

2009



**MSRS**

Minnesota State Retirement System


# General Employees Retirement Handbook



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## Enrollment

Membership in the General Employees Retirement Plan includes employees of:

- The State in classified and unclassified service
- The University of Minnesota civil service
- Certain metropolitan-level government units

## Contribution Rates

Your tax-deferred employee deduction to the General Plan is 4.5 percent of your gross salary. Your employer contributes 4.5 percent of your gross salary; however, this is not credited to your account. The percent rate is set by law. The Legislature adopted employee and employer contribution rate increases. See chart below.

| Effective Date | Employee Rate | Employer Rate |
|----------------|---------------|---------------|
| Current rate   | 4.50%         | 4.50%         |
| July 1, 2009   | 4.75%         | 4.75%         |
| July 1, 2010   | 5.00%         | 5.00%         |

## Retirement Age

Normal retirement age to receive a full benefit is between ages 65 and 66. Early retirement, which provides a reduced benefit, can begin at age 55 with three years of service or at any age with 30 years of service. *See details on page 5.*

## What is Allowable Service?

The term is used interchangeably with service credit, that is, credit you earn for each month retirement deductions are withheld from your salary. Retirement benefits are based on years and months of service.

Service credit is given for a workers'-compensation leave for a temporary disability.

Full-time to half-time employment receives full service credit. Fewer than halftime-hours receive prorated service credit.

## Age and Service Requirements

Eligibility to receive a benefit is based on age and service credit.

## Normal Retirement

A normal retirement benefit means that the benefit is not reduced for early retirement. If you entered public service for the first time before July 1, 1989 and your position was covered by MSRS or another Minnesota public retirement fund, you are eligible for a normal retirement benefit from MSRS if:

- Your age plus years of service equal 90. This qualifies you for the Rule of 90.
- You are age 65.

If you entered public service for the first time after June 30, 1989, and you have at least three years of service, you are eligible for a normal retirement benefit at age:

- 65, if you were born in 1937
- 65, two months if you were born in 1938
- 65, four months if you were born in 1939
- 65, six months if you were born in 1940
- 65, eight months if you were born in 1941
- 65, 10 months if you were born in 1942
- 66, if you were born in 1943 or later

## Early Retirement

If you retire before normal retirement age, you are eligible for a reduced benefit if you:

- Are age 55 with three or more years of service.
- Have 30 years of service and were hired before July 1, 1989.  
(Reduction from age 62)

## Leave of Absence

You can take a leave of absence for various reasons, such as education, illness or pregnancy. It is important that you understand that by taking a leave, you may forfeit service credit because no salary is earned and no deductions are taken. Once you return to work after a leave, you can make payment to receive service credit for the leave.

Only one year of service per leave may be purchased for each leave. For example, if you take a two-year leave, you can buy back only one year of that leave.

## Leave Before July 1, 2007

The payment amount is calculated using the employee's hourly rate upon return and the allowable service to be obtained. Cost to pay for the leave includes interest at the rate of 8.5 percent per year from the date the leave ends until the payment date.

Your employer, at its option, may pay the employer's portion. If you wish to pay, payment must be made prior to termination of employment.







### **Leave After June 30, 2007**

When the payment amount is made within one year of the end of the leave, we calculate the payment amount using the employee's hourly rate when the employee returns from the leave and the allowable service. The payment amount is the total of the employee and employer contributions which would have been paid if the leave had not occurred plus 8.5 percent interest from the date the leave ends until the end of the month when we receive payment.

Your employer at its option may pay the employer portion.

Payment if not made within one year of the end of the leave is calculated using a more expensive actuarial method.

Multiple leaves can be taken and then paid for, but each leave must be followed by state employment before the next leave can be taken.

Payment may be made with tax-sheltered money from an IRA, Deferred Compensation Plan or other qualified plan.

### **Military Service**

If you leave state service to serve in the military and return to state employment within 90 days of discharge, you may buy your service credit for that time. There is a limited time to buy this service credit so contact MSRS when you return.

### **Military Leave Before July 1, 2004**

You may obtain allowable service for military leave by paying into the retirement fund the retirement salary deductions you would have contributed had you been employed by the state during your period of military service. There is no interest if payment is made within a period equal to three times the length of the leave up to five years. After that time, you may make payment; however, we add to the cost 8.5 percent interest compounded annually, computed from the leave.

In either case, payments for military leaves must be done prior to termination of covered service.

### **Military Leave After June 30, 2004**

You may obtain allowable retirement service for your military service by paying into the retirement fund the retirement salary deductions you would have contributed had you been employed by the state during your period of military service. Payment must be made within a period equal to three times the length of the leave up to five years. After that time, you may make payments to receive credit for the military leave; however, we would calculate the cost using a more expensive method.

## Computing Your Benefit

Computing your benefit is a four-step process which involves your average monthly salary, service credit percent, any early-retirement reduction and any survivor coverage.

### Calculating Your Average Monthly Salary

We select your five successive years of highest earnings to compute your average monthly salary.

We do not base the calculation on the calendar year and can start in any month. For example, your high-five year salary could begin on April 1 and run through March 31, five years later. If your allowable service is fewer than five years, your monthly salary is the average of total earnings.

To estimate your average monthly salary, add your earnings for your five highest, successive years. If you are five years or more away from retirement, use your current monthly salary as your high-five year figure.

For example:

| Year | Earnings  |
|------|-----------|
| 1    | \$33,900  |
| 2    | \$34,900  |
| 3    | \$35,950  |
| 4    | \$37,050  |
| 5    | \$38,200  |
|      | \$180,000 |

Divide the total by 60 months ( $\$180,000 \div 60$ ) to determine the average monthly salary. In this example, the average salary is \$3,000 per month or \$36,000 per year.

Any severance pay or vacation hours included in the final salary payment are not subject to retirement deductions or used in the calculation.

If you have received reduced earnings because of workers' compensation, your high-five year salary may be adjusted by dropping the reduced-earning periods to determine your average salary.





## Service-Credit Percent

Service years and months are converted to a percentage of your average monthly salary through two formulas – level and step.

- Level formula: You receive 1.7 percent for all years of service.
- Step formula: You receive 1.2 percent for each year of service for the first 10 years, then 1.7 percent for each year thereafter. We use this formula in your computation only if your Minnesota public retirement coverage began before July 1, 1989. The Rule of 90 applies only to the step formula.

If you were hired for the first time after June 30, 1989, MSRS must use the level formula. If you were hired before July 1, 1989, MSRS can compute your benefit using either formula. If you are eligible for both, we use the formula that gives you the higher benefit.

### Level Formula

Example: You are an employee who retires at age 66 with 20 years of service and an average high-five year income of \$36,000 (\$3,000 per month). We calculate your allowable-service percent at 1.7 percent under the level formula.

|                              |                           |
|------------------------------|---------------------------|
| Employee's age:              | 66 years                  |
| Service:                     | 20 years                  |
| Service-credit percent:      | 20 years x 1.7%           |
| Total percent:               | 34%                       |
| Percent times annual salary: | 34% x \$36,000 = \$12,240 |
| Single-Life monthly benefit: | \$1,020                   |

### Early Retirement and the Level Formula:

With the level formula, the early retirement reduction is based on life expectancy tables developed by MSRS' actuaries and reduced for each month you are under normal retirement age. At age 55, this reduction is 46.29 percent for those hired after June 30, 1989. You can apply for early retirement at age 55 or later and receive a benefit if you have at least three years of allowable service.

|                                       |                             |
|---------------------------------------|-----------------------------|
| Employee's age:                       | 55 years                    |
| Early retirement percent reduction    | 46.29%                      |
| Single-life unreduced monthly benefit | \$1,020                     |
| Reduction percent x monthly benefit   | 46.29% x \$1,020 = \$472.16 |
| Monthly benefit less reduction:       | \$1,020 - \$472.16          |
| Single-Life reduced monthly benefit:  | \$547.84                    |



**PLEASE NOTE:**

The ages in the example showing the difference between the step and level formulas are for illustration purposes only. We used age 55 and age 66 in the illustration to provide a comparison using the same ages. However, if you were 66, we would use the level formula, not the step formula, to compute your benefit.

**Step Formula**

Example: Using the same employee information in the step formula, your allowable-service percent is calculated at 1.2 percent for the first 10 years, then 1.7 percent for the other years.

|                              |  |
|------------------------------|--|
| Employee's age:              | 66 years   |
| Service:                     | 20 years   |
| Service-credit percent:      | 10 years x 1.2% = 12.0<br>10 years x 1.7% = 17.0 |
| Total percent:               | 29%  |
| Percent times annual salary: | 29% x \$36,000 = \$10,440                        |
| Single-Life monthly benefit: | \$870  |

**Early Retirement and the Step Formula**

This formula applies only to employees hired for the first time before June 30, 1989.

You can apply for early retirement at age 55 or later and receive a benefit if you have at least three years of allowable service. You can apply at any age if you have 30 years of service.

With the step formula, the amount of the benefit is reduced 3 percent for each year (0.25 percent/month) you are under normal retirement age when your benefit begins. The reduction applies from:

- Age 65 or
- Age 62 with 30 years of service

|                                       |                     |
|---------------------------------------|---------------------|
| Employee's age:                       | 55 years            |
| Early retirement percent reduction    | 30%                 |
| Single-life unreduced monthly benefit | \$870               |
| Reduction percent x monthly benefit   | 30% x \$870 = \$261 |
| Monthly benefit less reduction:       | \$870 - \$261       |
| Single-Life reduced monthly benefit:  | \$609               |





## Early Retirement and the Rule of 90

The Rule of 90 allows early retirement without reduction to your benefit if your age and length of service equals 90. The Rule of 90 applies only to the step formula and is available only to those hired before July 1, 1989.

|                              |  |
|------------------------------|--|
| Employee's age:              | 60 years                                       |
| Service:                     | 30 years                                       |
| Service-credit percent:      | 10 years x 1.2% = 12%<br>20 years x 1.7% = 34% |
| Total percent:               | 46%  |
| Percent times annual salary: | 46% x \$36,000 = \$16,560                      |
| Single-Life monthly benefit: | \$1,380  |

## An Easy Way to Calculate Your Benefit

You estimate your retirement benefit by calculating your high-five year average monthly salary and multiplying it by the percent shown on the charts on pages 12 - 15. Both charts include the early-retirement reduction where applicable.

Chart 1 applies to you if you were hired into public service in Minnesota for the first time before July 1, 1989.

Chart 2 applies to you if you were hired into public service in Minnesota for the first time after June 30, 1989.

Chart 1 uses the following assumptions for illustrative purposes:

If you have 30 years of service and retire at age 55, you multiply your high-five years, average monthly salary by 36.34 percent.

Chart 2 uses the following assumptions for illustrative purposes:

If you have 30 years of service and retire at age 60, you multiply your high-five years, average monthly salary by 35.35 percent.

# **WORKSHEET TO DETERMINE Your Monthly Retirement Benefits**

This worksheet is a tool to help you determine your estimated monthly benefit from MSRS. This worksheet is only an estimate and may not reflect your final benefit amount.

|  |                         |
|--|-------------------------|
| Retirement date                                    | _____                   |
| Years of service at retirement                     | _____                   |
| Age at retirement                                  | _____                   |
| Estimated high-five monthly salary *               | _____                   |
| Percentage from Chart 1 or Chart 2 **              | <b>X</b> _____ <b>%</b> |
| Estimated gross monthly retirement benefit = _____ |                         |

\* To determine your high-five monthly salary, add your earnings for your highest five consecutive years. Divide this total by 60. If you are more than five years from retirement, use your current monthly salary.

\*\*Using the above information, locate the percentage from either Chart 1 or Chart 2. Use Chart 1 if you were hired before July 1, 1989. Use Chart 2 if you were hired after June 30, 1989.



## Chart 1

Chart 1 applies if you were hired into public service in Minnesota for the first time prior to July 1, 1989. The chart shows your Single-Life benefit amount as a percentage of your high-five year average monthly salary. The early retirement reduction is included, if applicable.

| Years of Service | Age at Retirement |       |       |       |       |       |
|------------------|-------------------|-------|-------|-------|-------|-------|
|                  | 50                | 51    | 52    | 53    | 54    | 55    |
| 3                |                   |       |       |       |       | 2.92  |
| 4                |                   |       |       |       |       | 3.90  |
| 5                |                   |       |       |       |       | 4.87  |
| 6                |                   |       |       |       |       | 5.85  |
| 7                |                   |       |       |       |       | 6.82  |
| 8                |                   |       |       |       |       | 7.80  |
| 9                |                   |       |       |       |       | 8.77  |
| 10               |                   |       |       |       |       | 9.75  |
| 11               |                   |       |       |       |       | 10.72 |
| 12               |                   |       |       |       |       | 11.70 |
| 13               |                   |       |       |       |       | 12.67 |
| 14               |                   |       |       |       |       | 13.65 |
| 15               |                   |       |       |       |       | 14.62 |
| 16               |                   |       |       |       |       | 15.60 |
| 17               |                   |       |       |       |       | 16.73 |
| 18               |                   |       |       |       |       | 17.92 |
| 19               |                   |       |       |       |       | 19.11 |
| 20               |                   |       |       |       |       | 20.30 |
| 21               |                   |       |       |       |       | 21.49 |
| 22               |                   |       |       |       |       | 22.68 |
| 23               |                   |       |       |       |       | 23.87 |
| 24               |                   |       |       |       |       | 25.06 |
| 25               |                   |       |       |       |       | 26.25 |
| 26               |                   |       |       |       |       | 27.44 |
| 27               |                   |       |       |       |       | 28.63 |
| 28               |                   |       |       |       |       | 29.82 |
| 29               |                   |       |       |       |       | 31.01 |
| 30               | 29.40             | 30.80 | 32.22 | 33.50 | 34.90 | 36.34 |
| 31               | 30.50             | 31.90 | 33.30 | 34.80 | 36.20 | 37.68 |
| 32               | 31.60             | 33.00 | 34.50 | 36.00 | 37.50 | 39.02 |
| 33               |                   | 34.20 | 35.70 | 37.30 | 38.80 | 40.36 |
| 34               |                   |       | 36.90 | 38.50 | 40.10 | 41.71 |
| 35               |                   |       |       | 39.70 | 41.40 | 54.50 |
| 36               |                   |       |       |       | 56.20 | 56.20 |
| 37               |                   |       |       |       |       | 57.90 |
| 38               |                   |       |       |       |       | 59.60 |
| 39               |                   |       |       |       |       | 61.30 |
| 40               |                   |       |       |       |       | 63.00 |

| 56    | 57    | 58    | 59    | 60    | 61    | 62    | 63    | 64    | 65    |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3.07  | 3.22  | 3.39  | 3.57  | 3.77  | 3.99  | 4.22  | 4.48  | 4.77  | 5.10  |
| 4.09  | 4.30  | 4.52  | 4.77  | 5.03  | 5.32  | 5.63  | 5.97  | 6.35  | 6.80  |
| 5.11  | 5.37  | 5.65  | 5.96  | 6.29  | 6.65  | 7.04  | 7.47  | 7.94  | 8.50  |
| 6.14  | 6.45  | 6.79  | 7.15  | 7.55  | 7.98  | 8.45  | 8.96  | 9.53  | 10.20 |
| 7.16  | 7.52  | 7.92  | 8.34  | 8.81  | 9.31  | 9.86  | 10.46 | 11.12 | 11.90 |
| 8.18  | 8.60  | 9.05  | 9.54  | 10.06 | 10.64 | 11.27 | 11.95 | 12.71 | 13.60 |
| 9.21  | 9.68  | 10.18 | 10.73 | 11.32 | 11.97 | 12.68 | 13.45 | 14.30 | 15.30 |
| 10.23 | 10.75 | 11.31 | 11.92 | 12.58 | 13.30 | 14.08 | 14.94 | 15.89 | 17.00 |
| 11.25 | 11.83 | 12.45 | 13.11 | 13.84 | 14.63 | 15.49 | 16.44 | 17.48 | 18.70 |
| 12.28 | 12.90 | 13.58 | 14.31 | 15.10 | 15.96 | 16.90 | 17.93 | 19.07 | 20.40 |
| 13.30 | 13.98 | 14.71 | 15.50 | 16.36 | 17.29 | 18.31 | 19.43 | 20.66 | 22.10 |
| 14.32 | 15.05 | 15.84 | 16.69 | 17.62 | 18.62 | 19.72 | 20.92 | 22.25 | 23.80 |
| 15.35 | 16.13 | 16.97 | 17.88 | 18.88 | 19.95 | 21.13 | 22.42 | 23.84 | 25.50 |
| 16.37 | 17.20 | 18.10 | 19.08 | 20.13 | 21.28 | 22.54 | 23.91 | 25.43 | 27.20 |
| 17.44 | 18.28 | 19.24 | 20.27 | 21.39 | 22.62 | 23.95 | 25.41 | 27.02 | 28.90 |
| 18.68 | 19.45 | 20.37 | 21.46 | 22.65 | 23.95 | 25.36 | 26.90 | 28.61 | 30.60 |
| 19.92 | 20.74 | 21.56 | 22.65 | 23.91 | 25.28 | 26.77 | 28.40 | 30.20 | 32.30 |
| 21.17 | 22.04 | 22.91 | 23.85 | 25.17 | 26.61 | 28.17 | 29.89 | 31.79 | 34.00 |
| 22.41 | 23.33 | 24.25 | 25.17 | 26.43 | 27.94 | 29.58 | 31.39 | 33.37 | 35.70 |
| 23.65 | 24.62 | 25.59 | 26.56 | 27.69 | 29.27 | 30.99 | 32.88 | 34.96 | 37.40 |
| 24.89 | 25.91 | 26.93 | 27.96 | 28.98 | 30.60 | 32.40 | 34.38 | 36.55 | 39.10 |
| 26.13 | 27.20 | 28.28 | 29.35 | 30.43 | 31.93 | 33.81 | 35.87 | 38.14 | 40.80 |
| 27.37 | 28.50 | 29.62 | 30.75 | 31.87 | 33.26 | 35.22 | 37.37 | 39.73 | 42.50 |
| 28.61 | 29.79 | 30.96 | 32.14 | 33.32 | 34.59 | 36.63 | 38.86 | 41.32 | 44.20 |
| 29.85 | 31.08 | 32.31 | 33.53 | 34.76 | 35.99 | 38.04 | 40.90 | 42.91 | 45.90 |
| 31.09 | 32.37 | 33.65 | 34.93 | 36.21 | 37.48 | 42.60 | 42.60 | 44.50 | 47.60 |
| 32.33 | 33.66 | 34.99 | 36.32 | 37.65 | 44.30 | 44.30 | 44.30 | 46.09 | 49.30 |
| 37.72 | 39.10 | 40.48 | 41.86 | 46.00 | 46.00 | 46.00 | 46.00 | 47.68 | 51.00 |
| 39.11 | 40.54 | 41.97 | 47.70 | 47.70 | 47.70 | 47.70 | 47.70 | 49.27 | 52.70 |
| 40.50 | 41.99 | 49.40 | 49.40 | 49.40 | 49.40 | 49.40 | 49.40 | 50.86 | 54.40 |
| 41.90 | 51.10 | 51.10 | 51.10 | 51.10 | 51.10 | 51.10 | 51.10 | 52.45 | 56.10 |
| 52.80 | 52.80 | 52.80 | 52.80 | 52.80 | 52.80 | 52.80 | 52.80 | 54.04 | 57.80 |
| 54.50 | 54.50 | 54.50 | 54.50 | 54.50 | 54.50 | 54.50 | 54.50 | 55.63 | 59.50 |
| 56.20 | 56.20 | 56.20 | 56.20 | 56.20 | 56.20 | 56.20 | 56.20 | 57.22 | 61.20 |
| 57.90 | 57.90 | 57.90 | 57.90 | 57.90 | 57.90 | 57.90 | 57.90 | 58.81 | 62.90 |
| 59.60 | 59.60 | 59.60 | 59.60 | 59.60 | 59.60 | 59.60 | 59.60 | 60.40 | 64.60 |
| 61.30 | 61.30 | 61.30 | 61.30 | 61.30 | 61.30 | 61.30 | 61.30 | 61.99 | 66.30 |
| 63.00 | 63.00 | 63.00 | 63.00 | 63.00 | 63.00 | 63.00 | 63.00 | 63.58 | 68.00 |



## Chart 2

Chart 2 applies if you were hired into public service for the first time in Minnesota after June 30, 1989. The chart shows your Single-Life benefit amount as a percentage of your high-five year average monthly salary, and normal retirement age at 66. The early retirement reduction is included, if applicable.

| Years of Service | Age at Retirement |       |       |       |       |
|------------------|-------------------|-------|-------|-------|-------|
|                  | 55                | 56    | 57    | 58    | 59    |
| 3                | 2.73              | 2.87  | 3.02  | 3.17  | 3.34  |
| 4                | 3.65              | 3.83  | 4.02  | 4.23  | 4.46  |
| 5                | 4.56              | 4.79  | 5.03  | 5.29  | 5.58  |
| 6                | 5.47              | 5.74  | 6.04  | 6.35  | 6.69  |
| 7                | 6.39              | 6.70  | 7.04  | 7.41  | 7.81  |
| 8                | 7.30              | 7.66  | 8.05  | 8.47  | 8.93  |
| 9                | 8.21              | 8.62  | 9.06  | 9.53  | 10.04 |
| 10               | 9.13              | 9.58  | 10.07 | 10.59 | 11.16 |
| 11               | 10.04             | 10.54 | 11.07 | 11.65 | 12.28 |
| 12               | 10.95             | 11.49 | 12.08 | 12.71 | 13.39 |
| 13               | 11.86             | 12.45 | 13.09 | 13.77 | 14.51 |
| 14               | 12.78             | 13.41 | 14.09 | 14.83 | 15.63 |
| 15               | 13.69             | 14.37 | 15.10 | 15.89 | 16.74 |
| 16               | 14.60             | 15.33 | 16.11 | 16.95 | 17.86 |
| 17               | 15.52             | 16.29 | 17.12 | 18.01 | 18.98 |
| 18               | 16.43             | 17.24 | 18.12 | 19.07 | 20.09 |
| 19               | 17.34             | 18.20 | 19.13 | 20.13 | 21.21 |
| 20               | 18.26             | 19.16 | 20.14 | 21.19 | 22.33 |
| 21               | 19.17             | 20.12 | 21.14 | 22.25 | 23.44 |
| 22               | 20.08             | 21.08 | 22.15 | 23.31 | 24.56 |
| 23               | 21.00             | 22.04 | 23.16 | 24.37 | 25.68 |
| 24               | 21.91             | 22.99 | 24.16 | 25.43 | 26.79 |
| 25               | 22.82             | 23.95 | 25.17 | 26.49 | 27.91 |
| 26               | 23.73             | 24.91 | 26.18 | 27.54 | 29.03 |
| 27               | 24.65             | 25.87 | 27.19 | 28.60 | 30.14 |
| 28               | 25.56             | 26.83 | 28.19 | 29.66 | 31.26 |
| 29               | 26.47             | 27.79 | 29.20 | 30.72 | 32.38 |
| 30               | 27.39             | 28.74 | 30.21 | 31.78 | 33.49 |
| 31               | 28.30             | 29.70 | 31.21 | 32.84 | 34.61 |
| 32               | 29.21             | 30.66 | 32.22 | 33.90 | 35.72 |
| 33               | 30.13             | 31.62 | 33.23 | 34.96 | 36.84 |
| 34               | 31.04             | 32.58 | 34.24 | 36.02 | 37.96 |
| 35               | 31.95             | 33.54 | 35.24 | 37.08 | 39.07 |
| 36               | 32.87             | 34.49 | 36.25 | 38.14 | 40.19 |
| 37               | 33.78             | 35.45 | 37.26 | 39.20 | 41.31 |
| 38               | 34.69             | 36.41 | 38.26 | 40.26 | 42.42 |
| 39               | 35.60             | 37.37 | 39.27 | 41.32 | 43.54 |
| 40               | 36.52             | 38.33 | 40.28 | 42.38 | 44.66 |

| 60    | 61    | 62    | 63    | 64    | 65    | 66    |
|-------|-------|-------|-------|-------|-------|-------|
| 3.53  | 3.73  | 3.95  | 4.19  | 4.46  | 4.76  | 5.10  |
| 4.71  | 4.98  | 5.27  | 5.59  | 5.95  | 6.34  | 6.80  |
| 5.89  | 6.22  | 6.59  | 6.99  | 7.44  | 7.92  | 8.50  |
| 7.07  | 7.47  | 7.91  | 8.39  | 8.92  | 9.51  | 10.20 |
| 8.24  | 8.72  | 9.23  | 9.79  | 10.41 | 11.10 | 11.90 |
| 9.42  | 9.96  | 10.55 | 11.19 | 11.90 | 12.68 | 13.60 |
| 10.60 | 11.21 | 11.87 | 12.59 | 13.39 | 14.27 | 15.30 |
| 11.78 | 12.45 | 13.19 | 13.99 | 14.88 | 15.85 | 17.00 |
| 12.96 | 13.70 | 14.51 | 15.39 | 16.36 | 17.44 | 18.70 |
| 14.14 | 14.94 | 15.83 | 16.79 | 17.85 | 19.02 | 20.40 |
| 15.31 | 16.19 | 17.14 | 18.19 | 19.34 | 20.61 | 22.10 |
| 16.49 | 17.44 | 18.46 | 19.59 | 20.83 | 22.20 | 23.80 |
| 17.67 | 18.68 | 19.78 | 20.99 | 22.32 | 23.78 | 25.50 |
| 18.85 | 19.93 | 21.10 | 22.39 | 23.81 | 25.37 | 27.20 |
| 20.03 | 21.17 | 22.42 | 23.79 | 25.29 | 26.95 | 28.90 |
| 21.21 | 22.42 | 23.74 | 25.19 | 26.78 | 28.54 | 30.60 |
| 22.39 | 23.66 | 25.06 | 26.59 | 28.27 | 30.12 | 32.30 |
| 23.56 | 24.91 | 26.38 | 27.99 | 29.76 | 31.71 | 34.00 |
| 24.74 | 26.16 | 27.70 | 29.39 | 31.25 | 33.30 | 35.70 |
| 25.92 | 27.40 | 29.02 | 30.79 | 32.73 | 34.88 | 37.40 |
| 27.10 | 28.65 | 30.34 | 32.19 | 34.22 | 36.47 | 39.10 |
| 28.28 | 29.89 | 31.66 | 33.59 | 35.71 | 38.05 | 40.80 |
| 29.46 | 31.14 | 32.98 | 34.99 | 37.20 | 39.64 | 42.50 |
| 30.63 | 32.38 | 34.29 | 36.39 | 38.69 | 41.22 | 44.20 |
| 31.81 | 33.63 | 35.61 | 37.79 | 40.18 | 42.81 | 45.90 |
| 32.99 | 34.88 | 36.93 | 39.19 | 41.66 | 44.40 | 47.60 |
| 34.17 | 36.12 | 38.25 | 40.59 | 43.15 | 45.98 | 49.30 |
| 35.35 | 37.37 | 39.57 | 41.99 | 44.64 | 47.57 | 51.00 |
| 36.53 | 38.61 | 40.89 | 43.39 | 46.13 | 49.15 | 52.70 |
| 37.71 | 39.86 | 42.21 | 44.79 | 47.62 | 50.74 | 54.40 |
| 38.88 | 41.11 | 43.53 | 46.19 | 49.10 | 52.33 | 56.10 |
| 40.06 | 42.35 | 44.85 | 47.59 | 50.59 | 53.91 | 57.80 |
| 41.24 | 43.60 | 46.17 | 48.99 | 52.08 | 55.50 | 59.50 |
| 42.42 | 44.84 | 47.49 | 50.39 | 53.57 | 57.08 | 61.20 |
| 43.60 | 46.09 | 48.81 | 51.79 | 55.06 | 58.67 | 62.90 |
| 44.78 | 47.33 | 50.12 | 53.19 | 56.55 | 60.25 | 64.60 |
| 45.95 | 48.58 | 51.44 | 54.59 | 58.03 | 61.84 | 66.30 |
| 47.13 | 49.83 | 52.76 | 55.99 | 59.52 | 63.43 | 68.00 |



### Types of Benefit Choices

Before you decide on a benefit, it is wise to consider:

- What you and your survivor need to live on now
- Your health, your survivor's health
- What you or your survivor need to live on when one dies
- Other sources of income

When you apply for your benefit, you can choose from the Single-Life, Joint-and-Survivor which has three options, and 15-Year-Period-Certain-and-Life-Thereafter.

### Changing Option Choices

To change your options within the first 30 days after receiving a letter of authorization confirming your selection, you must submit a new application with notarized signatures.

### Single-Life

We calculate the Single-Life benefit amount using service length, the high-five year average monthly salary and age. The Single-Life benefit amount is the highest monthly benefit available to you. This benefit ends with your death.

At your death, if the total of your payments is less than what you contributed to the fund, your beneficiary receives the balance.

Effective January 1, 2009, law requires a notarized signature of your spouse on the application for retirement or disability. The purpose of this law is to ensure that your spouse knows what retirement option you selected.

### Joint-and-Survivor Benefit with Options

If you prefer to receive a lesser monthly benefit to provide a lifetime benefit for your named survivor after you die, you must choose the Joint-and-Survivor benefit.

You can name anyone as your survivor with this benefit. Survivor always means the person you name on your benefit application. Payment to your survivor begins the first of the month following your death.

If your survivor dies first, your benefit bounces back to the Single-Life amount. This bounce-back benefit begins the first of the month after your survivor's death. You cannot name a new survivor if your first survivor dies.

You have the following three Joint-and-Survivor options:

**100 Percent Option.** This option continues to pay your survivor the same monthly benefit that you received prior to your death. If your survivor is not your spouse, and is more than 10 years younger than you; you may not select this option.

**75 Percent Option.** This option pays your survivor 75 percent of the monthly benefit that you received prior to your death. If your survivor is not your spouse and is more than 19 years younger than you; you may not select this option.

**50 Percent Option.** This option pays your survivor 50 percent of the monthly benefit that you received prior to your death. There are no age restrictions for this option even if your survivor is not your spouse.

By law, if you are married you must choose a survivor option unless your spouse waives their right to this benefit.

#### 15-Year-Period-Certain-and-Life-Thereafter

In addition, we have a 15-Year-Period-Certain-and-Life-Thereafter benefit option. This provides a reduced monthly benefit and a guarantee that the benefit will be paid for a minimum of 15 years. If you live beyond 15 years, the payment continues throughout your lifetime. If you die before 15 years have passed, your payment continues to your survivor(s) for the balance of those years. A lump sum of any remaining benefit is paid to your estate, if all deaths precede the 15-year guarantee or if you name your estate as survivor.

| 15-Year-Period-Certain-and-Life-Thereafter<br>Benefit Amount per \$100 of Single-Life Benefit |                  |
|---|------------------|
| Employee Age  | Employee Benefit |
| 55  | 97               |
| 56  | 97               |
| 57  | 96               |
| 58  | 96               |
| 59  | 95               |
| 60  | 95               |
| 61  | 94               |
| 62  | 93               |
| 63  | 92               |
| 64  | 91               |
| 65  | 90               |
| 66  | 89               |

## 100 Percent Option

| Benefit Amount per \$100 of Single-Life Benefit |    |    |    |    |    |    |    |    |    |    |    |    |
|---|----|----|----|----|----|----|----|----|----|----|----|----|
| Employee's Retirement Age                       |    |    |    |    |    |    |    |    |    |    |    |    |
| Survivor's Age                                  | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 |
| 53  | 89 | 88 | 87 | 86 | 85 | 84 | 82 | 81 | 79 | 78 | 76 | 74 |
| 54  | 89 | 89 | 88 | 86 | 85 | 84 | 83 | 81 | 80 | 78 | 77 | 75 |
| 55  | 90 | 89 | 88 | 87 | 86 | 85 | 83 | 82 | 81 | 79 | 77 | 76 |
| 56  | 90 | 90 | 89 | 88 | 86 | 85 | 84 | 83 | 81 | 80 | 78 | 77 |
| 57  | 91 | 90 | 89 | 88 | 87 | 86 | 85 | 83 | 82 | 80 | 79 | 77 |
| 58  | 91 | 91 | 90 | 89 | 88 | 87 | 85 | 84 | 83 | 81 | 80 | 78 |
| 59  | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 | 83 | 82 | 80 | 79 |
| 60  | 92 | 92 | 91 | 90 | 89 | 88 | 87 | 85 | 84 | 83 | 81 | 80 |
| 61  | 93 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 | 83 | 82 | 80 |
| 62  | 93 | 92 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 84 | 83 | 81 |
| 63  | 94 | 93 | 92 | 91 | 91 | 90 | 89 | 87 | 86 | 85 | 84 | 82 |
| 64  | 94 | 93 | 93 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 84 | 83 |
| 65  | 94 | 94 | 93 | 92 | 92 | 91 | 90 | 89 | 88 | 86 | 85 | 84 |
| 66  | 95 | 94 | 94 | 93 | 92 | 92 | 90 | 89 | 88 | 87 | 86 | 85 |

| With Survivor's coverage and 100 Percent Option: |   |
|--|---|
| Employee's age:                                  | 66 years                                    |
| Survivor's age:                                  | 64 years                                    |
| Single-Life benefit reduced:                     | \$1,020 x 83% = \$846.60                    |
| Employee's monthly benefit:                      | \$846.60                                    |
| Survivor's benefit upon your death:              | \$846.60                                    |
| Bounce-back benefit:                             | \$1,020 (applicable if survivor dies first) |



## 75 Percent Option

| Benefit Amount per \$100 of Single-Life Benefit |    |    |    |    |    |    |    |    |    |    |    |    |
|---|----|----|----|----|----|----|----|----|----|----|----|----|
| Employee's Retirement Age                       |    |    |    |    |    |    |    |    |    |    |    |    |
| Survivor's Age                                  | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 |
| 53  | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 | 84 | 83 | 81 | 80 |
| 54  | 92 | 91 | 90 | 90 | 89 | 88 | 87 | 86 | 84 | 83 | 82 | 80 |
| 55  | 92 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 | 84 | 82 | 81 |
| 56  | 93 | 92 | 91 | 90 | 90 | 89 | 88 | 87 | 85 | 84 | 83 | 82 |
| 57  | 93 | 92 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 | 84 | 82 |
| 58  | 93 | 93 | 92 | 91 | 91 | 90 | 89 | 88 | 87 | 85 | 84 | 83 |
| 59  | 94 | 93 | 93 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 | 84 |
| 60  | 94 | 94 | 93 | 92 | 91 | 91 | 90 | 89 | 88 | 87 | 85 | 84 |
| 61  | 95 | 94 | 93 | 93 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 |
| 62  | 95 | 94 | 94 | 93 | 92 | 92 | 91 | 90 | 89 | 88 | 87 | 85 |
| 63  | 95 | 95 | 94 | 93 | 93 | 92 | 91 | 90 | 89 | 88 | 87 | 84 |
| 64  | 95 | 95 | 94 | 94 | 93 | 93 | 92 | 91 | 90 | 89 | 88 | 87 |
| 65  | 96 | 95 | 95 | 94 | 94 | 93 | 92 | 91 | 91 | 90 | 89 | 87 |
| 66  | 96 | 96 | 95 | 95 | 94 | 93 | 93 | 92 | 91 | 90 | 89 | 88 |

**With Survivor's coverage and 75 Percent Option:**

|                                     |   |
|-------------------------------------|---|
| Employee's age:                     | 66 years                                    |
| Survivor's age:                     | 64 years                                    |
| Single-Life benefit reduced:        | $\$1,020 \times 87\% = \$887.40$            |
| Employee's monthly benefit:         | \$887.40                                    |
| Survivor's benefit upon your death: | \$665.55                                    |
| Bounce-back benefit:                | \$1,020 (applicable if survivor dies first) |

## 50 Percent Option

| Benefit Amount per \$100 of Single-Life Benefit |    |    |    |    |    |    |    |    |    |    |    |    |
|---|----|----|----|----|----|----|----|----|----|----|----|----|
| Employee's Retirement Age                       |    |    |    |    |    |    |    |    |    |    |    |    |
| Survivor's Age                                  | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 |
| 53  | 94 | 94 | 93 | 92 | 92 | 91 | 90 | 89 | 88 | 87 | 86 | 85 |
| 54  | 94 | 94 | 93 | 93 | 92 | 91 | 91 | 90 | 89 | 88 | 87 | 86 |
| 55  | 95 | 94 | 94 | 93 | 92 | 92 | 91 | 90 | 89 | 88 | 87 | 86 |
| 56  | 95 | 94 | 94 | 93 | 93 | 92 | 91 | 91 | 90 | 89 | 88 | 87 |
| 57  | 95 | 95 | 94 | 94 | 93 | 92 | 92 | 91 | 90 | 89 | 88 | 87 |
| 58  | 95 | 95 | 95 | 94 | 93 | 93 | 92 | 91 | 91 | 90 | 89 | 88 |
| 59  | 96 | 95 | 95 | 94 | 94 | 93 | 92 | 92 | 91 | 90 | 89 | 88 |
| 60  | 96 | 96 | 95 | 95 | 94 | 93 | 93 | 92 | 91 | 91 | 90 | 89 |
| 61  | 96 | 96 | 95 | 95 | 94 | 94 | 93 | 93 | 92 | 91 | 90 | 89 |
| 62  | 96 | 96 | 96 | 95 | 95 | 94 | 94 | 93 | 92 | 91 | 91 | 90 |
| 63  | 97 | 96 | 96 | 96 | 95 | 95 | 94 | 93 | 93 | 92 | 91 | 90 |
| 64  | 97 | 97 | 96 | 96 | 95 | 95 | 94 | 94 | 93 | 92 | 92 | 91 |
| 65  | 97 | 97 | 96 | 96 | 96 | 95 | 95 | 94 | 93 | 93 | 92 | 91 |
| 66  | 97 | 97 | 97 | 96 | 96 | 95 | 95 | 94 | 94 | 93 | 92 | 92 |

**With Survivor's coverage and 50 Percent Option:**

|                                     |   |
|-------------------------------------|---|
| Employee's age:                     | 66 years                                    |
| Survivor's age:                     | 64 years                                    |
| Single-Life benefit reduced:        | \$1,020 x 91% = \$928.20                    |
| Employee's monthly benefit:         | \$928.20                                    |
| Survivor's benefit upon your death: | \$464.10                                    |
| Bounce-back benefit:                | \$1,020 (applicable if survivor dies first) |

## Prepare to Retire

It is important to prepare for retirement. Before you retire, you should understand the many financial factors that may influence your retirement years. These factors include health-insurance costs; taxes; the General Plan's benefit amount; Social Security; and other savings programs, such as deferred compensation, tax-sheltered annuity or the Health Care Savings Plan (HCSP).

Consider non-financial issues. Have you thought about how you will spend your time after retirement? On average, if you retire at age 65 you'll live 18 years beyond retirement. Careful planning helps you make the most of those years.

## Retirement Classes

Two retirement classes are available through the Minnesota Department of Administration. Visit their website at [www.admin.state.mn.us/mad](http://www.admin.state.mn.us/mad) for class summaries and registration.

## Choosing a Retirement Date

This is an important decision. Some ideas to consider about date selection are:

- Possible law changes that may affect how your benefit is computed, other benefit improvements.
- The cost of health insurance.
- How we determine service credit, which we use to compute your benefit.
- How your retirement date influences other decisions, such as withdrawing money from the deferred compensation plan or other investments.

## Benefit Estimate

You can request an estimate of your benefit from MSRS. Include your date of birth or member ID and spouse's name and date of birth with your request so we can estimate the optional benefit amounts. If you want to provide survivor coverage to a person other than your spouse, include that person's date of birth. You can calculate your own estimate by visiting the MSRS website at [www.msrs.state.mn.us](http://www.msrs.state.mn.us)



### Benefit Application

To apply for your monthly benefit, complete the *Application for Retirement Benefit* form. We can mail you a form or visit our website at [www.msrs.state.mn.us](http://www.msrs.state.mn.us) to download the form. If you are a University of Minnesota employee, please contact the University's Employee Benefit Office at 612-624-9090 or 1-800-756-2363.

Your benefit begins to accrue the day after your termination if you are eligible to receive a benefit immediately. Remember to submit your application within 180 days of your retirement.

### Proof of Age

We need proof of your birth date. If you choose a Joint-and-Survivor benefit option, we need your survivor's proof of birth date, as well. A photocopy of birth records is acceptable. Benefit payments cannot start until this proof is on file.

A birth record is usually available from the health department of the state where you were born. Visit [www.cdc.gov/nchs/howto/w2w/w2welcom.htm](http://www.cdc.gov/nchs/howto/w2w/w2welcom.htm) for health department addresses.

## After You Retire

### Monthly Benefit

We cannot compute the exact amount of your benefit until we receive a record of your final pay check. Usually you will receive your first benefit payment within 4 to 6 weeks after your last day of work. Unless the spouse waives any rights to an optional benefit by a notarized signature on the application, MSRS will assume the member selected the 50 percent Joint and Survivor option, unless the member selected either the 100 or 75 Percent Option.

You will receive a benefit-authorization letter when you receive your first benefit. The authorization letter will address the following:

- The amount of your first benefit and ongoing benefit amount;
- If you selected an optional benefit form;
- Verifies when your benefit will be directly deposited or mailed to you; and
- Provides you with important tax information.

To ensure safe, efficient deposit of your benefit, have your monthly benefit transferred electronically to a bank, credit union or other financial institution. The money is deposited into your individual or joint account. This transfer procedure is called direct deposit. If you'd like to have direct deposit, request the *Agreement for Direct Deposit* form from MSRS or download one from our website. If you use direct deposit, let us know of any address change so other mailings, such as newsletters and federal tax forms, reach you.

### Increases in Benefits

The Post Fund will merge with the Active Fund effective June 30, 2009. Legislation passed in 2008 called for the merger of the Post Fund assets with the Active Fund assets if the Post Fund fell below 80 percent funding ratio. As of June 30, 2008 the Post Fund was 79.7 percent funded, triggering the merger.

As a result of the merger, the Plan will pay a fixed 2.5 percent annual adjustment to retirees regardless of inflation or investment returns. If the combined fund reaches full funding, each board will decide if the retirement plan will pay additional inflation increases.





If payable, your first increase occurs seven to 19 months after you retire, and always on January 1. It is prorated based on the number of months you have been retired during the previous fiscal year – ending June 30. For example, if you retire at the end of April, you receive your first post-retirement increase the next January. The increase is based on your two months of retirement – May and June – and amounts to two-twelfths of the full increase. If the full increase is 4 percent, the increase generated by those two months is two-twelfths of 4 percent or  $.16667 \times 4$  percent = .6 of 1 percent.

Increases are prorated by the month, so no advantage is gained on postretirement increases by retiring in one month as opposed to another. After your first increase, you will receive the full increase in future years.

### **Tax Information**

#### **Federal Income Tax on Monthly Benefit**

All or most of your monthly benefit is taxable income. You have already paid federal income tax on retirement deductions taken before January 1983 and on voluntary payments made to obtain retirement credit, such as for a leave of absence if the payment was not made using tax-sheltered monies. Federal law allows you to exclude a portion of your benefit from taxable income until the excluded amount equals the tax already paid. MSRS computes the exclusion. It is reported on the 1099-R form, which retired members receive each January. For federal tax questions, contact the IRS at 1-800-829-1040.

#### **Minnesota Income Tax on Monthly Payment**

The portion of your monthly benefit that is taxable income for federal income tax is also taxable income for Minnesota income tax. Minnesota income tax applies to residents of Minnesota and residents of other states who spend more than one-half of the year in Minnesota.

There is a possible exception for those who are 65 years old or more, or those who are totally and permanently disabled. For information, call the Department of Revenue at 651-296-3781 or 1-800-652-9094. For teletypewriter users or telecommunications-device-for-the-deaf users, call the Minnesota Relay Service at 1-800-627-3529 and ask to be connected to Revenue's Taxpayers' Assistance Office at 651-296-3781.

#### **Withholding for Federal and Minnesota Income Tax**

Federal and Minnesota income tax withholding can be started, changed or cancelled online at [www.msrs.state.mn.us](http://www.msrs.state.mn.us) or write or call MSRS at 651-296-2761 or 1-800-657-5757. If MSRS receives no federal tax withholding request from you, the IRS directs MSRS to assume you are married and claim three allowances. If MSRS receives no state tax withholding request, no tax is withheld.

Every January, MSRS sends you a 1099-R form. The form shows the total benefit payments you received during the previous year, the amount that is taxable income, and the amount withheld for federal or state, if any.

For further information about tax withholding, call your tax advisor, an IRS district office or the Minnesota Department of Revenue. Filing a *Quarterly Report of Estimated Income Tax* form is an alternative for meeting advance payment requirements on your tax liability.

## Re-employment After Retirement

You cannot be re-employed in a position normally covered by MSRS until at least 14 days after your retirement date. Effective January 1, 2009, there must be a 30-day break in service. Law requires those participating in the Post-Retirement Option (PRO) at least a 30-day break if under age 62. If you return to service in a position normally covered by MSRS, no retirement deductions are taken from your salary. Notify MSRS immediately if you return to State employment, and later when you terminate that employment.

If you are under Social Security's full retirement age, your benefit will be suspended when you exceed Social Security's annual earnings limit. Your benefit will start again once you have ended state employment or on January 1 of the following year, at which time your benefit continues until the maximum is reached again.

The earnings limit for those under normal age of retirement is \$14,160 for 2009. For those reaching full retirement age in 2009, (see chart on right) the limit on the earnings for the months before full retirement age is \$37,680. The Social Security Administration changes the earning limits each year. No earnings limit exists if you are over Social Security's full retirement age. The payments you did not receive will be held in abeyance. They will be paid to you – with 6 percent interest compounded daily – after termination from re-employment. The member may request the total amount that was withheld one year from when the last benefit was withheld.

You must file an application to receive this money in a lump sum or roll it into a tax-sheltered plan. If you die before payment is made, the money will be paid, in this order, to your surviving spouse, beneficiary, estate.

Only the salary earned from re-employment applies to the earnings limit. Income from pensions or investments has no impact on the amount you are receiving. The limit does not apply to state contractors, state consultants or people participating in PRO.

MSRS benefit payments do not stop if you are employed in

- Private industry
- Federal or local government
- State government other than Minnesota

| Year of Birth   | Full Retirement Age |
|-----------------|---------------------|
| 1937 or earlier | 65                  |
| 1938            | 65 and 2 months     |
| 1939            | 65 and 4 months     |
| 1940            | 65 and 6 months     |
| 1941            | 65 and 8 months     |
| 1942            | 65 and 10 months    |
| 1943-1954       | 66                  |
| 1955            | 66 and 2 months     |
| 1956            | 66 and 4 months     |
| 1957            | 66 and 6 months     |
| 1958            | 66 and 8 months     |
| 1959            | 66 and 10 months    |
| 1960 and later  | 67                  |



### Disability Benefit

The General Employees Retirement Plan offers total-and-permanent disability protection. A disability benefit is computed the same way as a retirement benefit is, however, no early-retirement reduction is applied because of a younger age. The level formula's 1.7 percent is used for all service to compute your benefit.

#### Eligibility

You are eligible to apply if you are totally and permanently disabled, that is: unable to do any substantial activity because of a physical or mental impairment which can be diagnosed and is expected to last one year. You are eligible if you are on a leave of absence either with or without pay.

If you've terminated employment, the disability must have occurred while employed in a covered position and **you must apply within 180 days of your termination.**

You can apply for a benefit if you have three or more years of allowable service; however, if you've ever terminated employment you must have earned at least two years of service since you returned to a MSRS-covered position.

#### Survivor Coverage

When you apply for a disability benefit, you can choose the Single-Life benefit, the Joint-and-Survivor benefit with one of its three options, or the 15-Year-Period-Certain-and-Life-Thereafter benefit.

If you choose the Single-Life benefit, you have another opportunity to choose a Joint-and-Survivor benefit option. You can do so within 60 days of normal retirement age, however, no survivor coverage is provided if you die during the interim. See the *Types of Benefit Choices* section on page 16.

If you are disabled, did not choose a Joint-and-Survivor option and die, any balance in your retirement account is refunded in the following order:

- Beneficiary
- Spouse
- Children
- Parents
- Estate

**Disability Payment**

Disability applications are available only from MSRS. You can't apply for a benefit until the day after your last working day, then apply immediately. Do not wait for your sick leave or vacation to run out. You cannot apply for a disability benefit more than 180 days after you end your employment. Your doctors must complete medical reports. These are reviewed by our medical consultant. Retirement law requires reports from two doctors. The MSRS medical consultant makes a recommendation about the extent of your disability to the Executive Director. If your disability application is denied, you can appeal that decision.

This benefit begins after you receive payment for all accumulated overtime, vacation and sick-leave hours. Disability payment ends the month you die unless you chose survivor coverage.

Medical reports are required once a year for the first five years and every three years until normal retirement age to support a continued disability benefit.

**Workers' Compensation**

If you are disabled and qualify for workers' compensation payments, state law may require that the Workers' Compensation Commission reduce the amount of the retirement disability benefit from its payment. Check with workers' compensation for detailed rules.

**Employment**

You must notify MSRS if you are disabled and accept re-employment. In this case, if you earn less than your previous salary your disability payment continues to the extent that earnings, plus the disability benefit, do not exceed what your salary was on your disability date.



### If You Die Before You Retire

If you die before retirement, the amount of survivor coverage is determined by your age, service credit and marital status on your date of death. All surviving spouse benefits continue upon remarriage.

#### Surviving-Spouse Coverage

Your surviving spouse can receive a lifetime benefit immediately if, at your death, you were active and had at least three years of service credit. Your spouse can choose one of three ways to be paid:

- Monthly payment that extends across his or her lifetime.
- Monthly payments that extend across ten, 15 or 20 years.
- Lump-sum payment of the retirement deductions plus 6-percent interest.

This coverage is automatic regardless of beneficiary. If you do not want this spousal coverage, you must complete a notarized form waiving this coverage. Call MSRS for details.

#### Dependent Child

Your dependent child under age 20 can receive a monthly benefit, if you have no surviving spouse and are an active employee.

If you have no survivor coverage, are not married, have no dependent child and die, your account balance and 6 percent interest is paid in the following order:

- Beneficiary
- Children in equal shares
- Parents in equal shares
- Estate

### If You Die After You Retire

If you are retired, did not choose an optional benefit and die, your monthly payments stop. If a balance remains in your account it is paid in the following order:

- Beneficiary
- Spouse
- Children in equal shares
- Parents in equal shares
- Estate



If you are retired, chose an optional benefit and die, your survivor begins receiving the optional benefit for life. The amount depends on the option selected. Payment begins the month following your death. If your survivor dies and an account balance remains, it is paid in the same order shown above.

### **Previous School, City, County or Other Public Jobs**

This section's information applies to you if you've worked in positions covered by other Minnesota public-retirement funds. The section discusses the Combined Service Benefit Law. It shows how your employment and retirement coverage, with two or more retirement plans, work together when you retire.

### **Combined Service Benefit Law**

The Combined Service Benefit law permits you to receive benefits from each plan if you have:

- Three years of service credit in two or more retirement plans. The Judges and Legislators plans have longer service requirements.
- Six months of coverage with each plan. You count the service period once, if you have allowable service with more than one fund at the same time.
- Six months of service credit with the fund which covered your last employment.
- Applied for benefit payments from all retirement funds and all start dates are within one year of each other.

The retirement agencies covered by this law are the:

- Minnesota State Retirement System (MSRS)
- Public Employees' Retirement Association (PERA)
- Teachers' Retirement Association (TRA)

The retirement funds covered by this law are the:

- Minneapolis Municipal Employees' Retirement Fund
- St. Paul and Duluth Teachers' Retirement Associations

### **How a Combined Service Benefit Works**

All plans use the same high-five year average salary when they compute benefits.

Each plan considers your total service in all plans when it applies its particular provisions, such as: early retirement or length-of-service features.



The law in effect when you terminate service, with the last plan under which you had six months of service, is used to calculate the benefit in all plans. Therefore, you take advantage of all law changes.

All benefits—retirement, deferred retirement, disability, and survivor—are covered by this provision.

You can repay refunds to reinstate service with other plans while employed or within six months of termination. The cost of repayment is the amount refunded plus 8.5 percent interest per year, compounded annually. The repayment amount is calculated from the date the refund was paid to you through its repayment.

Example: You are age 66 with 12 years of service as a city employee covered by PERA's Coordinated Members Plan and 20 years covered by MSRS' General Employees Plan. Your benefit is computed with both formulas – level and step.

#### Level

**PERA** (with Social Security)

12 years at 1.7% per year = 20.4%

**MSRS**

20 years at 1.7% per year = 34.0%

Total = 54.4%

PERA pays a benefit equal to 20.4 percent of your average salary. MSRS pays a benefit equal to 34 percent of your average salary. The total benefit amounts to 54.4 percent.

#### Step

Now, using age 66 and the same criteria as above, the step formula calculation looks like this:

**PERA** (with Social Security)

- 10 years at 1.2% per year = 12.0%
- 2 years at 1.7% per year = 3.4%
- Total 15.4%

**MSRS**

- 20 years at 1.7% per year = 34.0%
- Total = 49.4%

PERA pays a benefit equal to 15.4 percent of your average salary. MSRS pays a benefit equal to 34 percent of your average salary. The total benefit amounts to 49.9 percent under the step formula.

Comparing the formulas, the retirement benefit is higher under the level formula, therefore, its percent is used to determine your benefit.

You'll receive two payments, one from PERA and MSRS.

Please note: The ages in the example showing the difference between the step and level formulas are for illustration purposes only. We used age 66 in the illustration to provide a comparison using the same ages. However, if you were 66, we would use the level formula, not the step formula, to compute your benefit.

## **Terminating Before You Retire**

### **Deferred Benefit**

If you have three or more years of service credit and end state employment, you can leave your money in the retirement fund and apply for a monthly benefit to begin at age 55 or later. This is called deferring your benefit. If you receive the deferred benefit before normal retirement age, it is reduced for each month you are under that age when payment begins.

Your benefit amount is computed under the law in effect when you terminate employment; however, the benefit amount continues to grow until you start to receive payments. The monthly amount of the deferred benefit increases at a rate of three percent, compounded annually from your termination date to the January following your 55th birthday. Beginning that January, your benefit grows at a rate of 5 percent per year until you start receiving payment. (For people hired after June 30, 2006 this increase is limited to 2 1/2 percent for all years deferred.)

When applying for the deferred benefit, you can choose from among the Single-Life, Joint-and-Survivor with its options, or 15-Year-Period-Certain and Life-Thereafter. Application for a benefit can be made within 60 days of the date you are eligible to receive the monthly payments. The application is available from MSRS.

If you are married and die before you receive the benefit, your spouse can choose either a monthly benefit or a refund. The benefit begins when you would have been age 55. The refund provides the retirement deductions plus 6 percent interest.

If there is no surviving spouse, the account balance is paid, in this order, to your:

- Beneficiary
- Children in equal shares
- Parents in equal shares
- Estate

### **Refund After Termination**

After termination of service, you can request a refund of your deductions. Refund applications are available only from MSRS. The refund includes interest at 6 percent per year, compounded annually. The refund is taxable income. If you take a refund, federal tax law requires that MSRS withhold 20 percent, unless you arrange a direct roll-over of your refund into an IRA or other qualified plan.



In addition, your refund will likely be subject to a 10 percent tax penalty. This tax is assessed when you file your next tax return. We provide more detailed tax and estimate information with your refund application.

Acceptance of a refund forfeits all service credit with the General Plan. You can regain the forfeited credit by repaying the refund amount plus interest at 8.5 percent per year, if you re-enter state service, are in a position covered by MSRS, or are in a position covered by a public retirement plan listed in the Previous School, City, County or Other Public Jobs section. You must have at least six months of service in a public pension plan to repay a refund. The refund can be re-paid with tax sheltered money. Repayment must be made within six months of termination from your last public employer.

### **Social Security and Medicare**

As a member of the General Plan, you are covered by Social Security and Medicare. Your Social Security benefits are in addition to your MSRS benefits.

For further information, call Social Security at 1-800-772-1213 or Medicare, if you are a subscriber, at 1-800-330-5935.

### **Divorce**

For more information about how your retirement account is affected if you divorce, call MSRS. We can mail you information about how state divorce law applies to a retirement account and sample language for use in a divorce decree.

## Minnesota Deferred Compensation Plan (MNDCP)

MNDCP is a voluntary program that allows you to set aside a portion of your income and accumulate it on a tax-deferred basis. That means fewer of your salary dollars are subject to current income tax, and your savings and investment earnings accumulate as tax deferred, until you start drawing from the plan at retirement.

For more information about MNDCP, call 1-877-457-6466 or visit the plan's website at [www.mndcplan.com](http://www.mndcplan.com)

## Health Care Savings Plan (HCSP)

The Health Care Savings Plan (HCSP) is an employer-sponsored program that allows employees to save money, tax free, to use upon termination of employment to pay for eligible health care expenses.

Employees will be able to choose among seven different investment options provided by the State Board of Investment (SBI). Assets in the account will accumulate tax-free, and since payouts are used for approved health care expenses they will remain tax-free.

## Fund Investment

The State Board of Investment (SBI) has the responsibility for investment of MSRS funds. Actual investing is done by money management firms on contract with SBI. The board continually evaluates these firms' investment performance. Minnesota Statutes, Section 11A.24, describes the type of investments allowed. Up to 75 percent of the total assets of the fund may be invested in equities (stocks). The remainder is invested in short-term and long-term, fixed income securities (bonds) and other investments.

## Management

The Minnesota State Retirement System's board of directors has 11 members, four are elected by members of the General Employees Retirement Plan, which includes the Unclassified Employees Retirement Plan membership.

The board hears appeals to decisions made by the executive director. To begin an appeal process, request a hearing within 60 days of the director's decision.





## One-Stop Retirement Service

Our retirement counselors are available to help you with your MSRS retirement plan, Minnesota State Deferred Compensation Plan (MNDCP), and your Health Care Savings Plan (HCSP). Visit or call one of our offices.

### Main Office

60 Empire Drive | Suite 300 | St. Paul, MN 55103  
Telephone: 651-296-2761 | Toll-free: 1-800-657-5757  
[www.msrs.state.mn.us](http://www.msrs.state.mn.us) | Fax: 651-297-5238

### Detroit Lakes

Telephone: 218-846-0461  
218-846-0462

### Mankato

Telephone: 507-389-6216

### Duluth

Telephone: 218-740-3157

### St. Cloud

Telephone: 320-534-0162



This handbook can be made available in alternate formats: large print, Braille or cassette tape. Teletypewriter users and telecommunications device for the deaf users call the Minnesota Relay Service at 1-800-627-3529, and ask to be connected to the Minnesota State Retirement System at 651-296-2761.



**MSRS**  
MNDCP  
HCSP

**Minnesota State Retirement System**  
Minnesota State Deferred Compensation Plan  
Health Care Savings Plan

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