



PERA

NEWS

Assets Over \$40 Billion

Serving over 440,000 public employees in Minnesota

WINTER 2021

GENERAL

POLICE & FIRE

CORRECTIONAL

# Understanding Termination and Benefit Begin Dates

As you prepare for retirement, there are some important items to remember about selecting the date you leave employment and when to begin your PERA benefit.

Your termination date directly impacts the month you can begin your benefit:

» **Example 1**

If you terminate on Dec. 31, the earliest your benefit can begin is Jan. 1.

» **Example 2**

If you terminate on Jan. 1, the earliest your benefit can begin is Feb. 1.

Minnesota Statutes require you remain out of public service for at least 30 days with no pre-arranged agreement to return. For example, if you're a school employee, adding your name to next year's sub-list before officially separating is considered a pre-arranged agreement. It is in your best interest to have received your first payment from PERA before returning to employment in public service.



If you return to work before your 30-day separation, your benefit will be canceled, you'll need to repay any benefits received, and you may have to contribute to PERA again.

## REVIEW DATES ON RETIREMENT PAPERWORK

These critical dates on your retirement paperwork will determine when you can begin your benefit. We recommend you submit the application and necessary documents for proof of age and identity about 60 to 90 days prior to your benefit begin date, along with a *Verification of Termination* form from your employer.

A common error is entering the benefit begin date as the termination date on the *Verification of Termination* form. If you want to start benefits in January, but enter January 1 as the termination date instead of your benefit begin date, PERA would start your benefit in February. If dates are incorrect on the paperwork, it could cause your benefit to be delayed.

## PLANNING RESOURCES

Your monthly benefit is calculated based on your age at retirement, length of service, and the average of your highest 60 consecutive months of salary. We have several tools to help you decide the benefit begin date that works best for you. See our website to find planning tools, how-to videos, and our education schedule.

## WE'RE HERE TO HELP!

If you have any questions about selecting your termination date or benefit begin date, please call our Member Services team.

*Administer and promote sustainable retirement plans and provide services that our members value.*

## PRESIDENT'S MESSAGE



**Thomas Stanley**  
President  
PERA Board of Trustees

The spreading coronavirus pandemic continues to be an overriding concern world-wide. Sadly, the social and economic impact will affect individuals, communities, and organizations like PERA for some time to come.

However, from a strictly financial perspective, there are some positives. PERA's investments earned a rate of return greater than 30% in the fiscal year ending on June 30, 2021. The strong returns improved the financial condition of PERA's plans to their highest levels in the past twenty years.

PERA continuously monitors and responds to emerging financial and social conditions to ensure that our plans are sustainable and meeting the needs of our members. For example, PERA-covered employers have seen a reduction in active employees for the first time in more than a decade. If this becomes a trend, decreasing membership could negatively impact the value of future contributions to the plans.

Similarly, price inflation has emerged during the pandemic. PERA's plans offer some inflation protection. However, if the current rate of inflation were to endure for more than a short time, it will reduce the relative value of pension benefits (buying power) for PERA benefit recipients.

PERA's actuarial consultant regularly analyzes investment markets to determine a reasonable rate of return that PERA could expect in the future. This year, the actuary's analysis suggested that an expected 7.5% return was no longer reasonable. While use of a lower rate will decrease the actuarial funding status in our plans, the more realistic investment growth predictions help us make decisions that keep our plans strong.

PERA's Board of Trustees is committed to achieving full-funding in all of its plans before 2048. The Board works closely with the Executive Director to understand the financial variables affecting our plans and identifying ways to evolve the existing plan designs to ensure that all members are paid their earned benefits in-full and on-time now and in the future. As needed, changes that preserve our plans' sustainability—while also maintaining fairness and affordability to our members—will be recommended by the Board to the legislature.

## Coming Soon! DCP Webinar for Members

We are excited to announce a new education program for Defined Contribution Plan (DCP) members. Learn about eligibility, how the plan works, investment options, and how to withdraw your money when you retire. Our first program is scheduled for Thursday, January 27th. Registration will be available on our website in the coming weeks.

## Federal Tax Withholding changes ahead for 2023

For benefit recipients, the IRS is modifying how to elect federal tax withholding on *IRS Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments*. The goal of the change is to help members account for income from multiple sources. Currently, tax tables are calculating the withholding amount based on your PERA pension only, and not your total income.

For members interested in a refund, the IRS is updating options to withhold additional taxes on *IRS Form W-4R, Withholding Certificate for Non-periodic Payments and Eligible Rollover Distributions*.

PERA will be making these changes in order to be ready for 2023. We'll provide additional communication on how these changes may impact you.

## Working After Retirement 2022

If you're considering returning to work for a PERA-covered employer, it's important that you understand the state and federal rules regarding working after retirement.

While there are no earnings limits if you are over Social Security's (SS) full retirement age, if you return to PERA-covered work prior to that age, you must remain within the annual limits. 2022 limits are:

- » **\$19,560:** under full SS retirement age
- » **\$51,960:** reach full SS retirement age in 2022

If these limits are exceeded, your PERA pension may be reduced or suspended. Learn more on our website at [mnpera.org/news/2022-war/](https://mnpera.org/news/2022-war/).

# New Leave Purchase Process in 2022

During your career, you might take a leave of absence from your PERA-covered position. Beginning in 2022, we will be updating our leave process.

## WHAT'S THE NEW PROCESS?

Employers will send PERA an annual report of leaves that occurred in the prior year. The report will include when you were on leave, hours missed, your rate of pay, and the type of leave. The reporting period depends on whether or not you work in a school:

All employers except schools will provide a report in January for all leaves in the previous calendar year, Jan. 1 through Dec. 31.

School employers will provide a report in July for leaves that occurred in the previous school year, from July 1 through June 30.

## HOW DOES THIS IMPACT ME?

If you have a leave reported to PERA under this process, we'll automatically send you a benefit estimate with purchase information about 6-8 weeks after we receive the report. The leave purchase is optional, but may result in a larger monthly benefit when you retire.

## WILL THE PURCHASE INCREASE MY PERA BENEFIT?

We use three factors to determine your monthly benefit: service, age, and salary. Service and salary may be affected by your leave and purchasing missing service may increase your benefit amount. If you're only missing partial salary during the leave, then it depends on if the purchase falls in the range of your highest average salary when you retire. The benefit estimates sent to you will include the cost of the purchase and the current impact to your monthly pension, which may help with this decision.

## ARE ANY LEAVES EXCLUDED FROM THIS NEW PROCESS?

Yes - military leaves. These leaves will be provided on the report, and we'll send you a letter notifying you that we received the information. The letter will include next steps, as we need additional salary information and a copy of your *DD Form 214, Certificate of Release or Discharge from Active Duty*.

To learn more, view the *Leave Purchases* brochure on our website.

## IMPORTANT REMINDERS FOR BENEFIT RECIPIENTS

As we prepare for the 2022 calendar year, there are a few important reminders for members and survivors receiving PERA benefits:

### WHEN WILL I RECEIVE MY JANUARY PAYMENT?

January 2022 payments will be paid on the first banking day:

**Monday, Jan. 3, 2022**

You'll be able to view your new payment amount in your myPERA account as early as Dec. 22.

### COST OF LIVING ADJUSTMENTS

If you're eligible, your COLA will be reflected in your January 2022 payment. Learn more at [mnpera.org/retirees/cola](https://mnpera.org/retirees/cola).

### 2022 COLAs:

- » General Plan 1.5%
- » Police & Fire Plan: 1.0%
- » Correctional Plan: 2.5%

New to receiving PERA benefits? Your first COLA percentage will depend on the type of benefit you're receiving, the plan, and the start date. After your first increase, all future COLAs will be the full percentage.

### PENSION AWARD LETTERS

Income verification reports, also known as pension award letters, may be downloaded on or after Dec. 22 to reflect your 2022 pension benefit information. You may access your report on-demand in your online myPERA account.

### 1099-R TAX FORM

Your 1099-R for tax year 2021 will be available in your myPERA account by Jan. 2 and also will be mailed to you by the end of January.

## 2022 IRS Retirement Plan Limits

The IRS limits contributions made to Defined Contribution Plans (DCP) and compensation eligible for Defined Benefit Plans (DBP). These limits are adjusted annually and impact a small percentage of members and benefit recipients:

### DBP Maximum Annual Benefit - IRS Section 415(b)(1)(A)

\$245,000

### DBP Annual Compensation Limits - IRS Section 401(a)(17)

Enrolled in a DB Plan on and after July 1, 1995	\$305,000
Enrolled in a DB Plan before July 1, 1995	\$450,000

### DCP Annual Compensation Limits - IRC Section 415(c)(1)(A)

Combined DCP employee and employer contributions	\$61,000
--	----------



Public Employees Retirement Association  
60 Empire Drive, Suite 200  
St. Paul, MN 55103

PRSRT STD  
U S POSTAGE  
PAID  
TWIN CITIES MN  
PERMIT 171

## BOARD OF TRUSTEES

The PERA Board of Trustees consists of 11 members. The State Auditor is a member of the Board by statute. Five trustees are appointed by the Governor to represent cities, counties, school boards, retirees and the public, respectively. The remaining five members are elected by the PERA membership at large to represent the general active membership, Police & Fire Plan members, and all benefit recipients. Board members serve four-year terms.



**Connect with PERA**

*Find us on Facebook and Twitter*

[mnpera.org](http://mnpera.org)

### Serve on PERA's Board of Trustees

PERA has an opportunity for you to serve on the Board of Trustees to represent School Boards. This position is a four-year term and is appointed by the Governor.

The Board of Trustees do not receive compensation for their service to PERA, but are reimbursed for necessary expenses incurred while serving the Association.

Meetings are held on the second Thursday in February, April, May, June, August, October, and December.

#### HOW TO APPLY

Individuals can apply online through the Office of the Secretary of State website, [sos.state.mn.us](http://sos.state.mn.us) under Boards and Commissions. Applicants may submit a cover letter, resume or other information that might be helpful to the appointing authority. Applications become public information once submitted. Applications will be accepted until the Governor appoints a trustee.

More information about the Board of Trustees can be found on our website.