ten Minnesotans, who have contributed to or are receiving benefits from the systems.
- The public systems paid out over \$2.5 billion in benefits to 129,000 Minnesota residents in fiscal 2007.
- Benefit payments had an impact on the state's economy of \$3.3 billion.
- Beneficiaries' spending led to 22,500 additional jobs statewide.
- State and local taxes paid by pension benefit recipients and the holders of the 22,500 new jobs exceeded the public employer pension contributions to the systems by \$80 million.
- The impact of benefits paid was larger than the gross state product attributable to several major economic sectors in Minnesota, including the mining sector; the crop and animal production sector; and the air, rail and water transportation sector.

Providing benefits to nearly one-half million members

The three Retirement Systems serve over one-half million people, including 293,000 active teachers, police officers, road workers and other public employees who contributed \$634 million toward their retirement in 2007.

Minnesota's defined benefit plans guarantee retired and disabled employees lifetime benefits and assume the risk of investment performance to finance those benefits.



Over one-half million persons, one in ten Minnesotans, have contributed to or are receiving benefits.

One-Half Million Members Contributing To Their Retirement

Active Members	293,000
Inactive Members	96,000
Benefit Recipients	144,000



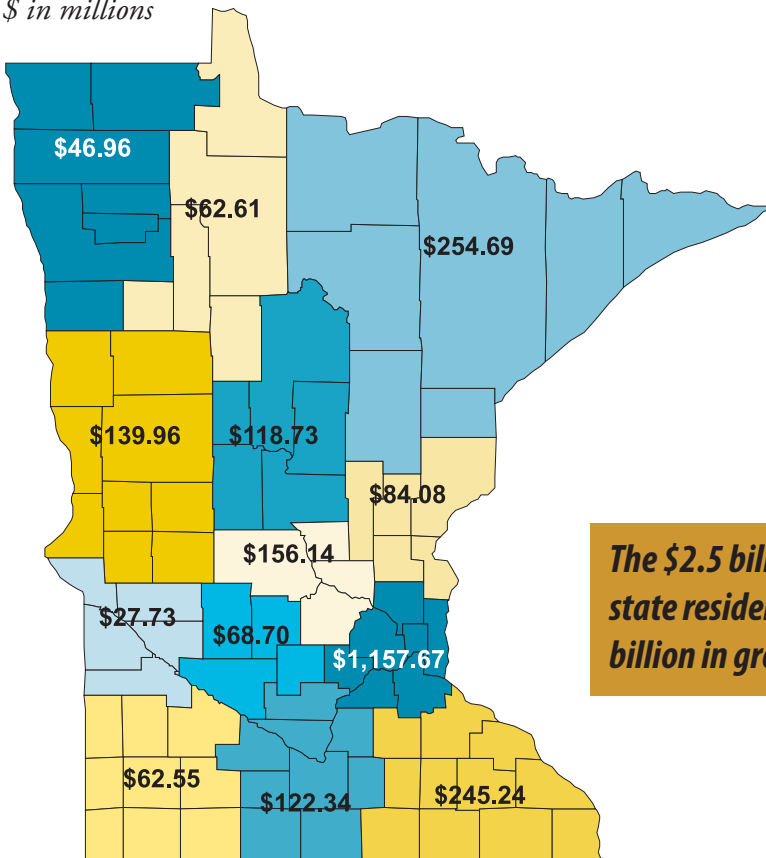
Benefit payments add \$3.3 billion to Minnesota's economy

BENEFITS PAID STAYED IN MINNESOTA

Over 90 percent, or \$2.5 billion of nearly \$2.8 billion paid out in 2007 retirement and beneficiary benefits went directly to members who lived and spent these dollars in Minnesota. Those benefits added \$3.3 billion to Minnesota's gross state product.

Benefits Paid by Economic Development Region, 2007

\$ in millions



The \$2.5 billion in benefits paid to state residents led to nearly \$3.3 billion in gross state product.

BENEFIT PAYMENTS ARE AN ECONOMIC STIMULUS FOR MINNESOTA

Impact of Benefits Paid (2007)	
Benefits Paid to Minnesota Residents	\$ 2.5 billion
Contribution to Gross State Product	\$ 3.3 billion
Net State and Local Taxes Paid	\$ 791 million
Permanent Jobs Created	22,500

Beneficiaries, the businesses affected by their spending, and the holders of the 22,500 new jobs created because of the beneficiaries' spending, paid \$791 million in state and local taxes, about \$80 million *more* than public sector employers contributed to the pension funds.



FUTURE IMPACT ON ECONOMY

The three Retirement Systems have a large number of active members who will reach age 62 by 2020. Reflective of the baby boom generation, this group is expected to swell the ranks of retirees over the next two decades. As they pass through the retirement system, their benefits will have an even greater positive impact on the state's economy, tax revenue and job creation.

BENEFIT PAYMENTS COMPARED TO OTHER SECTORS OF MINNESOTA ECONOMY

The following shows the importance of those benefits compared with several key sectors of the Minnesota economy in 2006.*

Comparing the benefits the Retirement Systems pay with other sectors in the state's economy offers another way to examine their economic importance.

The impact of the benefits paid was larger than the gross state product (GSP) attributable to the mining sector or to a number of other sectors such as mining, publishing, legal, arts and paper manufacturing. It is also important to note that benefits paid was 92 percent of the GSP attributable to crop and animal production.

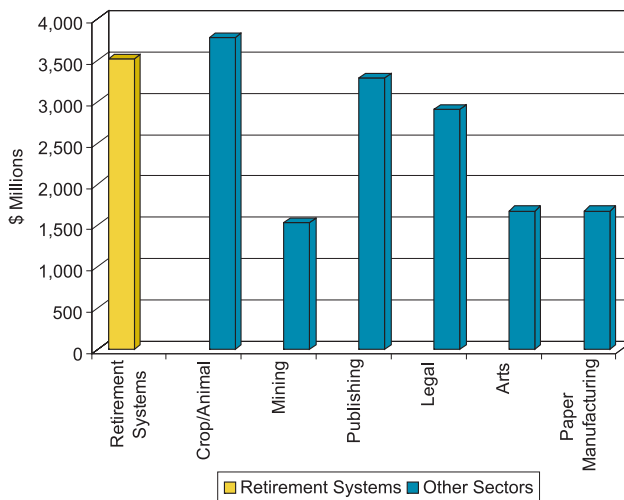


The impact of retirement benefits paid was equal to 92 percent of the GSP attributable to the farm sector in Minnesota.

Source: Bureau of Economic Analysis and Implan model results.

*Detailed gross product, the value of goods and services produced in the state available only through 2006.

Sector Impacts on Minnesota Economy



VALUE FOR MEMBERS AND THE PUBLIC

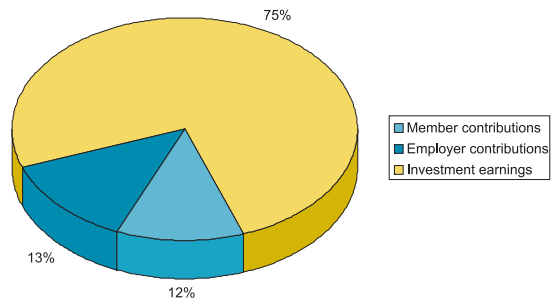
The Retirement Systems enhance financial security to public employees and their families by providing service retirement, disability, and death benefits to 437,000 active and retired educators, firefighters, DOT highway workers, and other public sector employees.

Lifetime Benefits — Eligible retirees receive a monthly benefit throughout their lifetime and may select a payment plan that protects their beneficiaries for life.

Disability and Survivor Benefits — The Retirement Systems offer disability and survivor benefits to 293,000 active members.

Defined benefit plans encourage experienced employees to remain with their employers until retirement age. Keeping a workforce from turning over frequently is important to all employers, as turnover, particularly of skilled employees, is very costly. Since both employees and employers contribute to the Retirement Systems throughout the employees' tenure, there is a long period during which investment earnings on contributions can be accumulated to become the largest source (75 percent) of revenue to finance benefits.

Sources of Retirement System Revenues

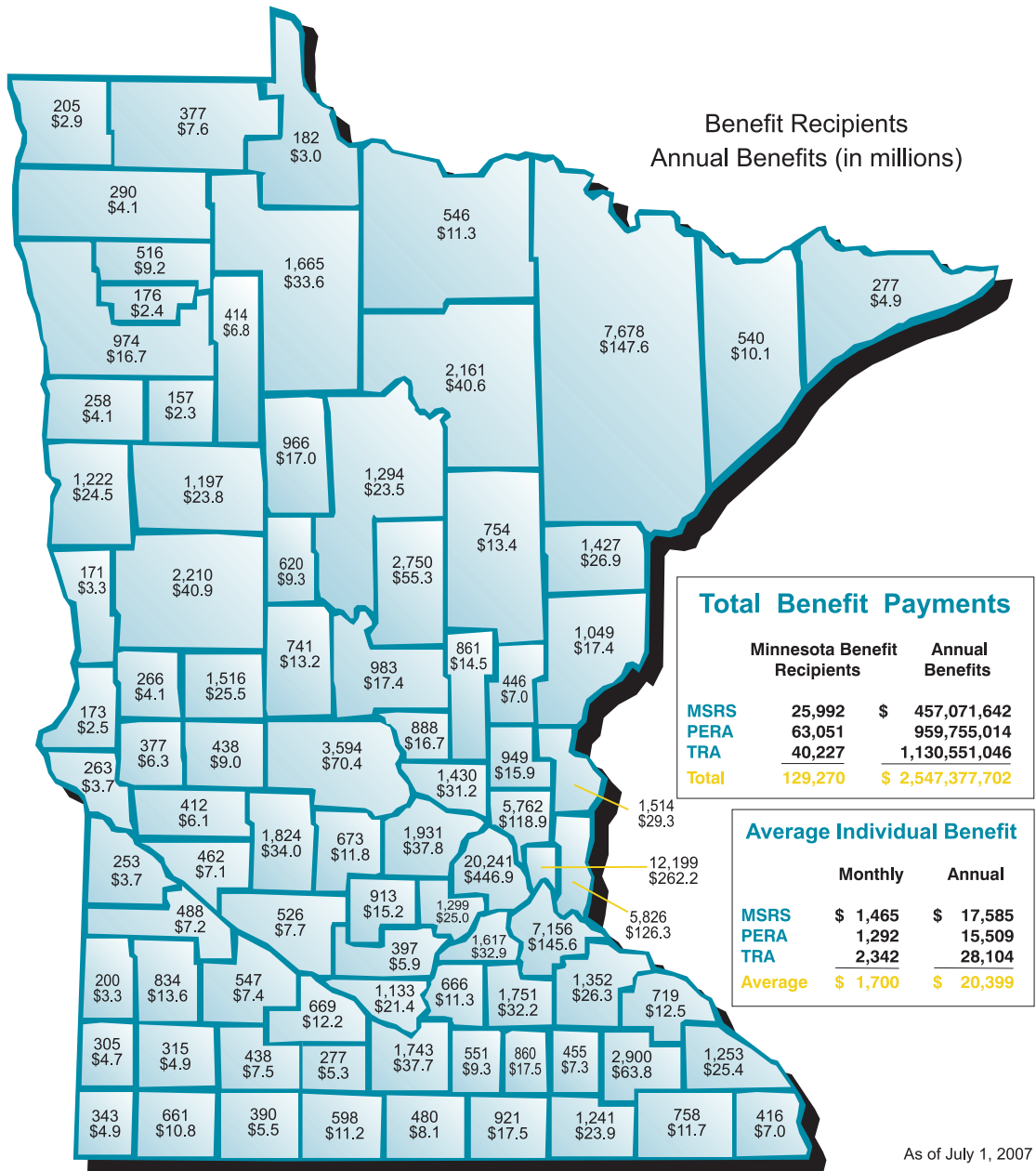


INVESTMENT RETURNS

One of the key features of Minnesota's plans is that while the plans and the populations they serve are quite different, the Retirement Funds are pooled and actively managed by the State Board of Investment (SBI). By pooling the investment funds there are considerable savings in management fees and increased flexibility in managing the risk/return profile of the investments.

Average annual investment returns of the Retirement Systems have exceeded the rate of inflation by 6.6 percent over the latest 20 year period. Over the past 25 years, average annual returns of the fund have been 10.1 percent per year.

BENEFIT RECIPIENTS AND ANNUAL PAYMENTS OF THE THREE MINNESOTA RETIREMENT FUNDS, BY COUNTY



As of July 1, 2007

ANNUAL BENEFITS AND RECIPIENTS BY COUNTY FOR THE THREE MINNESOTA RETIREMENT FUNDS

Teachers Retirement Association (TRA), the Minnesota State Retirement System (MSRS) and the Public Employees Retirement Association (PERA)

County	No. of Members	Annual Benefits
AITKIN	754	\$13,399,649.58
ANOKA	5,762	\$118,922,117.86
BECKER	1,197	\$23,756,615.83
BELTRAMI	1,665	\$33,553,945.82
BENTON	888	\$16,703,943.02
BIG STONE	263	\$3,706,947.68
BLUE EARTH	1,743	\$37,694,690.37
BROWN	669	\$12,156,855.48
CARLTON	1,427	\$26,859,462.81
CARVER	1,299	\$24,950,880.19
CASS	1,294	\$23,539,773.93
CHIPPEWA	462	\$7,082,852.41
CHISAGO	1,514	\$29,339,464.29
CLAY	1,222	\$24,519,087.59
CLEARWATER	414	\$6,750,492.26
COOK	277	\$4,853,082.59
COTTONWOOD	438	\$7,459,249.16
CROW WING	2,750	\$55,287,692.28
DAKOTA	7,156	\$145,596,807.83
DODGE	455	\$7,293,535.88
DOUGLAS	1,516	\$25,536,657.34
FARIBAUT	480	\$8,115,965.99
FILLMORE	758	\$11,672,616.90
FREEBORN	921	\$17,537,057.39
GOODHUE	1,352	\$26,345,549.05
GRANT	266	\$4,116,815.54
HENNEPIN	20,241	\$446,858,496.36
HOUSTON	416	\$7,017,279.00
HUBBARD	966	\$17,009,528.11
ISANTI	949	\$15,886,860.94
ITASCA	2,161	\$40,592,518.45
JACKSON	390	\$5,502,695.10
KANABEC	446	\$6,985,687.43
KANDIYOHI	1,824	\$34,049,884.65
KITTSOON	205	\$2,922,105.50
KOOCHICHING	546	\$11,336,886.99
LAC QUI PARLE	253	\$3,655,260.60
LAKE	540	\$10,053,735.13
LAKE OF WOODS	182	\$3,020,823.45
LE SUEUR	666	\$11,345,511.39
LINCOLN	200	\$3,272,488.27
LYON	834	\$13,612,661.26
MAHNOMEN	157	\$2,278,585.48
MARSHALL	290	\$4,136,601.99

County	No. of Members	Annual Benefits
MARTIN	598	\$11,172,627.14
MCLEOD	913	\$15,223,150.02
MEEKER	673	\$11,766,036.46
MILLE LACS	861	\$14,463,022.09
MORRISON	983	\$17,395,489.69
MOWER	1,241	\$23,943,327.54
MURRAY	315	\$4,935,902.23
NICOLLET	1,133	\$21,395,155.04
NOBLES	661	\$10,840,915.57
NORMAN	258	\$4,089,611.96
OLMSTED	2,900	\$63,787,701.71
OTTER TAIL	2,210	\$40,921,789.46
PENNINGTON	516	\$9,163,040.75
PINE	1,049	\$17,403,503.00
PIPESTONE	305	\$4,685,322.96
POLK	974	\$16,681,603.59
POPE	438	\$9,035,550.99
RAMSEY	12,199	\$262,168,305.28
RED LAKE	176	\$2,376,045.96
REDWOOD	547	\$7,355,327.59
RENVILLE	526	\$7,656,905.28
RICE	1,751	\$32,230,754.55
ROCK	343	\$4,888,370.40
ROSEAU	377	\$7,587,369.18
SAINT LOUIS	7,678	\$147,592,016.94
SCOTT	1,617	\$32,899,671.09
SHERBURNE	1,430	\$31,167,022.66
SIBLEY	397	\$5,871,341.53
STEARNS	3,594	\$70,447,501.86
STEELE	860	\$17,544,688.93
STEVENS	377	\$6,273,337.70
SWIFT	412	\$6,088,183.77
TODD	741	\$13,177,066.76
TRAVERSE	173	\$2,507,190.25
WABASHA	719	\$12,488,325.66
WADENA	620	\$9,327,788.70
WASECA	551	\$9,330,863.81
WASHINGTON	5,826	\$126,269,514.17
WATONWAN	277	\$5,258,822.36
WILKIN	171	\$3,289,862.67
WINONA	1,253	\$25,374,129.99
WRIGHT	1,931	\$37,818,780.89
YELLOW MEDICINE	488	\$7,195,344.83
STATE OF MINNESOTA	129,270	\$2,547,377,702.18

CONTACT INFORMATION

Minnesota State Retirement System

David K. Bergstrom
Executive Director
651.284.7888

www.msrs.state.mn.us

Public Employees Retirement Association

Mary Most Vanek
Executive Director
651.296.8358

www.mnpera.org

Teachers Retirement Association

Laurie Fiori Hacking
Executive Director
651.296.6523

www.tra.state.mn.us

Source: Information presented in this booklet was prepared using data from “Measuring the Impact of Minnesota’s Retirement Systems: Minnesota State Retirement System, Teachers Retirement Association, Public Employees Retirement Association,” prepared by Andrea Lubov, Ph.D., March 2008.



**Retirement
Systems of
Minnesota**

Retirement Systems of Minnesota Building

60 Empire Drive

Saint Paul Minnesota 55103