



Pensions

# About the Correctional Plan



Employees are covered in the **Correctional Retirement Plan**



Membership is mandatory



Both Employee and Employer contribute a % of the employee's gross salary to fund their pension

**Note: This is slide 5 of your handout**

# Contribution rates

Contribution Rates		
	Employee	Employer
Current	9.6%	18.85%



Both Employee and Employer contribute a % of the employee's gross salary to fund their pension

# Vesting

Am I automatically eligible for a pension benefit?

## Vesting

Refers to the time period you must work before you are eligible for a lifetime pension benefit

## Correctional Plan Vesting

After **three** years of service if hired before July 1, 2010

Graded vesting schedule if hired on or after July 1, 2010

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

# Benefit calculation

## Full Retirement Age

MSRS uses many factors to determine your monthly pension benefit, including:

**Service  
Credit**



**Benefit  
Multiplier**



**Average  
Monthly  
High-5**



**Monthly  
Benefit**

Credit

Multiplier

High-5  
Monthly

Benefit

# Receive service credit for

- Every month that deductions are taken
  - Part-time (<50%) is pro-rated
- Workers' Compensation leaves of absence
- Leaves of absence, if purchased
- Repaid refunds

## EXAMPLE

**Service Credit**  
**25 Years**

# Combined service credit

**Service in each Minnesota public retirement plan counts towards your total service credit**

## Requirements:

- Minimum six months of coverage with each plan
  - *3 years of total service – if hired before 7-1-2010*
  - *5 years of total service – if hired after 7-1-2010 – graded vesting*
- Must terminate from all plans when pension begins
- Must collect from all plans within one year

# Benefit multiplier

The formula dictated by Minnesota law used to calculate your pension benefit

Years and months of service are converted to a percent through a benefit formula

- 2.4% - hired before July 1, 2010
- 2.2% - hired after June 30, 2010

## EXAMPLE

**Service Credit  
(25 Years)**



**Benefit Multiplier  
(2.4%)**



**Pension Benefit  
Replacement  
(60%)**



# Average monthly salary

- Highest five successive years' wages  
**(High-5)**
- Includes gross salary earned during High-5 period
- Excludes unused vacation and sick leave payout
- NOT reduced by contributions to your MNDCP or HCSP account
- NOTE: Social Security uses 35 years of earnings!

# Average monthly high-5

## EXAMPLE

Year	Earnings
1	\$38,640
2	\$41,625
3	\$42,500
4	\$44,000
5	\$45,000
<b>Total</b>	<b>\$211,765</b>

### Calculation

\$211,765	Total Earnings
÷ 60	Months
<hr/>	
<b>\$3,529</b>	<b>Average Monthly High-5</b>

**Service Credit  
(25 Years)**



**Benefit Multiplier  
(2.4%)**



**Monthly High-5  
(\$3,529)**

# Retirement ages

## EARLY RETIREMENT AGE

- Age 50 - 55

## FULL RETIREMENT AGE

- Age 55 and older

If you collect your pension benefit before your FULL RETIREMENT AGE, benefit subject to a reduction

# Benefit calculation

## full retirement age

**Service  
Credit**



**Benefit  
Multiplier**



**Average  
Monthly  
High-5**



**Monthly  
Benefit**

**25 YEARS**



**2.4%**



**\$3,529**



**\$2,117**

# Benefit calculation early retirement age

**Service  
Credit**



**Benefit  
Multiplier**



**Average  
Monthly  
High-5**



**Monthly  
Benefit**



**Early  
Retirement  
Reduction**



**Reduced  
Monthly  
Benefit**

# Early retirement reduction

Age	Reduction 5% per year (0.417% / month)
50	75%
51	80%
52	85%
53	90%
54	95%

# Joint & Survivor benefit options

Benefit Type	Your Benefit	Survivor Benefit	Bounce Back
<b><u>Single Life</u></b>	\$2,117	N/A	N/A
<b><u>Joint &amp; Survivor</u></b> (retiree & survivor are both age 55)			
100% Option	\$1,935	\$1,935	\$2,117
75% Option	\$1,978	\$1,483	\$2,117
50% Option	\$2,022	\$1,011	\$2,117
<b><u>Life Income 15-Year Certain</u></b>			
	\$2,072	\$2,072	N/A

- Irrevocable election
- Survivor(s) doesn't have to be a spouse
- Younger age survivor(s) = smaller benefit
- Non-spouse survivor(s) between 10 and 19 years younger may select 75% or 50% option
- Non-spouse survivor(s) more than 19 years younger may only select 50% option

*For illustrative purposes only Your actual results will vary.*

# Acceleration Factor

Age at Retirement	Accelerated to Age		Thereafter
	62	65	
50	115%	110%	76%
53	119%	112%	79%
55	123%	113%	82%

**Example:** Monthly Annuity at age 55 is \$2,117;  
accelerating to age 62

$\$2,117 \times 1.23 = \$2,604$  from age 55 to 62

$\$2,117 \times 0.82 = \$1,735$  thereafter



# Value of pension benefit

## *Example*

Contributions to MSRS over 25 years	\$79,064
Monthly pension benefit at age 55	\$2,117
Total pension benefits paid in retirement (live to age 80)	\$654,999
Difference between contributions & pension benefits paid	<b>\$575,938</b>

# Remember to plan for taxes

## Your pension benefit is taxable

- Withhold federal & State (for MN only) income tax
- Adjust tax withholding at any time
- Receive tax form 1099-R each January



# Post retirement benefit increase

Retirees receive an annual pension benefit increase each January

**1.75%**

- First increase pro-rated
- State Patrol Plan is 1.0%

# Working After Retirement?

If you return to an MSRS eligible position ONLY:

- Notify MSRS of re-employment
- 30 day break in service is required
- No retirement deductions taken
- If under Social Security's full-retirement age, pension benefit suspends at earnings limit (\$23,400 for 2025)
- Pension re-starts at end of employment or January 1<sup>st</sup> of next year

# Disability benefit

## Duty related disability

- Immediately eligible
- Minimum 50% of High-5

## Regular (non-duty) disability

- Hired before 7-1-2009 –1year service required
  - Minimum 36% of High-5
- Hired after 7-1-2009 –vesting schedules apply
  - No minimum benefit – Based on actual service credit at time of disability



# Death prior to retirement

## Surviving Spouse Benefit

- Lifetime pension benefit (must be vested)

OR

- Refund of contributions plus 3%

## Dependent Child Benefit if no Surviving Spouse

- Under age 20
- Benefit is payable to age 20 or for five years, whichever is later

## No Surviving Spouse or Dependent Children

- Refund of contributions plus 3% interest to beneficiary

# **Special benefit for Public Safety Officers (PSO)**

**Eligible for up to a \$3,000 reduction in taxable income**

- Must retire on or after age 55
- Lifetime eligibility
- Medical insurance premiums are withheld from pension payment (SEGIP only) between ages 55 and 65
- Reduce taxable income by total of health, dental, and long-term care premiums (up to \$3,000 each year) for any eligible insurance plans

# Where can I get more information?



## **Annual Statement**

You will receive a statement in your birth month, showing your estimated pension benefit.

## **Online**

Log into your account online at:  
[www.mnretire.gov](http://www.mnretire.gov)

## **Handbook**

The complete Correctional Pension Plan Handbook is also available online



# Pension benefit Application process



**Contact your pension plan  
provider when applying for  
your pension benefit**

## Forms needed

1. Application for Retirement Benefit
2. Direct Deposit form
3. Birth records
4. Copy of Marriage Certificate  
(if applicable)
5. Certified copy of Divorce Decree  
or  
Domestic Relations Order  
(if applicable)

# Take action



## Review your estimated pension benefit

- Annual statement
- Online account
- Schedule an appointment with an MSRS Representative



## Understand the impact of retiring before your full retirement age

Further you are from your full retirement age, greater the benefit reduction





Time Table

# Pre-retirement timetable

PRIOR TO RETIREMENT	ACTION
6 - 12 months	Contact MSRS to request an audited pension estimate
3 months	Call Social Security, if retiring at age 62+
1 - 2 months	<ul style="list-style-type: none"><li>■ Complete pension application File with MSRS</li><li>■ Contact H.R. Office about insurance and Health Care Savings Plan eligibility</li></ul>

# Post-retirement timetable

AFTER RETIREMENT	ACTION
Immediately	Enjoy Enjoy Enjoy Enjoy
Up to 6 weeks	Receive pension authorization letter & first payment
1st week of the next month	Receive monthly pension payment
December	Receive notification of post retirement increase
January	Receive tax Form 1099-R for pension payments

# Get more information

## Pension Plan

MSRS

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

1-800-657-5757

TRA

[www.minnesotatra.org](http://www.minnesotatra.org)

1-800-657-3669

PERA

[www.mnpera.org](http://www.mnpera.org)

1-800-652-9026

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## Retiree insurance (health, dental, life)

Contact your designated retiree insurance dept, or:

State employees

651-355-0100

University of MN employees

612-624-8647

Met Council employees

651-602-1601

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## Social Security

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

1-800-772-1213

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## Medicare

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

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## Administration for Community Living

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

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*NOTE: These Web sites are for general education & information only and are provided as a benefit to the users of the site.*

## Q&A

- Click on the button to raise your hand
- Once your name is called, you will be able to un-mute
- General questions
- Please mute yourself again and take down your hand
- To follow-up with MSRS, visit [www.mnretire.gov](http://www.mnretire.gov) and select “Contact Us”



### Locations:

**St. Paul -** 60 Empire Drive · Suite 300  
**St. Cloud -** 4150 Second Street S · Suite 330  
**Mankato -** 11 Civic Center Plaza · Suite 150  
**Detroit Lakes -** 714 Lake Ave · Suite 100  
**Duluth -** 525 S Lake Ave · Suite 325

## Contact Us!

Receive more details about the  
information you just saw

*or*

Make an appointment to speak to one  
of our retirement specialists



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



**1.800.657.5757 or 651.284.7730**



**Follow us on X: mnretire**



# ! Important Notes

*Securities, when presented, are offered and/or distributed by Voya Financial Partners, LLC (member SIPC).*

*This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.*

## ***Today's workshop was designed to:***

- *Provide you with fundamental information on your MSRS retirement plans*
- *Objectively highlight your investment options*
- *Outline other sources of information for your decisions*



# *Asset Allocation Model Disclosure*

The hypothetical illustrations are for informational and educational purposes only. They are not intended to be a recommendation of a specific investment or investment strategy. In applying a particular asset allocation model to your individual situation, you should consider other assets, income, and investments in addition to the account you are considering for investment, to the extent the model does not consider these additional assets.

Index returns shown are not those of an actual fund or portfolio, and are used to provide calendar year returns back to 1994 based on hypothetical asset allocations used for a Conservative and Aggressive model, respectively. They are not backtested returns and do not reflect the changes to glide paths over time. A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. You cannot invest directly in a benchmark index.

For calendar year return calculations, the following index data from 1/1/1994 to 12/31/2020 was used, reflective of the underlying indices used for the asset allocations. US Large Cap Equities: S&P 500 Index; Global REIT: FTSE EPRA/NAREIT Developed Index; Commodities: Bloomberg Roll Select Commodity Index; US Core Bonds: Bloomberg Barclays US Aggregate; Small/Mid Cap US Equities: Russell Small Cap Completeness Index; Long Government Bonds: Bloomberg Barclays Long Government Bond Index; US Short-Term Government/Credit: Bloomberg Barclays Capital 1-3 Year Government Credit Index.

For returns back to 1994 for indices with insufficient track records, used current indices for existing track records and replaced with equivalent indices with longer track records for the periods prior to index inception. US Intermediate TIPS: Bloomberg Barclays US Treasury Inflation Protected Notes (1-10 Y) from 1/1/1998 to 12/31/2020 and the Bloomberg Barclays US Aggregate Index from 1/1/1991 to 12/31/1997; US High Yield Bonds: Bloomberg Barclays High Yield Very Liquid from 1/1/1995 to 12/31/2020 and the FTSE High Yield Index from 1/1/1991 to 12/31/1994; and International Equity: MSCI ACWI ex USA IMI Index from 1/1/1995 to 12/31/2020 and the MSCI ACWI Index from 1/1/1991 to 12/31/1994.

# Thanks for attending

We need and welcome your feedback

Please help us improve these pre-retirement webinars by completing our online survey.

[https://www.surveymonkey.com/r/MSRS\\_webinar\\_survey](https://www.surveymonkey.com/r/MSRS_webinar_survey)

