Correctional 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 Correctional Plan.

The benefits described apply to active state employees covered by the Correctional Plan at the date this handbook is issued, unless otherwise stated. If there is any difference between the information this handbook provides and the law or policies which govern MSRS, the law and policies will prevail. The provisions may be subject to law changes.

This communication was created by MSRS. Neither Great-West Life & Annuity Insurance Company nor any of its subsidiaries have reviewed or approved these materials or are responsible for the materials or for providing updated information with respect to the materials.

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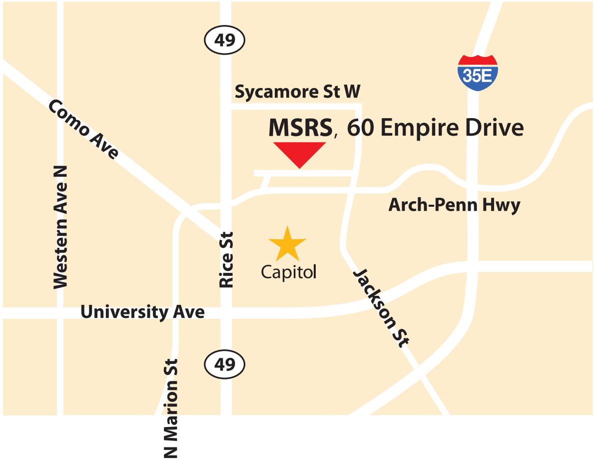
How to contact MSRS

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: www.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).

Correctional Plan

The Correctional Plan covers certain correctional officers and other specified employees in the Department of Corrections and Human Services that spend at least 75 percent of their time directly responsible for inmate care.

The Correctional 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

Both you and your employer contribute to the Correctional Plan. You contribute 8.6 percent of your gross salary and your employer contributes 12.10 percent of your gross salary. Once you retire, you receive a monthly retirement benefit for life with potential post-retirement increases. Depending on the option you select at retirement, your survivors may be eligible to receive a lifetime survivor benefit upon your death. We also provide disability benefits and survivor benefits for your spouse or dependent children if you die before you retire.

Example of how your benefit adds up

Let's take a look at the big picture. What is the value of your retirement benefit? This example provides an estimate of a retirement benefit paid over a 25-year period. The following assumptions are made for illustrative purposes and use information based on a person hired before July 1, 2010.

The assumptions:	
Age at retirement:	55
Allowable service:	25 years
Final high-five annual salary:	$42,353
High-five average monthly salary:	$3,529
Annual post-retirement increase:	2%
Benefit payment option:	Single-Life
Length of retirement:	25 years (to age 80)

The calculations:
25 years x 2.4% = 60%
$3,529 (average high-five monthly salary) x 60% $2,117.40 per month or $25,408.80 per year
Monthly retirement benefit: $2,117.40 per month

Year	Monthly Benefit	Annual Benefit	Age
1	$2,117.40	$25,408.80	55
2	2,159.75	25,916.98	56
3	2,202.94	26,435.32	57
4	2,247.00	26,964.02	58
5	2,291.94	27,503.30	59
6	2,337.78	28,053.37	60
7	2,384.54	28,614.44	61
8	2,432.23	29,186.72	62
9	2,480.87	29,770.46	63
10	2,530.49	30,365.87	64
11	2,581.10	30,973.19	65
12	2,632.72	31,592.65	66
13	2,685.38	32,224.50	67
14	2,739.08	32,868.99	68
15	2,793.86	33,526.37	69
16	2,849.74	34,196.90	70
17	2,906.74	34,880.84	71
18	2,964.87	35,578.45	72
19	3,024.17	36,290.02	73
20	3,084.65	37,015.82	74
21	3,146.35	37,756.14	75
22	3,209.27	38,511.26	76
23	3,273.46	39,281.49	77
24	3,338.93	40,067.12	78
25	3,405.71	40,868.46	79
26	3,473.82	41,685.83	80
TOTAL		$855,537.31	

The value of your benefit

What is your retirement benefit worth?

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

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

Benefits received at age 80: $855,537.31*

Amount you contributed: $60,000 – $80,000

If you live beyond age 80, 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 monthly single-life benefit of $2,117 and retirement at age 55. 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 average monthly 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 retire and the survivor benefit option you select.

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

Divorce and your retirement benefit

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

Calculating your retirement benefit

Remember

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

1. Length of service

Service credit or allowable service

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

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

There are a number of factors that impact your length of service, such as 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 23.

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, the highest five consecutive years of 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 high-five salary is calculated using your gross salary.

How we determine your retirement benefit

How to calculate your high-five average salary

When calculating your high-five average salary, we use the highest 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:

$211,765 (total high-five salary)
÷ 5 (years)

$42,353 average annual salary

÷ 12 (months)

$3,529 average monthly salary

When you are eligible for retirement

You are eligible for monthly benefits, or what we call vested, after three 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. (See page 15 for information on graded vesting and how we determine your benefit calculation.)

You can start collecting full retirement benefits when you are age 55. Most employees can begin collecting reduced monthly benefits at age 50 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.

Remember that full retirement age is 55. This means if you retire at age 55—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.

Full retirement benefit

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

The assumptions:	
Age at retirement:	55
Allowable service:	25 years
Average monthly salary:	$3,529
Benefit payment option:	Single-Life

The calculations:

25 years x 2.4% = 60%

$3,529 (your average monthly salary)
x 60%
$2,117.40 per month

Early retirement reduction

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

If you retire at age 53, using the same information as the example from page 11, your monthly benefit is reduced using an early retirement factor. See the chart below for the early retirement factors.

The calculations:

	$2,117.40	(monthly benefit)
x	10%	(2 years at a reduction of 5% per year) See chart below.
	$211.74	per month early retirement reduction
	$2,117.40	(monthly benefit)
–	$211.74	(early retirement reduction)
	$1,905.66	per month

Early retirement factor chart

Age at Retirement	Reduction Factor
54	5%
53	10%
52	15%
51	20%
50	25%

Calculations made easy, really

We can simplify the process by using the chart on the next page. In this chart, you'll see the age at retirement listed across the top. The first column on the left displays the years of service. Using the example from page 11, with retirement at age 55 with 25 years of service, we would use 60 percent as part of the formula to determine your retirement benefit.

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

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

1. Your turn—Your assumptions:

Your projected age at retirement: ______________

Allowable service: ______________

*Average monthly salary: ______________

If you were hired **BEFORE** July 1, 2010
See page 14

If you were hired **AFTER** June 30, 2010
See page 15

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 ______________

Hired before July 1, 2010

If you were hired before July 1, 2010, the chart to the right shows the service credit percent with a reduction of 5 percent per year for early retirement.

You receive 2.4 percent for each year of service.

Years of Service	Age at Retirement					
	50	51	52	53	54	55 or older
3	5.4	5.8	6.1	6.5	6.8	7.2
4	7.2	7.7	8.2	8.6	9.1	9.6
5	9.0	9.6	10.2	10.8	11.4	12.0
6	10.8	11.5	12.2	13.0	13.7	14.4
7	12.6	13.4	14.3	15.1	16.0	16.8
8	14.4	15.4	16.3	17.3	18.2	19.2
9	16.2	17.3	18.4	19.4	20.5	21.6
10	18.0	19.2	20.4	21.6	22.8	24.0
11	19.8	21.1	22.4	23.8	25.1	26.4
12	21.6	23.0	24.5	25.9	27.4	28.8
13	23.4	25.0	26.5	28.1	29.6	31.2
14	25.2	26.9	28.6	30.2	31.9	33.6
15	27.0	28.8	30.6	32.4	34.2	36.0
16	28.8	30.7	32.6	34.6	36.5	38.4
17	30.6	32.6	34.7	36.7	38.8	40.8
18	32.4	34.6	36.7	38.9	41.0	43.2
19	34.2	36.5	38.8	41.0	43.3	45.6
20	36.0	38.4	40.8	43.2	45.6	48.0
21	37.8	40.3	42.8	45.4	47.9	50.4
22	39.6	42.2	44.9	47.5	50.2	52.8
23	41.4	44.2	46.9	49.7	52.4	55.2
24	43.2	46.1	49.0	51.8	54.7	57.6
25	45.0	48.0	51.0	54.0	57.0	60.0
26	46.8	49.9	53.0	56.2	59.3	62.4
27	48.6	51.8	55.1	58.3	61.6	64.8
28	50.4	53.8	57.1	60.5	63.8	67.2
29	52.2	55.7	59.2	62.6	66.1	69.6
30	54.0	57.6	61.2	64.8	68.4	72.0

Graded Vesting

For those hired after June 30, 2010, there is what is called graded vesting. In other words, your percentage of vesting increases for each year you are employed. Once you reach 10 years, you are fully vested.

10 years	100% vested
9 years	90% vested
8 years	80% vested
7 years	70% vested
6 years	60% vested
5 years	50% vested

Retirement benefit formula

Monthly benefits payable under the Correctional Plan are computed using a formula based on years of service and your high-five average salary. You receive 2.2 percent for each year of service. For example, an employee with 10 years of service would receive 22 percent (10 x 2.2% = 22) of their high-five average salary if they retire at age 55. A person with 20 years of service would receive 44 percent (20 x 2.2% = 44) of their high-five average salary, and a person with 30 years of service would receive 66 percent (30 x 2.2% = 66) of their high-five average salary.

Early retirement reduction

Monthly benefits are reduced for employees electing to collect benefits before age 55. Your benefit is reduced 5 percent per year for each year under age 55 you retire.

The chart below shows the reduction factor for each age of retirement.

Age at Retirement	Reduction Factor
54	5%
53	10%
52	15%
51	20%
50	25%

If you were hired after June 30, 2010

If you were hired after June 30, 2010, the chart to the right shows the service credit percent with a reduction of 5 percent per year for early retirement.

Years of Service	Age at Retirement					
	50	51	52	53	54	55 or older
5	4.1	4.4	4.7	5.0	5.2	5.5
6	5.9	6.3	6.7	7.1	7.5	7.9
7	8.1	8.6	9.2	9.7	10.2	15.5
8	10.6	11.3	12.0	12.7	13.4	14.1
9	13.4	14.3	15.1	16.0	16.9	20.0
10	16.5	17.6	18.7	19.8	20.9	22.0
11	18.2	19.4	20.6	21.8	23.0	24.2
12	19.8	21.1	22.4	23.8	25.1	26.4
13	21.5	22.9	24.3	25.7	27.2	28.6
14	23.1	24.6	26.2	27.7	29.3	30.8
15	24.8	26.4	28.1	29.7	31.4	33.0
16	26.4	28.2	29.9	31.7	33.4	35.2
17	28.1	29.9	31.8	33.7	35.5	37.4
18	29.7	31.7	33.7	35.6	37.6	39.6
19	31.4	33.4	35.5	37.6	39.7	41.8
20	33.0	35.2	37.4	39.6	41.8	44.0
21	34.7	37.0	39.3	41.6	43.9	46.2
22	36.3	38.7	41.1	43.6	46.0	48.4
23	38.0	40.5	43.0	45.5	48.1	50.6
24	39.6	42.2	44.9	47.5	50.2	52.8
25	41.3	44.0	46.8	49.5	52.3	55.0
26	42.9	45.8	48.6	51.5	54.3	57.2
27	44.6	47.5	50.5	53.5	56.4	59.4
28	46.2	49.3	52.4	55.4	58.5	61.6
29	47.9	51.0	54.2	57.4	60.6	63.8
30	49.5	52.8	56.1	59.4	62.7	66.0

Accelerated benefit

You can choose an accelerated payment, which temporarily increases your monthly benefit until age 62 or 65. You receive the higher benefit until you reach the age you choose. Then your benefit is recomputed to a lower, permanent amount, which covers the remaining years of your retirement.

Age at Retirement	Life Annuity	Accelerated to Age		Permanent
		62	65	
50	100%	113.77%	108.91%	76%
51	100	114.92	109.50	77
52	100	116.27	110.15	78
53	100	117.88	110.90	79
54	100	118.86	111.16	81
55	100	121.15	112.06	82
56	100	122.72	112.36	84
57	100	124.71	112.62	86
58	100	127.41	112.82	88
59	100	131.54	112.93	90
60	100	144.09	114.49	91
61	100	171.01	114.61	93
62	100		117.32	94
63	100		122.47	95
64	100		137.30	96

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 choose at least a 50 percent survivor option for your spouse unless your spouse waives survivor coverage.

You can name anyone 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. Your survivor's age may also limit survivor options available to you if survivor is not your spouse.

Single-Life benefit

Single-Life benefit is just that—it 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.

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, and when you die, your named survivor will continue to receive the same amount you were receiving for their lifetime. 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.

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	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 for their 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 19 years younger than you, you may not select the 75 percent option.

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	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

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 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.

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	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 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(s) 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 retire at age 55, you would receive 95 percent of that 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	95
56	95
57	94
58	94
59	93
60	92
61	91
62	90
63	89
64	87
65	86
66	85

Comparing benefit choices

	Lifetime Benefit			Accelerated to Age 62			Accelerated to Age 65			Permanent at Age 62 or 65 After Acceleration		
Pension Type	Your Benefit	Survivor Benefit	Bounce Back	Your Benefit	Survivor Benefit	Bounce Back	Your Benefit	Survivor Benefit	Bounce Back	Your Benefit	Survivor Benefit	Bounce Back
Single-Life	$2,000	N/A	N/A	$2,423	N/A	N/A	$2,241	N/A	N/A	$1,640	N/A	N/A
Joint-and-Survivor												
100% option	$1,734	$1,734	$2,000	$2,187	$2,187	$2,423	$2,002	$2,002	$2,241	$1,421	$1,421	$1,640
75% option	$1,795	$1,346	$2,000	$2,242	$1,681	$2,423	$2,057	$1,543	$2,241	$1,472	$1,104	$1,640
50% option	$1,857	$928	$2,000	$2,297	$1,148	$2,423	$2,113	$1,056	$2,241	$1,523	$761	$1,640
Life Income, 15-Year Certain												
	$1,940	$1,940	N/A									

The example assumes:

- A $2,000 Single-Life monthly benefit
- Retiree and survivor are age 55
- Accelerated to age 62 and age 65

We can help

For more customized benefit estimates, contact MSRS.

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 because 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 until July 1, 2015, and 8 percent thereafter.

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.

- 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.

You can make payment after the one year, but then we base the cost on an actuarial method, which is more expensive.

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 rate until July 1, 2015, and 8 percent thereafter. 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 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.

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 cannot 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 until July 1, 2015, and 8 percent thereafter, compounded annually. This interest is computed from the date of your leave and must be paid prior to termination.

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)

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 after June 30, 2010

If you were hired after June 30, 2010, you must have at least five years of service to be vested (see page 15 for graded vesting information), 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 thirty years of service, if hired before July 1, 1989.

In addition to having the service credit work together, we use the same high-five average salary to calculate monthly benefits. For example, if you have twenty-five 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 salary, 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, 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 that the service was earned. When you retire, you will receive a check from each public retirement association.

Service credit

Example

You are a 55-year-old employee with twelve years of service covered by PERA's Coordinated Plan, followed by twenty years covered by MSRS' Correctional Plan.

Your total benefit is computed as:

PERA's Coordinated Plan	
12 years at 1.7% per year = 20.40%	
0.5069 (early-retirement reduction)	
20.4% x .5069	= 10.34%

MSRS' Correctional Plan	
20 years at 2.4% per year = 48.00%	
Total:	58.34%

PERA pays a benefit equal to 12.1 percent of your average salary. MSRS pays a benefit equal to 48 percent of your average salary. The total amounts to 60.1 percent of your five high-year average monthly salary. You receive two checks, one from each fund.

So, if your five high-year average monthly salary is $36,000 ($3,000 monthly salary), the benefit from each plan is:

PERA's Coordinated Plan

$3,000 x 12.1% = $363

MSRS' Correctional Plan

$3,000 x 48% = $1,440

Total monthly benefit: $1,803

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. The Correctional plan allows 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 Correctional Plan, 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 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 public retirement plan whose service was refunded. 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.

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 23 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.

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 50 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 8.

The monthly amount of your deferred benefit grows based on a set percentage. The percentage prior to January 1, 2012 is 3 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 5 percent per year. Beginning January 1, 2012 all benefits regardless of age increase 2 percent per year. When we calculate your estimated benefit amounts, we include the percent increases.

If you were hired on or after July 1, 2006, your benefit is increased by 2.5 percent until January 1, 2012, and 2 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 18.

You can apply for your benefit 60 days prior to the date you are eligible to receive the monthly benefit. See page 27 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 6 percent interest to June 30, 2011, and 4 percent after that. The interest you receive is compounded daily, but does not include your employer's contributions to your retirement account. You can purchase the service credit if you return to a position covered by MSRS or another Minnesota 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.

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 Correctional Plan.

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:

- Confirms the amount of your first benefit payment check and ongoing monthly benefit amount.
- States if you selected an optional benefit such as Joint-and-Survivor. See page 18 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 your spouse.

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

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.

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 of Minnesota, 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 contributions 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 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 limits each year. If you are over Social Security's full retirement age, there is no earnings limit.

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.

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

You must apply for disability benefits within 18 months after you end state employment.

Disability benefits

As a member of the Correctional Plan, you have 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.

A look at disability benefits in more detail

Definition of disability

Law defines a disability as a physical or psychological condition lasting at least one year that prevents a member from performing normal job duties.

Types of disability benefits

Duty disability

The member must incur an injury while performing inherently dangerous duties. The member is immediately eligible for this type of disability benefit.

To be eligible for duty disability, you need a minimum of one day of service. The disability benefit would provide a minimum of 50 percent of your high-five average salary.

Hired before July 1, 2009

Regular disability

To qualify for a regular disability benefit, a covered employee hired before July 1, 2009 must have at least one year of service. The disability benefit would provide a minimum of 36 percent of your high-five average salary.

Hired after June 30, 2009

Regular disability

To be eligible for regular disability, you need to be vested. Your vesting depends on when you were hired. If you were hired before July 1, 2010, you are vested when you have three years of service. If you were hired on or after July 1, 2010, the vesting is graded. In other words, beginning at five years of service you are 50 percent vested; until you reach ten years of service when you become 100 percent vested. For more information on the graded vesting, see page 15. Your disability benefit is based on your length of service. There is no minimum benefit.

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 18 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 18.

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.

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 18.

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.

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.

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

Privacy

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 *Defined Contribution Plan* link.

50 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 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 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.

100 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 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.

Accelerated benefit

You can select an accelerated benefit which would temporarily increase your monthly benefit until age 62 or 65. You receive the higher benefit until the age you select. Then your benefit is recalculated to a lower, permanent amount, which covers the remaining years of your retirement.

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

Combined Service Annuity (CSA)

If you are covered by another Minnesota public retirement plan, this may combine with your service as a state employee. Under Combined Service Annuity, 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 50 or later, if vested.

Disability benefits

The Correctional Plan provides disability protection. Law defines a disability as a physical or psychological condition lasting at least one year that prevents a member from performing normal job duties.

High-five salary

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

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

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.

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 Correctional Plan. The benefits described apply to active state employees covered by the Correctional Plan at the date this handbook is issued, unless otherwise stated. If there is any difference between the information this handbook provides and the law or policies which govern MSRS, the law and policies will prevail. The provisions may be subject to law changes.

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

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

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