State Patrol 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 State Patrol Plan.

The benefits described apply to active state employees covered by the State Patrol 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.

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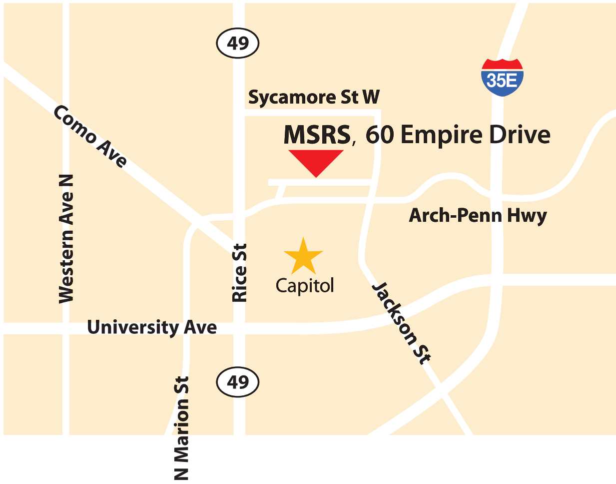
How to contact MSRS

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).

State Patrol Plan

The State Patrol Plan covers state troopers, crime bureau agents, gambling enforcement agents, conservation officers, Department of Commerce fraud investigators and members of the Department of Corrections fugitive apprehensive unit.

The State Patrol Plan provides retirement, survivor, and disability coverage for eligible 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

You contribute 14.4 percent and your employer contributes 21.6 percent of your gross salary to your retirement plan (effective July 1, 2016). 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.

The assumptions:	
Age at retirement:	55
Allowable service:	25 years
Final high-five annual salary: ($5,000 per month)	$60,000
Annual post-retirement increase:	1.0%
Benefit payment option:	Single-Life
Length of retirement:	25 years (to age 80)

The calculations:

25 years x 3% = 75%

$60,000 (your annual high-five monthly salary)
x 75%
$45,000 per year or $3,750 per month

Monthly retirement benefit:
$3,750 per month

Year	Monthly Benefit	Annual Benefit	Age
1	$3,750	$45,000	55
2	3,788	45,450	56
3	3,825	45,905	57
4	3,864	46,364	58
5	3,902	46,827	59
6	3,941	47,295	60
7	3,981	47,768	61
8	4,021	48,246	62
9	4,061	48,729	63
10	4,101	49,216	64
11	4,142	49,708	65
12	4,184	50,205	66
13	4,226	50,707	67
14	4,268	51,214	68
15	4,311	51,726	69
16	4,354	52,244	70
17	4,397	52,766	71
18	4,441	53,294	72
19	4,486	53,827	73
20	4,530	54,365	74
21	4,576	54,909	75
22	4,621	55,458	76
23	4,668	56,012	77
24	4,714	56,572	78
25	4,762	57,138	79
26	4,809	57,709	80
TOTAL		$1,328,653*	

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: $1,328,653*
Amount you contributed: $70,000 – $100,000

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 1% annual post-retirement increase. Assumes beginning monthly single-life benefit of $3,750 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 high-five average salary, using your highest five years of salary. We take these two pieces and apply it to a benefit formula to determine your retirement benefit. Other factors that determine your monthly benefit are the age at which you plan to retire and the survivor benefit option you select.

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

Divorce and your retirement benefit

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

Calculating your retirement benefit

Remember

Contributions to a deferred compensation plan, Social Security, or health care premiums do not decrease your high-five 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 with-held 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 20.

2. High-five salary

Part of how we determine your retirement benefit is to use your highest five years of gross salary. For most employees, the highest five salary is the last 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.

How we determine your retirement benefit

How to calculate your high-five average salary

When calculating your high-five average salary, we use the highest five years rather than a calendar or fiscal year salary. For example, your high-five average salary could start on March 1 and run through February. It is important to note that the **five years do not have to be consecutive**. However, each year of your high-five needs to have the same start and end date. Your employer reports your salary along with your retirement deductions each pay period to MSRS. This allows us to accurately calculate your high-five average salary.

We do not take retirement deductions on unused sick or vacation leave paid in a lump sum after you end your employment. These unused hours 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	$58,000
2	59,000
3	60,000
4	61,000
5	62,000
Total	$300,000

The calculations:

$300,000 (total high-five salary)
÷ 5 (years)
$60,000 average annual salary

÷ 12 (months)
$5,000 average monthly salary

When you are eligible for retirement

You are eligible for monthly benefits, or what we call vested, after three or more years of service, if you were hired before July 1, 2013. If you were first hired after June 30, 2013, you are eligible for monthly benefits after ten years of service.

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 retirement formula.

Retirement formula

Under the retirement formula, you receive 3 percent for each year of service. For example, if you have 25 years of service, you would receive 75 percent of your high-five salary.

25 x 3 = 75%

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:	$5,000
Benefit payment option:	Single-Life

The calculations:

25 years x 3% = 75%

$5,000 (your average monthly salary)
x 75%
$3,750 per month

How we determine your retirement benefit

Early retirement reduction

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

If you retired at age 52, using the same information as the example from page 11, we would reduce your monthly benefit using an early retirement factor. See the chart below for the early retirement factors.

The calculations

$3,750 (your monthly benefit)
x 12.24% (from chart below)

$459 per month (early retirement reduction)

$3,750 (monthly benefit)
– $459 (early retirement reduction)

$3,291 monthly benefit

Early retirement factor chart

Age at Retirement	Reduction Factor
50	4.08%
51	8.16%
52	12.24%
53	16.32%
54	20.4%

Retirement factors are subject to change.

Calculations made easy, really

We can simplify the process by using the chart on the next page. In this chart, you'll see the age at retirement listed across the top. The first column on the left displays the years of service. Using the example from page 11, with retirement at age 55 with 25 years of service, we would use 75 percent as part of the formula to determine your retirement benefit.

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

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

1. Your turn—Your assumptions:

Your projected age at retirement: ____________________

Allowable service: ____________________

*Average monthly salary: ____________________

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

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

÷ 60 = ____________________ Average monthly salary

2. Your calculations:

Average monthly salary: ____________________

Factor from chart: X ____________________

Monthly benefit ____________________

How we determine your retirement benefit

Years of Service	Age at Retirement					
	50	51	52	53	54	55 or older
5	13.20	13.56	13.95	14.25	14.64	15
6	15.84	16.27	16.74	17.10	17.57	18
7	18.48	18.98	19.53	19.95	20.50	21
8	21.12	21.69	22.32	22.80	23.43	24
9	23.76	24.40	25.11	25.65	26.36	27
10	26.40	27.11	27.90	28.50	29.29	30
11	29.04	29.82	30.69	31.35	32.22	33
12	31.68	32.53	33.48	34.20	35.15	36
13	34.32	35.24	36.27	37.05	38.08	39
14	36.96	37.95	39.06	39.90	41.01	42
15	39.60	40.66	41.85	42.75	43.94	45
16	42.24	43.37	44.64	45.60	46.87	48
17	44.88	46.08	47.43	48.45	49.80	51
18	47.52	48.79	50.22	51.30	52.73	54
19	50.16	51.50	53.01	54.15	55.66	57
20	52.80	54.21	55.80	57.00	58.59	60
21	55.44	56.92	58.59	59.85	61.52	63
22	58.08	59.63	61.38	62.70	64.45	66
23	60.72	62.34	64.17	65.55	67.38	69
24	63.36	65.05	66.96	68.40	70.31	72
25	66.00	67.76	69.75	71.25	73.24	75
26	68.64	70.47	72.54	74.10	76.17	78
27	71.28	73.18	75.33	76.95	79.10	81
28	73.92	75.89	78.12	79.80	82.03	84
29	76.56	78.60	80.91	82.65	84.96	87
30	79.20	81.31	83.70	85.50	87.89	90
31		84.02	86.49	88.35	90.82	93
32			89.28	91.20	93.75	96
33				94.05	96.68	99
34					99.61	102
35						105

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Benefit choices

You have the following benefit choices:

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

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

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

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

Single-Life benefit

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

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

100 Percent Joint-and-Survivor benefit

- Provides maximum survivor coverage

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

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

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

100 Percent Option With 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	94.28	93.69	93.05	92.55	91.99	91.36	90.65
51	94.53	93.96	93.34	92.86	92.32	91.70	91.01
52	94.78	94.23	93.62	93.17	92.64	92.05	91.38
53	95.02	94.49	93.91	93.47	92.97	92.39	91.74
54	95.26	94.75	94.19	93.77	93.29	92.73	92.10
55	95.49	95.00	94.46	94.06	93.60	93.07	92.47
56	95.72	95.25	94.73	94.35	93.91	93.40	92.82

75 Percent Joint-and-Survivor benefit

- Provides some survivor coverage

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

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

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

75 Percent Option With Survivor Coverage

When you die, this option pays your survivor 75 percent of the amount you receive

Employee's Retirement Age	Survivor's Age						
	50	51	52	53	54	55	56
50	95.65	95.19	94.70	94.31	93.87	93.37	92.82
51	95.84	95.40	94.92	94.55	94.13	93.64	93.10
52	96.03	95.61	95.14	94.79	94.38	93.91	93.39
53	96.22	95.81	95.36	95.02	94.63	94.18	93.67
54	96.40	96.01	95.58	95.25	94.88	94.45	93.96
55	96.58	96.21	95.79	95.48	95.12	94.71	94.24
56	96.76	96.40	95.99	95.70	95.36	94.97	94.52

Benefit choices

50 Percent Joint-and-Survivor benefit

- Provides some survivor coverage

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

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

50 Percent Option With Survivor Coverage

When you die, this option pays your survivor 50 percent of the amount you receive

Employee’s Retirement Age	Survivor’s Age						
	50	51	52	53	54	55	56
50	97.06	96.74	96.40	96.13	95.83	95.48	95.09
51	97.19	96.89	96.55	96.30	96.01	95.67	95.29
52	97.32	97.03	96.71	96.46	96.18	95.86	95.49
53	97.45	97.17	96.86	96.62	96.35	96.04	95.69
54	97.57	97.30	97.01	96.78	96.53	96.23	95.89
55	97.70	97.44	97.15	96.94	96.70	96.41	96.09
56	97.81	97.57	97.29	97.09	96.86	96.59	96.28

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 98.42 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.

Employee Age	Employee Benefit
50	98.79
51	98.63
52	98.44
53	98.39
54	98.32
55	98.42
56	98.08

Comparing benefit choices

Benefit Type	Your Benefit	Survivor Benefit	Bounce Back
Single-Life	$3,750	N/A	N/A
Joint-and-Survivor			
100% option	$3,490	$3,490	$3,750
75% option	$3,552	$2,664	$3,750
50% option	$3,615	$1,808	$3,750
Life Income, 15-Year Certain			
	$3,683	$3,683	N/A

This example assumes:

- A $3,750 Single-Life monthly pension
- Retiree and survivor are age 55

We can help

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

Service credit

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

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

Service credit while on leave of absence

You can take a leave of absence for various reasons, such as education, illness or pregnancy. By taking a leave, you may not earn service credit because you did not earn salary from which deductions were taken. Once you return to work after a leave, you can make a payment to receive service credit for the leave.

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

If you took your leave after June 30, 2010, you have one year from the date you return to work to make the payment to purchase your service credit.

The payment amount is the total of the employee and employer contributions which would have been paid if you did not go on leave, plus 8.5 percent interest rate until July 1, 2015, and 8 percent thereafter, compounded annually.

- Your employer has the choice to pay the employer portion.
- 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.

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 leave after June 30, 2004

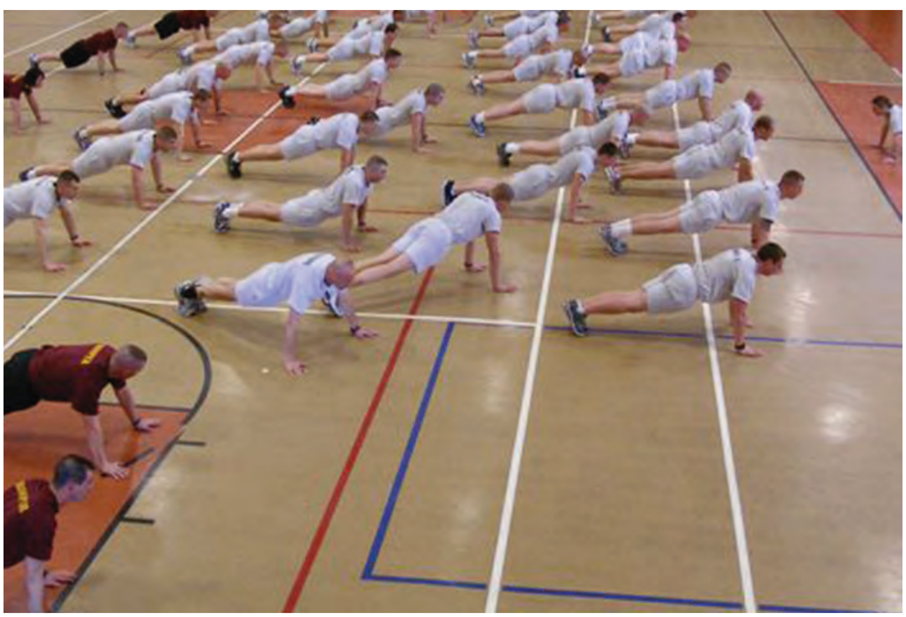
To receive service credit for military leave, you may pay into the retirement fund the retirement salary deductions you would have contributed had you been employed by the state during your time of military service. Your employer will pay the employer share of the retirement contribution–plus interest. 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 prior to July 1, 2004

If you took a military leave before July 1, 2004, which interrupted your time as a State Patrol Plan member, you automatically receive credit for your military time.

Military service prior to state employment

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



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 plans within one year.

Hired on or after June 30, 2010

If you were hired on or after June 30, 2013, you must have at least ten years of service to be vested, or eligible for benefits.

How Combined Service works

Your service with the other plans counts for eligibility of benefits. For example, most plans require three years of service to qualify for monthly retirement, survivor, or disability benefits (for employees hired on or after July 1, 2013, you need ten years of service). If you have two years covered by PERA, and one year under MSRS State Patrol, you would be eligible for monthly benefits.

In addition to having the service credit work together, we can use the same high-five average salary to calculate monthly benefits. For example, if you have 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 service, then MSRS would use the high-five salary including the PERA time.

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

When you switch public employers in Minnesota, your contributions and service credit are not rolled into the new plan. The service credit earned will remain with the fund that the service was earned. When you retire, you will receive a check from each public retirement association.

Example

This example shows a person who is age 55 and wants to retire. This person worked for a city (covered by PERA police and fire fund) for 10 years, then worked for the state (covered by the MSRS State Patrol Plan) for 15 years.

PERA's Coordinated Plan	
10 years x 3% = 30%	

MSRS' State Patrol Plan	
15 years x 3% = 45%	
Total:	75%

To calculate your retirement benefit, we would apply the 45 percent to your average monthly salary to calculate your MSRS monthly benefit. PERA's benefit would be 30 percent of your average monthly salary. See page 10 for how to calculate your monthly retirement benefit.

Combined Service

How Combined Service works between plans which have different retirement ages

Combined Service works well with plans that have similar benefits and retirement age requirements, but not quite as well if you have plans with different retirement age requirements. The State Patrol 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.

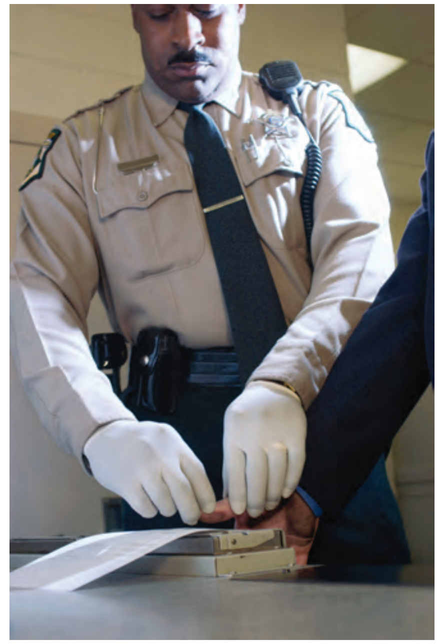
If you have service with the MSRS State Patrol Plan and the General Employees Retirement Plan, you are retiring under retirement plans that have very different benefit structures. For example, the MSRS State Patrol Plan allows full retirement at age 55, while the General Employees Retirement Plan allows 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 State Patrol Plan will not be reduced.

Reinstating service

Reinstating service with another public retirement plan

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



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.

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 20 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.

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.

Retirement checklist

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; ten years if first hired after June 30, 2013.

Here's how it works

If you end your state employment, are vested 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 the normal retirement age of 55, 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.

Beginning January 1, 2012, all benefits regardless of age, increase at 2 percent per year. When we calculate your estimated benefit amounts, we include the percent increases.

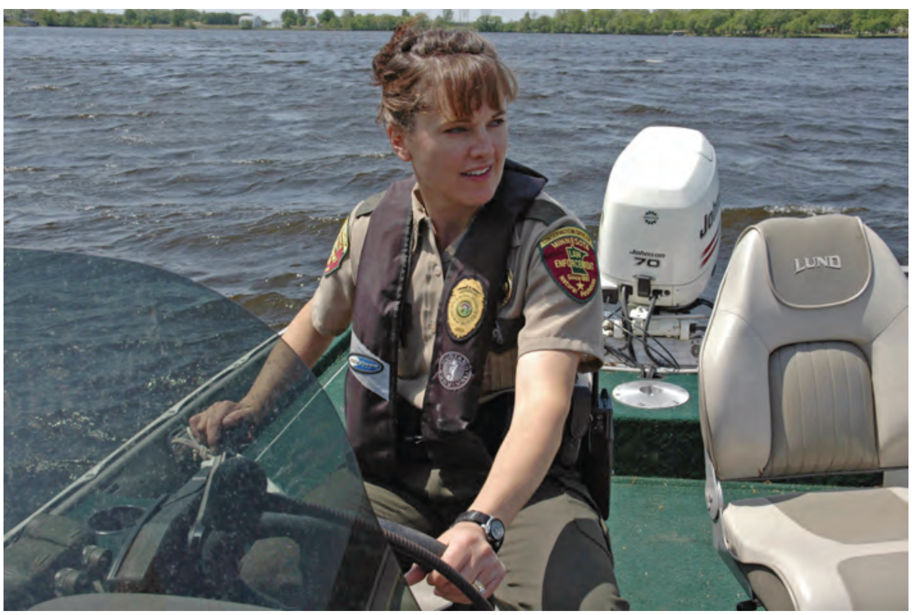
If you were hired on or after June 30, 2006, your benefit is increased by 2.5 percent until January 1, 2012, and 2 percent after that.

When you apply for the deferred benefit, you can choose from the survivor options available. For a complete explanation of these, see page 16.

You can apply for your benefit 60 days prior to the date you are eligible to receive the monthly benefit. See page 24 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 your deductions plus 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. 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 State Patrol Plan. You can purchase the service credit if you return to a position covered by MSRS or another public retirement plan (see page 22 for more information on combined service). There are also tax implications when you take a refund of your retirement deductions. You will receive detailed tax information with your refund application. Please review carefully and call our retirement counselors with any questions.



Monthly benefit

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

- Confirms the amount of your first benefit check and the ongoing benefit amount.
- States if you selected an optional benefit such as Joint-and-Survivor. See page 16 for explanations of these optional benefit choices.
- Verifies when you will receive your monthly benefit.
- Provides important tax information.

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

To ensure safe, efficient deposit of your monthly benefit, use direct deposit. Simply fill out the *Direct Deposit* form available on our website and return it to us.

It's important to let us know of any address change so all of our mailings reach you. Call our office to make address changes.

Increases in benefits

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 retirement

A retired member of the State Patrol Plan can return to state employment and continue to draw his or her monthly retirement benefits. Upon returning to state employment, a retiree would begin contributing to whichever retirement plan generally would cover the new employment. In most cases, a retiree would contribute to the General Employees Retirement Plan.

A retired member of the State Patrol Plan, who has not reached the mandatory retirement age of 60, can return to a position covered by the State Patrol Plan and continue to receive monthly benefits. They would begin contributing to the State Patrol Plan again, and would need to be vested to qualify for a monthly benefit that would be added to the existing benefit.

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

Disability benefits

As a member of the State Patrol 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 normal job 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.

Regular disability

To qualify for a regular disability benefit, a covered employee hired must have at least one year of service. The disability benefit would provide a minimum of 45 percent of your high-five average salary.

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.

If you have any questions, please contact our office.

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 your 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 16 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 16.

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 retirement disability.

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

Re-employment after you are disabled

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

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

Beneficiary and survivor benefits

If you die before you retire while active

Surviving spouse coverage categories

Working, under age 55 with at least three years of service (five years if hired after June 30, 2010)

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 (five years if hired after June 30, 2010)

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 (five years if hired after June 30, 2010)

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 (five years if hired after June 30, 2010)

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 (4 percent interest after June 30, 2011), compounded annually. If you have no beneficiary, your refund goes to your estate.

If you die after you retire

If you are retired and 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 are retired and 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.

MSRS Administration

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

The 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 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.

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 your life, and when you die, your named survivor will continue to receive the same amount you were receiving. This survivor benefit will be payable for the lifetime of your named survivor. This option provides maximum survivor coverage, but results in lower monthly payments during your lifetime. If your named survivor dies before you, your monthly benefit will increase or "bounce back" to the Single-Life benefit amount the first of the month following your survivor's death. If a non-spouse survivor is more than 10 years younger than you, you may not select the 100 percent option.

Allowable service

See service credit.

Average Monthly Salary (AMS)

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

Benefit formula

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

Combined Service Annuity (CSA)

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

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.

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 State Patrol Plan. The benefits described apply to active state employees covered by the State Patrol 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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