

On May 19, 2023, the governor signed three bills impacting PERA benefits: The Pension and Retirement Omnibus Policy Bill (SF3016/HF2950), the Pension Omnibus Budget Bill (SF3162/HF3100), and the Public Safety PTSD/Duty Disability Bill (SF1959/HF1234). This document provides a summary of legislative and regulatory changes that may impact your PERA benefit. Your benefit information reflects these changes. These legislative changes are effective July 1, 2023, unless noted below.

COORDINATED, BASIC, AND MERF MEMBERS

CONTRIBUTIONS	No changes.
VESTING	Three-year vesting now applies to active public employees on or after July 1, 2023. Five-year vesting still applies to members first hired on or after July 1, 2010 and who terminated before June 30, 2023.
ANNUAL INCREASE	Eliminates the delayed annual increase provision set to begin January 1, 2024. Benefit recipients will follow the standard increase schedule based on their benefit effective date.
BENEFIT RECIPIENTS	Eligible members who have received benefits for at least 12 full months as of June 30, 2023, will receive a one-time extra payment. Amounts will be based off the 2024 annual increase and your gross benefit. You will receive this extra payment by March 31, 2024. We are unable to determine your one-time payment until March 2024. More information will be shared in our Winter 2023 Newsletter.

POLICE & FIRE MEMBERS

CONTRIBUTIONS	No changes.
VESTING	Five to 10-year graded vesting now applies to those who became a member of PERA on or after July 1, 2010, and have not taken a refund or started a benefit. Ten to 20-year vesting was removed from statutes.
BENEFIT RECIPIENTS	Eligible members who have received benefits for at least 12 full months as of June 30, 2023, will receive a one-time extra payment. Amounts will be based off the 2024 annual increase and your gross benefit. You will receive this extra payment by March 31, 2024. We are unable to determine your one-time payment until March 2024. More information will be communicated in our Winter 2023 Newsletter.
DISABILITY	Duty total and permanent disability benefit formula is now 99% of average salary. Members with a psychological condition must complete a treatment requirement before applying for a duty disability benefit. Earnings offsets were modified for disability recipients who have reemployment earnings. As of January 1, 2024, workers' compensation will no longer offset disability benefits.

CORRECTIONAL MEMBERS

CONTRIBUTIONS	No changes.
ANNUAL INCREASE	The provision reducing the annual increase cap to 1.5% was adjusted to allow the cap to revert back to 2.5% if certain criteria is met.

DEFINED CONTRIBUTION PLAN (DCP)

MEMBERSHIP ELIGIBILITY	Beginning May 20, 2023, appointed officials are eligible for DCP membership when earnings are too low for Coordinated Plan membership. Previously elected but now appointed positions are also eligible to resume DCP membership if their salary remains below the Coordinated membership threshold.
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ALL DEFINED BENEFIT PLANS

PLAN ASSUMPTIONS	Changes the assumed investment return from 7.5% to 7.0% beginning June 30, 2023.
MEMBERSHIP ELIGIBILITY	Annual earnings requirement for defined benefit membership is now a monthly threshold requirement of \$425. Current members who qualified for membership under the previous rules are not affected and will retain their membership until termination.
DEATH BENEFITS	Dependent child benefits now have a benefit duration to age 23. Police & Fire full-time student requirement between ages 18 to 23 was removed from statute.
PRIVATIZED MEMBERS	Beginning January 1, 2024, interest applied to benefits will be 0% prospectively (note this is a 2020 legislative change).
MEMBER PURCHASES	Members who terminate employment or start a disability benefit before paying a leave of absence will now have the same period of time to make the purchase as active members, which is one year after the end of each reporting period. Members who are applying for a disability benefit are now eligible to purchase all leave types. Interest on member purchases (repaying a refund, leave of absence, etc.) will be: 8.5% until June 30, 2015, 8.0% July 1, 2015 through June 30, 2018, 7.5% July 1, 2018 through June 30, 2023, 7.0% July 1, 2023 forward.
MN STATE TAXES	MN tax withholding form will change beginning January 1, 2024, and allow withholding elections based on a percentage of your gross benefit.
DISABILITY REAPPLICATION PROCESS	While not a new process, the current administrative procedures for the disability reapplication process were incorporated into law. The legislation clarified that disability recipients reapply and provide evidence of continued disability once a year for the first five years and every three years thereafter. The legislation also provided that if our medical consultant states in writing that no improvement can be expected with the disabling condition that the benefit was based on, then the reapplication process may be waived.

FEDERAL AND OTHER REQUIRED CHANGES (BEGINNING JANUARY 1, 2023)

REQUIRED MINIMUM DISTRIBUTIONS (RMD)	<ul style="list-style-type: none"> Age 72: members who reached age 72 before year 2023 (note RMD age is 70 1/2 if born before July 1, 1949) Age 73: members who reach age 72 between year 2023 and 2033 Age 75: members who reach age 74 in year 2033 or later If you do not take the RMD by the deadline, the penalty excise tax is reduced to 25% beginning December 30, 2022. The penalty tax is further reduced to 10% if the failure to take the RMD is corrected within a two-year window. A surviving spouse may elect to be treated as if they were a deceased employee for purposes of the RMD rules (beneficial if deceased employee is younger than surviving spouse).
FEDERAL TAXES	The federal tax form was split into two forms, W-4P (monthly benefits) and W-4R (refunds). Any changes to future federal tax withholding will use these new forms.

QUESTIONS?

We are here to help. If you have any additional questions about legislative or other regulatory changes, please contact us at benefits@mnpera.org. You can also find more information on our website at mnpera.org.