MNDCP plan overview

The Minnesota Deferred Compensation 457(b) Plan (MNDCP) is a voluntary retirement savings plan (silimar to a 401(k) or 403(b) available to any full-time, part-time, or temporary Minnesota public employee (state, city, county, township, school district, etc.).

The MNDCP allows eligible employees to supplement retirement income from their Minnesota public pension and Social Security benefits. Employees save and invest pre-tax and/or Roth after-tax dollars through automatic payroll deduction, called salary deferrals.

Employees are eligible to withdraw savings from their MNDCP account upon retirement or termination of employment, disability, or to a designated beneficiary(ies) upon death.

MNDCP features

The MNDCP is similar to other types of employer sponsored retirement savings plans (e.g. 403(b), 401(a), or 401(k) plans).

Features that distinguish MNDCP from other types of plans:

Participating employees can withdraw savings from their account at any age 30 days after separation of service or at any age after age 59½, regardless of employment status. Withdrawals prior to age 59½ are not subject to the additional IRS 10% penalty tax that other plans are imposed on other types of retirement savings plans (e.g. 403(b), 401(a), or 401(k) plans and IRAs).

The MNDCP does not offer a loan feature; however, in-service withdrawals in the event of an unforeseeable emergency are allowed.

Participating employees may request an in-service withdrawal of funds they rolled into their MNDCP account from other types of retirement savings plans (e.g. 403(b), 401(a), or 401(k) plans and IRAs).

Both employee AND employer contributions to the MNDCP are subject to FICA and Medicare deductions. Whereas, employer contributions to a 403(b) are not subject to FICA or medicare deductions.

There are two types of plan fees

1. Administrative Fees - 0.10% (or 1/10 of 1%)

The annual administrative fee for recordkeeping, communications, counseling, customer service and other services provided is 0.10% (or $1 for every $1,000 balance). The fee is capped at $125 a year - participants do not pay an administrative fee on account assets over $125,000. The administrative fee deducted monthly and is reflected on participant's quarterly statement as a line-item deduction.

Example: If an account balance is $50,000 at the end of the month, the monthly administrative fee would be $4.16 ($50,000 x .0010 ÷ 12 months)

MNDCP ANNUAL ADMINISTRATIVE FEE HISTORY

Year	Admin Fee	Maximum Fee
1999	0.35%	
2000	0.33%	$333
2001	0.30%	$300
2002	0.28%	$252
2004	0.25%	$225
2005	0.18%	$162
2006	0.10%	$100

2009	0.07%	$70
2012	0.05%	$50
2017	0.10%	$125

2. Operating Expenses - varies by MNDCP investment option (average 0.20% as of 12-31-2020)

Each investment option offered has an investment management fee. These expenses are deducted by the investment option's management company (not by MNDCP) before the daily price per share or calculation of the performance return. These fees pay for investment providers trading and management expenses. Operating expenses for each investment option offered range from 0.00% to 0.67% as of 12-31-2020 and are disclosed on the Investment Option Performance Report (pdf).

In general, it is unlawful for a school district or other governmental subdivision or state agency to contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees.

However, a matching contribution may be made if an employer's supplemental plan coverage is provided for in a personnel policy or collective bargaining agreement between the public employer and the exclusive representative of public employees.

Employee limits

An employee may contribute as little as $10 per paycheck. The maximum amount an employee may contribute (pre-tax & Roth after-tax combined) in a calendar year is either the amount listed below or 100% of their annual includible compensation whichever is less.

Types of payments included in the contribution limits

The annual maximum contribution limits include:

- Employee salary deferral contributions
- Employer matching contributions
- Severance or lump sum payments

Note: Rollover amounts are excluded when determining contribution limits.

Annual Maximum Contribution Limits

Participant Age

2022

Under Age 50	$19,500	$20,500
Age 50 & Over	$26,000	$27,000
Catch-Up Provision	$39,000	$41,000

Lump sum deferrals eligible for deferral

- Severance payments
- Overtime pay
- Retroactive pay
- Compensatory pay
- Paid time off payments (vacation or sick)

Adopt the MNDCP Roth 457

Offering the MNDCP Roth option is optional for employers. MSRS does not charge any additional fees to either the employer who adopts the MNDCP Roth or the employee who elects to contribute Roth after-tax dollars through payroll deduction.

Until the employer adopts the MNDCP Roth, employees are not able to:

- contribute after-tax Roth dollars through payroll deduction, or
- roll over any after-tax Roth dollars from other employer sponsored retirement plans into their MNDCP account

Disability Benefits

You may be eligible for benefits from PERA if you are unable to work because of a physical or mental disability.

To Qualify for Disability

Your disability must be judged to be total and permanent to qualify for a disability from PERA. This means it prevents you from engaging in any substantial gainful activity and is expected to last at least one year. You must also meet the following qualifications:

- You must be employed in public service and less than full retirement age when you become disabled.
- You must have worked a minimum of three years in public service (five years if first eligible for PERA after June 30, 2010). If you terminated your public service at any time, a minimum of two of the years required for vesting must have been earned since last becoming a member.
- You can apply for disability benefits up to 18 months from the date you end your public service. Your disability, however, must have occurred before you terminated public employment.
- You may not apply for a disability benefit if you are already receiving a pension from PERA.

When you apply for disability benefits, you will need to give medical evidence supporting your claim of disability. After benefits begin, PERA may require periodic medical examinations as proof that you continue to be disabled.

If your request for disability benefits is denied by PERA, you have 60 days to request a review of the staff decision by PERA's Board of Trustees. If the Board believes additional fact-finding and/or evidence of disability is necessary, it may require that an applicant be referred for review by a qualified rehabilitation consultant or that an informal hearing be conducted by an administrative law judge.

The Board will make the final decision about your eligibility to receive PERA disability benefits. This decision can be contested in the Minnesota Court of Appeals.

Benefit Formula

Your disability benefit is the product of your years of allowable PERA service and your average salary during your five highest-paid years of consecutive service or your total years of service if between three and five. You receive 1.7 percent for each year of service multiplied by this average salary.

An example: If you have 20 years of service and a “high five” salary of $35,000, your disability benefit would be calculated as follows:

1.7% X 20 = 34%

34% X $35,000 = $11,900 a year or $991.67 a month.

This is called a Single-Life disability benefit.

Forms of Payment

Payment of your disability benefit will be made on a monthly basis using the above formula unless you elect a 25, 50, 75, or 100 percent survivor option. While these options reduce the amount of your monthly payment, they provide for the continuation of payments at a 25, 50, 75, or 100 percent level for your designated survivor should you predecease that individual. There are no survivor benefits available from PERA if you do not select a survivor option.

To apply, you must submit a disability application. If you are married, it must also be signed by your spouse. Failure of a spouse to sign the application will result in a default selection of the 50 percent survivor option if you have chosen the single-life or 25 percent survivor option.