



To: The PERA Board of Trustees

PERA Board Meeting: May 14, 2026

From: Lance L. LaFrombois, Deputy General Counsel

Re: In the Matter of the PERA Police and Fire Plan Disability Benefit Offset of Adam Schauls

This appeal comes to the PERA Board of Trustees from Adam Schauls after a Fact-Finding Conference with an Administrative Law Judge. Adam Schauls (“Petitioner”) has the burden of proving that PERA improperly applied the law regarding benefit offsets to his disability benefit payments.

ISSUE

Whether PERA properly offset the Police and Fire Plan disability benefit payments to Adam Schauls on January 1, 2025.

LAW

Police and Fire Plan disability benefits are offset according to Minn. Stat. § 353.656, subd. 4, paragraph (c):

(c) This paragraph applies to members who begin disability payments or are required to reapply under section 353.031, subdivision 8, on or after July 1, 2023. Beginning the calendar year after application or reapplication, if a disabled member resumes a gainful occupation with earnings, the amount of the member's disability benefit must be reduced each year until normal retirement age by the sum of clauses (1) and (2), not to exceed the amount of the member's disability benefit:

(1) for members with less than 20 years of service for a duty disability benefit or less than 15 years of service for a regular disability benefit, one dollar for each dollar of reemployment earnings, but not more than the lesser of (i) and (ii), and not to exceed the employee contribution rate as defined under section 353.65, subdivision 2, multiplied by the average salary used to determine the amount of the member's disability benefit when granted:

(i) an amount equal to the employee contribution rate as defined under section 353.65, subdivision 2, multiplied by the average salary used to determine the amount of the member's disability benefit, when granted, multiplied by the difference between 20 for a duty disability benefit or 15 for a regular disability benefit and the member's years of service, divided by 55 minus the member's age at the time of disability; or

(ii) 50 percent of the member's yearly reemployment earnings; and

(2) for all members:

(i) one dollar for every two dollars, up to 125 percent of the base monthly salary, by which the sum exceeds the base monthly salary; and

(ii) one dollar for each dollar by which the sum exceeds 125 percent of the base monthly salary; where "sum" means the sum of the current disability benefit plus actual monthly reemployment earnings and "base monthly salary" means the base monthly salary currently paid by the employing governmental subdivision for similar positions.

Minnesota Statutes § 353.656, subd. 4

BACKGROUND AND ANALYSIS

Petitioner Adam Schauls was a Police Officer for the City of Oakdale from 2004 to 2013 and a member of PERA's Police and Fire Plan. He was approved for duty disability benefits in July 2013.

Petitioner's disability benefit payments have continued uninterrupted since July 2013. Mr. Schauls resumed employment in 2014 and has reported earnings consistently during the time he has been receiving disability benefit payments.

Beginning with Petitioner's January 1, 2025 Police and Fire Plan disability benefit payment, PERA was required to determine whether to offset those disability benefit payments by the law enacted in 2023.

I. Police and Fire Plan Disability Benefit Offsets Were Properly Applied by PERA.

The offsets to Police and Fire Plan disability benefit payments is governed by Minn. Stat. § 353.656, subd. 4, which requires that the formulae for offsets to benefit payments enacted in 2023 begin the calendar year after application or reapplication for disability benefit payments.

Petitioner's most recent reapplication for disability benefits was submitted to PERA on October 22, 2024.¹

The calendar year after Petitioner's most recent reapplication for disability benefits is 2025.

PERA staff began applying the law pertaining to Police and Fire Plan disability benefit offsets based on the earnings Petitioner projected for 2025. The offset applied to his benefit payments is what is referred to as "Offset 1", which occurs for any Police and Fire Plan disability benefit recipient who has any earnings from reemployment and has an amount of allowable service in the Plan less than the years of service used to calculate the disability benefit. For duty disability benefits, the minimum years of service used to calculate the benefit is twenty.

What is referred to as "Offset 2", which occurs when a disability benefit recipient exceeds the earnings limit in the law, has not been applied to Petitioner's benefit payments.

¹ Reapplication for Disability Benefits of Adam Schauls dated October 21, 2024.

Petitioner appealed PERA's application of the current law pertaining to Police and Fire Plan disability benefit payment offsets.²

An Administrative Law Judge recommended that PERA Board of Trustees deny Petitioner's Petition for Review of PERA staff's determination on Petitioner's Disability Benefit Offset.

A Fact-Finding Conference regarding Petitioner's appeal was held on January 6, 2026. In his recommendation dated February 24, 2026, Administrative Law Judge ("ALJ") Joseph Meyer made thirty Findings of Fact. Among those Findings of Fact, ALJ Meyer found:

- 1) Petitioner informed PERA of his 2024 earnings on March 23, 2025;³
- 2) PERA responded to Petitioner on April 5, 2025 telling Petitioner that it may take several months for PERA to review his account and determine whether there would be a reduction (offset) of his disability benefit payment;⁴
- 3) PERA informed Petitioner that his disability benefit offset would be \$338.49 per month and that he had been overpaid by \$2,369.43;⁵ and
- 4) Petitioner argued that 2025 was not the "next calendar year" after his last reapplication for disability benefits, which occurred in October 2024.⁶

ALJ Meyer recommended that PERA's Board of Trustees should deny Petitioner's petition because Petitioner has not proven that PERA improperly applied statutory offsets to his duty disability benefits.

In the Memorandum attached to his recommendation, Judge Meyer asserted that:

"Petitioner did not identify any specific alleged inaccuracy with respect to the calculation of his offsets and instead raised concerns that he was unable to learn from PERA how they were calculated. A review of the record, however, establishes that the offsets were correctly calculated."

PERA Staff agrees with the Administrative Law Judge because Mr. Schauls has not identified a mistake that PERA made in its determination of the offset of Mr. Schauls' disability benefit payments.

² Letter from Adam Schauls dated July 7, 2025.

³ Finding of Fact 22; Ex. 23 (2024 Disability Annual Earnings Form completed by Adam Schauls and dated March 23, 2025)

⁴ Finding of Fact 23; Ex. 24 (Letter from PERA to Adam Schauls dated April 5, 2025)

⁵ Finding of Fact 25; Ex. 27 (Letter from PERA to Adam Schauls dated June 13, 2025)

⁶ Finding of Fact 26; Ex. 29 (Letter from Adam Schauls dated July 7, 2025)

II. Petitioner's Additional Claims

Petitioner makes claims on PERA's process of implementing the 2023 benefit offset law, due process and overpayment recovery.

a. The Offset Implementation was Mandated by the 2023 Legislative Change.

PERA did acknowledge Petitioner's legitimate complaint on the timing of the notices sent and has corrected the timing of those notices with respect to disability benefit recipients' respective reapplication dates.⁷

With regard to Petitioner claim that PERA's reapplication process was unauthorized and modified arbitrarily⁸, the 2023 legislative changes mandated PERA's new process and the triggering of Petitioner's 2024 reapplication process. Petitioner's reapplication date was the result of adding three years to the date PERA received his 2021 reapplication, which was November 2, 2021. Petitioner had reapplied in 2017, but PERA did not require reapplication in 2020 because of the pandemic – Petitioner received a one-year break in his reapplication cycle.

Petitioner also claims PERA failed to provide clear, standardized procedures for the offset process. PERA believes that the statute itself outlines the procedure for calculating and beginning the disability benefit offset process.

b. Due Process for PERA Benefit Recipients is also set by the Legislature.

Petitioner claims a lack of due process in the modification of the offsets of his disability benefits and the modified reapplication process. The Minnesota Legislature set up due process for pension plan members and benefit recipients in Minnesota Statutes section 356.96. The previous decision with regard to Petitioner's claims by PERA's Executive Director, the Fact-Finding Conference that occurred in January 2026, and this meeting are all legislatively prescribed elements of that due process.

c. PERA has followed Law and Policy on Overpayment Recovery.

Petitioner claims that PERA recovered more than allowed by PERA policy. PERA's Administrative Manual allows for benefit recipients to receive up to 75 percent of their benefit payments when an overpayment of benefits has been determined to have occurred.⁹ This is akin to saying that, when an overpayment occurs, PERA staff should reduce a benefit recipient's current benefit by at least 25 percent to recover past

⁷ Finding of Fact 19; Ex. 20 (PERA letter to Adam Schauls dated November 4, 2024).

⁸ Petitioner's Memorandum at p. 3.

⁹ PERA Administrative Manual, section 1.6.B.

overpayments. This policy does not address, or apply to, calculating benefit offsets under Minnesota Statutes directing benefit reduction.

In this case, Petitioner's benefit was reduced as the result of applying benefit offsets noted above. The overpayment recovery policy applies to recovering the amount of benefit overpayment of Petitioner's benefit that was paid to Petitioner between January 1, 2025, and the time Petitioner's new benefit amount after the offset was determined.

The 25 percent reduction does not apply to benefit reduction that occurs as a result of applying benefit offset statute. The benefit reduction under the overpayment recovery policy in PERA's Administrative Manual applies to past overpayments that accrue on a monthly basis after the monthly benefit payment should have been reduced under the benefit offset statute.

PERA staff properly reduced Petitioner's new benefit amount, after offset, by 25 percent to recover the amount of the overpayment between January and July of 2025.

PERA Staff Recommendation

PERA staff respectfully requests that the PERA Board of Trustees adopt ALJ Meyer's Findings of Fact, Conclusions of Law and Recommendation in this matter and deny Petitioner's appeal, including Petitioner's Additional Claims, and direct its counsel to draft an order reflecting its decision for the Board President's signature.