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General Employees Retirement Plan

Minnesota State Retirement System



General Employees Retirement 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.

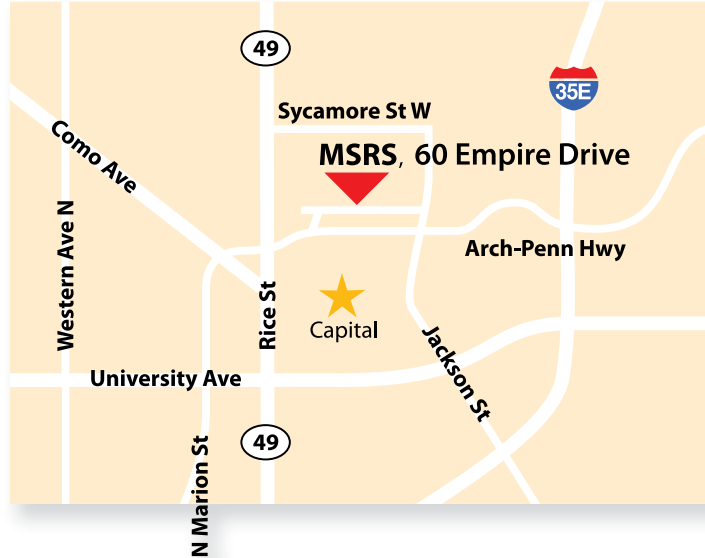


This member handbook is a general summary of the benefit provisions administered by the Minnesota State Retirement System (MSRS). The purpose of this handbook is to give you a general idea of your benefits and acquaint you with the General Employees Retirement Plan (GERP). The benefits described apply to active general state employees at the date this handbook was 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. 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 28,000 retirees, survivors, and disabled employees. In addition, we administer the Minnesota Deferred Compensation Plan (MNDCP) and the Health Care Savings Plan (HCSP).

General Plan

The General Employees Retirement Plan (General Plan) is the largest retirement plan administered by MSRS.

The General Plan provides retirement, survivor, and disability coverage for state employees.

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

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:	25 years
Final high-five average salary:	\$42,353
Annual post-retirement increase:	2%
Benefit payment option:	Single-life
Length of retirement:	17 years (to age 82)

The calculations:

25 years x 1.70% = 42.50%

\$42,353 (your annual high-five salary)
 x 42.50%
 \$18,000 per year or \$1,500 per month

Monthly retirement benefit:
 \$1,500 per month

Both you and your employer contribute five percent of your gross salary to your retirement plan. 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.

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.

YEAR	MONTHLY BENEFIT	ANNUAL BENEFIT	AGE
1	\$1,500	\$18,000	66
2	1,530	18,360	67
3	1,560	18,720	68
4	1,592	19,104	69
5	1,624	19,488	70
6	1,656	19,872	71
7	1,689	20,268	72
8	1,723	20,676	73
9	1,757	21,084	74
10	1,792	21,504	75
11	1,828	21,936	76
12	1,865	22,380	77
13	1,902	22,824	78
14	1,940	23,280	79
15	1,979	23,748	80
16	2,019	24,228	81
17	2,059	24,708	82

Benefits received at age 82: **\$360,190***
Amount you contributed: **\$35,000 to \$50,000**

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

* Assuming a 2% annual post retirement increase

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 consecutive years of salary. We take these two pieces and apply it to a benefit formula to determine your retirement benefit. The benefit formula we use depends on when you were hired. 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.

When you were hired

How we calculate your benefits depends on when you were hired.

If you were hired **on or AFTER 7/1/1989 GO TO PAGE 8**

If you were hired **BEFORE 7/1/1989 GO TO PAGE 14**



Divorce

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

Calculating your retirement benefit

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 for 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 or part-time employment. For more details on factors that impact your length of service, see page 25.

2. Average Monthly Salary (AMS)

Part of how we determine your retirement benefit is to use your highest five consecutive years of salary. For most employees, the highest five consecutive salary is the last 60 months (or five years) of your employment. However, this isn't always the case. For example, you may decide to work fewer hours when you get closer to retirement, or maybe you had several years where you earned overtime which will generate a higher average monthly salary.

Your average monthly salary is based on your gross salary.

Remember

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

How to calculate your high-five average salary

When calculating your high-five average salary, we use the highest 60-month period (5 years x 12 months = 60 months) rather than a calendar or fiscal year salary. For example, your high-five average salary could start on March 1, and run through February five years later. Your employer reports your salary along with your retirement deduction each pay period to MSRS. This allows us to accurately calculate your high-five average salary.

We do not take retirement deductions on unused sick or vacation leave paid in a lump sum after you end your employment. These unused leaves are not included in your high-five average salary; however, we do include sick and vacation leave you use before you end your employment in your high-five average salary.

For example

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

The assumptions:

Year	Earnings
1	\$38,640
2	41,625
3	42,500
4	44,000
5	45,000
Total	\$211,765

The calculations:

$$\begin{array}{r}
 \$211,765 \text{ (total average monthly salary)} \\
 \div \quad 60 \text{ (months)} \\
 \hline
 \$3,529 \text{ average monthly salary}
 \end{array}$$

For those hired on or after July 1, 1989

When you are eligible for retirement

You are eligible for monthly benefits, or what we call vested, after three or more years of service, if you were hired before July 1, 2010. If you were first hired after June 30, 2010, you are eligible for monthly benefits after five years of service.

You can start collecting full retirement benefits when you are age 66. Most employees can begin collecting reduced monthly benefits at age 55 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 formula we call the Level formula.

Level formula

Under the Level formula, you receive 1.70 percent for each year of service. For example, if you have 25 years of service, you would receive 42.50 percent of your high-five salary:

$$25 \times 1.70 = 42.50 \text{ percent}$$

Remember that full retirement age is 66. This means if you retire at age 66—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:	66
Allowable service:	25 years
Average monthly salary:	\$3,529
Benefit payment option:	Single-life

The calculations:

$$25 \text{ years} \times 1.70\% = 42.50\%$$

$$\begin{array}{r} \$3,529 \text{ (your average monthly salary)} \\ \times 42.50\% \\ \hline \$1,500 \text{ per month} \end{array}$$

Early retirement reduction

Using the same example from page 10, we will show the calculation if you retired early.

If you retired at age 62, using the same information as the example from page 10, we would reduce your monthly benefit using an early retirement factor. See the chart below for the early retirement factors.

The calculations:

$$\begin{array}{r} \$1,500 \text{ (your average monthly benefit)} \\ \times \quad 22.40\% \\ \hline \$336 \text{ per month} \end{array}$$

$$\begin{array}{r} \$1,500 \text{ (monthly benefit)} \\ - \quad 336 \text{ (early retirement reduction)} \\ \hline \$1,164 \text{ per month} \end{array}$$

Early Retirement Factor Chart

For those hired on or after July 1, 1989—Level factors

Age at Retirement	Early Retirement Reduction
55	46.29%
56	43.63%
57	40.76%
58	37.67%
59	34.32%
60	30.68%
61	26.72%
62	22.40%
63	17.66%
64	12.46%
65	6.72%
66	0

Retirement factors are subject to change.

For those hired on or after July 1, 1989

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 10, with retirement at age 66 with 25 years of service, we would use 42.50 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 _____

Years of Service	Age at Retirement												2011
	55	56	57	58	59	60	61	62	63	64	65	66	
3	2.73	2.87	3.02	3.17	3.34	3.53	3.73	3.95	4.19	4.46	4.76	5.10	
4	3.65	3.83	4.02	4.23	4.46	4.71	4.98	5.27	5.59	5.95	6.34	6.80	
5	4.56	4.79	5.03	5.29	5.58	5.89	6.22	6.59	6.99	7.44	7.92	8.50	
6	5.47	5.74	6.04	6.35	6.69	7.07	7.47	7.91	8.39	8.92	9.51	10.20	
7	6.39	6.70	7.04	7.41	7.81	8.24	8.72	9.23	9.79	10.41	11.10	11.90	
8	7.30	7.66	8.05	8.47	8.93	9.42	9.96	10.55	11.19	11.90	12.68	13.60	
9	8.21	8.62	9.06	9.53	10.04	10.60	11.21	11.87	12.59	13.39	14.27	15.30	
10	9.13	9.58	10.07	10.59	11.16	11.78	12.45	13.19	13.99	14.88	15.85	17.00	
11	10.04	10.54	11.07	11.65	12.28	12.96	13.70	14.51	15.39	16.36	17.44	18.70	
12	10.95	11.49	12.08	12.71	13.39	14.14	14.94	15.83	16.79	17.85	19.02	20.40	
13	11.86	12.45	13.09	13.77	14.51	15.31	16.19	17.14	18.19	19.34	20.61	22.10	
14	12.78	13.41	14.09	14.83	15.63	16.49	17.44	18.46	19.59	20.83	22.20	23.80	
15	13.69	14.37	15.10	15.89	16.74	17.67	18.68	19.78	20.99	22.32	23.78	25.50	
16	14.60	15.33	16.11	16.95	17.86	18.85	19.93	21.10	22.39	23.81	25.37	27.20	
17	15.52	16.29	17.12	18.01	18.98	20.03	21.17	22.42	23.79	25.29	26.95	28.90	
18	16.43	17.24	18.12	19.07	20.09	21.21	22.42	23.74	25.19	26.78	28.54	30.60	
19	17.34	18.20	19.13	20.13	21.21	22.39	23.66	25.06	26.59	28.27	30.12	32.30	
20	18.26	19.16	20.14	21.19	22.33	23.56	24.91	26.38	27.99	29.76	31.71	34.00	
21	19.17	20.12	21.14	22.25	23.44	24.74	26.16	27.70	29.39	31.25	33.30	35.70	
22	20.08	21.08	22.15	23.31	24.56	25.92	27.40	29.02	30.79	32.73	34.88	37.40	
23	21.00	22.04	23.16	24.37	25.68	27.10	28.65	30.34	32.19	34.22	36.47	39.10	
24	21.91	22.99	24.16	25.43	26.79	28.28	29.89	31.66	33.59	35.71	38.05	40.80	
25	22.82	23.95	25.17	26.49	27.91	29.46	31.14	32.98	34.99	37.20	39.64	42.50	
26	23.73	24.91	26.18	27.54	29.03	30.63	32.38	34.29	36.39	38.69	41.22	44.20	
27	24.65	25.87	27.19	28.60	30.14	31.81	33.63	35.61	37.79	40.18	42.81	45.90	
28	25.56	26.83	28.19	29.66	31.26	32.99	34.88	36.93	39.19	41.66	44.40	47.60	
29	26.47	27.79	29.20	30.72	32.38	34.17	36.12	38.25	40.59	43.15	45.98	49.30	
30	27.39	28.74	30.21	31.78	33.49	35.35	37.37	39.57	41.99	44.64	47.57	51.00	
31	28.30	29.70	31.21	32.84	34.61	36.53	38.61	40.89	43.39	46.13	49.15	52.70	
32	29.21	30.66	32.22	33.90	35.72	37.71	39.86	42.21	44.79	47.62	50.74	54.40	
33	30.13	31.62	33.23	34.96	36.84	38.88	41.11	43.53	46.19	49.10	52.33	56.10	
34	31.04	32.58	34.24	36.02	37.96	40.06	42.35	44.85	47.59	50.59	53.91	57.80	
35	31.95	33.54	35.24	37.08	39.07	41.24	43.60	46.17	48.99	52.08	55.50	59.50	
36	32.87	34.49	36.25	38.14	40.19	42.42	44.84	47.49	50.39	53.57	57.08	61.20	
37	33.78	35.45	37.26	39.20	41.31	43.60	46.09	48.81	51.79	55.06	58.67	62.90	
38	34.69	36.41	38.26	40.26	42.42	44.78	47.33	50.12	53.19	56.55	60.25	64.60	
39	35.60	37.37	39.27	41.32	43.54	45.95	48.58	51.44	54.59	58.03	61.84	66.30	
40	36.52	38.33	40.28	42.38	44.66	47.13	49.83	52.76	55.99	59.52	63.43	68.00	

Calculating your retirement benefit

Remember

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

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 for 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 or part-time employment. For more details on factors that impact your length of service, see page 25.

2. Average Monthly Salary (AMS)

Part of how we determine your retirement benefit is to use your highest five consecutive years of salary. For most employees, the highest five consecutive salary is the last 60 months (or five years) of your employment. However, this isn't always the case. For example, you may decide to work fewer hours when you get closer to retirement, or maybe you had several years where you earned overtime which will generate a higher average monthly salary.

Your average monthly salary is based on your gross salary.

How to calculate your high-five average salary

When calculating your high-five average salary, we use the highest 60-month period (5 years x 12 months = 60 months) rather than a calendar or fiscal year salary. For example, your high-five average salary could start on March 1, and run through February five years later. Your employer reports your salary along with your retirement deduction each pay period to MSRS. This allows us to accurately calculate your high-five average salary.

We do not take retirement deductions on unused sick or vacation leave paid in a lump sum after you end your employment. These unused leaves are not included in your high-five average salary; however, we do include used sick and vacation leave you take before you end your employment in your high-five average salary.



For example

Example of a high-five average salary calculation:

The assumptions:

Year	Earnings
1	38,640
2	41,625
3	42,500
4	44,000
5	45,000
Total	\$211,765

The calculations:

$$\begin{array}{r}
 \$211,765 \text{ (total average monthly salary)} \\
 \div \quad 60 \text{ (months)} \\
 \hline
 \$3,529 \text{ average monthly salary}
 \end{array}$$

For those hired before July 1, 1989

When you are eligible for retirement

You can retire with full retirement benefits at age 65. You can also qualify for full retirement benefits if your age and years of service total 90 or more, which would make you eligible for what we call the Rule of 90. For example, if you are age 60 with 30 years of service, you would qualify for the Rule of 90.

How we calculate your benefit

To calculate your monthly retirement benefit, we use either the Step or Level formula, whichever gives you the higher monthly retirement benefit.

Level formula

Under the Level formula, you receive 1.70 percent for each year of service. For example, if you have 25 years of service, you would receive 42.50 percent of your high-five salary:

$$\begin{array}{r} 25 \text{ (years of service)} \\ \times 1.70 \text{ (received for each year of service)} \\ \hline 42.50 \text{ percent} \end{array}$$

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.

Step formula

With the Step formula you receive 1.20 percent for the first 10 years of service, and then increases to 1.70 percent for each year after that. For example, if you have 30 years of service:

$$\begin{array}{l} 1.20 \times 10 = 12\% \\ \text{(first 10 years of service)} \\ 1.70 \times 20 = 34\% \\ \text{(remaining 20 years of service)} \\ \hline 12 + 34 = 46\% \end{array}$$

Early Retirement under the Step formula

The Step formula is used most frequently with people who retire under the Rule of 90 or under age 63. The Step formula allows retirement as early as age 55 or at any age with 30 or more years of service.

Rule of 90 calculation:

This example shows someone who would qualify for the Rule of 90, since their age and number of years of service totals 90.

- Average monthly salary: \$3,529
- Years of service: 30 years
- Age at retirement: 60 years

$$\begin{array}{r} \$3,529 \text{ average monthly salary} \\ \times 46\% \\ \hline \$1,623 \text{ monthly retirement benefit} \end{array}$$

Step—Retirement before full retirement with less than 30 years service:

The assumptions:

Average monthly salary:	\$3,529
Years of service:	27 years
Age at retirement:	55

The calculations:

\$3,529	
x 40.9%	(10 x 1.2 = 12.0% 17 x 1.7 = 28.9%)
1,443	unreduced benefit
x 30%	reduction factor (10 years x 3%)
- 432	reduction
\$1,443	unreduced benefit
- 432	reduction
\$1,011	monthly retirement benefit

Step—Retirement before full retirement with more than 30 years service:

The assumptions:

Average monthly salary:	\$3,529
Years of service:	30 years
Age at retirement:	55

The calculations:

\$3,529	
x 46%	(10 x 1.2 = 12.0% 20 x 1.7 = 34.0%)
1,623	unreduced benefit
x 21%	reduction factor (7 years x 3%)
- 340	reduction
\$1,623	unreduced benefit
- 340	reduction
\$1,283	monthly retirement benefit

Comparing Step vs. Level formulas

In this example, you would be paid the Step formula because that benefit is the higher of the two.

Level

The assumptions:	
Average monthly salary:	\$3,529
Years of service:	25 years
Age at retirement:	59
The calculations:	
25 years x 1.70 = 42.50%	
\$ 3,529	
x 42.50%	
<hr/>	
\$ 1,500	unreduced benefit
x 29.85% reduction (from chart below)	
<hr/>	
- 448	
<hr/>	
\$1,500	unreduced benefit
- 448	reduced
<hr/>	
\$1,052	monthly benefit

Step

The assumptions:	
Average monthly salary:	\$3,529
Years of service:	25 years
Age at retirement:	59
The calculations:	
1-10 years 1.20 x 10 = 12%	
10-25 years 1.70 x 15 = 25.50%	
<hr/>	
37.50%	
\$3,529	
x 37.5%	
<hr/>	
1,323	unreduced benefit
x 18% reduction (6 x 3%)	
<hr/>	
- 238	
<hr/>	
\$1,323	unreduced benefit
- 238	reduced
<hr/>	
\$1,085	monthly benefit

For those hired before July 1, 1989—Level factors

Early Retirement Reduction Chart

If you want to make the calculation easier, use the number that coordinates with your age and years of service from the table on page 19 which already has the reduction factors included.

Age at Retirement	Level	Step—less than 30 years	Step—more than 30 years
50			36.0
51			33.0
52			30.0
53			27.0
54			24.0
55	42.63	30.0	21.0
56	39.79	27.0	18.0
57	36.73	24.0	15.0
58	33.42	21.0	12.0
59	29.85	18.0	9.0
60	25.96	15.0	0.00
61	21.73	12.0	0.00
62	17.12	9.0	0.00
63	12.06	6.0	0.00
64	6.05	3.0	0.00
65	0.00	0.00	0.00

Retirement factors are subject to change.

For those hired before July 1, 1989

Calculations made easy, really

We can simplify the process by using the chart on the next page.

Using the chart, you will see that the 42.50 percent is the number that goes with age 65 and 25 years of service.

* 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	\$ _____
$\div 60 =$ _____ Average monthly salary	

2. Your Calculations:

Average monthly salary: _____

Factor from chart: X

Monthly benefit

Years of Service	Age at Retirement											2011
	55	56	57	58	59	60	61	62	63	64	65	
20	20.30	21.17	22.04	22.91	23.85	25.17	26.61	28.17	29.89	31.79	34.00	
21	21.49	22.41	23.33	24.25	25.17	26.43	27.94	29.58	31.39	33.37	35.70	
22	22.68	23.65	24.62	25.59	26.56	27.69	29.27	30.99	32.88	34.96	37.40	
23	23.87	24.89	25.91	26.93	27.96	28.98	30.60	32.40	34.38	36.55	39.10	
24	25.06	26.13	27.20	28.28	29.35	30.43	31.93	33.81	35.87	38.14	40.80	
25	26.25	27.37	28.50	29.62	30.75	31.87	33.26	35.22	37.37	39.73	42.50	
26	27.44	28.61	29.79	30.96	32.14	33.32	34.59	36.63	38.86	41.32	44.20	
27	28.63	29.85	31.08	32.31	33.53	34.76	35.99	38.04	40.90	42.91	45.90	
28	29.82	31.09	32.37	33.65	34.93	36.21	37.48	42.60	42.60	44.50	47.60	
29	31.01	32.33	33.66	34.99	36.32	37.65	44.30	44.30	44.30	46.09	49.30	
30	36.34	37.72	39.10	40.48	41.86	46.00	46.00	46.00	46.00	47.68	51.00	
31	37.68	39.11	40.54	41.97	47.70	47.70	47.70	47.70	47.70	49.27	52.70	
32	39.02	40.50	41.99	49.40	49.40	49.40	49.40	49.40	49.40	50.86	54.40	
33	40.36	41.90	51.10	51.10	51.10	51.10	51.10	51.10	51.10	52.45	56.10	
34	41.71	52.80	52.80	52.80	52.80	52.80	52.80	52.80	52.80	54.04	57.80	
35	54.50	54.50	54.50	54.50	54.50	54.50	54.50	54.50	54.50	55.63	59.50	
36	56.20	56.20	56.20	56.20	56.20	56.20	56.20	56.20	56.20	57.22	61.20	
37	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	58.81	62.90	
38	59.60	59.60	59.60	59.60	59.60	59.60	59.60	59.60	59.60	60.40	64.60	
39	61.30	61.30	61.30	61.30	61.30	61.30	61.30	61.30	61.30	61.99	66.30	
40	63.00	63.00	63.00	63.00	63.00	63.00	63.00	63.00	63.00	63.58	68.00	

Benefit Choices

You have the following benefit choices:

- Single-Life
- 100 Percent Joint-and-Survivor
- 75 Percent Joint-and-Survivor
- 50 Percent Joint-and-Survivor
- Life Income, 15-Year Certain

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.

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. It 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.

100 Percent Joint-and-Survivor benefit

■ 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.

		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

75 Percent Joint-and-Survivor benefit

■ 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.

		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

Benefit Choices

50 Percent Joint-and-Survivor benefit

- Provides some survivor coverage

If you select the 50 Percent Joint-and-Survivor option, you will receive monthly benefits for your life, 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.

Benefit Amount per \$100 of Single-Life Benefit

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

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 may choose either to receive monthly payments or a lump sum payment of the 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, if you are age 55, you would receive 97 percent of that amount. At age 60, you would receive 95 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.

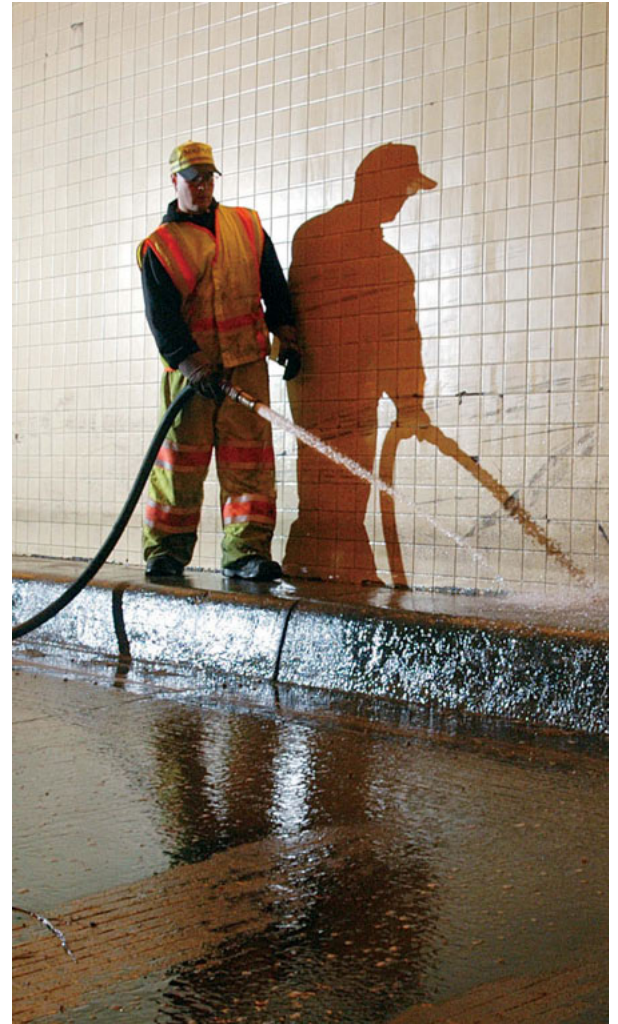
This option is most commonly used for someone who wants to preserve assets for their children and does not have a spouse. Remember, by selecting this option, your monthly benefit amount is permanently reduced and there is no bounce back as the Joint-and-Survivor options offer.

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

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

Comparing Benefit Choices

Pension Type	Your Benefit	Survivor Benefit	Bounce back
Single-Life	\$1,500	N/A	N/A
Joint-and-Survivor			
100% option	\$1,275	\$1,275	\$1,500
75% option	\$1,335	\$1,001	\$1,500
50% option	\$1,380	\$690	\$1,500
Life Income, 15-Year Certain			
	\$1,350	\$1,350	N/A



This example assumes:

- A \$1,500 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

You can take a leave of absence for various reasons, such as education, illness or pregnancy. By taking a leave, you may forfeit service credit because you did not earn a salary and no deductions were taken. Once you return to work after a leave, you can make a payment to receive service credit for the leave.

You may only purchase one year of service per leave. For example, if you take a two-year leave, you can buy back only one year of that leave.

How we calculate the cost of purchasing service credit depends on when you took your leave.

Leave after June 30, 2007

If you took your leave after June 30, 2007, you have one year from the date you return to work to make the payment to purchase your service credit at an 8.5 percent interest rate.

The payment amount is the total of the employee and employer contributions which would have been paid if you did not go on leave, plus 8.5 percent interest from the date the leave ends until the end of the month when we receive payment.

- You can make payment after the one year, but then we base the cost on an actuarial method, which is more expensive.
- Your employer has the choice to pay the employer portion.
- You can take multiple leaves and pay for each, but each leave must be followed by state employment before you can take the next leave.
- You can make payment using tax-sheltered money from an IRA, your deferred compensation plan, or other qualified plans. If you are unsure if a plan qualifies, call us.

Leave before July 1, 2007

If you took your leave before July 1, 2007, the cost to purchase the credit 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. You can purchase this leave anytime before you terminate employment.

To determine the cost to buy back a leave of absence, we calculate the payment amount using your hourly rate when you return and the amount of service credit you would have received while you were on leave. Cost to pay for the leave includes interest (8.5 percent) per year from the date the leave ends until the payment date.

Your employer has a choice to pay its portion of the contributions. We do not contact your employer to determine if they will pay their portion of your contributions. This is the employee's responsibility.

Service Credit

Military service

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 can not buy this back.

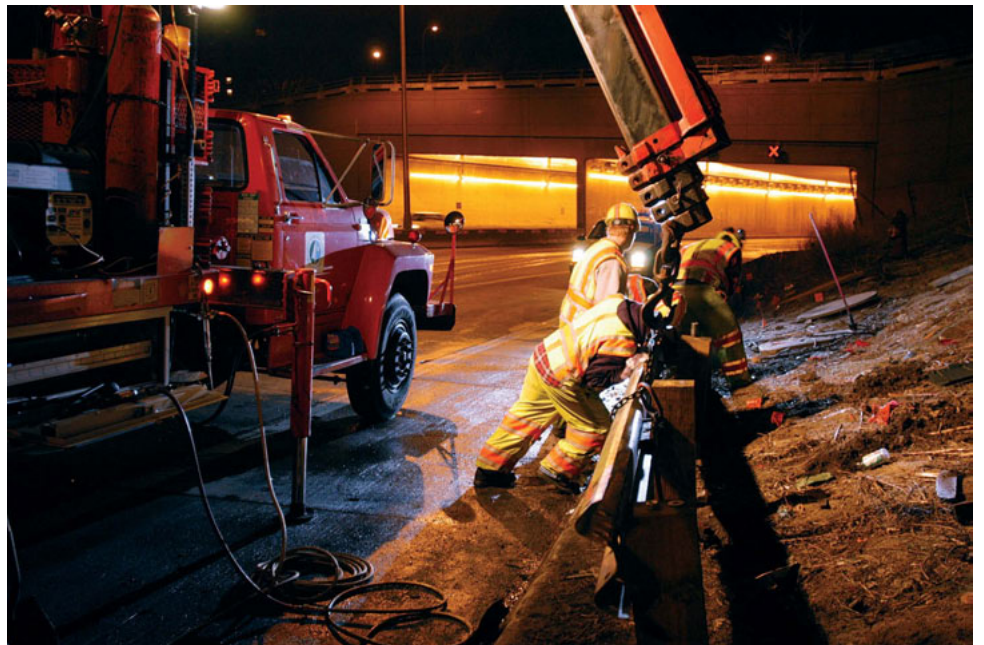
Military leave after June 30, 2004

To receive service credit for military leave, you may 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.

Military leave before July 1, 2004

To receive service credit for military leave, you may 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.

For your payment, we add 8.5 percent interest compounded annually. This interest is computed from the date of your leave.



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)

Eligibility requirements

Hired before June 30, 2010

To qualify, you must have three years of service in two or more plans (Judges and Legislators Plans require more) with a minimum of six months of service with each plan, and you must start receiving retirement benefits from all of the plans within one year.

Hired on or after June 30, 2010

If you were hired on or after June 30, 2010, you must have at least five years of service to be vested, or eligible for benefits.

How Combined Service works

Your service with the other plans counts for eligibility of benefits. For example, most plans require three years of service to qualify for monthly retirement, survivor, or disability benefits (for employees hired on or after July 1, 2010, you need five years of service). If you have two years covered by PERA, and one year under MSRS, you would be eligible for monthly benefits. The service can also be used to qualify for early retirement benefits, such as the Rule of 90 or retirement with 30 years of service, if hired before July 1, 1989.

In addition to having the service credit work together, we can use the same high-five average salary to calculate monthly benefits. For example, if you have 25 years covered by MSRS, and two 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 two 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

If a person is age 66 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 1.70% =	20.40%
MSRS: 20 years x 1.70% =	34%
Total:	54.40%

To calculate your retirement benefit, we would apply the 34 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 7 for how to calculate your monthly retirement benefit.

Service Credit

Combined Service

How Combined Service works between plans which have different retirement ages

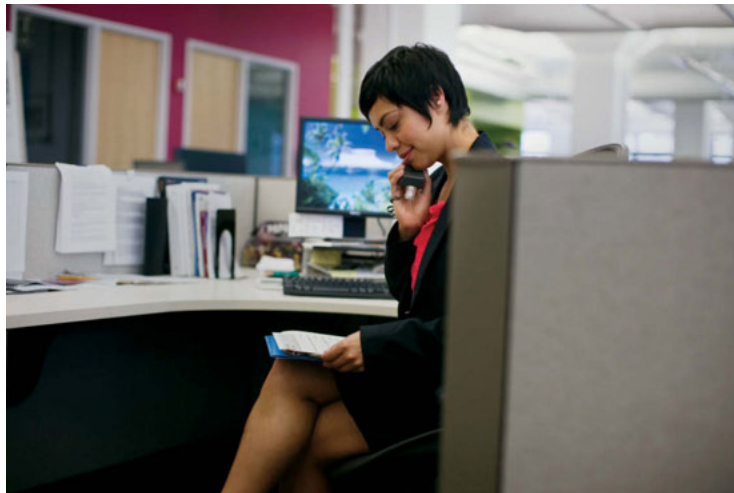
Combined Service works well with plans that have similar benefits and retirement age requirements, but not quite as well if you have plans with different retirement age requirements. Many public safety plans allow full retirement at age 55, while the age of full retirement for most public employees is age 66 or the Rule of 90. The early retirement provisions of each plan apply to the service attributable to the plan.

If you have service with the MSRS General Employees Plan and the MSRS State Patrol or Correctional Plans, you are retiring under retirement plans that have very different benefit structures. For example, the MSRS Correctional Plan allows full retirement at age 55, while the General Employees Retirement Plan allows for reduced retirement at age 55. When calculating the benefit under Combined Service, the benefit from the General Plan will be subject to an early retirement penalty unless you qualify for the Rule of 90, while the benefit from the Correctional Plan will not be reduced.

Reinstating service

Reinstating service with another public retirement plan

Many state employees who had 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. (University of Minnesota employees should call the University of Minnesota Employee Benefits Office at 612-624-9090.)

We will need the following documents in addition to your retirement 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

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 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.

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 25 for more information about combined service.
- Read the handbooks 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.

Early to mid-career

- Attend a free MSRS seminar. Watch for schedules in our MSRS newsletter, *The Messenger*, and online at www.msrs.state.mn.us.
- 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. 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 (the age you are eligible for an unreduced pension benefit). Contact a MSRS Representative to see if you are eligible.

Did you receive an estimate with the statement “DOB not verified”?

If the estimate you received from MSRS has this statement under your MSRS ID number, it means we are missing your birth record. Please provide a photocopy of your birth record. On the top of the birth record, write your MSRS ID or your social security number.

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.
- Attend a MSRS retirement seminar. Watch for seminar schedules in the MSRS newsletter, *The Messenger*, and online at www.msrs.state.mn.us
- 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. Ask if your severance pay will go to your HCSP account (if you have an account).

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.

One month from retirement

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.

- 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 to reduce the possibility of identify theft. 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 on line at www.msrs.state.mn.us, or by writing or calling MSRS.
- Health Care Savings Plan (HCSP). If you have an account, you will receive an informational packet four to six weeks after you end your employment. Check with your Human Resources Department to see if you are a participant of this plan.
- Medical insurance. 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.

End employment but wait to collect benefits

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 three or more years of service; five years if hired on or after July 1, 2010.

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 55 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. Your benefit amount continues to grow until you start to receive monthly benefits.

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 7.

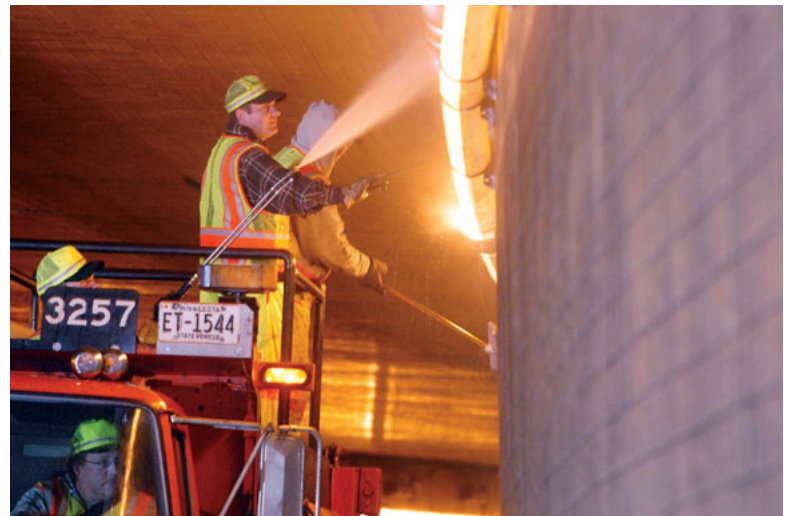
The monthly amount of your deferred benefit grows based on a set percentage. The percentage prior to January 1, 2012 is three percent from the first of the month after you end employment until the

January following your 55th birthday. Assuming this is prior to January 1, 2012, the benefit grows five percent per year. Beginning January 1, 2012 all benefits regardless of age increase two percent per year. When we calculate your estimated benefit amounts, we include the percent increases.

If you were hired on or after June 30, 2006, your benefit is increased by 2.5 percent until January 1, 2012, and two percent after that.

When you apply for the deferred benefit, you can choose from the survivor options available. For a complete explanation of these, see page 20.

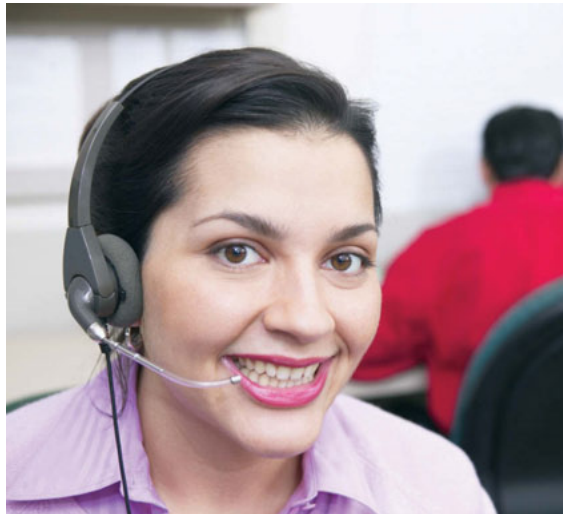
You can apply for your benefit 60 days prior to the date you are eligible to receive the monthly benefit. See page 29 for the forms you need to complete.



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 six percent interest to June 30, 2011, and four percent after that. 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 General Plan. You can purchase the service credit if you return to a position covered by MSRS or another public retirement plan (see page 25 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.



After you retire

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 will address:

- The amount of your first benefit and ongoing benefit amount.
- If you selected an optional benefit such as Joint-and-Survivor. See page 20 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 two 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

For many, retirement means pursuing a second career. Perhaps it is a hobby that you pursue as a paid position. Or, perhaps it is staying in your same career, but working fewer hours or part-time.

Your MSRS monthly benefits do not stop if you are employed by any of the following:

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

Here is some important information you should consider.

- If you return to work for the state, you need to wait until at least 30 days after your retirement date to be re-employed in a position MSRS covers.
- If you return to a position MSRS covers, there will not be retirement deductions taken from your salary.
- Notify MSRS if you return to state employment and when you end that employment.

Re-employed retiree earnings limits

After you retire, if you are re-employed in a position covered by MSRS, no retirement contributions will be deducted from your salary; however, you may be subject to an earnings limitation. If you are under the age requirement for a full Social Security benefit and your earnings from your re-employment exceed the annual Social Security earnings limitation, your benefit payment will be stopped for the remainder of the calendar year.

The maximum amount that may be earned for 2011 is \$14,160. For those reaching full Social Security age in 2011, the limit on the earnings for the months before full retirement age is \$37,680. (See the chart for Social Security's full retirement age.) The Social Security Administration evaluates the earnings limits each year. If you are over Social Security's full retirement age, there is no earnings limit.

For MSRS benefit purposes, there is no limit on earnings for self-employment, private sector employment or public employment covered by another fund. You may request reimbursement of the suspended payments after termination of re-employment. Payment will be made one year from the date the last benefit payment was withheld. You may request a lump sum payment or roll the money into another qualified retirement plan.

Social Security Full Retirement Age

Year of Birth	Full Retirement Age
1954 or before	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

For more information regarding your Social Security benefits, contact the Social Security Administration.

You must apply for a disability benefit within 18 months of ending employment.

The benefit may be payable up to 180 days retroactive prior to the day our office receives the completed application.

Disability benefits

As a member of the General Plan, you have total and permanent disability protection. This is an important protection since it will pay you disability benefits for your lifetime, 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 three years of service; five years if hired on or after June 30, 2010 and you must meet the definition of disability.

Law defines a total and permanent disability as the inability to do any substantial activity because of a physical or mental impairment. Two medical professionals must be able to diagnose the disability and it must be expected to last at least one year.

How we calculate the disability benefit

We calculate your disability benefit the same way we calculate your retirement benefit, with one exception: we do not apply a reduction in benefit if you are under normal retirement age. We use the level formula (refer to page 7 for more detail) and apply this formula's 1.70 percent for all your service credit to calculate your benefit.

You are eligible for a disability benefit if you are on a leave of absence either with or without pay.

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, you can choose the Single-Life benefit, the Joint-and-Survivor benefit with one of its three options (100, 75, or 50 percent) or the Life Income, 15-Year Certain benefit. To review what these options provide, refer to page 20.

With a disability, if you choose the Single-Life benefit, you have another chance to select a benefit to provide coverage for your survivor. You can make this choice within 60 days of normal retirement age. However, it is important to note that if you die before you change your selection, no survivor coverage is provided.

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: beneficiary, spouse, children, parents, estate. Generally, your account balance is gone approximately two to three years of receiving benefits.

How to apply for a disability benefit

To receive a disability benefit, you must complete a MSRS disability application. Download the application from our website at www.msrs.state.mn.us or call our office. Your disability benefit will begin after you receive payment for all your accumulated overtime, vacation, and sick-leave hours. Your disability benefit will end the month you die, unless you selected survivor coverage (see 20 for survivor coverage detail).

There are important timelines you need to consider when applying for a disability. Please consider the following:

- You cannot apply for a disability benefit until the day after your last work day.
- After that time, apply for a benefit immediately. We strongly recommend not waiting for your sick leave or vacation to run out.
- You cannot apply for a disability benefit more than 18 months after you end your employment.

If you have any questions please contact our office.

Disability documentation

When you apply for a disability benefit, we need documentation of your disability. The following are the documents all disability claims require:

- Two doctors must complete a Physician's Statement regarding your disability. A MSRS medical consultant reviews these reports and makes a recommendation to the MSRS Executive Director on the extent of your disability.
- If your disability application is denied, you can appeal the decision to the MSRS Board of Directors.
- If your disability application is approved, you must submit medical records once a year for the first five years and after that once every three years until you reach normal retirement age. You must submit these medical documents for your disability benefit to continue.

Worker's Compensation and your disability benefit

If you are receiving a disability benefit and qualify for Worker's Compensation benefits, your worker's compensation benefit may be reduced by the amount you are receiving as a retirement disability.

For more information on Worker's Compensation, contact the Worker's Compensation office or visit their website.

Re-employment after you are disabled

There may be restrictions on your earnings if you return to work after you overcome disability. Please call our office for more information

Beneficiary and survivor benefits

Surviving spouse coverage

When you die, your surviving spouse is eligible for a lifetime benefit if you were working and had at least three years (five years if you were hired on or after July 1, 2010) of service credit. Your spouse has the following choices:

- Monthly payments for your spouse's lifetime
- Monthly payments for a period of 10, 15 or 20 years
- A lump-sum payment of the retirement deductions taken from your salary, plus interest.

The surviving spouse coverage is automatic regardless of who you named as your beneficiary. If you do not want this spousal coverage, you must complete the *Beneficiary and Spousal Waiver* form to waive this coverage. Call our office to receive a form and more information on how to waive the automatic spousal coverage. The form is also available on our website at www.msrs.state.mn.

Dependent child

If you are still working, have no surviving spouse, and die, your dependent child under the age of 20 may receive a monthly benefit. Your dependent child will receive monthly benefits until age 20, or for five years, whichever is longer. For more information, call our office.

No surviving spouse or dependent children

If you have no surviving spouse or dependent children and you die, your account balance plus six percent interest (four percent interest after June 30, 2011) is paid in this order to your: beneficiary, children in equal shares, parents in equal shares, estate.

If you die before you receive your benefit while inactive

If you are married and die before you begin receiving your monthly benefit, your spouse can choose either a monthly benefit or a refund. The benefit would begin when you would have turned age 55. The refund would provide the retirement deductions plus six percent interest until June 30, 2011 and four percent after that. The interest is compounded daily.

If there is no surviving spouse, the account balance is paid, in the following order, to your: beneficiary, children in equal shares, parents in equal shares, your estate.

If you die after you retire

If you are retired and die, what happens to your retirement account depends on what survivor option you chose. If you selected a Joint-and-Survivor Option, then your named survivor would start receiving a lifetime benefit the month after your death. For more information on the various survivor options available, see page 20.

If your named survivor dies first, your monthly retirement benefit would increase to the Single-Life benefit amount the month after your survivor dies. You cannot add another survivor if your first named survivor dies. It is important to notify MSRS of your survivor's death to adjust your monthly benefit amount.

If you did not select survivor coverage, after you die, your monthly retirement benefit would stop. If there is a balance in your account, it is paid (in this order) to your: beneficiary, spouse, children in equal shares, parents in equal shares, estate.

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

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.

Management

The MSRS 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.

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.

Glossary of terms

Average Monthly Salary (AMS)

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

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 formula. When you were hired determines the benefit formula we use.

If you were hired on or after July 1, 1989, we use the level formula. For those hired before July 1, 1989, we either use the step or level formula.

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.

Level formula

The formula we use to determine your monthly retirement benefit. Under the level formula, you receive 1.70 percent for each year of service.

Step formula

The formula we use to determine your monthly retirement benefit. The step formula pays 1.20 percent for the first 10 years of service, and then increases to 1.70 percent for each year after that.

Rule of 90

You can qualify for full retirement benefits if your age and years of service total 90 or more. For example, if you are age 60 with 30 years of service, you would qualify for the Rule of 90. Must have been hired before July 1, 1989.

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.

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.

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.

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

If you are covered by another Minnesota public retirement plan, this may combine with your service as a state employee. Under Combined Service Annuity (CSA), 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 55 or later, if vested.

Disability benefits

The General Plan provides total and permanent disability protection.

Law defines a total and permanent disability as the inability to do any substantial activity because of a physical or mental impairment. Two medical professionals must be able to diagnose the disability and it must be expected to last at least one year.

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 General Employees Retirement Plan (GERP). The benefits described apply to active general state employees at the date this handbook was 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.

