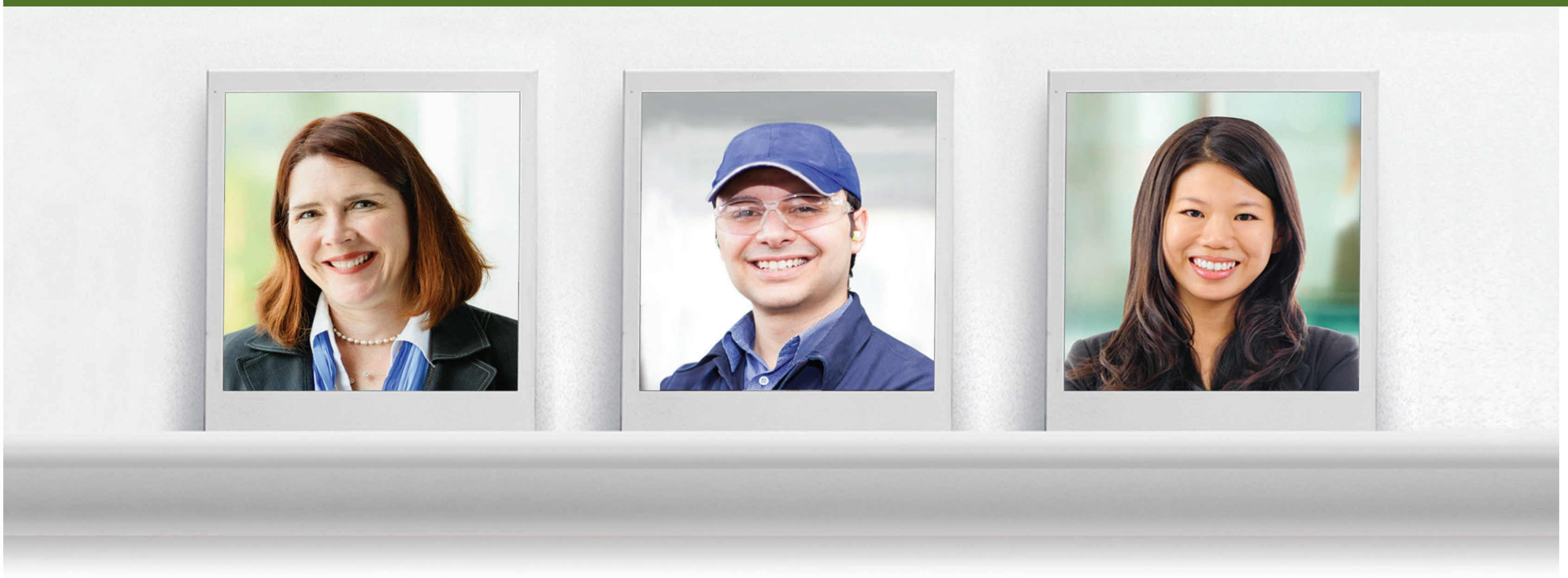
MNDCP Minnesota Deferred Compensation Plan



Enroll Today

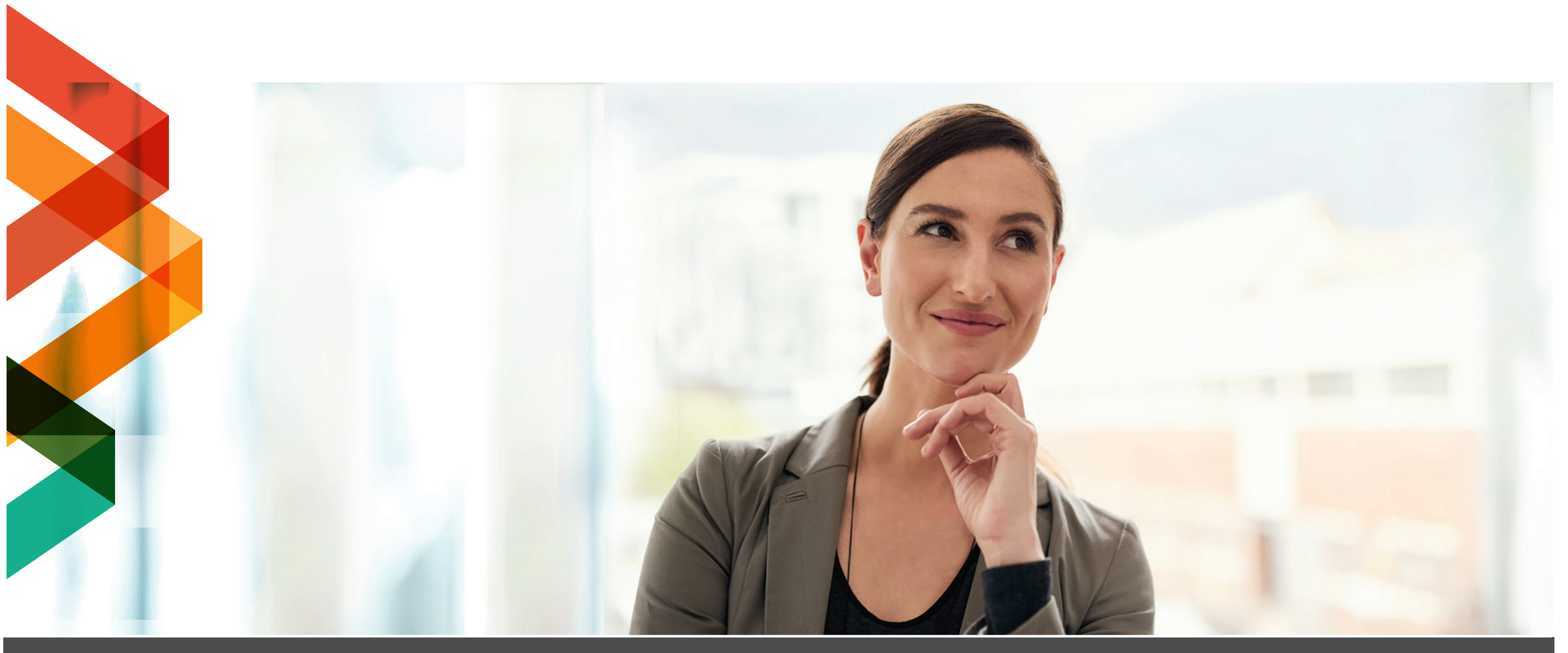
Plan **Your** Financial Future

Plan Now for Your Financial Future

Your retirement income will likely come from your public pension benefit, Social Security and personal savings. The Minnesota Deferred Compensation Plan (MNDCP) can help!

The MNDCP is a voluntary savings plan intended for long-term investing for retirement. Enrolling in the MNDCP is a smart and easy way to supplement retirement income from your Minnesota public pension and Social Security benefits. The MNDCP offers planning tools and investment options that may help you take positive steps toward achieving your desired retirement lifestyle.

> Will your **pension** and **Social Security benefits** be enough or will you need to rely on personal savings accounts?



5 Reasons to Enroll in the MNDCP

1. **Convenience –** Contributions are automatically deducted from your paycheck to make saving for your future a priority by paying yourself first. Increase, decrease or stop your contribution amount at any time.

2. **No IRS Tax Penalty –** The 10% federal early withdrawal penalty typically assessed on withdrawals made before age 59 ½ does not apply to 457(b) plans (like the MNDCP). The penalty does apply to withdrawals attributed to assets rolled in from other types of retirement savings plans (e.g. 401(k), 403(b) or Traditional IRAs). Withdrawals may be subject to ordinary income tax.

3. **Matching Dollars –** Most State employees have a match through their union. Non-State employers may also match a portion of your contributions. Check with your employer for details.

4. **Investing Flexibility –** You have the flexibility to select from a wide variety of investment options within the plan.

5. **Tax Savings –** If you make pre-tax contributions, you don't pay federal or state income taxes until you take a withdrawal from your account. This means you can actually lower the amount of current income taxes you pay each pay period. If you make after-tax contributions, you pay federal and state income taxes now but pay no income taxes when you withdraw from your account.[1]

[1]Tax-free as long as your MNDCP Roth Account was first funded more than 5 years ago AND you are age 59½ or older at the time of withdrawal (or upon your disability or death).

1 Decide

how much to save each pay period.

Set a Savings Goal - Aim for 15%

Consider aiming high. Retirement professionals recommend saving at least 15% of your salary each year.[2] This amount may seem like a lot, but it combines all of your retirement savings contributions including those to your pension plan and voluntary savings accounts. Keep in mind, you can change your MNDCP contribution amount at any time.

> **Example:** If your annual pension contribution is 6% of your base salary, then a reasonable contribution to your MNDCP account might be 9%. For someone making $45,000 a year, that's $156 per pay period.

6% **Pension Savings**

+ 9% **Personal Savings**

= 15% **Savings Goal**

What does this mean to you?

Gross Salary:	$45,000/year
9% Annual MNDCP Savings:	$4,050/year

That's $156 per pay period

FOR ILLUSTRATIVE PURPOSES ONLY. *The amount of savings you contribute depends on your income and pension savings rates. The calculation shown reflects how much someone could save if they earn a gross salary of $45,000 per year and contributed 9% of their earnings to a defined contribution account over 26 pay periods.*

[2]Center for Retirement Research at Boston College, 2014. Stanford Center of Longevity, 2018.

Try the Interactive Retirement Calculator

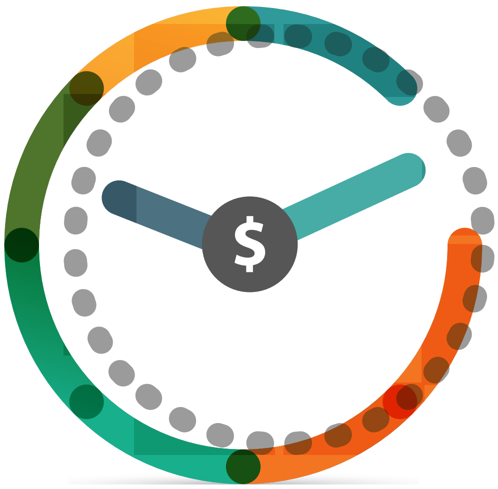
Use our interactive calculator to determine how much retirement income you will need from personal savings to supplement your pension and Social Security benefits.

www.msrs.state.mn.us/retirement-income-calculator

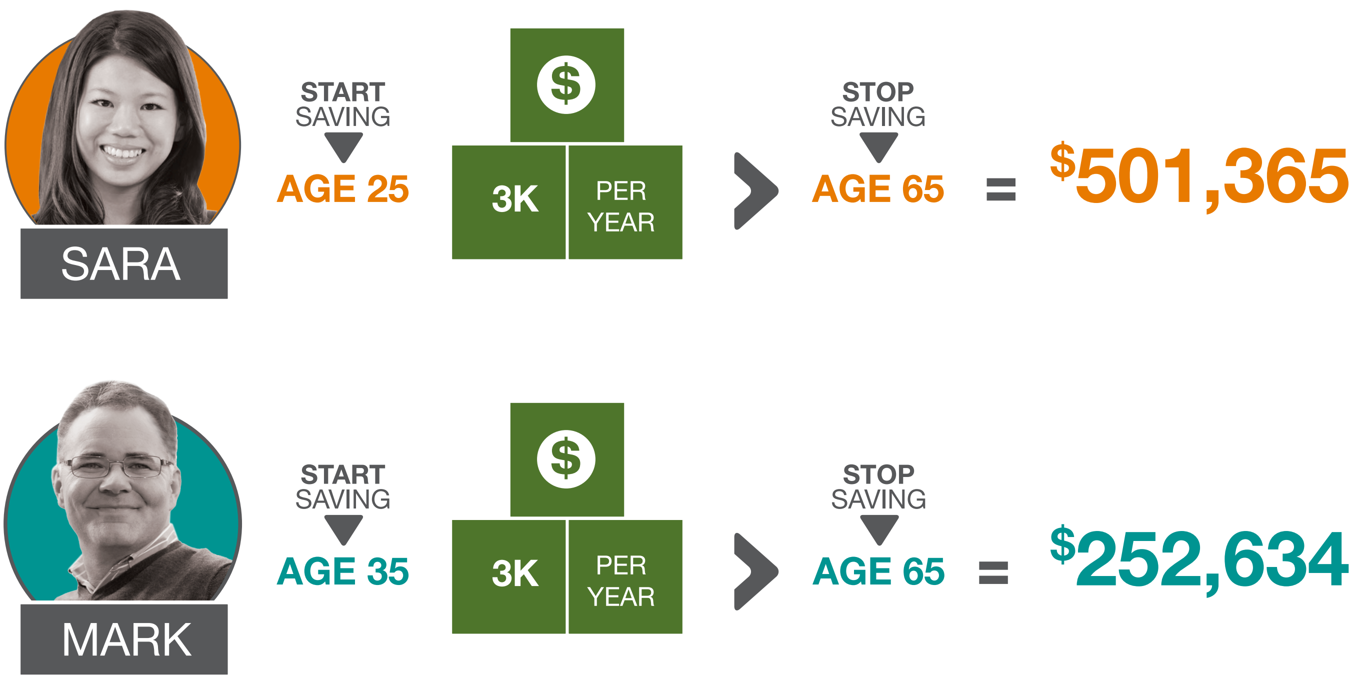
Start Saving Early

Saving early in life is important because of the power of compounding. Compounding is the ability of your contributions to generate earnings, which are then reinvested to generate their own earnings. In other words, compounding can generate earnings from previous earnings.

The more time you have to save and the longer your contributions stay invested, the more opportunity you have for potential growth.



Example: This comparison shows the power of compounding. Sara's investments generate a larger account balance because she started saving ten years earlier than Mark.



FOR ILLUSTRATIVE PURPOSES ONLY. *This hypothetical illustration is not intended as a projection or prediction of future investment results, nor is it intended as financial planning or advice. This example assumes $3,000 per year contributions at 6% annual rate of return and reinvestment of earnings with no withdrawals. Actual rates of return may vary. The illustration does not reflect any associated charges, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees had been deducted.*

2

Determine

whether to contribute pre-tax
or Roth after-tax dollars...or both.

What's the Difference?

All Minnesota public employers can offer MNDCP pre-tax savings. State of Minnesota employees are able to contribute to both Pre-Tax and Roth After-Tax dollars. Other Minnesota public employers may also offer the MNDCP Roth. Ask your employer if they have adopted the MNDCP Roth.

	Pre-Tax Savings	Roth After-Tax Savings
Contributions	Pay no income taxes Can reduce your current taxable income	Pay income taxes Subject to federal, state, and local (where applicable) income taxes
Earnings	No income tax until withdrawn	Tax-free*
Withdrawals	Subject to federal, state, and local (where applicable) income taxes	Tax-free*
Who Benefits?	**Employees who:** • Expect to be in a lower tax bracket later in life • Want to lower current income taxes	**Employees who:** • Expect to be in a higher tax bracket later in life • Are in a low tax bracket today or have other large tax deductions • Want tax-free withdrawals later in life • Want the option of not taking required withdrawals at age 73 • Want to save after-tax dollars in a Roth IRA but earnings exceed the Roth IRA income limitations. **NOTE:** Please review your specific circumstances with your tax or financial advisor

** Tax-free as long as your MNDCP Roth account was first funded more than 5 years ago AND you are age 59½ or older at the time of withdrawal (or upon your disability or death).*

Try the MSRS Roth Decision Tree online

The interactive Roth decision tree may help you determine which savings route might be best for you.

www.msrs.state.mn.us/decision-tree-calc

3

Select

how you want to invest your contributions among the investment options available in the MNDCP.

What Kind of Investor Are You?

Before you jump in and start choosing investments, spend some time thinking about your level of financial knowledge.

Are you a HANDS-OFF investor?

I am not familiar with investment terminology and have little understanding of how to invest. I don't want to spend my time following every twist and turn of the financial markets and making sure my investment portfolio is properly diversified.

Simplify investing with a Target Retirement Fund

See pages 8-9 for more information.

Are you a HANDS-ON investor?

I am a knowledgeable investor who could properly manage my investments. I am comfortable making sure my investment portfolio has the right mix of stocks and bonds or fixed income investments. I know how to ensure my investment portfolio is properly diversified.

Choose your own investment options

See pages 10-11 for more information.

Carefully consider the investment option's objectives, risks, fees and expenses. Call 1.800.657.5757 or visit msrs.state.mn.us for a prospectus, summary prospectus and disclosure document as available, containing this information. Read them carefully before investing.

HANDS-OFF Investor

Consider investing in a Minnesota Target Retirement Fund if you:

- **Are not sure about how to build an investment portfolio**
- **Are unable to spend the time managing your investments**
- **Prefer a simplified, less involved approach to investing**

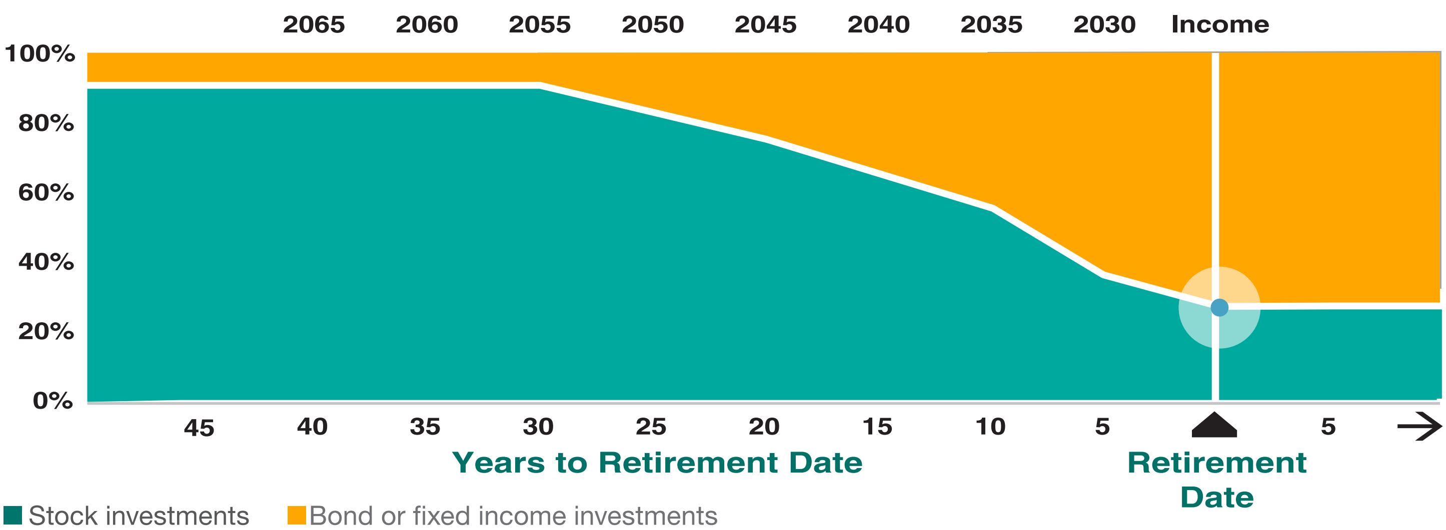
How Target Retirement Funds Work

A **MN Target Retirement Fund** offers a diversified mix of stocks and bonds or fixed income investments. The funds are generally designed for investors expecting to retire around the year indicated in the fund's name. A professional money manager selects and manages the right mix of investments based on the target date of the fund.

Over time, each MN Target Retirement Fund's asset allocation becomes more conservative as the target date nears. The date in the fund name is the approximate date when the investor plans to start withdrawing their money (which is assumed to be at age 65). This reflects the need for reduced investment risk as the target date approaches. Typically at the end of a working career, investors reduce their investment risk by investing more conservatively in order to preserve their principal account balance.

An investment in a Target Retirement Fund is not guaranteed at any time, including on or after the target date.

MN Target Retirement Funds



The example shown is for illustrative purposes only. *The allocation will vary depending on the Target Retirement Funds' anticipated retirement date. Asset allocation investment options are subject to the risks of the underlying funds, which can be a mix of stocks/stock funds and bonds/bond funds.*

Here's What You Need To Do

1. Consider a MN Target Retirement Fund closest to the year you expect to begin taking withdrawals from your account.
   - Funds with longer time horizons, such as the 2050 – 2065 funds, take on more risk by investing in stock funds to pursue growth.
   - Funds with shorter time horizons, such as the 2030 – 2040 funds, take on less risk by investing more in bond funds or fixed income investments to preserve principal and target more income since the anticipated target retirement date is closer.
2. Review your investment at least annually and make planning and saving for your future a part of your life.

Learn About the MN Target Retirement Funds

Read more about the MN Target Retirement Funds, watch a short video, take an interactive lesson or view the detailed asset allocation of each fund online.

www.msrs.state.mn.us/simplify-investing

HANDS-ON Investor

Consider selecting your own investment options if you:

- Have the time to actively manage your investments
- Are comfortable making your own investment decisions
- Feel confident that you can build a diversified[3] investment portfolio

The Importance of Diversification[3]

Diversification is the process of choosing investments within various asset classes. For example, holding stock funds of international, large, small and mid-size companies along with a variety of bond funds or fixed income funds is diversification. Spreading your investments among different asset classes may help weather the ups and downs of the market because you don't depend on any one investment.

Here's What You Need To Do

1. Determine whether you are an aggressive, moderate or conservative investor. This depends on the level of risk and market volatility you are comfortable with and your time horizon (how long before you will use the funds in your account).
2. Select your investments from a range of asset classes to help build a diversified[3] portfolio.

Need More Help?

Learn about the MNDCP investment options or how to build your own investment portfolio:
www.msrs.state.mn.us/choose-your-own

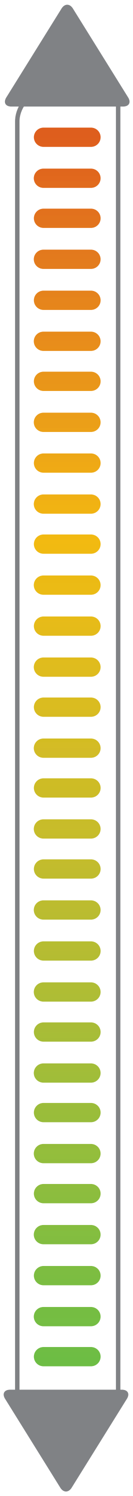
AND

View the fees and performance of each MNDCP investment option:
www.msrs.state.mn.us and select the Performance Report under MNDCP

[3]Using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.

Select Your Investment Options

Higher Risk/
Potential Reward



Lower Risk/
Potential Reward

Investment Asset Class	MNDCP Investment Options
U.S. Small-Cap Stock • Typically invest in the stock of small U.S. companies valued at less than $2 billion. Small company funds involve increased risk and volatility.	• T. Rowe Price Small-Cap Stock Fund
International Stock • Typically invest in the stock of non-U.S. companies. International investing involves additional risks including currency fluctuations, political instability, differences in accounting standards and foreign regulations.	• Vanguard Total International Stock Index Fund (Institutional Plus Shares) • Fidelity Diversified International Comingled Pool
U.S. Mid-Cap Stock • Typically invest in the stock of mid-sized U.S. companies valued at $2 - $10 billion. Mid-cap stock funds are subject to market risk. They are generally perceived to be riskier and more volatile than large-cap stock funds, but less than small-cap stock funds.	• Vanguard Mid-Cap Index Fund (Institutional Plus Shares)
U.S. Large-Cap Stock • Typically invest in the stock of large U.S. companies valued over $10 billion. Large-cap stock funds are subject to market risk.	• Vanguard Total Stock Market Index Fund (Institutional Plus Shares) • Vanguard Institutional Index Fund (Institutional Plus Shares) • Vanguard Dividend Growth Fund
Balanced • Typically invest in a mix of stock/stock funds and bond/bond funds or fixed income investments and are subject to the risks of these investments.	• Vanguard Balanced Index Fund (Institutional Plus Shares)
Bond • Typically invest in bonds issued by corporations and government entities. Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund. • 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.	• Core Bond Account • Vanguard Total Bond Market Index Fund (Institutional Plus Shares)
Stable Value • Intended to deliver safety and stability by preserving principal while accumulating interest earnings. Similar to money market funds but tend to offer higher returns. • While it's the largest conservative investment in defined contribution retirement plans, it is possible to lose money by investing in the fund.	• Stable Value Account
Money Market • Typically subject to less volatility than any other investments. Depending on short-term interest rates, may not keep pace with inflation.	• Money Market Account

You could lose money by investing in the Money Market Account. Although the account seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the account is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The account's sponsor has no legal obligation to provide financial support to the account and you should not expect that the sponsor will provide financial support to the account at any time.

4

Enroll

in the MNDCP and make saving for your future a priority.

It's Simple to Enroll

Complete the **Participant Enrollment Agreement** located in the back of this brochure and submit it to MSRS.

Once You Are Enrolled:

▶ Be Patient

Try not to let short-term market swings deter you from your long-term investment strategy. Since no one can predict how the financial markets will move next year or even next week, try to avoid making emotion-driven changes to your strategy.

▶ Stay Involved

Make a commitment to read each of your MNDCP newsletters and quarterly statements. These communications provide valuable updates and resources to help you throughout the year.

▶ Stay Informed

Know what you're invested in. Periodically reassess your investment option selection to ensure it's still in line with your long-term investment strategy.

▶ Bump It Up

Consider boosting your contribution amount when you get a raise or your expenses decline (for example, when your kids move from day care to kindergarten). Chances are you might not miss the money in the short term and you'll have the potential to benefit even more in the long term, thanks to the power of compounding.

Contact Us – We're Here to Help

If you have questions or want to schedule an appointment to discuss your MNDCP account, contact our office to speak with a representative.

Questions?

Contact the MSRS Service Center:
1.800.657.5757 or 651.296.2761

Go online:
www.msrs.state.mn.us

Email us:
info@msrs.us

Make an appointment to speak to a retirement representative at one of our offices.

Locations

St. Paul - Main Office
60 Empire Drive, Suite 300
St. Paul, MN 55103
Monday – Friday
8 a.m. - 4:30 p.m.

Additional Offices
Addresses and hours of operation available online.

- Duluth
- Mankato
- St. Cloud
- Detroit Lakes

MSRS Mission

We empower Minnesota public employees to build a strong foundation for retirement.

Frequently Asked Questions

Who can enroll in the MNDCP?

Any full-time, part-time or temporary Minnesota public employee (state, city, county, township, school district, etc.) may voluntarily participate in the MNDCP.

How do I enroll?

To enroll in the MNDCP, complete the Participant Enrollment Agreement in this brochure.

Am I vested?

The term “vested” refers to the portion of your account balance that you are entitled to. You are always fully and immediately vested in your entire MNDCP account balance.

Is my account protected?

All account assets are held in trust for you and your beneficiary’s exclusive benefit. This means that your account assets are not subject to the claims of your creditors. Account assets are also not subject to the claims of creditors in the event of the State or public employer’s bankruptcy.

This does not mean your investments are protected against loss of principal due to volatility in the stock and bond markets or interest rate fluctuations.

Should I contribute pre-tax or Roth after-tax?

You choose whether you want to save on a pre-tax basis, Roth after-tax basis or both. There are different tax advantages of either option.

When you make pre-tax contributions you defer income taxes on contributions and earnings until you take withdrawals from your MNDCP account. When you make Roth after-tax contributions you pay income taxes on contributions but any qualified withdrawals are tax-free.

Visit: www.msrs.state.mn.us/pretax-aftertax-mndcp

How much can I contribute?

Through automatic payroll deduction, you can contribute as little as $10 per pay period.

You can contribute up to the annual contribution limits set by the IRS or 100% of your includible compensation, whichever is less. Both pre-tax and Roth after-tax contributions count toward the limit.

Current year contribution limits: www.msrs.state.mn.us/contribution-rates-mndcp

What is the Catch-Up contribution provision?

If you are within three years of your normal retirement age (the age you are eligible for an unreduced pension benefit), the Catch-Up provision may allow you to contribute up to twice the maximum contribution limit. You must apply and be approved for this provision.

Is there a tax incentive for low-income savers?

Yes. You may be eligible for an income tax credit of up to $1,000 just by contributing to your MNDCP account. It’s called the Saver’s Tax Credit.

Visit: www.msrs.state.mn.us/tax-incentive

What fees does MNDCP charge?

No surprises. All fees are fully disclosed. MNDCP is proud to offer a low-cost plan. Here’s how we keep fees low:

Economy of scale – The sheer size of the MNDCP helps keep fees low.

Publicly administered – The administrators of the MNDCP are public employees, just like you. They do not receive any financial incentives such as commissions or sales charges.

Full detailed disclosure of MNDCP fees: www.msrs.state.mn.us/fee-disclosure

When can I withdraw money from my MNDCP account?

You are eligible to withdraw money from your MNDCP account at any age once you leave employment (whether by retirement, resignation, permanent disability, or termination). Withdrawals can begin 30 days after your termination date.

If you are still employed, you are eligible to withdraw money from your MNDCP account anytime after age 59½.

Can I request a withdrawal from my MNDCP account while still employed?

Generally, you can only access money in your account when you leave employment. Under certain circumstances you may request a withdrawal while still employed.

- Once you reach age 59½.
- If you suffer an unforeseen emergency resulting in a severe financial hardship.
- To purchase or reinstate service credit to your governmental pension plan.
- If you rolled money into your MNDCP account from another retirement plan or IRA, you may request a withdrawal of these funds while still employed.

Money from other types of plans or accounts that are rolled into the MNDCP may still be subject to the 10% IRS early withdrawal penalty prior to age 59½ upon distribution from the MNDCP account.

Learn about in-service withdrawals at: www.msrs.state.mn.us/in-service-withdrawals

Can I roll money from other savings plan accounts to my MNDCP account?

A rollover allows you to consolidate your accounts to make it easier to monitor and manage your investments. You may roll over assets into your MNDCP account from a Traditional IRA or an employer-sponsored account such as a 401(k), 403(b) or 401(a). Federal regulations do not permit rollovers from a Roth IRA.

Follow these easy steps to complete a rollover into your MNDCP account.

- Contact your prior plan provider to request a rollover distribution. Inquire if you will incur any fees or charges.
- Complete an Incoming Direct Rollover form

Download form at: www.msrs.state.mn.us/mndcp-forms-docs

Consider all your options and their applicable fees and features before moving your retirement assets.

Can I take a loan from my MNDCP account?

No. The MNDCP does not have a loan provision.

How do I monitor and access my account?

Statements - You will receive quarterly statements that summarize your account information.

Internet 24/7 Access – You can manage your MNDCP account, track your savings progress and keep moving toward your goals right online.

Online: www.msrs.state.mn.us

How do I change my investment options?

You may request investment changes (transfers) or redirect future contributions among the available investment options at any time.

Manage online at: www.msrs.state.mn.us

Call the MSRS Service Center: 1.800.657.5757 to request a change

NOTE: MNDCP does not charge a fee for transfers among investment options, however certain funds may impose fees or restrictions.

The Minnesota State Retirement System (MSRS) administers the MNDCP. MSRS also administers the Health Care Savings Plan (HCSP) – a tax-free medical expenses savings plan – and various pension plans for state employees.

Securities, when presented, are offered and/or distributed by Empower Financial Services, Inc., Member FINRA/SIPC.

This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.

MSRS
Minnesota State Retirement System
MNDCP Minnesota Deferred Compensation Plan
HCSP Health Care Savings Plan
1.800.657.5757 or 651.296.2761
www.msrs.state.mn.us

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