



**Plan  
Now**

# Features & Highlights

**MNDCP** Minnesota Deferred Compensation Plan  
Plan Now

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# Get Started



**What is the  
Minnesota  
Deferred  
Compensation  
Plan (MNDCP)?**

MNDCP is a 457(b) governmental deferred compensation plan. This plan allows eligible employees to voluntarily participate to supplement any existing retirement or pension plans by saving and investing pre-tax dollars through salary deferrals. Contributions and any earnings are tax-deferred until money is withdrawn, usually at retirement when you typically are receiving less income and may be in a lower tax bracket than while working.

**Who is eligible  
to participate  
in MNDCP?**

All current full-time, part-time, and temporary employees and elected officials of the State of Minnesota and its political subdivisions (cities, counties, townships, school districts, etc.) are eligible to participate in MNDCP.

**Who should not participate in MNDCP?**

MNDCP is meant for long-term investing. It should not be considered for short-term needs. Do not participate if you cannot afford to leave invested money untouched until retirement or if you do not have other savings set aside for emergencies.

**Does participating in MNDCP affect or reduce my Minnesota public pension plan or Social Security benefits?**

No. MNDCP is a supplementary plan that does not replace or reduce your pension or Social Security benefits.



# Enroll

**How do I enroll in MNDCP?**

If you are eligible to participate, most employers allow enrollment throughout the year. The enrollment kit includes everything you need to enroll. To enroll, simply complete the *Participant Enrollment* form available through your employer or by calling MSRS, and indicate the amount you wish to contribute per paycheck, your investment option selection(s), and the beneficiary(ies) of your account.

**What is vesting? Am I vested?**

Vesting refers to the percentage of your account that you are entitled to receive when you become eligible to take distribution(s). You are always fully and immediately vested in both your employee and employer/bargaining unit matching contributions.



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## How much can I contribute to my MNDCP account?

The minimum amount you may contribute per pay period is \$10. The maximum amount you may contribute per calendar year is either the amount listed in the table or 100 percent of your annual includible compensation, whichever is less. “Annual includible compensation” is your gross compensation minus any mandatory pre-tax contributions to your Minnesota public pension plan.

Each calendar year, the annual contribution limits are modified based on cost-of-living adjustments under IRS Code §415(d). According to IRS regulations, the limits can only increase in \$500 increments and may or may not occur each year.

Annual contribution limits include any employer matching contributions or severance payments received by MNDCP; however, rollover amounts received by MNDCP are not included when determining contribution limits (Treasury Reg. §1.457-10(e)).

## What is the age 50 and older contribution provision?

If you are age 50 or older, you may contribute an additional \$5,500 to your MNDCP account, up to \$22,000 for calendar year 2009. If you turn age 50 during the current calendar year, you are eligible to contribute the additional \$5,500.

2009 Maximum Contribution Limits	
Standard Contribution (under age 50)	\$16,500
Age 50 and Older Contribution	\$22,000
Three-Year Catch-Up Provision	\$33,000

# Contribute

**How do I contribute/make deferrals to MNDCP?**

You can only contribute to MNDCP through payroll deductions. You will decide the whole dollar amount or percentage you want to contribute and select your investment options when you enroll. The specified amount you wish to contribute will be automatically deducted from your paycheck each pay period. You may change your contribution amount at any time.

**What is the three-year catch-up provision?**

If you are nearing normal retirement age (the age you are eligible for an unreduced pension benefit), you may make up some or all of any deferrals you did not make during previous years of eligibility. These catch-up deferrals may begin as soon as the last three years prior to your normal retirement age. The total yearly deferral (standard contribution limit plus catch-up) cannot exceed \$33,000 in 2009. For complete information, please contact an MSRS Representative at 1-800-657-5757, option 3.

MNDCP

1-800-657-5757

651-296-2761

[www.msrs.state.mn.us](http://www.msrs.state.mn.us)

**Are there any tax breaks for low-income savers?**

Yes. If you make voluntary contributions to MNDCP, you may be eligible for the Saver's Tax Credit—depending on your Adjusted Gross Income (AGI). Please see the general eligibility guidelines in the table below to determine if you qualify for this tax credit. If you qualify, complete IRS Form 8880 and attach it to your federal tax return.

AGI Married Filing Jointly	AGI Head of Household	AGI Single	Percent Credit
\$0 - \$33,000	\$0 - \$24,750	\$0 - \$16,500	50% on first \$2,000
\$33,001 - \$36,000	\$24,751 - \$27,000	\$16,501 - \$18,000	20% on first \$2,000
\$36,001 - \$55,000	\$27,001 - \$41,625	\$18,001 - \$27,750	10% on first \$2,000
\$55,001 & Over	\$41,626 & Over	\$27,751 & Over	0%

**How do I make changes to my contribution amount?**

It's easy to increase, decrease or stop your deferral amount; just follow these steps:

**State of Minnesota Employees**

- Contact an MSRS Representative by calling 1-800-657-5757, option 3
- Online via the Employee Self Service website at [www.state.mn.us/employee](http://www.state.mn.us/employee)

**All Other Public Employees**

- Contact an MSRS Representative by calling 1-800-657-5757, option 3
- Online at [www.msrs.state.mn.us](http://www.msrs.state.mn.us). Once you login to your account, select *Contributions* under the *My Account* tab
- Call the Automated Voice Response (AVR) System at 1-800-657-5757, option 2

**Does my employer contribute any matching dollars?**

Your employer or bargaining unit may match a portion of the dollars you contribute to your MNDCP account. Matching dollars are applied to your account dollar-for-dollar, per fiscal year. Once you reach the matching limit, your employer will no longer contribute matching dollars until the next fiscal year. The matching amount is typically specified in your employment or bargaining unit contract. Contact your employer or bargaining unit to determine if they offer any matching dollars to your MNDCP account. The annual contribution limits take into account employer matching contributions.

**Are my account assets protected?**

All assets are held in trust for the exclusive benefit of MNDCP participants and their beneficiaries. This means that the Plan's assets are not subject to the claims of creditors in the event of the State's bankruptcy. Also, the account is not subject to the claims of creditors of the participant or beneficiary(ies), and any payments under the Plan are non-assignable and non-transferable. Investment holdings within the Plan are subject to risks, including the potential for principal loss.

**Can I roll my previous employer's pre-tax retirement account into MNDCP?**

MNDCP can accept assets only from pre-tax accounts. You may roll over the following types of accounts that are held in your name into your MNDCP account:

- Traditional Individual Retirement Account (IRA) of pre-tax contributions
- 401(k) account established with a previous employer
- 403(b) account established with a previous employer
- 401(a) pension plan assets
- 457(b) deferred compensation plan account from another provider

To roll over pre-tax dollars into your MNDCP account, please complete the *Incoming Rollover* form. Contact your previous plan provider to confirm that those assets are eligible for rollover and their paperwork requirements. All plans are subject to the 10% early withdrawal penalty, if taken prior to age 59½, with the exception of the 457(b) plan.

**What happens if I return to work with the State or another Minnesota public employer? Or what happens if I take a job with another Minnesota public employer?**

If you return to work for the same employer or with another Minnesota public employer that participates in MNDCP, you may resume contributions to your existing account by speaking with an MSRS Representative at 1-800-657-5757, option 3. (This assumes that you are not receiving distributions from your MNDCP account.)



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# Invest



## How do I change my investment option(s) or transfer from one option to another?

You may transfer all or a portion of your existing balances among investment options as often as you believe necessary (subject to fund rules/restrictions). For information on fund restrictions/rules, please refer to the *Fund Fact Sheets* brochure. There are three ways to request a transfer:

1. Contact an MSRS Representative at 1-800-657-5757, option 3
2. Log in to your account online at [www.msrs.state.mn.us](http://www.msrs.state.mn.us)
3. Call the Automated Voice Response (AVR) System at 1-800-657-5757, option 2

MNDCP does not charge a fee for transfers among investment options; however, certain funds may impose fees or restrictions. The MNDCP *Fund Fact Sheets* brochure details all MNDCP investment option restrictions or fees, if any.<sup>3</sup>

## What are the MNDCP's investment options?

MNDCP offers a variety of investment choices, from fixed and interest-bearing options to bond<sup>1</sup>, balanced, equity and international<sup>2</sup> mutual fund options.

Please see the MNDCP *Fund Fact Sheets* brochure in the pocket of the enrollment kit or visit the *Plan Investments* tab on the website for more detailed information about each available investment option.

MNDCP also offers a Self-Directed Brokerage (SDB) account through TD AMERITRADE\*. This SDB account allows you to select from thousands of mutual funds for an additional \$30 annual fee. For more information, contact an MSRS Representative at 1-800-657-5757, option 3. This account is for knowledgeable investors who understand the risks associated with many of the investments contained in the SDB account.

\* Securities available through the SDB account are offered by TD AMERITRADE. Additional information can be obtained by calling TD AMERITRADE at (866) 766-4015. Brokerage services provided by TD AMERITRADE, Division of TD AMERITRADE, Inc., member NASD/SIPC. TD AMERITRADE is a trademark jointly owned by TD AMERITRADE IP Company, Inc. and the Toronto Dominion Bank. TD AMERITRADE is an independent entity and not a corporate affiliate of ING Investment Advisors, LLC.

1 A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

2 Foreign investments involve special risks, including currency fluctuations and political developments.

3 Funds may impose redemption fees, and/or transfer restrictions, on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.

***You should consider the investment objectives, risks, and charges and expenses of the mutual funds carefully before investing. Fund prospectuses containing this and other information can be obtained by calling 1-800-657-5757. Please read the information carefully before investing. You may also visit the website at [www.msrs.state.mn.us](http://www.msrs.state.mn.us) to view your account online.***

# 4 Fees & Expenses

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**Are there any fees if I transfer money between different investment options?**

MNDCP does not charge any account maintenance or trading fees; however, funds may impose redemption fees on certain transfers or distributions if assets are held for less than the required period as stated by the fund. For more information, the *Fund Fact Sheets* brochure or the *Investment Option Performance* report discloses each fund's fees and transfer restrictions.

**What fees will I pay to participate?**

Each MNDCP participant shares in the costs of the services the Plan offers. The Executive Director and the MSRS Board of Directors, administrators of MNDCP, review the fees frequently. There are basically two types of fees:

## **1. Administrative Fees**

The annual administrative fee for recordkeeping, communications, counseling, customer service and other services provided is 0.07 percent capped at the first \$100,000 account balance. The maximum annual fee a participant will pay is \$70. The administrative fee is deducted from your account monthly and is reflected on your quarterly account statement.

*Example:* If you had a balance of \$50,000 at the end of the month, your administrative fee would be \$2.92 ( $\$50,000 \times 0.07\% \div 12$  months).

## **2. Operating Expenses**

Each investment option has an investment management fee (also known as an expense ratio) that varies by investment option. These fees are deducted by each investment option's management company (not by MNDCP) before the daily price per share or calculation of the fund's performance return. These fees pay for the trading and management expenses of the investment provider. The operating expenses for each investment option offered are disclosed in the *Fund Fact Sheets* brochure or the *Investment Option Performance* report.



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## Withdraw

### **When can I withdraw money from my MNDCP account?**

You are eligible to withdraw money from MNDCP upon the following events:

- Retirement or termination of employment (payouts may begin 30 days after you end employment with your employer)
- Death of participant (distribution will be initiated by the named beneficiary)

### **What are my payout options?**

You have a variety of payout methods from which to choose. You may leave your money in your MNDCP account or elect to have a distribution from your account paid to you in one or a combination of the following payment methods:

1. Full withdrawal or a partial withdrawal of the account balance
2. Periodic payments for a specified dollar amount or period of time
3. Fixed annuity payments guaranteed for a fixed period of time or for life, offered by a number of highly-rated insurance companies. Guarantees are based on the claims paying ability of the issuing insurance company.
4. Roll over to your new employer's 457(b), 401(k), 401(a) or 403(b) plan (if allowed) or to a Traditional or Roth IRA

### **Is there a time when I must withdraw money from my MNDCP account?**

If you have retired or separated from service with a participating employer, you must begin receiving payments no later than April 1 following the calendar year in which you turn age 70½ or separate from service, whichever is later, and then by the end of every calendar year thereafter. This is called your Required Minimum Distribution (RMD). Of course, you may begin receiving payments sooner, if you wish, as long as you have met the eligibility requirements to withdraw.



## Withdrawals (continued)

**What happens to my MNDCP account if I die?** If you die, your remaining account balance is payable to your designated beneficiary(ies). If you have not named your beneficiary(ies), payments will be made to your surviving spouse, or, if none, a lump-sum payment will be made to your estate.

**Can I withdraw money from my MNDCP account while employed?** Since MNDCP is a tax-deferred retirement plan, generally you can only access your account assets when you terminate employment; however, there are four types of distributions you may request while still employed.

**1. Unforeseeable Emergency** — If you suffer an unforeseen emergency resulting in severe financial hardship that cannot be satisfied by any other source, you can apply for a withdrawal of your MNDCP account. Your request is subject to review and approval by the MNDCP Administrator and subject to IRS defined rules. For additional information or to request the *Emergency Withdrawal* brochure and Application, please contact an MSRS Representative at 1-800-657-5757, option 3.

**2. Purchase of Service Credit** — You may be eligible to transfer assets from your MNDCP account to your governmental defined benefit pension plan to purchase permissible service credits. For additional information or to request the *Purchase of Service Credit* form, please contact an MSRS Representative at 1-800-657-5757, option 3.

**2. De Minimis Distribution** — You may be eligible to withdraw your entire account balance while still employed if all of the following criteria are met:

- Your MNDCP account balance is \$5,000 or less
- You have not contributed to your MNDCP account for two years from the payout date
- You have not previously taken a De Minimis distribution

**4. In Service** — You are eligible to withdraw any portion of your account balance that represents assets that were rolled into MNDCP from another qualified retirement plan (e.g., 457(b), 401(k), 403(b), 401(a) or an IRA). These assets may be subject to the IRS 10 percent early withdrawal penalty tax if withdrawn prior to age 59½.





## Penalties and Taxation

**How much will my distribution be taxed?**

MNDCP is required by law to withhold a mandatory 20 percent federal income tax on payments that are eligible for rollover but not rolled over, and for payment schedules under 10 years. If you elect to receive a periodic payment or a fixed annuity payment payable for a period of 10 years or longer or your life expectancy, you may indicate your preferred withholding. State income tax is only withheld if your resident state mandates income tax withholding or if you indicate your preferred withholding on the distribution form.

Distributions from your MNDCP account are includible in gross income for both federal and state income tax purposes and are taxed as ordinary income in the year the distribution is made. Of course, depending upon your overall tax situation, 20 percent withholding may or may not be sufficient to satisfy your federal income tax liability. You should consult with a tax attorney prior to making a financial decision.

**Is there an IRS early withdrawal penalty tax if I take a distribution before age 59½?**

No. The 10 percent IRS early withdrawal penalty tax does not apply to MNDCP withdrawals because they are from a 457(b) deferred compensation plan.

The 10 percent early withdrawal federal tax penalty may apply to withdrawals of 401(k), 403(b), 401(a) and Traditional IRA assets you rolled into your MNDCP.

**Will I receive a statement from MNDCP for tax purposes?**

Since distributions from your MNDCP account are taxed as ordinary income, you are required to report this income when you file your federal and state income tax returns. MNDCP will report the gross total of all distributions and any tax withholding amounts from your MNDCP account on IRS Form 1099-R. Form 1099-R will be mailed to your address of record by January 31 of each year.

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# Account Information

## How do I keep track of my MNDCP account?

It is easy and convenient to access information on your MNDCP account. You can be as “hands-on” as you’d like. You have four options to track your account information:

### 1. Internet Access

You can access your account information or initiate trades online 24 hours a day, seven days a week at [www.msrs.state.mn.us](http://www.msrs.state.mn.us). A password will be mailed to you after MSRS receives your first contribution.

### 2. The MSRS Service Center

To speak with an MSRS Representative, call 1-800-657-5757 weekdays from 8:00 a.m. to 4:30 p.m. Central Time.

### 3. Automated Voice Response (AVR) System

You may access your account information or initiate trades 24 hours a day, seven days a week by accessing the Automated Voice Response (AVR) System at 1-800-657-5757, option 2. All you need is your Social Security number and PIN, which will be mailed to you after MSRS receives your first contribution.

### 4. Quarterly Account Statements

A quarterly account statement will be mailed to your address of record. These easy-to-read statements provide a detailed summary of your account balance, the contribution amount you made to your account during the quarter, the change in account value and all other account activity. You may elect to receive your statements electronically. Go to [www.msrs.state.mn.us](http://www.msrs.state.mn.us) and select *Statements* under the *My Accounts* tab after you log in to elect to receive your statement online.

### ***Lost or forgot your password?***

Select “Forgot your password” under the User Login box on the login page or call 1-800-657-5757. A reminder of your password will be mailed to you within three business days.

### **When can I expect to receive my quarterly statements?**

Generally, you will receive an account statement approximately 20 days following the close of each calendar quarter. At that time, you will also receive investment performance information and the MNDCP newsletter.

### **Will I receive confirmation of any account changes I make?**

Yes. You will receive confirmation statements verifying any trades you initiated or changes to your account, including address or beneficiary changes. Confirmation statements are mailed within one to two business days of the transaction.



Minnesota Deferred Compensation Plan  
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Plan administrative services provided by ING Institutional Plan Services, LLC, a member of the ING family of companies, 1 Heritage Drive, North Quincy, MA 02171. Securities, if offered, are distributed by or offered through ING Investment Advisors, LLC (member SIPC) or other broker-dealers with which it has a selling agreement.

The Minnesota State Retirement System (MSRS) administers the Minnesota Deferred Compensation Plan (MNDCP) — a voluntary tax-deferred savings plan, 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 Representatives are registered representatives of ING Investment Advisors, LLC (Member SIPC).