STATEWIDE VOLUNTEER FIREFIGHTER (SVF) FIRE STATE AID

Currently, entities within the SVF Plan are not eligible to allocate fire state aid towards employer contributions to the PERA Police & Fire Plan.

- The proposed legislation allows for an entity with a combination fire department to propose a fire state aid allocation plan for up to three years. A combination fire department consists of at least one career firefighter and one volunteer firefighter.
- The amount of fire state aid that can be allocated cannot exceed the entity's employer contributions for their career firefighters in the PERA Police & Fire Plan. The amount allocated cannot jeopardize the 100 percent funding status of the SVF Plan.
- The entity must notify the volunteer firefighters and PERA of the fire state aid allocation plan. The volunteer firefighters have a period of time to file a petition to stop the proposed fire state aid allocation plan. If no petition is filed, the fire state aid allocation plan goes into effect for the next calendar year.

PRIVATIZATION WITHDRAWAL LIABILITY

Eligible healthcare entities currently may privatize and discontinue participation in PERA without paying the unfunded liability attributable to their employee's benefits. The result is that upon privatization there is a shift of costs from that employer to the remaining employers and active members.

- The proposed legislation requires a privatizing entity to pay a withdrawal liability that calculates the unfunded actuarial accrued liability for an entity's eligible active members by using current actuarial assumptions and the plan's funding ratio from the most recent actuarial valuation.
- The withdrawal liability amount would be amortized using current plan assumptions to develop an annual contribution sufficient to reduce the privatized employer's unfunded actuarial accrued liability to zero over a period of not more than ten years.
- The effective date is deferred to July 1, 2023 and expected withdrawal liability amounts would trend towards zero as the General Employees Retirement Plan progresses to fully funded status.

PERA POLICE & FIRE DUTY & REGULAR DISABILITY BENEFITS

The PERA Police & Fire Plan statute currently allows members who are over 55 with less than 20 years of service at the time of application to apply for duty disability benefits. These members, if approved, receive a non-taxable duty disability benefit equivalent to a 20-years-of-service benefit for 5 years. After 5 years, the benefit converts to a taxable retirement benefit. Members who are under age 55 and have more than 20 years of service receive a non-taxable duty disability benefit only until they reach age 55 (normal retirement age) and are required by statute to transition to a taxable retirement benefit. Members who are over 55 with more than 20 years of service are not eligible to apply for duty disability benefits and receive a taxable retirement annuity. Under the current statute, members with less than 20 years receive a non-taxable benefit for the entire 5 year period even though they are over age 55, while members who have more than 20 years of service may not receive a non-taxable benefit for a shorter time because they reach age 55. The legislation addresses the existing different tax treatment for duty-disabled members over age 55 depending on their years of service.

- The proposed legislation does not change either the disability eligibility requirements or the benefit amounts for any members.
- The proposed legislation addresses the disparate tax treatment of members who are over age 55 based on whether they have 20 years of service. All members who are over age 55 will receive a retirement annuity. Members who are over age 55 with less than 20 years of service who otherwise qualify for a duty disability will receive either a minimum 20 year retirement annuity based on a minimum of 20 years of service or their entitled retirement annuity based on actual service, whichever is greater as a retirement annuity. This change makes the tax treatment consistent for all members becoming disabled after age 55 regardless of their years of service.
- Members over 55 who are eligible for a regular disability benefit will receive a retirement annuity based on a minimum of 15 years of service or their retirement annuity adjusted for vesting purposes, whichever is greater. As a regular disability benefit was considered taxable, a regular disability retirement annuity remains taxable.
- The recommended changes do not apply to regular-total permanent or duty-total permanent benefits.

PERA ADMINISTRATIVE BILL

PERA's administrative legislation will allow PERA to continue to effectively and efficiently administer PERA's statute.

- The most significant change addresses how PERA administers leave purchases. The changes will enable a smoother process for both members and employers.