2006

MSRS
Minnesota State Retirement System

State Patrol Retirement Plan

HANDBOOK

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

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Table of contents

Table of contents

Enrollment

Membership in the State Patrol Plan includes state troopers, crime-bureau agents, gambling-enforcement agents, conservation officers, Department of Commerce fraud investigators and members of the Department of Corrections fugitive apprehension unit.

Contribution Rates

Your tax deferred employee deduction to the State Patrol Plan is 8.40 percent of your gross salary. Your employer contributes 12.60 percent of your gross salary to the retirement fund. The percentages are set by law and are subject to change. The Legislature adopted employee and employer contribution rate increases. See chart below.

Effective Date	Employee Rate	Employer Rate
Current Rate	8.40%	12.60%
July 1, 2007	9.10%	13.60%
July 1, 2008	9.80%	14.60%
July 1, 2009	10.40%	15.60%

Defining the Terms

Allowable Service
You earn service credit for each month you are employed. We base retirement benefits on whole years and whole months of service. Service credit is granted if you are receiving workers' compensation payments for a temporary disability.

Leave of Absence
You may take an approved leave of absence for various reasons, such as education, pregnancy or adoption. It is important to understand that by taking a leave, you may not accrue service credit since no salary is earned and no deductions are taken.

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

Purchase Service for Prior Military Time
State Patrol Plan members may purchase military service, even if the military time was rendered before becoming a state employee. Only the time served during the first period of enlistment, induction or call to active duty may be purchased.

Defining the Terms

To be eligible, you must meet these requirements:

- Be an active employee
- Have three or more years of service covered by MSRS
- Have active service in the U.S. armed forces
- Have repaid all refunds you have taken from MSRS or any other Minnesota retirement plan

Age and Service Requirements
To be eligible for retirement benefits, you must have a minimum of three years of allowable service and be at least age 50. A full retirement benefit, that is, an unreduced benefit, is payable if you begin to receive benefits at age 55 or later.

Mandatory Retirement Age
For conservation officers, crime bureau agents and gambling enforcement agents hired for the first time after June 30, 1973, and for state troopers, the mandatory retirement age is 60 years. One exception exists: employment may continue for a partial year after attaining 60 to complete a full year of allowable service credit.

For conservation officers and crime bureau agents who were hired for the first time before July 1, 1973, the mandatory retirement age is 70.

Computing Your Benefit

To calculate your retirement benefit, we use your average monthly salary, service credit percent, any early retirement reduction and your choice of retirement benefits.

Calculating Your Average Monthly Salary

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

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

Calculating Your Average Monthly Salary

Following is an example of how your high-five salary is computed:

Years	Earnings
1	$57,200
2	$58,400
4	$60,500
5	$61,400
6	$62,500
	$300,000

Divide the total by 60 ($300,000 divide by 60) to determine the average monthly salary. In this example, your average monthly salary is $5,000.

Any lump sum payments such as severance pay or vacation hours included in the final salary payment are not subject to retirement deductions nor used in the calculation.

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

Service-Credit Percent

MSRS converts service years and months to a percent of your average monthly salary. You receive 3 percent for each year of service. This percent is multiplied by your high-five salary. If you have 29 years of allowable service at retirement, your allowable service percent is calculated as 29 years at 3 percent per year.

The following example calculates the single-life benefit. This benefit provides no survivor coverage.

Employee's age: 55 years
Service: 29 years
Service credit percent: 29 x 3% = 87%
Average monthly salary: $5,000
Percent multiplied by salary: $5,000 x 87% = $4,350
Monthly benefit: $4,350

Early Retirement

You can apply for a retirement benefit as early as age 50, if you have three or more years of allowable service. The amount of the benefit is reduced by 1.2 percent for each year you are under age 55 when your benefit begins.

The chart on page 7 calculates the early retirement reduction and lists your benefits based on early retirement before age 55.

Early Retirement

The easy way to calculate your benefit using the chart is to decide at what age you want to retire, determine your years of service, find the percent that joins these two numbers and multiply it by your average monthly salary. For example, if you choose to retire at 52 and have 29 years of service, the factor is 83.87. Assuming an average monthly salary of $5,000, your monthly benefit in early retirement is $4,193.

Percent of Average Salary for Early Retirees

Age	50	51	52	53	54	55
3	8.46	8.57	8.68	8.78	8.89	9
4	11.28	11.42	11.57	11.71	11.86	12
5	14.10	14.28	14.46	14.64	14.82	15
6	16.92	17.14	17.35	17.57	17.78	18
7	19.74	19.99	20.24	20.50	20.75	21
8	22.56	22.85	23.14	23.42	23.71	24
9	25.38	25.70	26.03	26.35	26.68	27
10	28.20	28.56	28.92	29.28	29.64	30
11	31.02	31.42	31.81	32.21	32.60	33
12	33.84	34.27	34.70	35.14	35.57	36
13	36.66	37.13	37.60	38.06	38.53	39
14	39.48	39.98	40.49	40.99	41.50	42
15	42.30	42.84	43.38	43.92	44.46	45
16	45.12	45.70	46.27	46.85	47.42	48
17	47.94	48.55	49.16	49.78	50.39	51
18	50.76	51.41	52.06	52.70	53.35	54
19	53.58	54.26	54.95	55.63	56.32	57
20	56.40	57.12	57.84	58.56	59.28	60
21	59.22	59.98	60.73	61.49	62.24	63
22	62.04	62.83	63.62	64.42	65.21	66
23	64.86	65.69	66.52	67.34	68.17	69
24	67.68	68.54	69.41	70.27	71.14	72
25	70.50	71.40	72.30	73.20	74.10	75
26	73.32	74.26	75.19	76.13	77.06	78
27	76.14	77.11	78.08	79.06	80.03	81
28	78.96	79.97	80.98	81.98	82.99	84
29	81.78	82.82	**83.87**	84.91	85.96	87
30	84.60	85.68	86.76	87.84	88.92	90
31		88.54	89.65	90.77	91.88	93
32			92.54	93.70	94.85	96
33				96.62	97.81	99
34					100.78	102
35						105

Early Retirement

Here's how to calculate your benefit without using the chart. For example, if you decide to retire at age 52 with 29 years of service, you would multiply 29 by 3 percent which equals 87 percent. Next, multiply 87 percent by your average monthly salary. If your average monthly salary is $5,000, the product is $4,350. To calculate the early retirement reduction, multiply 3 years by 1.2 and you get 3.6 percent. This percent is subtracted from 100 percent, and the result is 96.4 percent. Finally, multiply $4,350 by 96.4 percent for a reduced monthly benefit of $4,193.

With early retirement
Employee's age: 52 years
Service: 29 years
Service credit percent: 29 x 3% = 87%
Average monthly salary: $5,000
Unreduced monthly benefit: $5,000 x 87% = $4,350
Early retirement percent: 3 years x 1.2 = 3.6%
Calculate reduction factor: 100% - 3.6% = 96.4%
Reduced percent times monthly benefit: $4,350 x 96.4%
Reduced monthly benefit: $4,193

Types of Benefit Choices

When you apply for a benefit, you can choose between a Single-Life or a Joint-and-Survivor benefit.

Single-Life
We calculate monthly benefits from service length, high-five salary and age. The product from this calculation is the Single-Life benefit amount. This option is the highest monthly benefit you can receive. Payment continues throughout your life. After your death, payments stop.

Joint-and-Survivor Options
With this benefit you choose to receive a reduced monthly benefit during your lifetime to provide for your survivor after your death. The monthly amount you receive is reduced so that the expected payment to you and your survivor is the same as the total amount the State Patrol Plan expects to pay you.

You can name anyone as your survivor. The younger your survivor, the greater the reduction. Payment to your survivor begins the first of the month following your death. If your survivor dies first, the benefit amount increases to the Single-Life benefit. This benefit begins the first of the month after your survivor's death.

Types of Benefit Choices

The Joint-and-Survivor provides the following benefit choices:

> **100 Percent Option**: Your survivor would receive a monthly benefit amount **equal** to your benefit after your death.
> **75 Percent Option:** Your survivor would receive **75 percent** of your monthly benefit after your death.
> **50 Percent Option:** Your survivor would receive **one-half** of your monthly benefit after your death.

All of the joint and survivor options have a bounce-back feature. With this feature, if your survivor dies before you, your monthly benefit would revert to your single-life amount the month after your survivor's death.

Under IRS regulations, if your survivor is someone other than your spouse, there are age restrictions for the 75 and 100 percent survivor options. For the 100 percent option, your survivor may not be more than 10 years younger than you. He or she may not be more than 19 years younger than you under the 75 percent option.

The table on pages 10 and 11 indicate the percent that MSRS reduces the Single-Life benefit amount if you select a Joint-and-Survivor option.

Types of Benefit Choices

100 Percent Option
Example:
Employee's age: 55 years
Survivor age: 54 years
Monthly benefit computed:
$4,000 x 86.14%
Employee's monthly benefit: $3,445
Survivor's benefit upon your death:
$3,445
Bounce-back benefit: $4,000

100 Percent Option With Survivor Coverage
When you die, this option pays your survivor 100 percent of the amount you receive.

Employee's Retirement Age	Survivor's age 50	51	52	53	54	55	56
50	89.09	89.53	89.97	90.40	90.84	91.28	91.71
51	88.19	88.65	89.11	89.57	90.03	90.49	90.95
52	87.23	87.70	88.19	88.67	89.16	89.65	90.14
53	86.20	86.70	87.20	87.71	88.22	88.74	89.26
54	85.10	85.62	86.14	86.68	87.22	87.76	88.31
55	83.94	84.47	85.02	85.58	**86.14**	86.71	87.28
56	82.70	83.25	83.82	84.40	84.98	85.57	86.17

75 Percent Option
Example:
Employee's age: 55 years
Survivor age: 54 years
Monthly benefit computed:
$4,000 x 89.35%
Employee's monthly benefit: $3,574
Survivor's benefit upon your death:
$2,680
Bounce-back benefit: $4,000

75 Percent Option With Survivor Coverage
When you die this option pays your survivor 75 percent of the amount you received.

Employee's Retirement Age	Survivor's age 50	51	52	53	54	55	56
50	91.66	92.00	92.34	92.68	93.02	93.36	93.69
51	90.96	91.31	91.67	92.03	92.39	92.75	93.11
52	90.20	90.58	90.95	91.33	91.72	92.10	92.47
53	89.39	89.79	90.18	90.58	90.98	91.39	91.79
54	88.53	88.94	89.35	89.77	90.20	90.62	91.05
55	87.60	88.03	88.46	88.90	**89.35**	89.79	90.24
56	86.62	87.06	87.51	87.97	88.43	88.90	89.37

Types of Benefit Choices

50 Percent Option
Example:
Employee's age: 55 years
Survivor's age: 54 years
Monthly benefit computed:
$4,000 x 92.55%
Employee's monthly benefit: $3,702
Survivor's benefit upon your death:
$1,851
Bounce-back benefit: $4,000

50 Percent Option With Survivor Coverage
When you die this option pays your survivor 50 percent or the amount you received.

Employee's Retirement Age \ Survivor's age	50	51	52	53	54	55	56
50	94.23	94.47	94.72	94.96	95.20	95.44	95.67
51	93.72	93.98	94.24	94.50	94.75	95.01	95.26
52	93.18	93.45	93.72	94.00	94.27	94.54	94.81
53	92.59	92.87	93.16	93.45	94.74	94.03	94.32
54	91.95	92.25	92.56	92.87	93.14	93.45	93.79
55	91.27	91.58	91.90	92.23	**92.55**	92.88	93.21
56	90.53	90.86	91.20	91.54	91.88	92.23	92.57

Option Choices Can't Be Changed

Once you have retired and 30 days have passed since the letter authorizing your benefit was issued, you cannot change your survivor or your benefit choice.

Prepare to Retire

It is important to prepare for retirement. Before you retire, you should understand the many financial factors that can influence your retirement years. These factors include the State Patrol Retirement Plan, health insurance, taxes and other savings programs, such as deferred compensation and Health Care Savings Plan (HCSP). You can use all of these to provide financial security.

It's also important to consider non-financial issues. How you will spend your time after retirement? On average, a person retiring at 55 years will live 25 years after retirement. Careful planning helps make the most of your retirement years.

Choosing a Retirement Date
This is an important decision. Some ideas to consider about date selection are:

- Possible law changes that may affect how your benefit is computed, other benefit improvements.
- The cost of health insurance.
- How we determine service credit, which we use to compute your benefit.
- How your retirement date influences other decisions, such as, withdrawing money from the deferred compensation plan or other investments.
- You must serve to age 55 or later for MSRS to withhold your health insurance premiums from your monthly payment. This will reduce your federal taxable income by up to $3,000.

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

Benefit Application
You apply for your monthly benefit on an application available from MSRS. Your benefit begins to accrue the day after your termination, if you are at least 50 years old on that date and have submitted your application before you ended public service. Be sure to complete the *Public Safety Health Insurance Premium Withholding Enrollment* form when you complete the retirement application if you served until or after age 55 and you want MSRS to withhold your premium to reduce your federal taxable income up to $3,000.

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

Prepare to Retire

A birth record is usually available from the health department of the state where you were born. For addresses, go to:
www.cdc.gov/nchs/howto/w2w/w2welcom.htm

Spousal Notice
Retirement law requires that we inform your spouse of the types of benefit plans available. If you are married, your spouse's signature is necessary on the retirement application. All applications have a space for that signature. This verifies that your spouse understands the benefit choice you've made.

After You Retire

Monthly Benefit
The exact amount of your benefit can't be computed until we receive a record of your final paycheck. Usually, your first benefit payment is paid within 4 to 6 weeks after retirement. You will receive a benefit–authorization letter shortly before you receive your first payment. The letter will:

- Show you the amount of your first payment and ongoing benefit amount;
- Indicate whether or not an optional form of benefit was chosen;
- Verifies when your benefit will be directly deposited or mailed to you; and
- Provides you with important tax information.

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

Increases in Benefits
The law provides for possible annual increases of benefit amounts after retirement. When you retire or begin receiving payments, money to fund your lifetime benefit is transferred from the State Patrol Fund to the Post Retirement Fund. This money must earn a 6 percent return to finance your benefit. Additional earnings finance your post retirement increases. Each year's increase is made up of:

- A cost-of-living adjustment
- Investment performance

The cost-of-living adjustment provides automatic increases to benefits up to 2.5 percent. The cost-of-living adjustment is based on the U.S Consumer Price Index.

After You Retire

The investment performance provides an additional increase to your benefit when state-managed investments are successful. This happens after investment earnings cover the 6-percent return requirement and the cost-of-living increase.

Minnesota law limits annual increases of the Post Fund at five percent, effective July 1, 2010. By law, the Post Fund must be fully funded before any pension increases can exceed the inflation adjustment of up to 2.5 percent per year.

If payable, your first increase occurs seven to 19 months after you retire, and always on January 1. It is prorated based on the number of months you have been retired during the previous fiscal year – ending June 30. For example, if you retire at the end of April, you receive your first post-retirement increase the next January. The increase is based on your two months of retirement – May and June – and amounts to two-twelfths of the full increase. If the full increase is 4 percent , the increase generated by those two months is two-twelfths of 4 percent or .16667 x 4 percent = .666 of 1 percent.

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

Tax Information

Federal Income Tax on Monthly Benefit

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

Minnesota Income Tax on Monthly Benefit

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

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

Tax Information

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

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

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

Federal Minimum Distribution Rule
Federal law requires that any person who reaches age 70 ½ 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 70 ½ 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 draw 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 70 ½.

Disability Benefit

The State Patrol Plan offers disability protection. The benefit amount may depend on whether or not your injury was work related.

Eligibility
You are eligible to apply if you are unable to perform the duties of your position because of a physical or mental impairment which can be diagnosed and is expected to last one year. You are eligible if you are on a leave of absence either with or without pay.

If you've terminated employment, the disability must have occurred while employed in a covered position and you must apply within 18 months of your termination.

Work Related
Regardless of length of service, disability benefits are available if you are injured or suffer other impairment as a direct result of performing your job. You must be physically or mentally unable to perform the duties of your job.

If you have fewer than 20 years allowable service, the amount of the disability benefit is equal to 60 percent of your high-five salary. After 20 years of service, you earn another 3 percent for each full year of service. You receive credit for each completed month; each month earns one quarter of 1 percent.

Non-work Related
You must have one year of service credit to be eligible for a non-work related disability benefit. You must be physically or mentally unable to perform the duties of your job.

If you have one to 15 years of service, we calculate your benefit as if you had 15 years of service, 45 percent of your high-five salary. If you have more than 15 years of service, each additional year of service earns 3 percent of the high-five salary; each month earns one quarter of 1 percent.

Disability Survivor Coverage
When you apply for a disability benefit, you can choose the Single-Life benefit or the Joint-and-Survivor benefit and one of its three options. If you select a Single-Life benefit, you have another opportunity to choose a Joint-and-Survivor benefit option. You can do so within 90 days before your 65th birthday. For more detail on benefit choices see page 8.

If you are disabled, did not choose survivor coverage and die before age 65, your spouse is entitled to a benefit equal to 50 percent of your high-five salary. When you would have reached age 55, your spouse can receive the 100 percent option benefit if it is higher.

Disability Benefit

Workers' Compensation
If you are disabled and qualify for workers' compensation payments, state law requires that the Workers' Compensation Commission deduct the amount of the retirement disability benefit from its payment.

Re-employment
If you are disabled, accept re-employment and earn less than your previous salary, your disability payment continues to the extent that earnings, plus the disability benefit, don't exceed your salary on the disability date, adjusted over time by the percentage increase in average wages.

If You Die Before You Retire

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

Surviving Spouse Defined

Surviving spouse is a legally married spouse who resides with the member or former member at the time of death. The spouse must be married to the member or former member for at least one year before or during the time of membership.

Surviving Spouse Coverage Categories

Working, under age 55 with at least three years of service
If you die before age 55, your spouse is entitled to a benefit equal to 50 percent of your high-five salary. When you would have reached age 55, your spouse can receive the 100 percent option benefit if it is higher.

Working, under age 55 with fewer than three years of service
If you die, your spouse is entitled to a monthly benefit equal to 50 percent of your high-five salary.

Working, over age 55 with at least three years of service
If you die, your spouse is entitled to 50 percent of your average monthly salary or the 100 percent option benefit, whichever is higher.

Inactive, at least three years of service
If you die and left your deductions with MSRS, your spouse is entitled to the 100 percent option benefit when you would have reached 55.

Dependent Child

A dependent child is any natural or adopted, unmarried child of a deceased member under 18 years of age. Any child at least 18 but under age 23 is included if the child is a full-time student of an accredited school.
For each dependent child, your spouse or legal guardian receives 10 percent of your high-five salary. The State Patrol Plan pays $20 per month, distributed equally among your dependent children. The monthly family benefit for a spouse and any children can't exceed 70 percent of your average monthly salary.

No Surviving Spouse or Child Benefits Payable

If you die and no monthly survivor benefits are payable, your beneficiary receives a refund of the accumulated deductions plus interest. Interest is paid at 6 percent per year, compounded annually. If you have no beneficiary, your refund goes to your estate.

If You Die After You Retire

If you are retired, chose a Joint-and-Survivor benefit and die, your named survivor receives an optional benefit for his or her lifetime. The amount depends on the retirement option selected. See the *Types of Benefit Choices* section for more information.

If you retire, die before collecting the amount you contributed to your account, and no further survivor benefits are payable, your spouse or children in equal shares or your estate is paid the remainder of your account. This is the last payment from the retirement fund.

Previous School, City, County or Other Public Jobs

This information may apply to you if you've worked in more than one public position in Minnesota. This section discusses the Combined Service Benefit law and shows how your employment, with two or more public agencies and their retirement plans, can work together when you retire.

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

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

The retirement agencies covered by this law are the:
- Minnesota State Retirement System (MSRS)
- Public Employees Retirement Association (PERA)
- Teachers Retirement Association (TRA)

The retirement funds covered by this law are the:
- Minneapolis Municipal Employees Retirement Fund
- Minneapolis, St. Paul and Duluth Teachers' Retirement Associations

How a Combined Service Benefit Works
- All plans use the same high-five year average salary when they compute benefits.
- Each plan considers your total service in all plans when it applies its particular provisions, such as: early retirement or length of service features
- The law in effect when you terminate service, with the last plan under which you had six months of service, is used to calculate the benefits in all plans. Therefore, you take advantage of all law changes.
- All benefits – retirement, deferred retirement, disability and survivor – are covered by this provision.

Previous School, City, County or Other Public Jobs

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

Example: You are a 55 year old state trooper with 10 years of service covered by PERA's Police and Fire Fund and 20 years covered by MSRS' State Patrol Plan.

Your total benefit is computed as:

PERA's Police and Fire Fund
10 years at 3% per year = 30 percent

MSRS' State Patrol Plan
20 years at 3% per year = 60 percent

Totals: 90 percent

The total benefit you receive is 90 percent of the high-five year average salary, the same percent as if all your service had been covered by the State Patrol Plan. You receive two separate payments, one from PERA and one from MSRS.

If your high-five year average monthly salary is $5,000, the benefit from each fund is:

PERA: $5,000 x 30% = $1,500
MSRS: $5,000 x 60% = $3,000
Total Monthly Benefit $4,500

To provide you the most accurate estimate, please provide MSRS information about other public employment, retirement plan coverage and coverage dates you have.

Terminating Before You Retire

Deferred Benefit
If you have at least three years service credit and end state service, you can leave your contributions in the retirement fund and apply for a monthly benefit to begin at age 50 or later. When applying for the deferred benefit, you can apply for either a Single-Life benefit or one of the Joint-and-Survivor benefit options.

Your benefit amount is computed under the law in effect when you terminate employment; however, the benefit amount continues to grow until you start to receive payments. The monthly amount of the deferred benefit increases at the rate of 3 percent compounded annually from your termination date to age 55. Usually, it is advantageous to begin collecting monthly benefits at age 50. If you wait to draw until after age 55, your benefit grows at 5 percent per year from January following your 55th birthday to the date you receive your monthly benefit. (For people hired after June 30, 2006, this increase is limited to 2.5 percent for all years deferred.)

You can apply for a deferred benefit within 60 days of the date you are eligible to receive the monthly payment. For an application, contact MSRS.

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

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

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

Divorce

A brochure is available from MSRS that explains how state divorce law applies to your retirement account and contains sample language for use in a divorce decree.

Social Security

As a member of the State Patrol Retirement Plan, you are not covered by social security. You may be able to earn enough quarters of coverage to qualify for a social security benefit through private sector employment.

If you have fewer than 30 years of appreciable social security coverage, that benefit may be reduced because of the state employment in a position not covered by social security. This reduction is referred to as the windfall reduction. For information, call Social Security at 1-800-772-1213 or visit www.ssa.gov

Medicare
Employees hired after April 1, 1986, are required to contribute to Medicare and 1.45 percent of your salary is withheld as a Medicare premium. Ten years as a Medicare contributor is required to be eligible for Medicare at 65 years.

Minnesota State Deferred Compensation Plan (MNDCP)

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

Plan information is available. Call 1-800-457-6466 or visit the plan's website at www.mndcplan.com

Health Care Savings Plan (HCSP)

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

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

Fund Investment

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

Management

The MSRS board has 11 members, one is elected by the State Patrol Plan membership.

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

Contact us

Our retirement counselors are available to help you with your MSRS retirement plan, Minnesota Deferred Compensation Program (MNDCP) or your Health Care Savings Plan (HCSP). For more information, please contact our main office.

Main Office
60 Empire Drive, Suite 300
St. Paul, MN 55103
Telephone: 651-296-2761 or 1-800-657-5757
www.msrs.state.mn.us
www.mndcp.com

Other MSRS offices to serve you:

Detroit Lakes
218-846-0462 or
218-846-0461

Duluth
218-740-3157

Mankato
507-389-6216

St. Cloud
320-534-0162

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

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

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