

This sheet addresses issues that affect your Minnesota State Retirement System (MSRS) benefit once it begins. It explains federal and state income tax withholding, data privacy, re-employment, refund, direct deposit and address change.

### Federal Income Tax

All or most of your benefit is taxable income. You have already paid federal income tax on retirement deductions taken before January 1983 and on some voluntary payments made to obtain retirement credit such as for a leave of absence. Voluntary payments made directly to MSRS from your Minnesota Deferred Compensation Plan (MNDCP) or other qualifying account were not taxed. Federal law allows you to exclude a portion of your benefit from taxable income until the excluded amount equals the tax already paid. MSRS computes the exclusion amount. This amount is reported on the *1099-R* form, which you receive each January.

**The exclusion is applicable for the following number of monthly payments.**

Type of Benefit	Single-Life	Joint-and-Survivor	
		with Options	
Annuitant's Age	Number of Payments	Combined Age	Number of Payments
0-55	360	110 or less	410
56-60	310	111-120	360
61-65	260	121-130	310
66-70	210	131-140	260
71 or more	160	141 or more	210

MSRS determines when the exclusion ends, the *1099-R* form reflects when the benefit becomes fully taxable.

### Minnesota Income Tax

The portion of your benefit that is taxable income for federal income tax is also taxable income for Minnesota income tax. Minnesota income tax pertains to residents of Minnesota and residents of other states who spend more than one-half of the year in Minnesota.

A possible exception pertains to those who are 65 years old or more, or those who are totally and permanently disabled. For information, call the Department of Revenue at 651-296-3781 or 1-800-652-9094. Teletypewriter users or telecommunications-device-for-the-deaf users, call the Minnesota Relay Service at 1-800-627-3529 and ask to be connected to Revenue's Taxpayers' Assistance Office at 651-296-3781.

### Withholding for Federal and Minnesota Income Tax

Federal and state income tax withholding can be started, changed or cancelled on-line by visiting our website at [www.msrs.state.mn.us](http://www.msrs.state.mn.us) or by writing, or calling MSRS. If MSRS receives no federal tax withholding request from you, the IRS directs MSRS to assume you are married with three allowances. Federal withholding is taken from each benefit payment in which the taxable portion exceeds \$1,600. If MSRS receives no state tax withholding request, no tax is withheld.

Every January MSRS sends you a *1099-R* form. The form indicates the total benefit payments you received during the previous year, the amount that is taxable income, and the amount withheld for federal and state tax, if any. For further information about either tax withholding, call your tax advisor, an IRS district office or the Department of Revenue's Individual Income Tax Question Line at 651-296-3781 or 1-800-652-9094. Filing a *Quarterly Report of Estimated Income Tax* form is an alternative for paying your tax liability.

## Data Privacy Act

Your name, address and retirement date are given to the Minnesota Retired State Employees' Association (MRSEA) once and within 60 days of your retirement. Your former employing department can request and receive a roster of retired employees and their addresses from the association. You can ask MSRS to stop the release of both to the association.

## Re-employment After You Retire

If you return to work in a position covered by the MSRS plan from which you retired (or a plan covered in the same chapter of Minnesota Statutes as the one from which you retired), you must have a 30 day break in service. If you will be participating in the post-retirement option (phased retirement or PRO), the agreement cannot be submitted until at least 30 days after termination for employees under age 62.

### **NOTE: A one day break is required for PRO participants after age 62.**

After you retire, if you are re-employed in a position covered by MSRS, no retirement contributions will be deducted from your salary, however, you may be subject to an earnings limitation. If you are under the age requirement for a full Social Security benefit and your earnings from your re-employment exceed the annual Social Security earnings limitation your benefit payment will be stopped for the remainder of the calendar year. The suspended benefit payments are held in abeyance for the member. The maximum amount that may be earned for 2012 is \$14,640. For those reaching full Social Security retirement age in 2012, the limit on the earnings for the months before full retirement age is \$38,880. For MSRS benefit purposes, there is no limit on earnings for self-employment, private sector employment or public employment covered by another fund. You may request reimbursement of the suspended payments after termination of re-employment. Payment will be made one year from the date the last benefit payment was withheld. You may request a lump sum payment or roll the money into another qualified retirement plan.

## Refund

If you chose a Single-Life benefit, any money remaining in your account after your death is paid in this order; to your beneficiary, spouse, children, parents, estate. If you chose a Joint-and-Survivor benefit, your survivor receives a monthly benefit after your death for the rest of his or her life. If your survivor dies before you, your benefit bounces back to the Single-Life benefit amount the first of the following month. You must provide MSRS with a copy of your survivor's death certificate.

If you and your survivor die, any money remaining in your account is paid in this order: to your beneficiary, children, parents or estate in a lump sum.

## Direct Deposit

Consider having your monthly benefit deposited directly into your bank account. This is a safe and convenient way to receive your benefit, and ensures that it will not be lost or delayed. Ask for a *Direct Deposit* form from MSRS to start this service.

## Address Change

You can change your address on line at our website, by writing, or calling MSRS. The U.S. Postal Service cannot forward your benefit check nor will you receive your 1099-R form, benefit-increase information or newsletters. These are all sent to your residence.



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