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MnSCU Retirement Plans

Basic Training for Campus HR Administrators



Planned Modules:

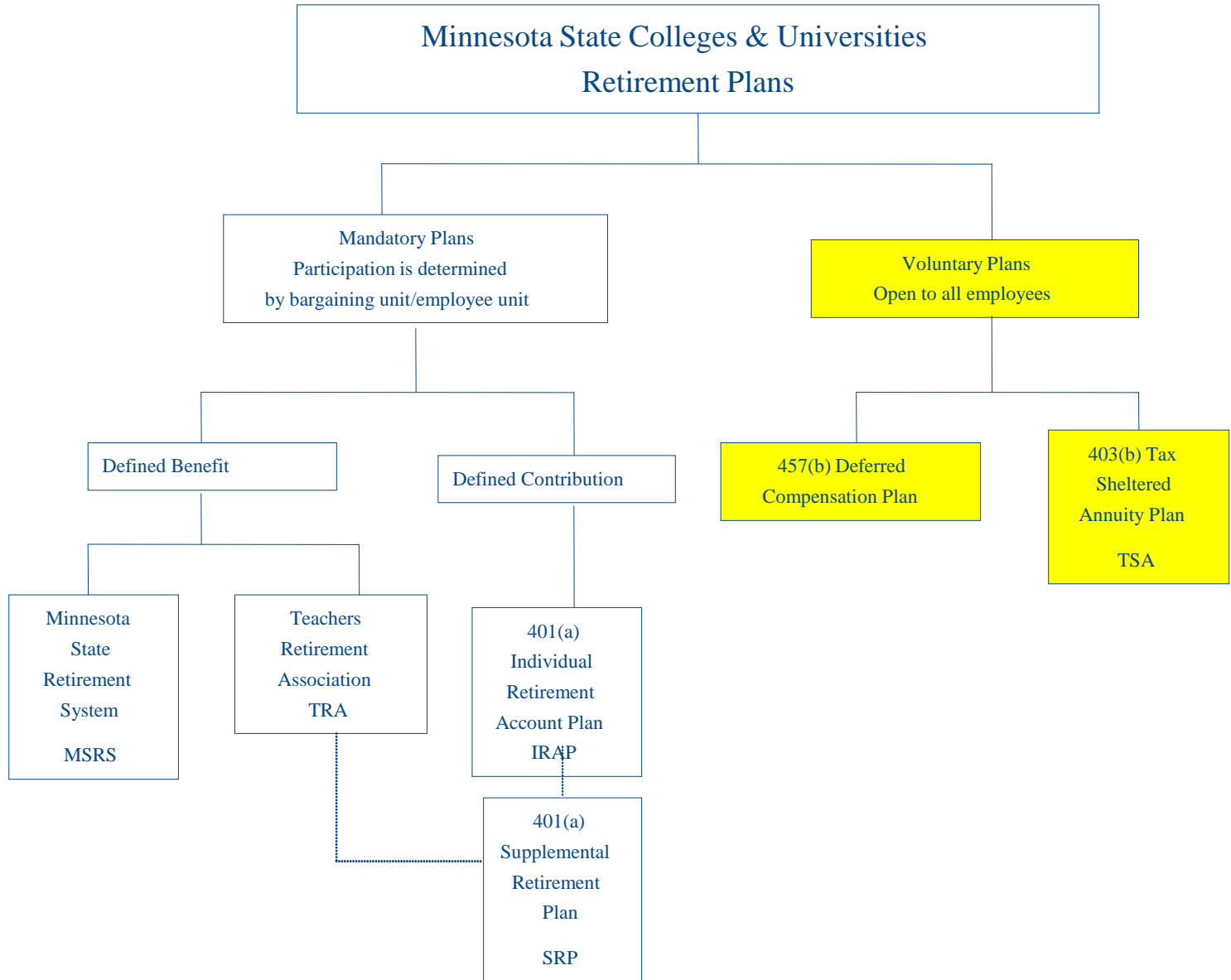
- Module 1: Retirement Plan Concepts
- Module 2: Eligibility for Primary Plans
- Module 3: Reporting in SCUPPS
- Module 4: SRP: Eligibility and Coding
- Module 5: Forms Completion & Processing
- Module 6: Phased Retirement Programs
- ***Module 7: Voluntary Retirement Programs***
- Module 8: Retirement Plan Distributions



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Two Voluntary Retirement Programs available to MnSCU employees:

- MnSCU-sponsored Tax-Sheltered Annuity (TSA) Program (403(b))
- State of Minnesota-sponsored Deferred Compensation Program (457 (b) MNDCP)





Voluntary Program Similarities:

- Eligibility: All non-student employees
- Contribution limits (calendar year 2011):
 - Under age 50: \$16,500
 - Age 50 and over: \$22,000
- Employees can participate in either, or both, programs → potential for a total of \$44,000 annual deferral
- Contributions are tax-sheltered



Voluntary Program Similarities:

- Immediate vesting
- Participants can contribute a percentage of payroll, or a flat amount per payroll period
- Participants can make lump-sum adjustments for retroactive salary adjustments
- No limit on number of changes that can be made to deferral amount(s) per year



Voluntary Program Similarities (cont'd):

- Low cost mutual funds/investment products
- Customized payment options at retirement
- Special “catch-up” features
- Money must stay in plan while actively employed
- In-service hardship withdrawals or loans are available



Voluntary Program Differences:

Item:	MnSCU TSA (403(b)) Plan:	State's MNDCP (457) Plan:
Loans	Yes, up to \$50,000	No, hardship withdrawals only
Fees	\$14 per participant per year	0.07% (7/100 of 1%) of assets (\$70 maximum) per participant per year
Employer match	No	Yes, per bargaining agreement or personnel plan
Self-directed brokerage account	No	Yes, subject to an annual \$30 fee
Roth After-tax feature	Yes	No
Withdrawal restrictions prior to age 59 ½	Yes, subject to tax + 10% penalty for former employees	No, subject to tax only for former employees. No 10% penalty.



Voluntary Program Differences (cont'd.):

Item:	MnSCU TSA (403(b)) Plan:	State's MNDCP (457) Plan:
Minimum deferral amount per pay period	No	\$10
Amount of Special Catch-up Provision	\$15,000 over a five (5) year period; eligible only if employee has 15 FTE years of service within MnSCU, HR Helpdesk certifies system wide YOS to TIAA-CREF	\$33,000 can be contributed beginning with the 3 years prior to normal retirement age (NRA follows Social Security DOB rules)
Fund choices	Up to 33 different retirement and mutual fund products, including Lifecycle options	Up to 13 different mutual fund products + more than 10,000 other mutual funds available in self-directed brokerage platform



Enrolling in Voluntary Plans

- Employee Self Service Web Site (same site as used to obtain paycheck data)
- Complete instructions available on the SEMA4 self service page for entering deductions
- Shorter “How To Enter Deductions” with pictures/screenshots is on the MnSCU HR Campus Retirement resources page:

[How to enter deductions cheat sheet](#)



Enrolling in Voluntary Plans

- The MnSCU How to Enter Deductions Instructions includes directions on entering one time deductions for large lump sum amounts
- Employees must enter two lines of data; one for the large lump sum amount and one for the subsequent deduction amount
- Date Sensitive!



Enrolling in Voluntary Plans

- HR provides employees with payroll begin and end dates for any lump sum amounts
- Not all large lump sum payments are eligible for deferral to these two plans (U.S. Treasury Regulations, Section 415 (c))
- Employee must have sufficient earnings in the calendar year to cover the amounts deferred into either of these plans



Enrolling in Voluntary Plans

- Lump Sum Payments Eligible for Deferral:
 - Vacation Payoff upon separation that is paid in cash to the employee
 - Severance Payment upon separation that is paid in cash to the employee
 - Comp time payoff upon separation that is paid in cash to the employee
 - Ending pay that is for any regular salary and overtime payments



Enrolling in Voluntary Plans

- Payments that are NOT eligible for Deferral:
 - Early Notice Incentive Payments
 - Early Retirement Incentive Payments
 - Early Separation Incentive Payments
 - BESI Payments
 - Any payment that occurs more than 2 ½ months following the employee's termination date (some employees may defer receipt of a severance payment beyond this time limit)



Enrolling in Voluntary Plans

- Employees must also complete enrollment information, beneficiary information, investment choices, etc. with their chosen provider
 - For the TSA, enroll through the TIAA-CREF website at:
 - [TIAA-CREF MnSCU Enrollment Page](#)
 - For the MNDCP, enroll through the Employee Self Service website or via enrollment form available on the MSRS web site at:
 - [MNDCP - Enrollment Page](#)



Catch-Up Provisions

- If an employee believes he/she may qualify for the catch-up provisions in either the MNDACP or the TSA, refer the employee to the appropriate call center
 - MNDACP and TIAA-CREF will make the necessary calculations to determine the employee's eligibility for the catch-up provision and will enter appropriate deduction data into SEMA4
 - TIAA-CREF will ask the OOC HR HelpDesk to verify an employee's FTE years of service for the TSA plan (15 FTE YOS needed)



Terminated Employee Deductions

- If an employee's record has already been separated in SEMA4, he/she will not be able to enter deductions through the employee self service page.
 - If he/she has a TSA, use the one time deduction form on the MnSCU Campus Retirement Resources Page at:
 - [TSA Term EE Form](#) ; send to TIAA-CREF
 - If he/she has MNDCP, form on their web site:
 - [Participant enrollment form](#) ; send to MSRS



Contributions to the Plans

- Employees may direct their contributions, up to the limits allowed by law, to either or both plans.
- MnSCU Administrators may liquidate vacation hours, within established limits, to either the TSA program or the MNDCP.
 - [Administrators' Leave Liquidation Form](#)
- Based on bargaining agreement or personnel plan language, some employees may qualify for an ER contribution to the MNDCP.



Employer Contributions to MNDCP

- Various Bargaining unit agreements and salary plans contain provisions for an employer match to employee MNDCP contributions up to a dollar maximum
- Some employees have the option to convert vacation hours and/or compensatory time to an MNDCP contribution or receive the employer matching dollars
- Consult the individual's union contract or salary plan



Employer Contributions to MNDCP

- Several bargaining units' employees receive an ER match up to max automatically to their MNDCP dollars
- Employees who are eligible for the match or the vacation conversion, must select their option through the Employee Self Service page or use the form available on the MMB web site at: [MNDCP Options Form](#) If no selection is made, employee will not receive either.
- EEs eligible for compensatory time conversion must also complete form or select through Self Service
- See SEMA4 Help for complete processing instructions



Employer Contributions to MNDCP

- Unclassified academic employees in MAPE and MMA are no longer eligible for an employer match to the MNDCP once they become eligible for the Supplemental Retirement (SRP)
 - See the SRP Step by Step instructions for coding detail to avoid having employer matching contributions made to their MNDCP
 - [SRP Step by Step Process](#)
- Employees may still choose to make their own contributions to their MNDCP.



TSA Plan Provisions & Features

- Two contribution options:
 - Traditional pre-tax TSA (or 403(b)) contributions, or
 - Roth 403(b) after-tax contributions.
- Pre-tax contributions lead to tax-sheltered growth with taxes due upon withdrawal.
- Roth 403(b) after-tax contributions lead to tax-free growth and no taxes due with “qualified” withdrawals.



Roth 403(b) Option

- “Qualified” withdrawals occur when age 59 ½ or older and initial Roth contribution is at least 5 years old – growth is then tax-free.
- Both pre-tax and after-tax contributions count toward maximum employee deferral limit.
- Subject to same distribution rules as 403(b) TSA account plan.
- Roth 403(b) contributions are subject to Minimum Distribution requirements unless rolled over to a Roth IRA.
 - Roth IRAs are not subject to Minimum Distributions.



Traditional TSA Plan Provisions & Features

- TSA plans are designed for retirement and other long-term goals.
- Voluntary contributions to supplement retirement savings through payroll deduction.
- Tax advantages with either pre-tax TSA or after-tax Roth contributions.



Traditional TSA Plan Provisions & Features (cont'd)

- No sales loads, withdrawal charges, or transaction fees.
- Customized payment options, loans, and death benefits available.
- Withdrawals available upon termination of employment or age 59 ½. However, if under 59 ½ the money will be taxed as ordinary income and you may be subject to an additional federal 10% early withdrawal penalty.



MNDCP Matching Contributions

- Some MnSCU employees receive matching contributions based on bargaining agreement or salary plan language.
 - Annual maximum contribution limits include employer match dollars

Contract	Match \$	Comp Time Conversion	Contract	Match \$	Comp Time Conversion
AFSCME	\$175	Yes ²	Classified Managers	\$300 ¹	Yes ²
MAPE	\$100	Yes ²	Commissioners Plan	\$300 ¹	Yes ²
MMA	\$300 ¹	Yes ²	See specific language in these and other bargaining unit contracts and salary plans for details.		

¹ Have the option of the Match \$ or vacation conversion. Please refer to the bargaining unit contract or salary plan to determine vac conversion eligibility.

² Bargaining units allow members to liquidate up to 40 hours of accumulated compensatory time to a contribution to their MNDCP account. The liquidation of compensatory bank hours is offered annually on a date specified by the Appointed Authority.



MNDCP Features

- No sales loads, withdrawal charges, or transaction fees
- Self-Directed Brokerage platform offered through TD AMERITRADE, offers:
 - Over 11,000 no-load and low-load mutual fund options
 - Online investment tools
- Advice Service Available
 - Personal Online Advisor designed for individuals who prefer to manage their own retirement accounts
 - Professional Account Manager for individuals who prefer to have their account actively managed by professional management



MNDCP Withdrawal Considerations

- Withdrawal eligibility begins 30 days after ending employment
- No IRS 10% penalty on withdrawals of 457(b) Plan assets prior to age 59 ½
 - **Important Note:** MNDCP assets rolled into another plan type and then subsequently withdrawn are no longer protected from the 10% IRS early withdrawal penalty prior to age 59½
- May use MNDCP money at any age after ending employment
- No loan provision but active participant's may apply for an Unforeseen Emergency Withdrawal at any time
- Customized payment options, and death benefits available



Resources

- [TIAA-CREF web page with TSA Information](#)
- [MN Deferred Compensation web page](#)
- [SEMA4 Help](#)



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Module 7: Voluntary Retirement Programs

- Questions?

Thank you!