Welcome to the Minnesota State Retirement System information session. This presentation is provided to you by Employee Benefits in the Office of Human Resources.
The Minnesota State Retirement System (MSRS) is the retirement program for civil service and labor-represented employees at the University of Minnesota.

Participation in MSRS is mandatory, and there is no waiting period.

MSRS is a defined benefit plan, which means your benefit at retirement is based on a formula consisting of an average of your salary, years of service, and age at retirement.
Pre-tax deductions are taken from every paycheck for your retirement.

Each pay period you contribute 5.5% from your total salary that is credited to your individual MSRS account in the General Plan.

The University contribution is also 5.5% of your total salary. This amount is used in part to pay for the monthly benefits for current retirees in the General Plan.

Pre-tax deductions are taken from every paycheck for your retirement.

Each pay period you contribute 5.5% from your total salary that is credited to your individual account.

The University contributes an additional 5.5% of total salary. This amount goes into the General Employees Retirement Plan (General Plan) and is used in part to pay for the monthly benefits for current retirees.
Vested Eligibility

- When you are vested, it means you are eligible for a monthly retirement benefit.
- If you were hired before July 1, 2010, you are vested with MSRS after three years of service.
- If you were hired on or after July 1, 2010, you are vested with MSRS after five years of service.
- Vesting entitles you to lifetime benefits at normal retirement age or as early as age 55 at a reduced level.

When you are vested, it means you are eligible for a monthly retirement benefit.

If you were hired at the University before July 1, 2010, you are vested with MSRS after three years of service.

If you were hired on or after July 1, 2010, you are vested with MSRS after five years of service.

Once you are vested, you are eligible for lifetime benefits at normal retirement age or as early as age 55 at a reduced level.
To calculate your retirement benefit, your age, length of service, and “high-five” average monthly salary are determined and applied to a formula.

MSRS has two formulas to calculate benefits – the Step Formula and the Level Formula.

With the Step Formula, 1.20% is applied to the first 10 years of service, and then 1.70% for each year after that. The Level Formula uses 1.70% for each service year.

If you were hired before July 1, 1989, your benefit is calculated under both of the MSRS formulas – the Step and the Level – to determine which gives you the higher monthly benefit.

The Step Formula is used mostly with people who retire under the age of 63 or with the Rule of 90, which is when age and number of years of service total 90.

If you were hired on or after July 1, 1989, your benefit is calculated using the Level Formula.
Even though you can receive a retirement benefit as early as age 55 if you are vested, there is a reduction made to your monthly benefit for early retirement.

That’s because you will be collecting the monthly benefit for a longer time.

The reduction amount is based on life expectancy tables developed by MSRS.

The formula charts and calculation tables can be found in the online handbook on the MSRS website.
Under the Combined Service Annuity law, various public retirement plans work together so you get credit for all of your service at two or more plans if you have a minimum of six months of service in each plan:

- If hired before June 30, 2010, you must have three years of combined service to qualify
- If hired on or after June 30, 2010, you must have at least five years of combined service to qualify

- Minnesota plans covered under CSA:
  - Minnesota State Retirement System (MSRS)
  - Public Employees Retirement Association (PERA)
  - Teachers Retirement Association (TRA)
  - St. Paul Teachers Retirement Fund Association (SPTRFA)
  - Duluth Teachers Retirement Fund Association (DTRFA)

- You must start receiving retirement benefits from all of the plans within one year.

To qualify for Combined Service:

If you were hired before June 30, 2010, you must have three years of service.
If you were hired on or after June 30, 2010, you must have at least five years of service.

The Minnesota plans covered are:

- Minnesota State Retirement System (MSRS)
- Public Employees Retirement Association (PERA)
- Teachers Retirement Association (TRA)
- St. Paul Teachers Retirement Fund Association (SPTRFA)
- Duluth Teachers Retirement Fund Association (DTRFA)

You must start receiving retirement benefits from all of the plans within one year.
If you were to become totally and permanently disabled, you may be eligible for protection from MSRS that will pay you disability benefits for your lifetime, or until you are no longer disabled.

To be eligible, you must be vested, unable to engage in any substantial activity because of physical or mental impairment, and your disability is expected to last for at least one year.

A disability benefit is calculated the same as a retirement benefit; however, no early retirement reduction is applied if you are under normal retirement age. The Level Formula’s 1.70% is applied for all of your service credit to calculate your benefit.

If you have ended your employment, the disability must have occurred while employed in a MSRS-covered position.
The monthly benefit you receive from MSRS is paid to you over your lifetime.

The Single Life benefit choice would provide you with the highest monthly benefit and ends upon your death.

However, you also have the option to elect a survivor benefit.

With the Joint-and-Survivor benefit choices, you would receive a lower monthly benefit for your lifetime, and then your named survivor receives a monthly benefit for his or her lifetime. However, if your named survivor dies first, the benefit will return to the single life benefit amount.

Another choice is the “Life Income, 15-Year Certain” benefit option. You would receive a percentage of the Single-Life benefit based on your age. If you die before you have collected for 15 years, your survivor would continue to receive the benefit for the balance of the 15 years. If you live longer than 15 years, your monthly benefit continues for your lifetime.
When you die, your spouse is eligible for a lifetime benefit if you were still working and had enough service credits for vesting.

Surviving spouse coverage is considered automatic even if you named someone else as your beneficiary. However, spousal coverage may be waived as long as proper consent is given.

Your spouse has the following benefits choices:
- Monthly payments for his or her lifetime,
- Monthly payments for a period of 10, 15, or 20 years
- Lump sum payment of the retirement deductions taken from your salary, plus interest
If you are still working, have no surviving spouse, and die, your dependent child under the age of 20 may receive a monthly benefit. Your dependent child will receive monthly benefits until age 20 or for five years, whichever is longer.

If you have no surviving spouse or dependent children and you die, your account balance plus 6% interest up to June 30, 2011, and then 4% after that, is paid out in this order to your:
- Named Beneficiary
- Children in equal shares
- Parents in equal shares
- Estate

Be sure to update your beneficiary designation on file with MSRS with any family status changes.
If you leave the University before you are vested, you have two options for your employee contributions:

- You can take a refund of contributions plus 6% interest up to June 30, 2011, and 4% after that, subject to 20% federal income tax and 10% penalty if you are under age 59-1/2, or
- Roll over contributions to an IRA or a qualified retirement plan without incurring tax or a penalty

If you leave after you are vested, you can either leave your contributions with MSRS and defer your benefit until retirement or choose one of the above options.
For More Information

- **MSRS**
  - 651-296-2761 or 1-800-657-5757
  - [www.msrs.state.mn.us](http://www.msrs.state.mn.us)

- **Employee Benefits**
  - 612-624-8647 or 1-800-756-2363
  - benefits@umn.edu
  - [www.umn.edu/ohr/benefits](http://www.umn.edu/ohr/benefits)

For more information on the Minnesota State Retirement System you can contact MSRS at the phone number and web address shown here or contact Employee Benefits.