



Retirement **Your** Way  
We're Here to Help!



# Retire Today!

You worked hard to save for your future. Now, your careful preparation will be rewarded as you transition into retirement.

The same account that helped build your retirement savings, the Minnesota Deferred Compensation Plan (MNDCP), can help you manage your retirement income.

This guide will help you choose which option best fits your needs.





# MNDCP - A Wise Option for Your Retirement

## Personal Attention

MSRS representatives are available for consultation up to and throughout your retirement.

## Flexible Withdrawal Options<sup>1</sup>

Once you end employment or anytime after age 59½ if you are still employed, you can access your MNDCP account savings in a way that best fits your retirement income needs — a little at a time, on a regular schedule or in larger amounts. It's your choice.

## Competitive Fees

No surprises! All fees are disclosed. For additional information, visit:



[www.mnretire.gov/fee-disclosure](http://www.mnretire.gov/fee-disclosure)

[www.mnretire.gov/mndcp-investment-report.pdf](http://www.mnretire.gov/mndcp-investment-report.pdf)

A low annual administrative fee of 0.10% of your MNDCP account balance for record keeping, communications, counseling and customer service is kept competitive using economies of scale MNDCP receives as a large government entity. The administrative fee is not charged on account assets over \$125,000 and is deducted from your account balance each month.

All investment options have an operating expense. This fee pays for the trading and management expenses of the investment company. The fee is deducted by each investment option's management company (not MNDCP) before the calculation of the daily price per share. Operating expenses on MNDCP investment options range from 0.00% – 0.66% or an average fee of 0.16%.<sup>2</sup>

There are no withdrawal charges or surrender fees, trading fees or account maintenance fees.

## Variety of Investment Options

MNDCP offers many investment options for you to choose to help meet your savings goals.

## Easy Account Management

Visit the MSRS website to track your investments, reallocate your portfolio, access planning tools and review investment information.



<sup>1</sup> Withdrawals may be subject to income tax.

<sup>2</sup> Investment operating expenses are as of 01.01.2025. See the most recent MNDCP performance report for current expense ratio information.

# Retirement Phases & Income Needs

Retirement needs tend to change over time. Year one will probably be different than year ten. It might help to think about your retirement in phases.



When you first retire, your life may provide more opportunities for spending than you anticipated. This "post-retirement spending bump" tends to happen as people enjoy their newfound flexibility. Planning for additional expenses early in retirement may help you adjust to this new phase of life.

After the initial burst of activity during the early retirement years, many people settle into a more predictable post-work routine. As a result, spending becomes more predictable.

Eventually, many retirees find that they're ready to take things more leisurely. They may spend less on travel, hobbies and other activities, but they're probably spending more on health care.

## The Bottom Line

Your retirement expenses will depend mostly on the lifestyle choices you make. It's interesting to note that recent polls suggest *most retirees tend to underestimate their income needs*. No matter what lifestyle you choose, you'll want to be financially prepared.

# Retirement Planning Considerations

Whether you plan to retire early or wait until full retirement age, here are some considerations when planning your savings goals and retirement budget.



## Inflation

Although you don't know how much you'll spend in the future, you do know that inflation will increase the cost of the basics. It may look like you have enough retirement income, but inflation may erode the power of your savings.



## Housing

Even if you have paid off your mortgage, you still have property taxes, insurance and maintenance to consider. If you don't own a home, you need to consider monthly rental costs in your planning.



## Life Expectancy

A big part of retirement planning is to not outlive your savings. According to MSRS actuaries,<sup>1</sup> a 65-year-old female retiree has to plan for an average of 23 years in retirement. A 65-year-old male retiree has to plan for an average of 21 years in retirement. Most people tend to underestimate how long they'll live and how much they'll need to financially sustain themselves for all those years.



## Debt

Debt is an unavoidable reality for many people. Any debt you have should factor into your retirement planning.



## Social Security

Social Security was never intended to replace your entire working income. The average monthly Social Security benefit for retired workers is \$1,976 (as of January 2025).<sup>2</sup> While Social Security can certainly help, it is unlikely to be enough by itself.



## Health Care & Long-Term Care

Research indicates that retirees will need substantial savings to cover their health care expenses in retirement. The uncertainty related to health care use, prescription drug use and longevity play a major role in planning for retiree health care. According to Fidelity's Retiree Health Care Cost Estimate, a 65-year old retiring in 2024 can expect to spend an average of \$165,000 in health care and medical expenses throughout retirement.

<sup>1</sup> Based on the assumptions used for the 2020 MSRS General Retirement Plan valuation

<sup>2</sup> Social Security Administration, [www.ssa.gov](http://www.ssa.gov)

<sup>3</sup> Estimates based on a hypothetical single person retiring in 2024, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2021 as of 2022. Actual assets needed may vary depending on actual health status, area of residence, and longevity. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. Estimates take into account deductibles and coinsurance associated with Medicare Part A and Part B and considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare.





# How Much Will You Need to Save?

## The Monthly Formula

A good rule of thumb is to replace approximately 80-100% of your current working income to maintain a similar lifestyle in retirement. How does that break down on a monthly basis? How much of that will need to come from your MNDCP account and other personal savings? Complete this worksheet to find out.

<b>Annual working income:</b>		<b>Example:</b>
Current annual income		\$40,000
Your expected income replacement ratio (80% - 100%)	x %	x 90%
Estimated annual retirement income need (A)	=	= \$36,000
<b>Annual retirement income you expect to receive from:</b>		
Social Security	+	+ \$14,000
Employer's pension	+	+ \$16,000
Other income	+	+ \$0
Total expected annual retirement income (B)	=	= \$30,000
<b>Annual retirement income needed from personal savings (Subtract (B) from (A))</b>		\$6,000
	÷ 12 mos.	÷ 12 mos.
<b>Monthly retirement income needed from MNDCP or other personal savings</b>	=	= \$500

FOR ILLUSTRATIVE PURPOSES ONLY

*This exercise does not take into account sudden, unexpected increases in spending (for example, a family or medical emergency) or the way inflation, taxes or investment performance may affect your long-term expenses and income.*

# How Long Will Your Savings Last?

## Savings Requirement

Knowing how much you need each month is a critical first step.

Let's assume the amount you need from your MNDCP account or other personal savings is \$500 a month. That amount may not seem like much, but let's look at how much savings you'll need to accumulate to reach that goal.

Monthly gross withdrawal amount	\$500
Number of withdrawals per year	12
Number of years taking monthly withdrawal	20
Average annual rate of return	4%
<b>Total savings needed</b>	<b>\$83,300</b>

As you can see, you'll need to accumulate approximately \$83,300 in order to withdraw \$500 per month for 20 years. And this \$500 monthly withdrawal is before the deduction of any income taxes or inflation.

## The Long-Term View

The next question you may have is:  
How long can I expect my savings to last?

The hypothetical examples below provide a glimpse of how many years to expect your savings to last based on accumulated savings. Remember the "what if" scenarios and the possible impact on your savings.

Monthly Withdrawal	Accumulated Savings	
	\$50,000	\$100,000
\$500	10 years	26 years; 11 months
\$1,000	4 years; 6 months	10 years
\$1,500	2 years; 11 months	6 years; 3 months



Estimate how long your accumulated savings will last. Use the "How Long Will My Savings Last" calculator at:  
[www.mnretire.gov/toolbox#mndcp](http://www.mnretire.gov/toolbox#mndcp)



**For illustrative purposes only.** These hypothetical examples assume gross monthly withdrawals with an average annual rate of return of 4%. Withdrawals are gross of any required income taxes.

Income tax rates will apply to withdrawals from a tax-deferred investment.

Consider your current and anticipated investment horizon and income tax bracket when making investment decisions.

# Withdrawal Considerations

## Flexibility

You've estimated how much income you'll need from MNDCP. Now it's time to decide how best to utilize your MNDCP account savings during retirement.

**You have several choices, including:**

- ▶ Leave all or some of your assets in your MNDCP account.
- ▶ Select a single withdrawal option or a combination of withdrawal options that meet your needs.
- ▶ Roll over your assets to another eligible retirement plan or IRA.

## Withdrawal Eligibility

You are eligible to withdraw money from your MNDCP account at any age once you end employment (whether by retirement, resignation, or permanent disability). Withdrawals can begin **30 days after your termination date.**

If you are still employed, you are eligible to withdraw money from your MNDCP account anytime after age 59½.

## No Early Withdrawal IRS Tax Penalty

One advantage MNDCP has over other retirement savings plans is that withdrawals are not subject to the IRS 10% tax penalty usually assessed on withdrawals made before age 59½. However, if you rolled over funds into the MNDCP from other types of retirement plans (e.g., 401(k), 403(b)) or an IRA, the early withdrawal tax penalty may apply.





## Withdrawing Roth After-Tax Money from Your Account

You likely contributed to your Roth after-tax account because tax-free withdrawals appealed to you. Remember, you paid taxes on those retirement savings before you contributed them to the plan.

Withdrawals from your Roth can be “qualified” or “non-qualified.”

A qualified withdrawal from your Roth balance is entirely tax free if the withdrawal is made:

1. On or after age 59½  
(or upon your death or disability)
- AND
2. You had money in your Roth account for at least 5 tax years

If you do not meet both requirements, then a withdrawal from your Roth balance is considered “non-qualified.” Non-qualified withdrawals are subject to 20% federal income tax withholding on the portion of the withdrawal that represents earnings only. In addition, withdrawals are subject to Minnesota state tax withholding. The contribution portion of the withdrawal is tax-free since taxes were already paid.

## Withdrawing Pre-Tax Money from Your Account

With pre-tax contributions, every dollar you contributed lowered your federal taxable income for that year. Reducing your taxable income means lower taxes paid to the IRS at that time. It’s that simple.

Of course, your tax liability wasn’t eliminated. You merely postponed the taxation of your money. Withdrawals from your pre-tax balance are taxed as ordinary income. See page 9 for more details.


## Impact on Other Retirement Benefits

Withdrawals from your MNDCP account will not directly reduce your Social Security and pension benefits. However, your MNDCP payout, in combination with other retirement income, may raise your taxable income to a point where a portion of your Social Security payment may become subject to federal income tax. Consult your tax professional for more information.

# MNDCP Works After Retirement

If you’re happy with the service and features you get with your MNDCP account, *there’s no need to roll over your account assets to another retirement account or IRA.* You will continue to enjoy competitive fees that result from MNDCP’s economies of scale.

# Withdrawal Options

		CONSIDERATION	
OPTION	DESCRIPTION	PRE-TAX CONTRIBUTIONS	ROTH AFTER-TAX CONTRIBUTIONS
Full (Lump Sum) Withdrawal	<ul style="list-style-type: none"><li>• A one-time withdrawal of your entire account balance.</li></ul>	The entire withdrawal amount is immediately taxable and subject to 20% federal income tax withholding. Minnesota state taxes will also be withheld.	<b>Qualified Roth Withdrawal</b> Entire withdrawal amount is tax-free.
Partial Withdrawals	<ul style="list-style-type: none"><li>• A withdrawal of a portion of your account balance.</li><li>• You may request partial withdrawals even if you are receiving an installment payment. (see below)</li><li>• If your partial withdrawals become more frequent, consider installment payments.</li></ul>		<b>Non-Qualified Roth Withdrawal</b>  The portion of the withdrawal that represents earnings is taxable and subject to 20% federal income tax withholding. Minnesota state taxes will also be withheld at the default rate of single and no allowances.  <i>See page 8 for details.</i>
Installment Payments	<ul style="list-style-type: none"><li>• A series of scheduled withdrawals from your account.</li><li>• Allows you to select a payment schedule and frequency (monthly, quarterly, semi-annually or annually) that fits your needs.</li><li>• Payments can be structured as a fixed amount (e.g., \$500 per month) or over a fixed period of time (e.g., 15 years).</li><li>• Can be used in conjunction with partial withdrawals and an annuity.</li><li>• Installment payments may be started, stopped, increased or decreased at any time.</li></ul>	<ul style="list-style-type: none"><li>• Taxes on installments lasting less than 10 years are subject to 20% federal income tax withholding from pre-tax account balances or 20% withholding on earnings only if payment represents a non-qualified Roth.</li><li>• Taxes on installments scheduled to last 10 years or longer are subject to federal income tax withholding rate of single and no adjustments (regardless of your marital status).</li><li>• State income tax withholding will apply (if applicable).</li></ul>	
Income Annuity	<ul style="list-style-type: none"><li>• Take all or a portion of your retirement savings and convert it into guaranteed income payments for your life or, if you choose, your survivor's life. That income can start immediately if you're already retired, as with an immediate annuity, or in the future, as is the case for a longevity annuity.</li></ul>	<p>Choose among income annuity options from multiple top rated insurers.</p> <p>For more information or to receive a quote, visit:</p> <div> <a href="http://www.blueprintincome.com/mndcp/income-annuities">www.blueprintincome.com/mndcp/income-annuities</a></div> <p><b>Annuities are distributed by Blueprint Income, Inc., which is not affiliated with Voya Financial or the Voya family of companies. Voya may receive referral fees from Blueprint Income. Annuities are subject to the terms and conditions of the contract and the claims-paying ability of the issuing insurance company. Consider all your options and their features and fees before purchasing an annuity and consult with your investment advisor, attorney and/or tax advisor as needed.</b></p>	

# Rollovers

A rollover allows you to consolidate your retirement plan accounts to make it easier to monitor and manage your investments.

You can roll money into your MNDCP account from another eligible 457(b), 401(k), 403(b), 401(a) retirement plan or a Traditional IRA to take advantage of the competitive fees offered by MNDCP. Federal regulations do not permit rollovers from a Roth IRA.

Upon separation from Minnesota public employment, you may roll over your MNDCP account to another retirement plan or IRA that accepts rollovers. However, it might not be beneficial to roll your MNDCP assets if you intend to withdraw funds prior to age 59½, as there is no 10% early withdrawal penalty in the MNDCP. When you roll assets to other retirement plans (e.g., 401(k), 403(b)) or IRAs, those assets take on the features of the new plan and therefore, may be subject to the 10% early withdrawal tax penalty.

Consider all your options and their features and fees before moving money between accounts. Contact an MSRS representative for more information on rollovers.

## Converting Pre-Tax Savings to Roth After-Tax Savings

You may convert all or a portion of your existing MNDCP pre-tax account balance to Roth after-tax amounts at any time.

If you choose to convert your pre-tax savings to Roth, the conversion amount is subject to income taxes in the year of the conversion. Taxes that result from the conversion must be paid outside of your MNDCP account. Also, once a conversion is processed, federal law does not allow it to be reversed.

*Consult with a tax adviser concerning your specific situation before making financial-related decisions.*



## Considering Rolling Over Your MNDCP Account?

All investments come with fees.

*Investment options and services that claim no fees will probably charge for commissions and other services.*

After all, investment companies and brokers are in business to make money. Sometimes, these fees will take the form of lower investment returns. The old saying, "there is no such thing as a free lunch," still applies.



# Required Minimum Distributions

Maybe you want to save your MNDP account for a rainy day or as an inheritance for your heirs after your death. You're certainly free to do that. It may be a wise choice given the MNDP's competitive fees and flexibility.

Eventually, the IRS requires you to withdraw at least some of your savings each year. A Required Minimum Distribution (RMD) is the amount of money the IRS requires that you withdraw from your retirement accounts each calendar year beginning the year you reach age 73 (age 70½ if born before July 1, 1949 or age 72 if born after June 30, 1949 and before July 1, 1951).



## Simplify Your RMD Payment

Required minimum distributions can be confusing. MSRS can help. *Each year MSRS will calculate your RMD based on your prior year-end account balance and life expectancy factor.* For more information about your RMD payment options and the forms you'll need to complete, call the MSRS Service Center to speak with a representative.

# Survivor Benefits

Your MNDP represents years of planning and saving. Make sure that in the event of your death, the assets in your account are directed to your surviving designated beneficiary(ies).

When it's time to settle your estate, your beneficiary, executor or a family member should notify MSRS to discuss survivor benefits and withdrawal options.

## Forms/Documents Needed for Processing Survivor Benefits

MSRS will provide the appropriate forms to your beneficiary(ies) upon notification of your death and verification of beneficiary records.

In all cases, MSRS requires a death certificate to process survivor benefits.



## Beneficiary Updated?

Remember to keep your beneficiary information up to date. There are two ways to name or change your beneficiary:

1. Complete the *Beneficiary Designation* form. Contact MSRS to have it mailed or download the form at:

[www.mnretire.gov/mndcp-forms-docs](http://www.mnretire.gov/mndcp-forms-docs)

2. Log in to your account at:

[www.mnretire.gov](http://www.mnretire.gov)

Select **Go to Savings Plans**

Go to the dropdown next to your name (top right corner)

> Select **My Profile**

> Under personal information, select **Beneficiary Information**

You may then view, add or edit your beneficiary designation.

# Retirement Checklist

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.

## 1 Throughout Career

- Enroll in the MNDCP. You may receive a yearly match from your employer.
- Establish savings goals that will generate the income you want when you retire.
- “Bump up” your MNDCP contribution amount periodically to ensure you’re meeting your savings goals.
- Stay informed. Review your retirement plan information online.

## 2 Mid-Late Career

- Review your savings goals to determine if you’re still on track for retirement.
- Consider maximizing your MNDCP contribution amount. If you’re age 50 or older, the IRS permits you to contribute more than the standard maximum contribution limit.
- Re-evaluate your investment allocation to ensure you carry the right amount of risk.
- Prepare a retirement budget. Find tips to create a budget and download a sample budget worksheet online at:



[www.mnretire.gov/  
create-a-budget](http://www.mnretire.gov/create-a-budget)

## 3 1-5 Years from Retirement

- Contact your pension provider (e.g., MSRS, PERA, TRA) for an audited estimate of your pension benefit. Ask about survivor coverage options.
- Determine your expected Social Security income.
- Attend a free, half-day MSRS Pre-Retirement seminar.
- Consider maximizing your MNDCP contribution amount even more. 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. Contact MSRS to determine if you are eligible.
- Revisit your retirement budget.





# Ready. Set. Retire!

Here are some final reminders when you retire. If you have questions or want to schedule an appointment to discuss your MNDCP account, contact our office to speak with a representative. We are here to help.

## ► Stay in the Plan

You are not required to withdraw or roll over your account savings to another retirement plan or IRA once you separate from service. Assets rolled over from your MNDCP account may be subject to surrender charges, other fees and/or a 10% tax penalty on withdrawals made before age 59½.

## ► Choose a Flexible Withdrawal Option

You're in control of when and how to access your account savings. MNDCP provides a variety of flexible withdrawal options to meet your needs.

## Take Advantage of Lower Fees

- You benefit from “strength in numbers” by being part of a large group plan. As one of the largest retirement plans in the nation, MNDCP is able to negotiate competitive investment and administrative costs that typically aren't available in IRAs. Also, MNDCP is publicly administered and has no profit motive.



## Questions?



Contact the MSRS Service Center:  
**1.800.657.5757 or 651.284.7730**



Go online:  
**[www.mnretire.gov](http://www.mnretire.gov)**



Email us:  
**[info@mnretire.gov](mailto:info@mnretire.gov)**



Make an appointment to speak with a retirement specialist.

## Locations

### St. Paul - Main Office

60 Empire Drive, Suite 300  
St. Paul, MN 55103  
Monday – Friday 8 a.m. - 4:30 p.m.

### Additional Offices

Addresses and hours of operation available online.

- Duluth
- Mankato
- St. Cloud
- Detroit Lakes



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

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