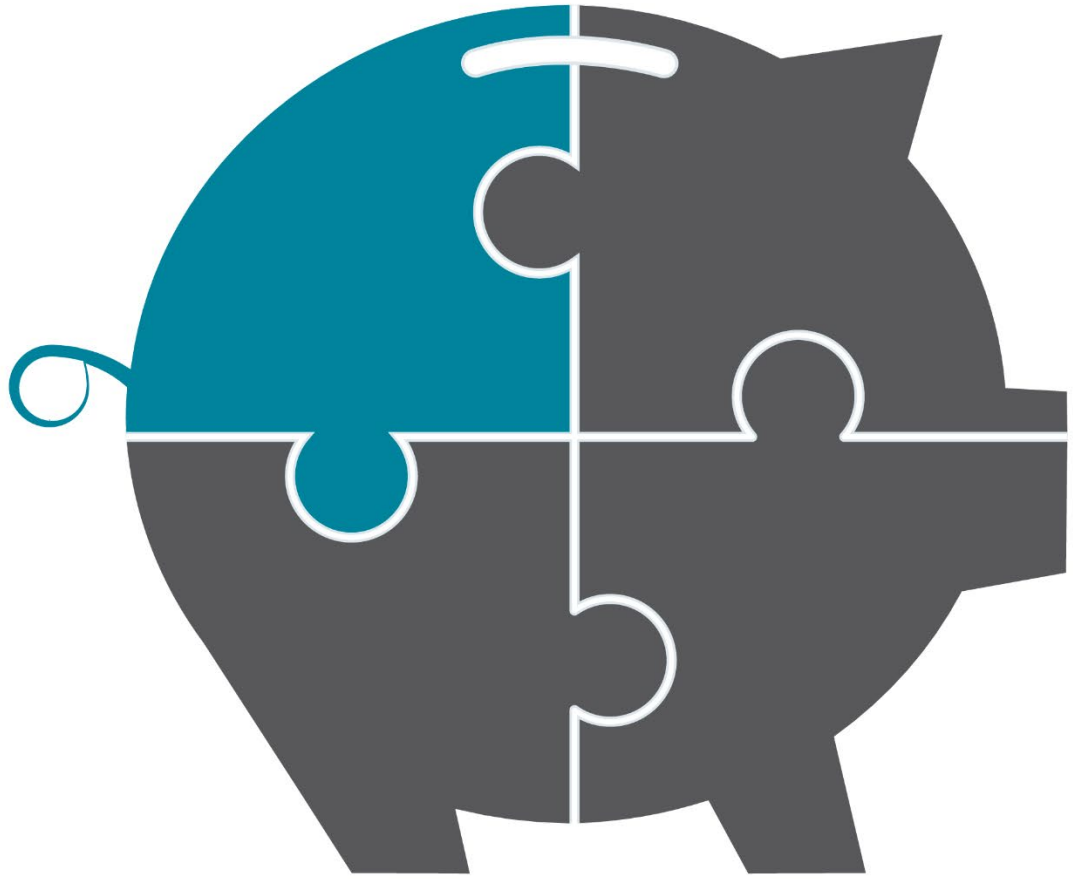


Pensions

What is a pension benefit



Lifetime income paid monthly once you retire

About MSRS pension plans



90% of state employees are members of the MSRS General Employees Retirement Plan

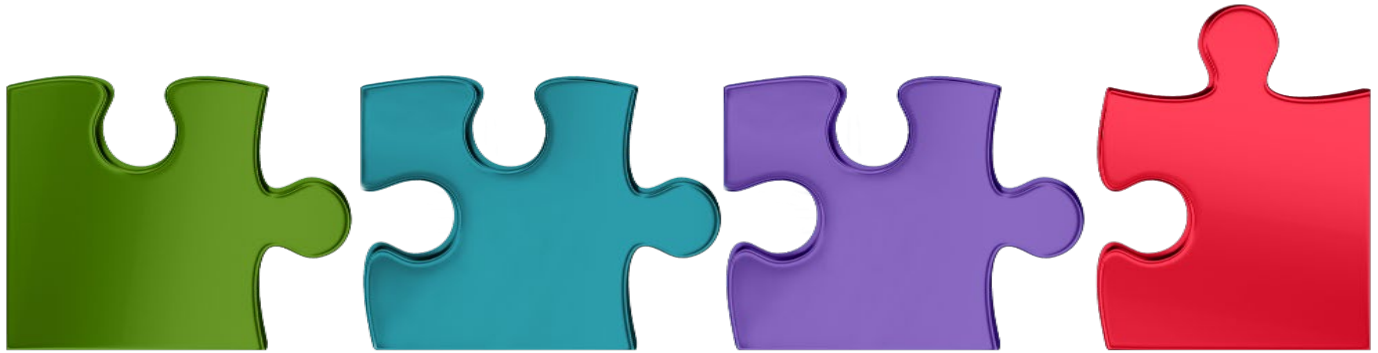


Membership is mandatory



Employee and employer contribute a % of employee's gross salary to fund their pension

Pension benefit factors



Service Credit

High-5 Salary

Benefit Multiplier

Possible Reduction



What you receive credit for

- Every month that deductions from pay are taken
  Part-time (<50%) is pro-rated
- Workers' Compensation leave of absence
- Leaves of absence, if purchased
- Repaid refunds
- Vesting requirements
  3 years of total service if working after June 30, 2023



Combined service annuity (CSA)

Service with another MN public plan (e.g., TRA or PERA)

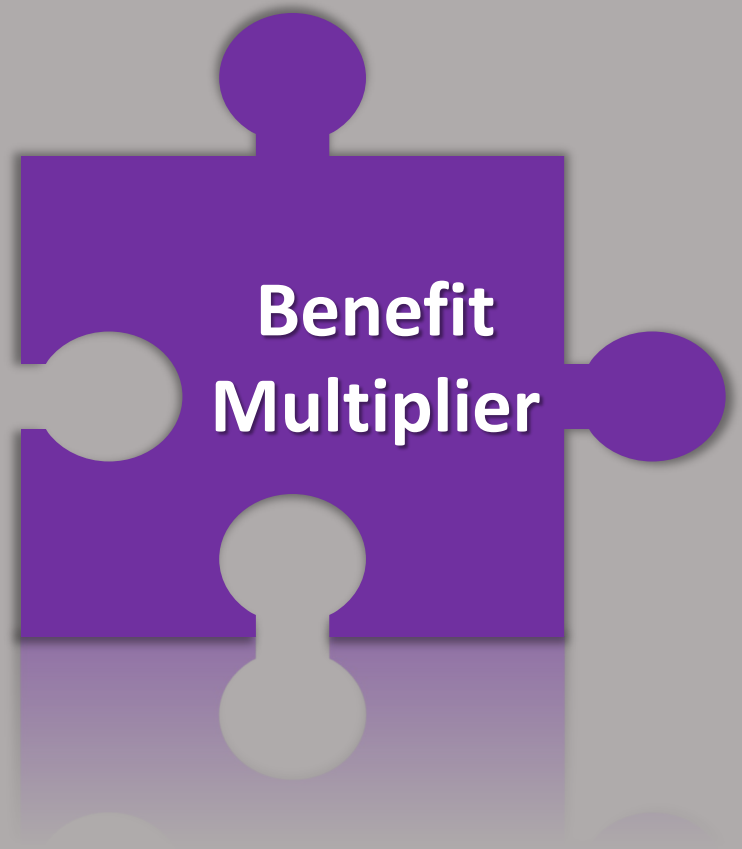
Requirements for a coordinated benefit:

- Minimum six months with each plan
- Must terminate from all plans
- Must collect from all plans within one year



Average monthly salary

- Highest five successive years' wages (High-5)
- Includes gross salary
- Excludes unused vacation & sick leave payouts
- NOT reduced by contributions to your 457(b) or 403(b) or HCSP account



A set multiplier

The formula dictated by Minnesota law used to calculate your benefit

1.7% for service through June 2025

1.9% for service earned after June 2025



Depends on age

Full Retirement Age

if hired prior to 7-1-1989

- Age 65, or
- Rule of 90

Full Retirement Age

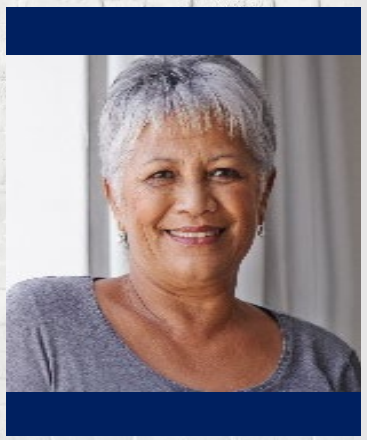
if hired after 7-1-1989

- Age 66

Apply reduction if you collect pension benefit before your FULL RETIREMENT AGE

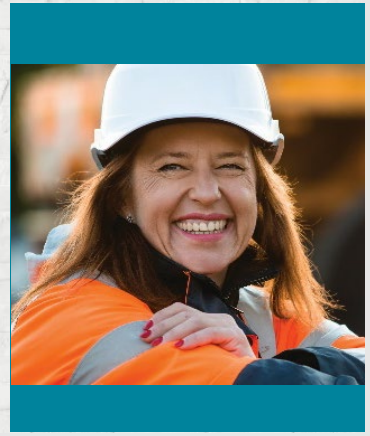
Meet Anita & Sarah

Each began employment at the same time
Each earn the same salary



Anita

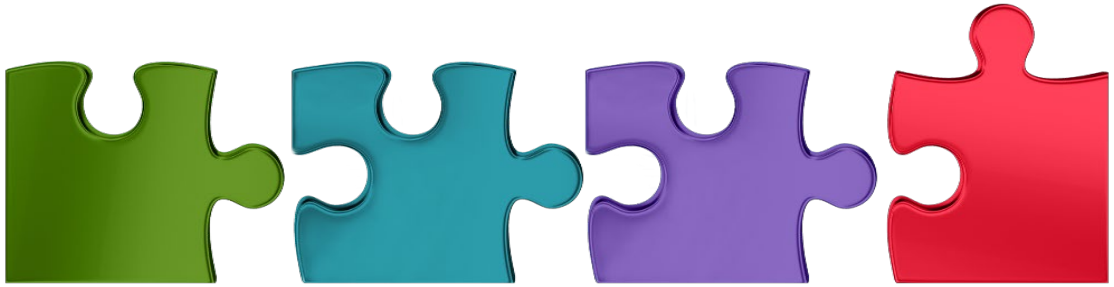
- Plans to retire at age 66
- With 30 years at DNR



Sarah

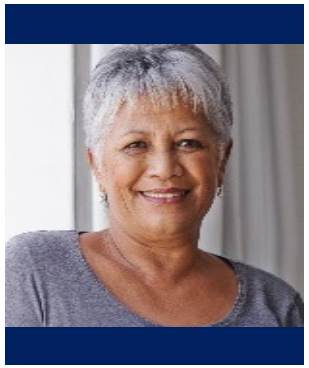
- Plans to retire at age 62
- With 26 years at DOT

Benefit example



SERVICE CREDIT | HIGH-5 SALARY | BENEFIT MULTIPLIER | POSSIBLE REDUCTION

= MONTHLY BENEFIT



Anita retires age 66

30 years X $5,000 X 1.7% X N/A = $2,550

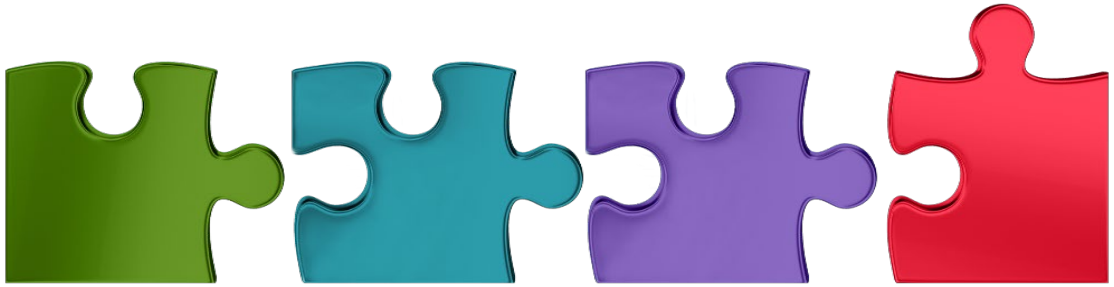


Sarah retires age 62

26 years X $4,619 X 1.7% X 0.6924 = $1,414

FOR ILLUSTRATIVE PURPOSES ONLY *Your actual results will vary based on your retirement date.*

Benefit example



SERVICE CREDIT | HIGH-5 SALARY | BENEFIT MULTIPLIER | POSSIBLE REDUCTION

= MONTHLY BENEFIT



Sarah retires age 62

26 years X $4,619 X 1.7% X 0.6924 = $1,414



Sarah retires age 62 BUT DEFERS TO AGE 66

26 years X $4,619 X 1.7% X N/A = $2,042

FOR ILLUSTRATIVE PURPOSES ONLY *Your actual results will vary based on your retirement date.*

Joint & Survivor benefit options

Benefit Type	Your Benefit	Survivor Benefit	Bounce Back
Single Life	$2,550	N/A	N/A
Joint & Survivor (retiree & survivor are age 66)			
100% Option	$2,238	$2,238	$2,550
75% Option	$2,308	$1,731	$2,550
50% Option	$2,384	$1,192	$2,550
Life Income 15-Year Certain			
	$2,385	$2,385	N/A

FOR ILLUSTRATIVE PURPOSES ONLY *Your actual results will vary.*

- 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

Plan for taxes

Your pension benefit is taxable

- Withhold federal & state tax (for MN only)
- 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

- First increase pro-rated

1.75%

- Correctional Plan is 1.5%
- State Patrol Plan is 1.25%

Working after retirement

If you return to <u>MSRS eligible position ONLY</u>:

- Notify MSRS of re-employment
- 30 day break in service is required
- No retirement deductions taken
- When under Social Security's full-retirement age, pension benefit suspends at earnings limit ($24,480 - 2026)
- Restarts at end of employment or January 1st of next year
- May affect eligibility to access your MNDCP & HCSP assets

Death prior to retirement

Surviving Spouse Benefit

- 100% Joint & Survivor lifetime monthly benefit, or
- Monthly payment for 10, 15 or 20 years, or
- Lump-sum payment of employee contributions only plus 3% interest

Non Spouse Benefit

- Lump-sum payment of employee contributions only plus 3% interest
- If no surviving spouse, minor child benefit

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

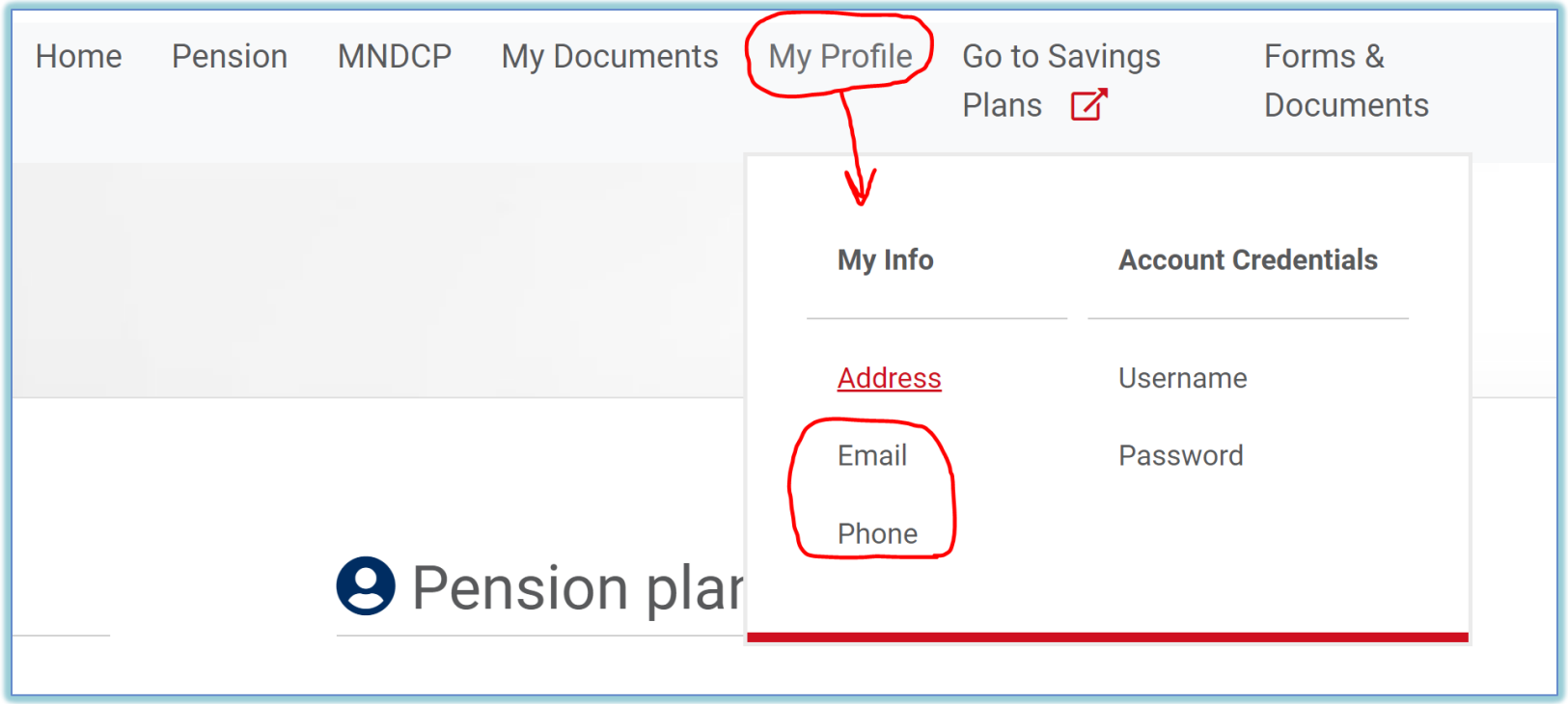
Further you are from your full retirement age, greater the benefit reduction



Update your online account information

Log into your account at www.mnretire.gov

Click My Profile, update your personal phone & e-mail address



Thanks for attending!

We need and welcome your feedback

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

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