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Judges Retirement Plan

Minnesota State Retirement System



Judges Retirement Plan Handbook

MSRS Mission

To administer sustainable retirement plans, a tax-free health care savings plan, and a low-cost deferred compensation plan; assure timely benefit payments; be proactive in public pension policies; and provide exemplary customer service.

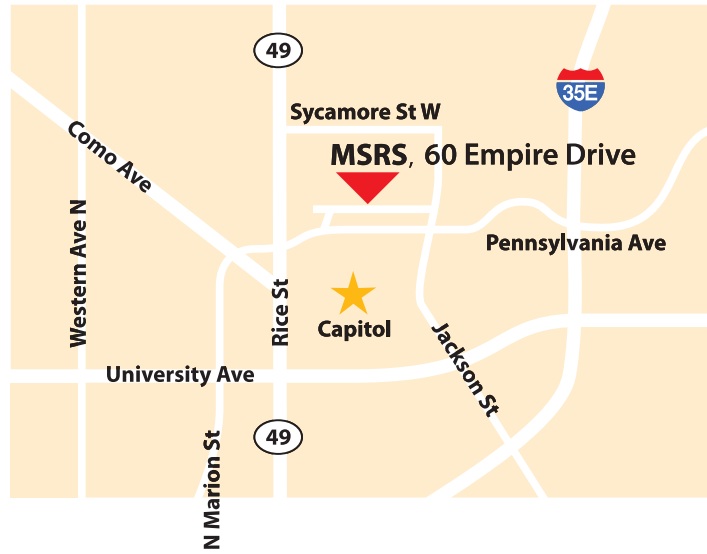


This member handbook is a general summary of the benefit provisions administered by the Minnesota State Retirement System (MSRS). The purpose of this handbook is to give you a general idea of your benefits and acquaint you with the Judges Retirement Plan. The benefits described apply to active Judges at the date this handbook is issued, unless otherwise stated. If there is any difference between the information this handbook provides and the law or policies which govern MSRS, the law and policies will prevail. The provisions may be subject to law changes.

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How to contact MSRS

MSRS retirement counselors are a valuable source for information and assistance regarding your benefits. They can explain plan provisions, provide you with a benefit estimate, and counsel you regarding your benefit rights and options.



St. Paul office:

Main Office Building
60 Empire Drive, Suite 300
St. Paul, MN 55103
Telephone: 651-296-2761
800-657-5757
Fax: 651-297-5238

Minnesota relay: 1-800-627-3529

Website: www.msrs.state.mn.us

Email: msrs@state.mn.us

Business hours:

Monday-Friday 8 a.m.-4:30 p.m.

Greater Minnesota offices:

Detroit Lakes Office
714 Lake Avenue, Suite 102
Detroit Lakes, MN 56501
Telephone: 800-657-5757
Fax: 218-846-0460

Duluth Office
Medical Arts Building, Suite 530
324 West Superior Street
Duluth, MN 55802
Telephone 800-657-5757
Fax: 218-740-3174

Mankato Office
12 Civic Center Plaza, Suite 1645
Mankato, MN 56001
Telephone 800-657-5757
Fax: 507-389-6396

St. Cloud Office
110 Second Street, Suite 308
Waite Park, MN 56387
Telephone 800-657-5757
Fax: 320-534-0159

MSRS was established by the Legislature in 1929 to provide retirement benefits to state employees. The Judges Retirement Plan was created in 1973. MSRS administers 10 different retirement plans which provide retirement, survivor, and disability benefit coverage for Minnesota state employees as well as employees of the Metropolitan Council and many non-faculty employees at the University of Minnesota and State universities and colleges. MSRS covers over 50,000 active employees and currently pays monthly benefits to over 32,000 retirees, survivors, and disabled employees. In addition, we administer the Minnesota Deferred Compensation Plan (MNDCP) and the Health Care Savings Plan (HCSP).

Judges Plan

The Judges Plan covers a judge or justice in courts established by the Minnesota Constitution.

The Judges Plan provides retirement, survivor, and disability coverage.

Sources of benefit information:

Benefit information is available to you in the following ways:

- Website – www.msrs.state.mn.us
- Handbooks and brochures
- Educational seminars and workshops
- *Messenger* newsletter
- Annual benefit statement
- Retirement counselors

How your retirement plan works

You contribute 8 percent of your gross salary to your retirement plan and your employer contributes 20.5 percent. The employer contribution is higher because the Judges Plan was pay-as-you-go until 1991. The larger employer contribution is to bring the Plan to full funding. Once you retire, you receive a monthly retirement benefit for life with potential post-retirement increases. Depending on the option you select at retirement, your survivors may be eligible to receive a lifetime survivor benefit upon your death. We also provide disability benefits and survivor benefits for your spouse or dependent children if you die before you retire.

Example of how your benefit adds up

Let's take a look at the big picture. What is the value of your retirement benefit? This example provides an estimate of a retirement benefit paid over a 17-year period. The following assumptions are made for illustrative purposes.

The assumptions:

Age at retirement:	65
Allowable service:	20 years
Final high-five annual salary:	\$120,000
Annual post-retirement increase:	2%
Benefit payment option:	Single-Life
Length of retirement:	17 years (to age 82)

The calculations:

$$20 \text{ years} \times 3.2\% = 64\%$$

\$120,000 (your annual high-five salary)
x 64%

\$76,800 per year or \$6,400 per month

Monthly retirement benefit:
\$6,400 per month

YEAR	MONTHLY BENEFIT	ANNUAL BENEFIT	AGE
1	\$6,400	\$76,800	66
2	6,528	78,336	67
3	6,658	79,902	68
4	6,791	81,500	69
5	6,927	83,130	70
6	7,066	84,793	71
7	7,207	86,489	72
8	7,351	88,219	73
9	7,498	89,983	74
10	7,648	91,783	75
11	7,801	93,618	76
12	7,957	95,491	77
13	8,116	97,400	78
14	8,279	99,348	79
15	8,444	101,335	80
16	8,613	103,362	81
17	8,785	105,429	82
TOTAL		\$1,536,918	

The value of your benefit What is your retirement benefit worth?

Your retirement benefit can add up to a substantial amount of money. But it doesn't end there. MSRS may also provide disability coverage for you and survivor benefits for your family.

After you retire, you may receive post-retirement increases over your lifetime. Survivor benefits are also eligible for increases.

Benefits received at age 82: \$1,536,918*

Amount you contributed: \$160,000 – \$200,000

If you live beyond age 82, the value of your benefit will be even greater.

* Assuming a 2% annual post retirement increase

How we determine your retirement benefit

Putting the puzzle pieces together

For simplicity, view your retirement benefit as pieces of a puzzle. The first piece we consider is your length of service. Then we calculate your high-five average salary, using your highest five years of salary in the last ten years. We take these two pieces and apply it to a benefit formula to determine your retirement benefit. Other factors that determine your monthly benefit are the age when you plan to retire and the survivor benefit option you select.

Let's take a look at each piece of the puzzle and see how they all fit together to give you a better picture of your retirement benefit.



Divorce and your retirement benefit

For more information on how divorce may affect your retirement benefit, contact us or visit our website. We have information about how state divorce law applies to your retirement benefit and sample language for use in a divorce decree.

Calculating your retirement benefit

Remember

Contributions to a deferred compensation plan, Social Security, or health care premiums do not lower your average monthly salary.

Mandatory Retirement Age

By law, you must retire no later than the last day of the month in which you reach age 70.

1. Length of service

Service credit or allowable service

Service credit or allowable service is the credit you earn each month retirement deductions are withheld from your salary. We use the amount of service credit you have in a formula to determine your retirement benefit.

One of the advantages of your continued employment is to increase the value of your retirement benefit for each additional year and month of service. The more service you have and the higher your annual pay, the higher your monthly retirement benefit.

There are a number of factors that impact your length of service, such as if you take a leave of absence or if you work for another governmental unit. For more details on factors that impact your length of service, see page 22.

2. Average Monthly Salary (AMS)

Part of how we determine your retirement benefit is to use your highest five years of salary in the last ten years. For most employees, the highest five years of salary are the last five years of your employment. However, this isn't always the case.

Your average monthly salary is based on your gross salary.

How we determine your retirement benefit

How to calculate your high-five average salary

When calculating your high-five average salary, we use the highest five years of salary in the last ten years (5 years x 12 months = 60 months). Your employer reports your salary along with your retirement deductions each pay period to MSRS. This allows us to accurately calculate your high-five average salary.

For example

A high-five average salary calculation to determine your average monthly salary:

The assumptions:	
Year	Earnings
1	\$118,000
2	119,000
3	120,000
4	121,000
5	122,000
Total	\$600,000

The calculations:
\$600,000 (total high-five salary)
÷ 5 (years)
\$120,000 average annual salary
÷ 12 (months)
\$10,000 average monthly salary

When you are eligible for retirement

You are eligible for monthly benefits, or what we call vested, after five or more years of service.

You can start collecting full retirement benefits when you are age 65.

Judges can begin collecting reduced monthly benefits at age 60 or later.

Benefit formula

Part of how we determine your monthly retirement benefit is to use a benefit formula. We take your years and months of service and convert these to a percentage through a retirement formula.

Retirement formula

You receive 3.2 percent for each year of service. For example, if you have 20 years of service, you would receive 64 percent of your high-five salary.

$$20 \times 3.2 = 64\%$$

The formula is capped at 76.8 percent, which is reached after 24 years of service.

Remember that full retirement age is 65. This means if you retire at age 65—or full retirement age—there is no reduction in your monthly benefit. We call this an unreduced benefit, since you receive your full retirement monthly amount.

However, if you retire before full retirement age, your monthly benefit is reduced because you will be collecting the benefit for a longer period of time. The reduction is designed to generate the same value of retirement benefits you receive, regardless of your age at retirement. We call this a reduced benefit.

Full retirement benefit

To show how we calculate your full retirement benefit, we'll use the previous example.

The assumptions:

Age at retirement:	65
Allowable service:	20 years
Average monthly salary:	\$10,000
Benefit payment option:	Single-Life

The calculations:

$$20 \text{ years} \times 3.2\% = 64\%$$

$$\begin{array}{r} \$10,000 \text{ (your average monthly salary)} \\ \times \quad 64\% \\ \hline \$6,400 \text{ per month} \end{array}$$

How we determine your retirement benefit

Early retirement reduction

Using the same example from page 11, we will show the calculation if you retired early.

If you retired at age 62, using the same information as the example from page 11, we would reduce your monthly benefit using an early retirement factor. See the chart below for the early retirement factors.

The calculations	
Retire at age 62:	
\$6,400 (your monthly benefit)	
x 18% (reduction)	
\$1,152 per month	
\$6,400 (monthly benefit)	
– \$1,152 (reduction for early retirement)	
\$5,248 per month	

Early retirement factor chart

Age at Retirement	Early Retirement Reduction
60	30%
61	24%
62	18%
63	12%
64	6%
65	0%

Retirement factors are subject to change.

Calculations made easy, really

We can simplify the process by using the chart on the next page. In this chart, you'll see the age at retirement listed across the top. The first column on the left displays the years of service. Using the example from page 11, with retirement at age 65 with 20 years of service, we would use 64 percent as part of the formula to determine your retirement benefit.

This chart factors in the early retirement reduction if you retire early.

*If you are more than five years from retirement, use your current salary. If you are five years or closer to retirement, go to Step 1A to calculate your high-five salary.

1. Your turn—Your assumptions:

Your projected age at retirement: _____

Allowable service: _____

* Average monthly salary: _____

1A. Your high-five salary – Your assumptions:

Year	Earnings
1	\$ _____
2	\$ _____
3	\$ _____
4	\$ _____
5	\$ _____
Total	\$ _____

÷ 60 = _____ Average monthly salary

2. Your calculations:

Average monthly salary: _____

Factor from chart: X _____

Monthly benefit _____

How we determine your retirement benefit

Years of Service	Age at Retirement					
	60	61	62	63	64	65
5	11.20	12.16	13.12	14.08	15.04	16.00
6	13.44	14.59	15.74	16.90	18.05	19.20
7	15.68	17.02	18.37	19.71	21.06	22.40
8	17.92	19.46	20.99	22.53	24.06	25.60
9	20.16	21.89	23.62	25.34	27.07	28.80
10	22.40	24.32	26.24	28.16	30.08	32.00
11	24.64	26.75	28.86	30.98	33.09	35.20
12	26.88	29.18	31.49	33.79	36.10	38.40
13	29.12	31.62	34.11	36.61	39.10	41.60
14	31.36	34.05	36.74	39.42	42.11	44.80
15	33.60	36.48	39.36	42.24	45.12	48.00
16	35.84	38.91	41.98	45.06	48.13	51.20
17	38.08	41.34	44.61	47.87	51.14	54.40
18	40.32	43.78	47.23	50.69	54.14	57.60
19	42.56	46.21	49.86	53.50	57.15	60.80
20	44.80	48.64	52.48	56.32	60.16	64.00
21	47.04	51.07	55.10	59.14	63.17	67.20
22	49.28	53.50	57.73	61.95	66.18	70.40
23	51.52	55.94	60.35	64.77	69.18	73.60
24	53.76	58.37	62.98	67.58	72.19	76.80

You have the following benefit choices:

- Single-Life
- 100 Percent Joint-and-Survivor
 - with bounce-back feature
 - without bounce-back feature
- 75 Percent Joint-and-Survivor
 - with bounce-back feature
 - without bounce-back feature
- 50 Percent Joint-and-Survivor
 - with bounce-back feature
 - without bounce-back feature
- Life Income 15-Year Certain

When you apply to receive monthly retirement or disability benefits, you will have to decide whether you want to provide monthly benefits to your survivor when you die. If you wish to choose survivor coverage, you will receive a lower monthly benefit in order to provide this additional coverage. If you are married, you must provide at least a 50 percent survivor option for your spouse unless your spouse waives survivor coverage.

You can name anyone you choose to receive survivor benefits. You can also name multiple survivors. The reduction in your monthly benefit is based on the age difference between you and your survivor. The younger the survivor is, the greater the reduction in your monthly benefit. The age difference may also limit survivor options available to you.

Single-Life benefit

Single-Life benefit is just that—it is a benefit for your life only. So, if you do not select survivor coverage, you will receive a monthly benefit for your lifetime. When you die, the monthly benefit stops.

If you die after you retire, your beneficiary would receive a refund of any remaining balance of your account. This is just one reason to keep your beneficiary designation current.

Once payments begin, you cannot change your choice of survivor coverage or the person(s) you elect to cover. Because it cannot be changed, this decision is important. If you have questions, call us.



Benefit choices

100 Percent Joint-and-Survivor with bounce-back feature

- Provides maximum survivor coverage

If you select the 100 Percent Joint-and-Survivor option, you will receive a monthly benefit for your life, and when you die, your named survivor will continue to receive the same amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor. This option provides maximum survivor coverage, but results in lower monthly payments during your lifetime.

If your named survivor dies before you, your monthly benefit will increase or “bounce back” to the Single-Life benefit amount the first of the month following the survivor’s death.

If a non-spouse survivor is more than 10 years younger than you, you may not select the 100 percent option.

		100 Percent Option With Bounce-back Feature				
		Benefit amount per \$100 of Single-Life benefit				
		Survivor's Age				
		59	61	63	65	67
Employee's Retirement Age	60	82.86	84.00	85.15	86.28	87.40
	61	81.51	82.69	83.89	85.09	86.76
	62	80.08	81.30	82.55	83.80	85.04
	63	78.57	79.83	81.13	82.43	83.74
	64	76.99	78.29	79.63	80.99	82.35
	65	75.34	76.68	78.06	79.46	80.88
	66	73.63	75.00	76.42	77.87	79.34
	67	71.88	73.27	74.72	76.21	77.74
	68	70.08	71.49	72.97	74.50	76.07
	69	68.24	69.66	71.17	72.73	74.34
	70	66.36	67.80	69.32	70.91	72.56

100 Percent Joint-and-Survivor without bounce-back feature

- Provides maximum survivor coverage

If you select the 100 Percent Joint-and-Survivor option, you will receive a monthly benefit for your life, and when you die, your named survivor will continue to receive the same amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor. This option provides maximum survivor coverage, but results in lower monthly payments during your lifetime.

If a non-spouse survivor is more than 10 years younger than you, you may not select the 100 percent option.

If your survivor dies first, your benefit will not change.

		100 Percent Option Without Bounce-back Feature				
		Benefit amount per \$100 of Single-Life benefit				
		Survivor's Age				
		59	61	63	65	67
Employee's Retirement Age	60	84.37	85.71	87.06	88.40	89.71
	61	83.04	84.44	85.86	87.27	88.67
	62	81.63	83.08	84.57	86.06	87.54
	63	80.13	81.64	83.19	84.75	86.32
	64	78.56	80.11	81.72	83.36	85.01
	65	76.91	78.51	80.17	81.88	83.61
	66	75.20	76.83	78.54	80.32	82.12
	67	73.42	75.09	76.85	78.68	80.56
	68	71.60	73.29	75.09	76.97	78.92
	69	69.73	71.44	73.27	75.20	77.20
	70	67.82	69.55	71.39	73.36	75.42

75 Percent Joint-and-Survivor with bounce-back feature

- Provides some survivor coverage

If you select the 75 Percent Joint-and-Survivor option, you will receive a monthly benefit for your life, and when you die, your named survivor will receive 75 percent of the amount you were receiving.

If your named survivor dies before you, your monthly benefit will increase or “bounce back” to the Single-Life benefit amount the first of the month following the survivor’s death.

If a non-spouse survivor is more than 19 years younger than you, you may not select the 75 percent option.

		75 Percent Option With Bounce-back Feature				
		Benefit amount per \$100 of Single-Life benefit				
		Survivor's Age				
		59	61	63	65	67
Employee's Retirement Age	60	86.75	87.66	88.57	89.46	90.34
	61	85.66	86.61	87.57	88.52	89.45
	62	84.51	85.50	86.50	87.50	88.48
	63	83.29	84.31	85.36	86.40	87.45
	64	82.00	83.06	84.15	85.24	86.34
	65	80.64	81.74	82.87	84.01	85.16
	66	79.23	80.36	81.53	82.72	83.91
	67	77.76	78.92	80.13	81.36	82.61
	68	76.25	77.43	78.67	79.95	81.24
	69	74.68	75.89	77.16	78.47	79.81
	70	73.07	74.31	75.60	76.95	78.33

75 Percent Joint-and-Survivor without bounce-back feature

- Provides some survivor coverage

If you select the 75 Percent Joint-and-Survivor option, you will receive a monthly benefit for your life, and when you die, your named survivor will receive 75 percent of the amount you were receiving.

If a non-spouse survivor is more than 19 years younger than you, you may not select the 75 percent option.

If your survivor dies first, your benefit will not change.

		75 Percent Option Without Bounce-back Feature				
		Benefit amount per \$100 of Single-Life benefit				
		Survivor's Age				
		59	61	63	65	67
Employee's Retirement Age	60	87.95	89.01	90.07	91.12	92.14
	61	86.89	88.00	89.12	90.24	91.33
	62	85.76	86.92	88.10	89.28	90.45
	63	84.55	85.76	87.00	88.25	89.49
	64	83.27	84.53	85.83	87.14	88.40
	65	81.93	83.23	84.58	85.96	87.34
	66	80.52	81.86	83.26	84.70	86.15
	67	79.05	80.43	81.88	83.37	84.89
	68	77.53	78.94	80.43	81.98	83.57
	69	75.95	77.39	78.92	80.52	82.17
	70	74.93	75.79	77.35	79.00	80.70

Benefit choices

50 Percent Joint-and-Survivor with bounce-back feature

- Provides some survivor coverage

If you select the 50 Percent Joint-and-Survivor option, you will receive monthly benefits for your life, and when you die, your named survivor will receive 50 percent of the amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor.

If your named survivor dies before you, your monthly benefit will increase or “bounce back” to the Single-Life benefit amount the first of the month following your survivor’s death.

There are no age restrictions for this option even if your survivor is not your spouse.

		50 Percent Option With Bounce-back Feature				
		Benefit amount per \$100 of Single-Life benefit				
		Survivor's Age				
		59	61	63	65	67
Employee's Retirement Age	60	90.63	91.31	91.98	92.64	93.28
	61	89.81	90.53	91.24	91.94	92.63
	62	88.94	89.69	90.44	91.19	91.92
	63	88.00	88.79	89.58	90.37	91.15
	64	87.00	87.82	88.66	88.49	90.32
	65	85.93	86.80	87.68	88.56	89.43
	66	84.82	85.71	86.63	87.56	88.48
	67	83.64	84.57	85.53	86.50	87.47
	68	82.41	83.37	84.37	85.39	86.41
	69	81.12	82.12	83.15	84.21	85.28
	70	79.78	80.81	81.88	82.98	84.10

50 Percent Joint-and-Survivor without bounce-back feature

- Provides some survivor coverage

If you select the 50 Percent Joint-and-Survivor option, you will receive monthly benefits for your life, and when you die, your named survivor will receive 50 percent of the amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor.

There are no age restrictions for this option even if your survivor is not your spouse.

If your survivor dies first, your benefit will not change.

		50 Percent Option Without Bounce-back Feature				
		Benefit amount per \$100 of Single-Life benefit				
		Survivor's Age				
		59	61	63	65	67
Employee's Retirement Age	60	91.52	92.31	93.08	93.84	94.58
	61	90.74	91.56	92.39	93.21	94.00
	62	89.89	90.76	91.64	92.51	93.36
	63	88.97	89.89	90.82	91.75	92.66
	64	87.99	88.96	89.94	90.92	91.90
	65	86.95	87.96	88.99	90.04	91.07
	66	85.84	86.90	87.98	89.08	90.18
	67	84.68	85.77	86.91	88.07	89.23
	68	83.45	84.59	85.77	86.99	88.22
	69	82.17	83.34	84.57	85.84	87.13
	70	80.83	82.04	83.31	84.63	85.99

Life Income, 15-Year Certain

- This benefit option provides you a lifetime monthly benefit

If you die before you have collected for 15 years, your survivor would continue to receive the benefit for the balance of the 15 years. For example, if you die after collecting benefits for 10 years, your named survivor may collect monthly benefits for the remaining five years.

If you live longer than 15 years, your monthly benefit continues for your lifetime; however, when you die, your survivor will receive no benefits.

You may name more than one survivor. If you die before collecting monthly benefits for 15 years, your survivor(s) may choose either to receive monthly payments or a lump sum payment of the remaining value. Each survivor may choose a different option.

If both you and your survivor die before the 15 years, the balance would be paid to your estate.

How we determine the amount

For this option, you would receive a percentage of the Single-Life benefit amount. For example, at age 62, you would receive 91.96 percent of the Single-Life Benefit amount. See the chart to the right. We use only your age to calculate the Life Income, 15-Year Certain amount you would receive.

This option is most commonly used for someone who wants to preserve assets for their children and does not have a spouse. Remember, by selecting this option, your monthly benefit amount is permanently reduced and there is no bounce-back as the Joint-and-Survivor options offer.

If you have questions, our retirement counselors are available to review your specific situation with you.

Life Income 15-Year Certain	
Benefit amount per \$100 of Single-Life benefit	
60	93.60
61	92.83
62	91.96
63	91.00
64	89.93
65	88.75
66	87.46
67	86.06
68	84.56
69	82.95
70	81.23

Comparing benefit choices

Pension Type	Your Benefit	Survivor Benefit	Bounce Back
Single-Life	\$6,400	N/A	N/A
Joint-and-Survivor With Bounce-back Feature			
100% option	\$5,085	\$5,085	\$6,400
75% option	\$5,376	\$4,032	\$6,400
50% option	\$5,667	\$2,833	\$6,400
Joint-and-Survivor Without Bounce-back Feature			
100% option	\$5,240	\$5,240	\$5,240
75% option	\$5,501	\$4,125	\$5,501
50% option	\$5,762	\$2,881	\$5,762
Life Income, 15-Year Certain			
	\$5,680	\$5,680	N/A

This example assumes:

- A \$6,400 Single-Life monthly pension
- Retiree and survivor are age 65

We can help

For an estimate of your various survivor options, please provide your survivor's date of birth.

Remember in the beginning of this handbook, we discussed the meaning of service credit or allowable service. It is the credit you earn each month retirement deductions are withheld from your salary. It's important since we use your service credit in a formula to determine your monthly retirement benefit. The more service you have and the higher your annual pay, the higher your monthly benefit.

In this section, we will look at the factors that can impact your service credit.

Service credit while on leave of absence

To receive service credit for a leave of absence, a member would pay the amount equal to the normal cost of the plan on the date the member returns from the leave of absence, multiplied by their salary they would have earned during the leave, plus annual compound interest of 8.5 percent from the end of the leave to the time when payment is made.

The payment must be made within one year of the date you return from the leave.



Service credit

Military service during state employment

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 amount of time to purchase this service credit, so it is important to contact us as soon as you return.

Military service prior to state employment

If you have military service before working for the state, you cannot buy this back.

Military leave after June 30, 2004

To receive service credit for military leave, you would pay into the retirement fund the retirement salary deductions you would have contributed had you been employed by the state during your time of military service. Your employer will pay the employer share of the retirement contribution plus interest. You must make payment within a time period that equals three times the length of the leave up to five years. For example, if your leave was for one year, you must make payment for this time within three years.



Ways to acquire additional service credit

Combined Service Annuity

Many state employees have worked, or will someday work, for a Minnesota city, county, or school district. If you are covered by another Minnesota public retirement plan, this may combine with your service as a state employee. We call this a Combined Service Annuity (CSA).

Under CSA law, the various public retirement plans work together so you get credit for all of your service.

Minnesota plans covered

- Minnesota State Retirement System (MSRS)
- Public Employees Retirement Association (PERA)
- Teachers Retirement Association (TRA)
- St. Paul Teachers Retirement Fund Association (SPTRFA)
- Duluth Teachers Retirement Fund Association (DTRFA)

How Combined Service works

Your service with the other plans counts for eligibility of benefits. You need five years of service to qualify for monthly retirement, survivor, or disability benefits. If you have two years covered by PERA, and three years under MSRS, you would be eligible for monthly benefits.

In addition to having the service credit work together, we would use the same high-five average salary to calculate monthly benefits. For example, if you have 20 years covered by MSRS, and 12 years of previous employment covered by PERA, it is likely that your current salary is higher than when you contributed to PERA. In this example, MSRS would tell PERA what your current high-five average salary is, and they would use that salary to calculate benefits based on the 12 years of PERA service. If your high-five average salary was higher using the PERA service, then MSRS would use the high-five salary including the PERA time.

You can use Combined Service with two or more covered pension plans. For example, if you contributed to PERA, TRA, and MSRS, all three could be used together to calculate your monthly benefits under Combined Service. If you have service with another pension plan, make sure to notify MSRS so we can contact the other fund to provide accurate benefit information.

When you switch public employers in Minnesota, your contributions and service credit are not rolled into the new plan. The service credit earned will remain with the fund that the service was earned.

When you retire, you will receive a check from each public retirement association.

Example

This example shows a person who is age 65 and wants to retire. This person worked for a city (covered by PERA) for 12 years, then worked for the state (covered by MSRS) for 20 years.

The calculations:

PERA: 12 years x 1.7% =	20.4%
MSRS: 20 years x 3.2% =	64.0%
<hr/> Total:	<hr/> 84.4%

To calculate your retirement benefit, we would apply the 64 percent to your average monthly salary to calculate your MSRS monthly benefit. PERA's benefit would be 20.4 percent of your average monthly salary. See page 8 for how to calculate your monthly retirement benefit.

The Judges Plan has a cap of 76.8 of your high-five salary. However, the time at PERA does not count toward reaching that cap.

Reinstating service

Reinstating service with another public retirement plan

Many state employees who had prior service with another Minnesota public retirement plan forfeited that other service by taking a refund of the contributions with the other plan. If you are currently working for a Minnesota public employer, you may be able to reinstate this time by repaying the refund to the other public retirement plan. By repaying the refund, your service with the other plan would be reinstated and will be used to calculate your monthly benefits. To repay a refund, contact the plan from which you received the refund.



Contact MSRS one to two months before you plan to retire.

Applying for retirement is easy, but your retirement decisions can be complex. We want to make sure you fully understand your retirement benefits and options before you file your paperwork. Retirement counselors are available for one-on-one sessions at any of our offices, which are located in St. Paul, St. Cloud, Duluth, Mankato and Detroit Lakes. If you prefer, we can help you over the phone.

St. Paul office:

Main Office Building
60 Empire Drive, Suite 300
St. Paul, MN 55103
Telephone: 651-296-2761
800-657-5757
Fax: 651-297-5238

Minnesota relay: 1-800-627-3529

Website: www.msrs.state.mn.us

Email: msrs@state.mn.us

Business hours:

Monday-Friday 8 a.m.-4:30 p.m.

Greater Minnesota offices:

Detroit Lakes Office
714 Lake Avenue, Suite 102
Detroit Lakes, MN 56501
Telephone: 800-657-5757
Fax: 218-846-0460

Duluth Office
Medical Arts Building, Suite 530
324 West Superior Street
Duluth, MN 55802
Telephone 800-657-5757
Fax: 218-740-3174

Mankato Office
12 Civic Center Plaza, Suite 1645
Mankato, MN 56001
Telephone 800-657-5757
Fax: 507-389-6396

St. Cloud Office
110 Second Street, Suite 308
Waite Park, MN 56387
Telephone 800-657-5757
Fax: 320-534-0159

Forms to complete

You will need to complete a *Retirement Application* when you are ready to retire and begin collecting monthly benefits. For the *Retirement Application*, visit our website at www.msrs.state.mn.us. Go to the forms page to download this application or contact MSRS and we will mail the form to you.

We will need the following documents in addition to your application:

- A copy of your birth record
- A copy of your survivor's birth record if you elect survivor coverage
- A tax withholding form (IRS Form W-4P)
- A *Direct Deposit Agreement* form

Federal income tax on monthly benefit

All or most of your monthly benefit is taxable income. Voluntary payments made to obtain retirement credit, such as for a leave of absence, may reduce your taxable income 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 which is reported on the *1099-R* form. 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 canceled online at www.msrs.state.mn.us or contact 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.

Premium withholding

A Judge who retires at age 65 or later or is collecting a disability benefit may qualify for the *Public Safety Officer Health Insurance Premium Withholding Program*.

The program allows you to reduce your taxable income up to \$3,000 annually to pay qualified insurance premiums. Qualified insurance premiums include health, dental or long-term care insurance coverage for you, your spouse and your dependents. Premiums must be deducted from your monthly benefit and paid directly by MSRS to the insurance provider. For more information regarding the program, please contact us.



Retirement checklist

It's never too early to start planning for retirement. It is important to map out a retirement income strategy well in advance of your retirement date, but it's never too late to start planning or saving. Advanced planning can help preserve your personal assets. This, supplemented by your Social Security and other sources of retirement income, may be sufficient for your lifetime.

MSRS retirement counselors are available to assist you along the way. This checklist provides a general timetable for retirement preparation.

Throughout your career

- Review your MSRS annual benefit statement. Report any discrepancies to MSRS as soon as possible.
- Evaluate your personal finances periodically as they relate to meeting your financial needs at retirement.
- Research purchasing any eligible prior service credit as soon as possible. This would include any active military service or time worked in other covered agencies. See page 22 for more information about combined service.
- Read the handbook and correspondence regarding your benefits. Contact a MSRS retirement representative with any questions regarding your retirement benefits.
- Visit our website at www.msrs.state.mn.us.
- Take advantage of the Minnesota Deferred Compensation Plan (MNDCP). It's a great way to start investing in your retirement future. For more information, call MSRS or visit our website.
- Review quarterly statements for your Health Care Savings Plan (HCSP).

Early to mid-career

- Continue to pursue prior service credit possibilities.
- Set a goal as to how much income you want to have when you retire.
- Are you saving enough? Determine this by thinking about your retirement lifestyle and how much you may need. Review your savings rate more often to ensure you're still on track to retire within your desired time frame.
- Review your MNDCP account. Are you saving enough? Could you afford to save more? If you are age 50 or older, consider maximizing your contribution amount. The IRS permits you to contribute more than the standard contribution amount. Now is a good time to re-evaluate your investment allocation to make sure you carry the right amount of risk.

Three to five years from retirement

- Review your MNDCP account. Determine Catch-Up eligibility. The Catch-Up Provision allows you to contribute up to double the standard maximum contribution limit for three consecutive calendar years prior to reaching your normal retirement age. (Age 65 is the age judges are eligible for an unreduced pension benefit.) Contact a MSRS Representative to see if you are eligible.

Twelve months from retirement

- Retirement is in sight. You'll have a more realistic understanding of your retirement income needs and expenses, which can help you plan more effectively.
- Contact a MSRS retirement representative for an estimate of your retirement benefits. Include your account ID, date of birth, and your spouse's name and date of birth. If you want to provide survivor coverage to a person other than your spouse, include that person's date of birth.
- Read about the MNDCP distribution options at retirement.
- Start thinking about your retirement budget.

- Calculate your expected Social Security income (visit www.ssa.gov/planners/calculators.htm to calculate your expected benefits).
- Review your retirement handbook.
- Review the MSRS annual benefit statement and call MSRS if you find any discrepancies.
- Dream. What would your perfect retirement look like? Does your dream include starting your own business or volunteering for your favorite cause?

Six months from retirement

- Discuss your benefit estimate and the different benefit payment options with your family and financial advisor.
- Prepare a retirement budget. Compare your retirement expenses against your MSRS benefit, Social Security, MNDCP, and any other retirement income such as savings that will be available to you.
- Contact your employer about health care coverage after you retire; life insurance options; and if you are eligible for severance pay.

Three months from retirement

- Ensure that purchases/transfers of prior service (active military service, public employment, etc.) are done.
- Notify your department personnel office regarding your intention to retire. Find out when you should submit a letter of resignation.
- Contact your local Social Security office to file for benefits (if age 62 or older).
- Contact a MNDCP representative regarding your distribution options at retirement.

Retirement checklist

You will receive your benefit via direct deposit

on the first business day each month. Be sure to sign up for direct deposit. It's simple. Download the *Direct Deposit* form from our website at www.msrs.state.mn.us. Return the form to us and we'll take care of the rest. If you do not want direct deposit, a paper check will be mailed to you, however it can take up to five days to receive the check.

Direct deposit is the safest, fastest, and most convenient way to receive your monthly benefit.

One month from retirement

- Complete the *Retirement Application*. You can download this form from www.msrs.state.mn.us or contact us for a form. Complete the application in the presence of a notary public. Have your signature notarized. If you are married, the application requires your spouse's signature acknowledging your benefit selection. Your spouse's signature must also be notarized.
- Complete a *Direct Deposit* form. We strongly recommend using direct deposit. It's simple. Just complete the form and we'll take care of the rest.
- Complete a *W-4P* form. This authorizes federal withholding from your monthly benefit. If you do not file a *W-4P* form, IRS regulations require MSRS to withhold federal taxes based on a filing status of married with three allowances. Complete Section 3 of the *W-4P* form. This authorizes withholding for Minnesota state income tax. You can always change your withholding amount online at www.msrs.state.mn.us, or by writing or calling MSRS.
- You will receive a HCSP informational packet four to six weeks after you end your employment.
- Check with your Human Resources Department regarding your medical insurance options.
- Follow-up with Social Security if you applied for benefits and have not received an acknowledgment in the mail.
- Review your estate/will information and life insurance beneficiary designations.
- Review your beneficiary information on file for your MSRS retirement, MNDCP, and HCSP.

If you end your state employment and leave your money in the retirement fund, this is called deferring your benefit. You qualify for a deferred benefit if you have five or more years of service.

Here's how it works

If you end your state employment and leave your money in the retirement fund, you can apply for your monthly retirement benefit to begin at age 60 or later. If you receive the deferred benefit before normal retirement age, it is reduced for each year and month you are under your normal retirement age when you begin receiving your benefit.

To calculate your estimated monthly benefit, we use the same factors to determine the monthly retirement benefit amount. For a complete explanation of how we calculate your benefit amount, see page 6.

When you apply for the deferred benefit, you can choose from the survivor options available. For a complete explanation of these, see page 15.

You can apply for your benefit 60 days prior to the date you are eligible to receive the monthly benefit. See page 26 for the forms you need to complete.

Refund after you leave employment

If you end employment with the state, you can request a refund of your retirement deductions. To apply for a refund, call MSRS for the *Refund Application* form. The refund includes four percent interest, six percent prior to June 30, 2011. The interest you receive is compounded daily, but does not include your employer's contributions to your retirement account. Remember, by taking a refund of your retirement deductions, you forfeit all of your service credit and rights to a monthly retirement benefit with the Judges Plan. You can purchase the service credit if you return to a position covered by MSRS or another public retirement plan (see page 24 for more information on combined service). There are also tax implications when you take a refund of your retirement deductions. You will receive detailed tax information with your refund application. Please review carefully and call our retirement counselors with any questions.



Monthly benefit

You will receive your first benefit check about four to six weeks after your last day at work. Around the time your first benefit is paid, you will receive a benefit authorization letter. This letter:

- Confirms the amount of your first benefit payment check and ongoing monthly benefit amount.
- States if you selected an optional benefit such as Joint-and-Survivor. See page 15 for explanations of these optional benefit choices.
- Verifies when you will receive your monthly benefit.
- Provides important tax information.

It is important when applying for a benefit to carefully consider the survivor options available. Your spouse must sign the retirement application in the presence of a notary. If your spouse does not sign the application and no survivor option is selected, we are required to pay the 50 Percent Joint-and-Survivor option.

To ensure safe, efficient deposit of your monthly benefit, use direct deposit. Simply fill out the *Direct Deposit* form available on our website and return it to us. It's important to let us know of any address change so all of our mailings reach you. Call our office to make address changes.

Increases in benefits

Every January you will receive an adjustment to your benefit amount. Currently, you will receive a 2 percent post-retirement increase. There may be a waiting period for your first increase, and the first increase may be prorated.

Re-employment after you retire

If you return to state service as a judge after retirement, that service has no effect on your benefit payments.

Disability benefits

As a member of the Judges Plan, you have disability protection. This is an important protection since it will pay you disability benefits for your life-time, or until you are no longer disabled. Your age at the time of your disability is not a factor.

Eligibility

To qualify for disability benefits, you need five years of service and must meet the definition of disability.

The governor determines whether you are disabled. If the governor determines, based on medical reports, that you are no longer able to perform your judicial duties, the governor may grant you a disability.

How we calculate the disability benefit

We calculate your disability benefit the same way we calculate your retirement benefit. We base your disability benefit on your length of service and your high-five average salary. The minimum benefit is no less than 25 percent of your high-five average salary. The one difference in how we calculate your disability benefit is that we do not apply a reduction in your benefit if you are under normal retirement age.

As a disabled judge, you are entitled to full salary for one year after the disability date, but not beyond age 70. During the one-year period, retirement deductions continue. You earn service credit and increase your high-five average salary. MSRS disability benefits start after the year of paid salary.

If you have ended your employment, the disability must have occurred while employed in a MSRS covered position.



Survivor coverage with a disability benefit

When you apply for a disability benefit just before the end of your one year of full salary, you can choose the Single-Life benefit, the Joint-and-Survivor benefit with one of its eight options (100, 75, or 50 percent with or without the bounce-back feature) or the Life Income, 15-Year Certain. For more details of what these options provide, see page 15.

If you did not select a Joint-and-Survivor option and die, any balance in your retirement account is refunded, in the following order, to: your beneficiary, spouse, children, parents, estate. Generally, your account balance is gone approximately two to three years of receiving benefits.

If you die while receiving full salary for the one-year period, your surviving spouse is eligible for a monthly benefit equal to 60 percent of the full retirement benefit earned at date of death, but not less than 25 percent of your high-five salary. If there is no spouse but there is a dependent child or children, then payment continues until age 18, or until age 22 if your child is a full-time student.

For more information about a disability benefit, contact MSRS.



Beneficiary and survivor benefits

Surviving spouse coverage

If you die while serving, or leave the bench but maintain a deferred benefit, your surviving spouse is eligible for a benefit. This monthly payment is equal to 60 percent of the full retirement benefit you earned as of the date of death, or equal to 25 percent of your high-five salary, whichever is larger. Your spouse is automatically the beneficiary for this survivor benefit.

If you are at least 60 and have five or more years of service as a judge and die, your spouse is eligible for the Joint-and-Survivor 100 percent benefit.

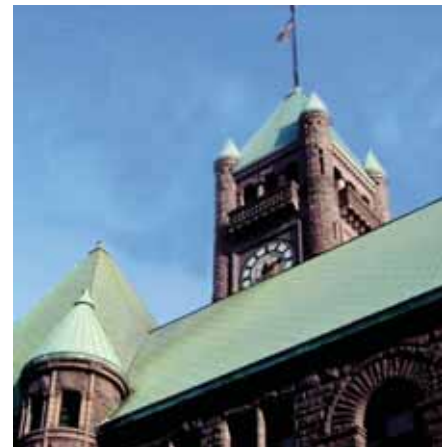
Dependent child

If you have no spouse, but do have a dependent child or children, then payment of the survivor benefit is paid to the children's guardian, or the child or children.

Payment continues to your dependent child until age 18, or age 22 if the child is a full-time student.

No surviving spouse or child benefit payable

If there is neither a spouse nor dependent children, then your beneficiary, or if none, your estate receives a lump-sum refund of your deductions plus six percent interest compounded annually to June 30, 2011 and four percent after that. For the *Beneficiary Designation* form, visit our website at www.msrs.state.mn.us or call us.



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 1-800-657-5757 or 651-296-2761. Or you can visit www.msrs.state.mn.us.

Health Care Savings Plan (HCSP)

HCSP is an employer-sponsored program that allows employees to save money, tax free, to use when they terminate 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

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.

Management

The MSRS Board of Directors has 11 members. 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.

Plan Administrative services provided by ING Institutional Plan Services, LLC, a member of the ING family of companies.

MSRS Representatives are also registered representatives of ING Investment Advisors, LLC (member SIPC).

The Minnesota State Retirement System & Minnesota Deferred Compensation Plan are not members of the ING family of companies.

Average Monthly Salary (AMS)

Part of how we determine your retirement benefit is to use your highest five years of salary.

Service credit

Service credit or allowable service is the credit you earn each month retirement deductions are withheld from your salary. We use the amount of service credit you have in a formula to determine your retirement benefit.

Allowable service

See service credit.

Retirement formula

The formula we use to determine your monthly retirement benefit. Under the formula, you receive 3.2 percent for each year of service.

Single-Life benefit

This is a benefit for your life only. If you do not select survivor coverage, you will receive a monthly benefit for your lifetime. When you die, the monthly benefit stops.

100 Percent Joint-and-Survivor benefit

If you select this option, you will receive monthly benefits for your life, and when you die, your named survivor will continue to receive the same amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor. This option provides maximum survivor coverage, but results in lower monthly payments during your lifetime. If your named survivor dies before you, your monthly benefit will increase or

“bounce back” to the Single-Life benefit amount the first of the month following your survivor’s death only if you select the bounce-back feature. If a non-spouse survivor is more than 10 years younger than you, you may not select the 100 percent option.

75 Percent Joint-and-Survivor benefit

If you select this option, you will receive monthly benefits for life, and when you die, your named survivor will receive 75 percent of the amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor. If your named survivor dies before you, your monthly benefit will increase or “bounce back” to the Single-Life benefit amount the first of the month following your survivor’s death only if you select the bounce-back feature. If a non-spouse survivor is more than 19 years younger than you, you may not select the 75 percent option.

50 Percent Joint-and-Survivor benefit

If you select this option, you will receive monthly benefits for your life, and when you die, your named survivor will receive 50 percent of the amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor. If your named survivor dies before you, your monthly benefit will increase or “bounce back” to the Single-Life benefit amount the first of the month following your survivor’s death only if you select the bounce-back feature.

Bounce-back feature

If you select a Joint-and-Survivor benefit with the bounce-back feature and your named survivor dies before you, your monthly benefit will increase or “bounce-back” to the Single-Life benefit amount the first month following your survivor’s death.

Life Income, 15-Year Certain

This benefit option provides you a lifetime monthly benefit. If you die before you have collected for 15 years, your survivor would continue to receive the benefit for the balance of the 15 years.

Combined Service Annuity (CSA)

If you are covered by another Minnesota public retirement plan, this may combine with your service as a state employee. Under Combined Service Annuity, the various public retirement plans work together so you get credit for all your service.

MSRS account ID

This ID is our way of helping protect you against identity theft. The ID will help us quickly identify you in our computer system in order to efficiently maintain our records and internal processes.

Deferred benefit

When you end your state employment and leave your money in the retirement fund. You can apply for your monthly retirement benefit to begin at age 60 or later, if vested.

Confidentiality of your records

We have policies and procedures we follow to ensure the confidentiality of your personal information. We will not release any private information, unless we have written authorization from you to do so.

If you call us with questions regarding your account, we ask you security questions to verify information to safeguard your privacy.

MSRS account ID

Account IDs are our way of helping protect you against identity theft. The ID will help us quickly identify you in our computer system in order to efficiently maintain our records and internal processes.

- MSRS will use your account ID on all correspondence (except tax documents) instead of your Social Security number. We are required to include your Social Security number on any tax-related forms used to complete your income tax return (such as a 1099-R).
- You may use your account ID when you call or write to MSRS; however, we do not require that you do so. We can identify you in our system by either account ID or Social Security number.
- Your account ID is only available on correspondence from MSRS. We will not give this account ID out over the telephone.
- Unlike passwords or PIN numbers, your account ID cannot be changed.
- Your account ID should only be used in conjunction with MSRS-related correspondence.

Online access

To access your accounts online, go to www.msrs.state.mn.us. Login using either your account ID or your Social Security number. Once you are in your MSRS account online, you can access your Minnesota Deferred Compensation Plan (MNDCP) or your Health Care Savings Plan (HCSP) by clicking the link. And, if you login to your MNDCP or HCSP account, you can access your MSRS account information by selecting the *State of Minnesota Pension Plan* link.

This member handbook is a general summary of the benefit provisions administered by the Minnesota State Retirement System (MSRS). The purpose of this handbook is to give you a general idea of your benefits and acquaint you with the Judges Retirement Plan. The benefits described apply to active Judges covered by the Judges Retirement Plan at the date this handbook is issued, unless otherwise stated. If there is any difference between the information this handbook provides and the law or policies which govern MSRS, the law and policies will prevail. The provisions may be subject to law changes.

The Minnesota State Retirement System (MSRS) administers the Minnesota Deferred Compensation Plan (MNDCP) – a voluntary tax-deferred savings plan, and the Health Care Savings Plan (HCSP) – a tax-free medical expenses and premiums savings plan. MSRS also administers various retirement, survivor, and disability benefit plans for state employees.

