General Employees Retirement Plan

Minnesota State Retirement System

MSRS Minnesota State Retirement System
Your Foundation for Retirement

2015

MSRS Mission

To administer financially secure retirement plans, a tax-free health care savings plan, and a low-cost deferred compensation plan; ensure 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 state employees covered by the General Plan 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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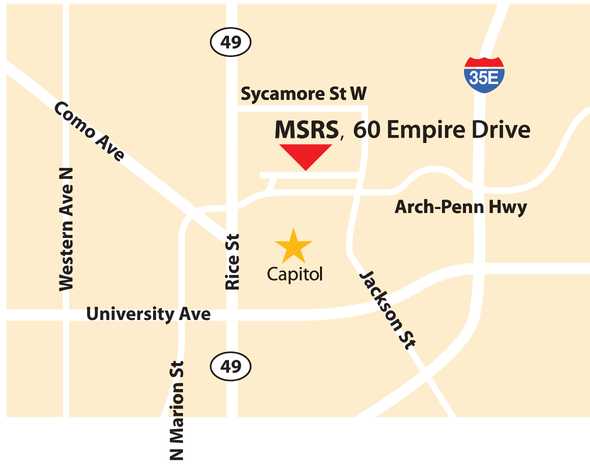
How to contact MSRS

MSRS retirement counselors are a valuable resource 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
1-800-657-5757
Fax: 651-297-5238

Minnesota Relay: 1-800-627-3529
Website: -.msrs.state.mn.us Email: info@msrs.us

Business Hours & Days:
Monday-Friday 8 a.m.-4:30 p.m.
Appointments preferred

Greater Minnesota offices:

Detroit Lakes Office

714 Lake Avenue, Suite 102
Detroit Lakes, MN 56501
Telephone: 1-800-657-5757

Business Hours & Days:
Tuesday-Friday 8 a.m.-4:30 p.m.
Appointments preferred

Duluth Office

Medical Arts Building, Suite 530
324 West Superior Street
Duluth, MN 55802
Telephone: 1-800-657-5757

Business Hours & Days:
Tuesday-Friday 8 a.m.-4:30 p.m.
Appointments preferred

Mankato Office

11 Civic Center Plaza, Suite 150
Mankato, MN 56001
Telephone: 1-800-657-5757

Business Hours & Days:
Tuesday-Friday 8 a.m.-4:30 p.m.
Appointments preferred

MSRS was established by the Legislature in 1929 to provide retirement benefits to state employees. MSRS administers 10 different retirement plans that 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 Minnesota State Colleges and Universities (MNSCU). MSRS covers more than 50,000 active employees and pays monthly benefits to more than 38,000 retirees, survivors, and disabled employees. In addition, MSRS administers 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 MSRS administers.

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

Sources of benefit information:

- Website – *www.msrs.state.mn.us*
- Handbooks and brochures
- Educational seminars
- MSRS *Messenger* newsletter
- Benefit statements
- 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:	66
Allowable service:	25 years
Final high-five average salary:	$42,353
Benefit payment option:	Single-life
Length of retirement:	17 years (to age 83)

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 5.5 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 survivor(s) may be eligible to receive a lifetime survivor benefit upon your death.

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. The plan may also provide disability coverage for you and survivor benefits for your spouse or dependent child(ren) if you die before you retire.

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	67
2	1,530	18,360	68
3	1,560	18,720	69
4	1,592	19,104	70
5	1,624	19,488	71
6	1,656	19,872	72
7	1,689	20,268	73
8	1,723	20,676	74
9	1,757	21,084	75
10	1,792	21,504	76
11	1,828	21,936	77
12	1,865	22,380	78
13	1,902	22,824	79
14	1,940	23,280	80
15	1,979	23,748	81
16	2,019	24,228	82
17	2,059	24,708	83

Benefits received at age 83: $360,180*
Amount you contributed: $35,000 to $50,000

If you live beyond age 83, the value of your benefit will be even greater.

*** FOR ILLUSTRATIVE PURPOSES ONLY.** Intended to illustrate the effects of a 2% annual post-retirement increase. Assumes beginning single-life monthly benefit of $1,500 and retirement at age 66. Annual increase is defined in Minnesota Statute and may be subject to change.

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 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 at *www.msrs.state.mn.us*. We have information about how divorce law applies to your retirement account and sample language for use in a divorce decree.

Remember

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

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 part-time employment or if you take a leave of absence or work for another governmental unit. For more details on factors that impact your length of service, see page 25.

2. High-five salary

Part of how we determine your retirement benefit is to use your highest five consecutive years of salary. For most employees, that typically occurs 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 high-five salary is calculated using your gross salary.

How to calculate your high-five salary

When calculating your high-five 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 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 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 salary; however, we do include used sick and vacation leave you take before you end your employment in your high-five salary.

For example

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

$211,765 (total average monthly salary)
÷ 60 (months)
$3,529 high-five salary

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 five years of service if you were first hired after June 30, 2010. If you were first hired before July 1, 2010, you are eligible for monthly benefits after three years of service.

You can start collecting full retirement benefits when you are age 66. Vested 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 x 1.70 = 42.50%

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 amount on a monthly basis.

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 example from page 6.

The assumptions:	
Age at retirement:	66
Allowable service:	25 years
Final high-five average salary:	$42,353
Benefit payment option:	Single-life
Length of retirement:	17 years (to age 83)

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

Early retirement reduction

Using the example from page 10, we will show the calculation if you retired early at age 62.

We would reduce your monthly benefit using an early retirement factor. See the chart below for the early retirement factors.

The calculations:

$1,500 (your average monthly benefit)
x 27.08%

$406 per month

$1,500 (monthly benefit)
– 406 (early retirement reduction)

$1,094 per month

Early retirement factor chart

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

Age at Retirement	Early Reduction Factor Earliest Entry Date After July 1, 1989 & Prior to July 1, 2006	Early Reduction Factor Earliest Entry Date After June 30, 2006
55	55.61%	57.92%
56	52.51%	54.76%
57	49.14%	51.32%
58	45.48%	47.56%
59	41.48%	43.44%
60	37.12%	38.93%
61	32.33%	33.96%
62	27.08%	28.49%
63	21.30%	22.44%
64	14.91%	15.74%
65	7.85%	8.29%
66	0%	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 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: ______________

* High-five salary: ______________

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

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

÷ 60 = ______________ High-five salary

2. Your Calculations:

High-five salary: ______________

Factor from chart: X ______________

Monthly benefit ______________

Years of Service	Age at Retirement											
	55	56	57	58	59	60	61	62	63	64	65	66
3	2.26	2.42	2.59	2.78	2.98	3.21	3.45	3.72	4.01	4.34	4.70	5.10
4	3.02	3.23	3.46	3.71	3.98	4.28	4.60	4.96	5.35	5.79	6.27	6.80
5	3.77	4.04	4.32	4.63	4.97	5.34	5.75	6.20	6.69	7.23	7.83	8.50
6	4.53	4.84	5.19	5.56	5.97	6.41	6.90	7.44	8.03	8.68	9.40	10.20
7	5.28	5.65	6.05	6.49	6.96	7.48	8.05	8.68	9.37	10.13	10.97	11.90
8	6.04	6.46	6.92	7.41	7.96	8.55	9.20	9.92	10.70	11.57	12.53	13.60
9	6.79	7.27	7.78	8.34	8.95	9.62	10.35	11.16	12.04	13.02	14.10	15.30
10	7.55	8.07	8.65	9.27	9.95	10.69	11.50	12.40	13.38	14.47	15.67	17.00
11	8.30	8.88	9.51	10.20	10.94	11.76	12.65	13.64	14.72	15.91	17.23	18.70
12	9.06	9.69	10.38	11.12	11.94	12.83	13.80	14.88	16.05	17.36	18.80	20.40
13	9.81	10.50	11.24	12.05	12.93	13.90	14.96	16.12	17.39	18.80	20.37	22.10
14	10.56	11.30	12.10	12.98	13.93	14.97	16.11	17.35	18.73	20.25	21.93	23.80
15	11.32	12.11	12.97	13.90	14.92	16.03	17.26	18.59	20.07	21.70	23.50	25.50
16	12.07	12.92	13.83	14.83	15.92	17.10	18.41	19.83	21.41	23.14	25.06	27.20
17	12.83	13.72	14.70	15.76	16.91	18.17	19.56	21.07	22.74	24.59	26.63	28.90
18	13.58	14.53	15.56	16.68	17.91	19.24	20.71	22.31	24.08	26.04	28.20	30.60
19	14.34	15.34	16.43	17.61	18.90	20.31	21.86	23.55	25.42	27.48	29.76	32.30
20	15.09	16.15	17.29	18.54	19.90	21.38	23.01	24.79	26.76	28.93	31.33	34.00
21	15.85	16.95	18.16	19.46	20.89	22.45	24.16	26.03	28.10	30.38	32.90	35.70
22	16.60	17.76	19.02	20.39	21.89	23.52	25.31	27.27	29.43	31.82	34.46	37.40
23	17.36	18.57	19.89	21.32	22.88	24.59	26.46	28.51	30.77	33.27	36.03	39.10
24	18.11	19.38	20.75	22.24	23.88	25.66	27.61	29.75	32.11	34.72	37.60	40.80
25	18.87	20.18	21.62	23.17	24.87	26.72	28.76	30.99	33.45	36.16	39.16	42.50
26	19.62	20.99	22.48	24.10	25.87	27.79	29.91	32.23	34.79	37.61	40.73	44.20
27	20.38	21.80	23.34	25.02	26.86	28.86	31.06	33.47	36.12	39.06	42.30	45.90
28	21.13	22.61	24.21	25.95	27.86	29.93	32.21	34.71	37.46	40.50	43.86	47.60
29	21.88	23.41	25.07	26.88	28.85	31.00	33.36	35.95	38.80	41.95	45.43	49.30
30	22.64	24.22	25.94	27.81	29.85	32.07	34.51	37.19	40.14	43.40	47.00	51.00
31	23.39	25.03	26.80	28.73	30.84	33.14	35.66	38.43	41.47	44.84	48.56	52.70
32	24.15	25.83	27.67	29.66	31.83	34.21	36.81	39.67	42.81	46.29	50.13	54.40
33	24.90	26.64	28.53	30.59	32.83	35.28	37.96	40.91	44.15	47.74	51.70	56.10
34	25.66	27.45	29.40	31.51	33.82	36.34	39.11	42.15	45.49	49.18	53.26	57.80
35	26.41	28.26	30.26	32.44	34.82	37.41	40.26	43.39	46.83	50.63	54.83	59.50
36	27.17	29.06	31.13	33.37	35.81	38.48	41.41	44.63	48.16	52.08	56.40	61.20
37	27.92	29.87	31.99	34.29	36.81	39.55	42.56	45.87	49.50	53.52	57.96	62.90
38	28.68	30.68	32.86	35.22	37.80	40.62	43.71	47.11	50.84	54.97	59.53	64.60
39	29.43	31.49	33.72	36.15	38.80	41.69	44.87	48.35	52.18	56.41	61.10	66.30
40	30.19	32.29	34.58	37.07	39.79	42.76	46.02	49.59	53.52	57.86	62.66	68.00

Remember

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

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 part-time employment or if you take a leave of absence or work for another governmental unit.For more details on factors that impact your length of service, see page 25.

2. High-five salary

Part of how we determine your retirement benefit is to use your highest five consecutive years of salary. For most employees, that typically occurs 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 high-five salary is calculated using your gross salary.

How to calculate your high-five salary

When calculating your high-five 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 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 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 salary; however, we do include used sick and vacation leave you take before you end your employment in your high-five salary.

For example

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

$211,765 (total average monthly salary)
÷ 60 (months)

$3,529 average monthly salary

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 *level* or *step 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.

25	(years of service)
x 1.70%	(for each year of service)
42.50%	

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 1.70 percent for each year of service after that. For example, if you have 30 years of service:

1.20 x 10 = 12%
(first 10 years of service)

1.70 x 20 = 34%
(remaining 20 years of service)

12% + 34% = 46%

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 total 90.

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

$3,529	average monthly salary
x 46%	
$1,623	monthly retirement benefit

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

The assumptions:

High-five 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

* Reduced from age 65.

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

* Reduced from age 62.

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 formula

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%

$ 1,500 unreduced benefit
x 36.50% reduction *(from chart below)**
- 448

$1,500	unreduced benefit
- 448	reduced
$1,052	monthly benefit

Step formula

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 = 12.00%
10-25 years 1.70 x 15 = 25.50%
37.50%

$ 3,529
x 37.50%

$ 1,323 unreduced benefit
x 18.00% reduction (6 yrs x 3% per year)*
- 238

$1,323	unreduced benefit
- 238	reduced
$1,085	monthly benefit

* reduced from 65

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.

For those hired before July 1, 1989 – Level factors

Age at Retirement	Level Formula	Step Formula less than 30 years	Step Formula more than 30 years
50			36.00
51			33.00
52			30.00
53			27.00
54			24.00
55	51.82	30.00	21.00
56	48.46	27.00	18.00
57	44.81	24.00	15.00
58	40.84	21.00	12.00
59	36.50	18.00	9.00
60	31.76	15.00	0.00
61	26.57	12.00	0.00
62	20.87	9.00	0.00
63	14.60	6.00	0.00
64	7.67	3.00	0.00
65	0.00	0.00	0.00

Early 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. As you can see, 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: ____________________

* High-five salary: ____________________

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

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

÷ 60 = ____________________ High-five salary

2. Your calculations:

High-five salary: ____________________

Factor from chart: X ____________________

Monthly benefit ____________________

Years of Service	Age at Retirement										
	55	56	57	58	59	60	61	62	63	64	65
20	20.30	21.17	22.04	22.91	23.78	24.65	25.52	26.90	29.04	31.39	34.00
21	21.49	22.41	23.33	24.25	25.17	26.10	27.02	28.25	30.49	32.96	35.70
22	22.68	23.65	24.62	25.60	26.57	27.54	28.51	29.59	31.94	34.53	37.40
23	23.87	24.89	25.92	26.94	27.96	28.99	30.01	31.03	33.39	36.10	39.10
24	25.06	26.13	27.21	28.28	29.36	30.43	31.50	32.58	34.84	37.67	40.80
25	26.25	27.38	28.50	29.63	30.75	31.88	33.00	34.13	36.30	39.24	42.50
26	27.44	28.62	29.79	30.97	32.14	33.32	34.50	35.67	37.75	40.81	44.20
27	28.63	29.86	31.08	32.31	33.54	34.77	35.99	37.22	40.90	42.38	45.90
28	29.82	31.10	32.38	33.65	34.93	36.21	37.49	42.60	42.60	43.95	47.60
29	31.01	32.34	33.67	35.00	36.33	37.66	44.30	44.30	44.30	45.52	49.30
30	36.34	37.72	39.10	40.48	41.86	46.00	46.00	46.00	46.00	47.09	51.00
31	37.68	39.11	40.55	41.98	47.70	47.70	47.70	47.70	47.70	48.66	52.70
32	39.03	40.51	41.99	49.40	49.40	49.40	49.40	49.40	49.40	50.23	54.40
33	40.37	41.90	51.10	51.10	51.10	51.10	51.10	51.10	51.10	51.80	56.10
34	41.71	52.80	52.80	52.80	52.80	52.80	52.80	52.80	52.80	53.37	57.80
35	54.50	54.50	54.50	54.50	54.50	54.50	54.50	54.50	54.50	54.94	59.50
36	56.20	56.20	56.20	56.20	56.20	56.20	56.20	56.20	56.20	56.51	61.20
37	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	58.08	62.90
38	59.60	59.60	59.60	59.60	59.60	59.60	59.60	59.60	59.60	59.65	64.60
39	61.30	61.30	61.30	61.30	61.30	61.30	61.30	61.30	61.30	61.30	66.30
40	63.00	63.00	63.00	63.00	63.00	63.00	63.00	63.00	63.00	63.00	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 to provide monthly benefits to your survivor(s) 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 will 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; 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.

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

	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	91	90	89	89	88	86	85	84	83	81	80	78
54	92	91	90	89	88	87	86	85	83	82	81	79
55	92	91	90	89	88	87	86	85	84	83	81	80
56	92	92	91	90	89	88	87	86	84	83	82	80
57	93	92	91	90	89	88	87	86	85	84	82	81
58	93	92	92	91	90	89	88	87	86	84	83	82
59	93	93	92	91	90	89	88	87	86	85	84	82
60	94	93	92	92	91	90	89	88	87	86	84	83
61	94	94	93	92	91	90	90	88	87	86	85	84
62	94	94	93	93	92	91	90	89	88	87	86	84
63	95	94	94	93	92	91	91	90	89	87	86	85
64	95	95	94	93	93	92	91	90	89	88	87	86
65	95	95	94	94	93	92	92	91	90	89	88	86
66	96	95	95	94	94	93	92	91	90	89	88	87

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; 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.

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

	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	93	93	92	91	90	89	89	88	86	85	84	83
54	94	93	92	92	91	90	89	88	87	86	85	83
55	94	93	93	92	91	90	89	88	87	86	85	84
56	94	94	93	92	91	91	90	89	88	87	86	84
57	94	94	93	93	92	91	90	89	88	87	86	85
58	95	94	94	93	92	91	91	90	89	88	87	85
59	95	94	94	93	93	92	91	90	89	88	87	86
60	95	95	94	94	93	92	92	91	90	89	88	87
61	96	95	95	94	93	93	92	91	90	89	88	87
62	96	95	95	94	94	93	92	92	91	90	89	88
63	96	96	95	95	94	93	93	92	91	90	89	88
64	96	96	95	95	94	94	93	92	92	91	90	89
65	97	96	96	95	95	94	94	93	92	91	90	89
66	97	96	96	96	95	95	94	93	93	92	91	90

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.

If you are married, you must provide at least a 50 percent survivor option for your spouse unless your spouse waives survivor coverage.

Survivor's Age	Benefit Amount per $100 of Single-Life Benefit											
	Employee's Retirement Age											
	55	56	57	58	59	60	61	62	63	64	65	66
53	95	95	94	94	93	93	92	91	91	90	89	88
54	96	95	95	94	94	93	92	92	91	90	89	88
55	96	95	95	94	94	93	93	92	91	90	90	89
56	96	96	95	95	94	94	93	92	92	91	90	89
57	96	96	95	95	94	94	93	93	92	91	90	89
58	96	96	96	95	95	94	94	93	92	91	91	90
59	97	96	96	95	95	94	94	93	93	92	91	90
60	97	96	96	96	95	95	94	94	93	92	91	91
61	97	97	96	96	95	95	94	94	93	93	92	91
62	97	97	97	96	96	95	95	94	94	93	92	91
63	97	97	97	96	96	96	95	95	94	93	93	92
64	98	97	97	97	96	96	95	95	94	94	93	92
65	98	97	97	97	96	96	96	95	95	94	93	93
66	98	98	97	97	97	96	96	95	95	94	94	93

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(s) will 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 Life Income 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 98 percent of that amount. At age 60, you would receive 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, MSRS retirement counselors are available to review you specific situation with you.

Benefit Amount per $100 of Single-Life Benefit

Employee Age	Employee Benefit
55	98
56	98
57	97
58	97
59	97
60	96
61	96
62	95
63	95
64	94
65	94
66	93

Comparing Benefit Choices

Pension Type	Your Benefit	Survivor Benefit	Bounce back
Single-Life	$1,500	N/A	N/A
Joint-and-Survivor			
100% option	$1,320	$1,320	$1,500
75% option	$1,350	$1,013	$1,500
50% option	$1,395	$698	$1,500
Life Income, 15-Year Certain			
	$1,410	$1,410	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.

If we have your survivor's date of birth, your annual statements will provide an estimate of the various survivor options.

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 components 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. During a leave, you may forfeit service credit because you did not earn a salary and no retirement 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 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.

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 interest from the date the leave ends until the end of the month when we receive payment. The interest rate is 8.5 percent until July 1, 2015, and 8 percent thereafter.

- 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 option 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 your Minnesota Deferred Compensation Plan (MNDCP), IRA, or other qualified plans. If you are unsure if a plan qualifies, contact 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 interest.

To determine the cost to buy back a leave of absence, we calculate the payment amount using your hourly rate when you returned and the amount of service credit you would have received while you were on leave. Cost to pay for the leave includes interest from the date the leave ends until the payment date. The interest rate is 8.5 percent until July 1, 2015, and 8 percent thereafter.

Your employer has the option 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 your responsibility.

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

Military service prior to state employment

Military service prior to working for the state cannot be purchased to add to your state service credit.

Military leave after June 30, 2004

To receive service credit for military leave, you may pay into the retirement fund the deductions you would have been contributing to the Plan had you been contributing 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 deductions you would have been contributing to the Plan if you had been contributing 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 until July 1, 2015, and 8 percent thereafter, 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 Minnesota 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)

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; you must start receiving retirement benefits from all 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 five years of service to qualify for monthly retirement, survivor, or disability benefits (for employees hired on or after July 1, 2010). If you have two years covered by PERA, and three years under MSRS, you would be eligible for a monthly benefit. 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 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, PERA would use your MSRS high-five salary to calculate benefits based on the two years of PERA service. If your high-five 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 Minnesota public pension plan, be 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 where the service was earned. When you retire, you will receive a check from each public retirement association.

Example

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.

PERA's Coordinated Plan
12 years at 1.70% = 20.40%

MSRS' GERP Plan	
20 years at 1.70% = 34.00%	
Total:	54.40%

To calculate your retirement benefit, we would apply the 34 percent to your high-five 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.

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 Plan and the MSRS State Patrol or Correctional Plans, you are retiring under plans that have different benefit structures. For example, the MSRS Correctional Plan allows full retirement at age 55, while the General Plan allows for early 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 their 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 used to calculate your monthly benefits. To repay a refund, contact the plan from which you received the refund.

How to apply for your retirement benefit

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 submit your application. Retirement counselors are available for one-on-one sessions at any of our offices, which are located in St. Paul, Duluth, Mankato and Detroit Lakes. If you prefer, we can help you by phone, email, or mail, or you can download *Your Guide to Retirement* from our website under *Forms & Documents* > *Pension*.

Forms and documents to provide

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 and Documents 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
- Your marriage certificate
- Divorce decree and/or domestic relations order (DRO). If you are currently divorced or have been divorced, you must provide this document, even if the assets will not be divided between the parties.
- A tax withholding form *(IRS Form W-4P)*
- A *Direct Deposit Agreement* form

Important decision...

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.

Tax information

Federal income tax on monthly benefit

Your monthly benefit is taxable income. Exception: A portion of your benefit may not be taxable if you: a) already paid federal income tax on retirement deductions taken before January 1983; or b) made voluntary payments to obtain retirement credit, such as for a leave of absence, using after-tax 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 Form *1099-R*. Benefit recipients will receive this document each January.

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.

Withholding federal and state 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 instructions from you, the IRS directs MSRS to assume you are married and claim three allowances. If MSRS receives no state tax withholding instructions, no tax is withheld.

MSRS may withhold state taxes for only Minnesota.

For further information about tax withholding, call your tax advisor.

Tax reporting

Each January, MSRS sends benefit recipients a Form *1099-R*. 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.

Federal minimum distribution rule

Federal law requires that any person who reaches age 70½ must begin receiving monthly payments or take a refund of their retirement account. The penalty for not withdrawing your retirement account or starting monthly payments once you reach age 70½ is severe. It may be subject to a tax equal to 50 percent of the money you should have received.

You are not required to begin benefits from your retirement account if you are:

- Working in Minnesota public employment; or
- Collecting a workers' compensation disability benefit

If you do not qualify for one of these two exceptions, law requires that you begin to collect monthly retirement benefits or take a refund of your account by April 1 of the calendar year after you reach age 70½.

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 benefit statements. 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 includes any active military service or time worked in other covered retirement plans. See page 25 for more information about service credit.
- ❑ Read the handbooks and correspondence regarding your benefits. Contact an MSRS retirement counselor 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

- ❑ Continue to pursue prior service credit possibilities.
- ❑ Set a goal as to how much income you want to have when you retire.
- ❑ Review your savings rate more often to determine if 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.
- ❑ Re-evaluate your MNDCP investment allocation to make sure you carry the right amount of risk.

3 to 5 years from retirement

- ❑ Attend a free MSRS seminar. Watch for schedules in our MSRS newsletter, *The Messenger*, and online at *www.msrs.state.mn.us.*
- ❑ 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 an MSRS Representative to see if you are eligible.

Retirement checklist

12 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 MSRS for an estimate of your retirement benefits. Include your account ID, date of birth, and, if married, 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* for more information).
- ❑ Review your retirement handbook and *Your Guide to Retirement*.
- ❑ Review your MSRS benefit statement and call MSRS if you find any discrepancies.
- ❑ Attend an 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?

6 months from retirement

- ❑ Discuss your benefit estimate and 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 insurance options available after you retire, life insurance options, and if you are eligible for severance pay. Ask if your severance pay will go to a Health Care Saving Plan account.

3 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 and are eligible for benefits).
- ❑ Contact MSRS regarding your MNDCP distribution options at retirement.

1 month from retirement

- ❑ Complete the *Retirement Application*. You can download this form from *www.msrs.state.mn.us* or contact us for a form. Sign the application in the presence of a notary public. If you are married, the application requires your spouse's notarized signature acknowledging your benefit selection.
- ❑ Complete a *Direct Deposit* form. We strongly recommend using direct deposit to reduce the possibility of identity theft. It's simple. Just complete the form and we'll take care of the rest.
- ❑ Complete a *W-4P* form. This authorizes MSRS to withhold federal and/or Minnesota state taxes 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.
  - No state taxes will be withheld.

  You can always change your withholding amount online at *www.msrs.state.mn.us*, or by writing or calling MSRS.
- ❑ 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 acknowledgement in the mail.
- ❑ Review your estate/will information and life insurance beneficiary designations.
- ❑ Review your beneficiary designation information on file for your MSRS retirement, MNDCP, and HCSP.

After retirement

- ❑ You will receive your first monthly benefit four to six weeks after your retirement date.
- ❑ You will receive an HCSP informational packet four to six weeks after you end employment.

You can 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.

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.

It is important to let MSRS know of any address change so all of our mailings reach you. Contact our office to make address changes.

Here's how it works

If you end state employment and leave your money in the retirement fund, you can apply for a 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 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.

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.

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 six percent interest to June 30, 2011, and four percent after that. The interest is compounded daily.

Your employer's contributions to your retirement account are never refunded to you.

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 27 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 MSRS 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 and ongoing benefit amount.
- Verifies the optional benefit you selected, if any, 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.

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 including annual tax documents. Call our office to make address changes.

Increases in benefits

Generally, you will receive a benefit adjustment each January. However, depending on your retirement date, your first increase may be delayed or pro-rated. You will receive a letter each December to confirm your benefit increase.

Marriage dissolution after retirement

Contact us for more information about marriage dissolution and the impact on your MSRS benefits.

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, no retirement deductions are taken from your salary.
- Notify MSRS if you return to state employment and when you end that employment.

Re-employment 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 you exceed your earnings limitation, your monthly benefit will be stopped for the remainder of the calendar year.

The maximum amount that may be earned for 2015/2016 is $15,720. For those reaching full Social Security age in 2015 or 2016, the limit on the earnings for the months before full retirement age is $41,880. (See the chart for Social Security's full retirement age.) The Social Security Administration evaluates the earning limit each year. If you are over Social Security's full retirement age, there is no earning limit.

You may request reimbursement of the suspended payment 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.

For MSRS benefit purposes, there is no limit on earnings for self-employment, private sector employment, or public employment covered by another fund.

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.

Disability

> 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 July 1, 2010 and you must meet the definition of a total and permanent disability.

> The law defines a total and permanent disability as the inability to do any substantial activity because of a physical or mental impairment. The disability must be ongoing and expected to last at least one year.

Disability application and review process

To receive more information about applying for a disability benefit, we recommend that you contact our office to obtain the application and necessary documents to apply.

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.

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

- A completed *Disability Retirement Application*.
- Two doctors must complete a *Physician's Statement* regarding your disability which will be reviewed by a MSRS medical consultant.
- An *Employer Certification* to be completed by your employing department.

These documents will be reviewed by a MSRS medical consultant who makes a recommendation to the MSRS Executive Director about the extent of your disability.

If your disability application is denied, you may appeal the decision to the MSRS Board of Directors.

If your disability application is approved, your benefit will begin after you receive payment for all your accumulated overtime, vacation and sick leave hours. Your disability benefit will end in the month that you die unless you selected survivor coverage. See page 20 for survivor coverage detail.

In addition, 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.

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. 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 or after five years, whichever is later. 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.

Workers' Compensation and your disability benefit

If you are receiving a disability benefit and qualify for Workers' Compensation benefits, your Workers' Compensation benefit may be reduced by the amount you are receiving as a disability benefit.

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

Re-employment after you are disabled

There may be restrictions on your earnings if you return to work and are no longer disabled. Please call our office for more information.

You will receive a letter from MSRS on an annual basis to verify your earnings.

Beneficiary and survivor benefits

If you die before you retire while active

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. Your spouse must sign the form to acknowledge the spousal waiver. 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* under *Forms & Documents*.

Dependent child(ren) coverage

If you are still working, have no surviving spouse, and die, your dependent child(ren) under the age of 20 may receive a monthly benefit. Your dependent child(ren) 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 child(ren) coverage

If you have no surviving spouse or dependent child(ren) and you die, your account balance plus four percent interest (six percent interest until June 30, 2011) is paid, in the following order, to your: beneficiary, child(ren) in equal shares, parents in equal shares, your 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 could begin when you would have turned age 55. The refund would provide the retirement deductions plus four percent interest (six percent interest until June 30, 2011). The interest is compounded daily.

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

If you die after you retire

If you are retired and die, the survivor option you selected will determine what happens to your retirement account. Here's how it works:

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 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 the following order, to your: beneficiary, child(ren) in equal shares, parents in equal shares, your estate.

For more information about MSRS plans, call 1-800-657-5757 or 651-296-2761. Or visit www.msrs.state.mn.us.

Management

MSRS is governed by an eleven-member Board of Directors. Three are appointed by the Governor, five are elected by the membership at large, and the remaining three members represent the State Patrol Plan, Correctional Plan, and the Metropolitan Transit Council.

The MSRS Board members have a fiduciary responsibility to act in the exclusive interest of the members and beneficiaries of all MSRS plans. While MSRS is ultimately controlled by the laws and statutes of Minnesota state government, the MSRS Board is responsible for setting policies, hearing disability and benefit appeals, and overseeing the administration of all MSRS pension plans, including the Health Care Savings Plan and the Minnesota Deferred Compensation Plan. MSRS Board members do not receive a salary for serving in their capacity.

Fund Investment

The State Board of Investment (SBI) has the responsibility for investment of MSRS funds. Actual investing is done by money management firms on contract with SBI. The Board continually evaluates these firms' investment performance.

Minnesota Deferred Compensation Plan (MNDCP)

MNDCP is a savings plan intended for long-term investing for retirement. Authorized under Section 457 of the Internal Revenue Code, MNDCP is a smart and easy way to supplement retirement income from your Minnesota public pension and Social Security benefits.

MNDCP offers information, planning tools, and investment options that may help you take positive steps toward achieving your desired retirement lifestyle.

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 reimburse for eligible health care expenses.

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

Privacy

Confidentiality of your records

We follow policies and procedures to ensure the confidentiality of your personal information. We will not release your 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 a partial 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.
- Unlike passwords or PINs, 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 *Defined Contribution Plan* link.

50 Percent Joint-and-Survivor benefit

If you select this option, you will receive a monthly benefit for 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.

75 Percent Joint-and-Survivor benefit

If you select this option, you will receive a monthly benefit for life; 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.

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

100 Percent Joint-and-Survivor benefit

If you select this option, you will receive a monthly benefit for life; 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.

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

Allowable service

See service credit.

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.

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.

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

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.

High-five salary

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

Level formula

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

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.

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 system in order to efficiently maintain our records and internal processes.

Rule of 90

You can qualify for an unreduced benefit 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. To qualify, you must have been in a retirement eligible position before July 1, 1989.

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.

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.

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 1.70 percent for each year after that. year of service. To qualify for the step formula, you must have been hired before July 1, 1989. Also see benefit formula.

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 retirement savings plan, and the Health Care Savings Plan (HCSP) – a tax-free medical expense and premium savings plan. MSRS also administers various retirement, survivor, and disability benefit plans for state employees.

MSRS Minnesota State Retirement System
MNDCP Minnesota Deferred Compensation Plan
HCSP Health Care Savings Plan

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