

REAPPLICATION PROCESS

- There are no changes to the reapplication process for a duty disability benefit. There will be no administrative cost for the member nor is the use of an attorney necessary.
- The Bill codifies the process so that duty disability members know exactly when they must reapply.
- Currently, duty disability members must prove they remain disabled each year for the first five years after starting a duty disability benefit and every three years thereafter. The Bill adds this currently existing process to the statute. In the reapplication process, duty disability members only submit one supporting medical report.
- The Bill continues the requirement that a member provides evidence that they remain disabled if they are denied and file an appeal. Denials and appeals are very rare.
- The proposed legislation also clarifies that if our medical consultant states in writing that no improvement can be expected with the member's disabling condition that was the basis for the disability benefit, then the reapplication process may be waived.
- The reapplication process stops when a member starts a retirement benefit.
- Continuation of coverage includes continuation of benefits (subject to offsets) and 299A health coverage, if applicable.
- The reapplication process applies to all disability benefits granted from PERA.

POLICE & FIRE DUTY DISABILITY BENEFITS

- Workers' compensation benefits will no longer offset duty disability benefits.
- If a member has no reemployment earnings, there will be no change to their duty disability benefit.
- If a member is receiving a duty disability benefit and has reemployment earnings, the current benefit offsets will be replaced with the following two offsets (see *Police & Fire Duty Disability Offset Examples* on back page):
 - » Offset #1 is the minimum of (a) 50% of reemployment earnings or (b) 11.8% of average salary multiplied by the difference between 20 and the member's years of service, divided by 55 minus the member's age at the time of disability.
 - » Offset #2 is a reduction to the duty disability benefit when the sum of the duty disability benefit plus reemployment earnings exceed 100% of an active member's salary in a similar position. The reduction is equal to \$1 for every \$2 when the sum exceeds 100% up to 125%, and \$1 for every \$1 when the sum exceeds 125%.
- Disability recipients with over 20 year of service do not have Offset #1.
- The purpose for the offset changes are to make net income for disability recipients who return to work (income = disability benefit + reemployment earnings) comparable to active members (income = salary - PERA contributions).
- The duty disability benefit offsets stop when a member starts a retirement benefit.
- **Important Note:** Duty disability benefits will remain non-taxable per federal law even after the member transitions from a duty disability benefit to a retirement annuity beginning in 2027. This is not part of the proposed changes, but part of the SECURE 2.0 federal law that passed last year.

QUESTIONS?

If you have any further questions on how this Bill may impact you, please contact our Member Service Center at 1.833.454.0154, or email us at benefits@mnpera.org.

POLICE & FIRE DUTY DISABILITY OFFSET EXAMPLES

EXAMPLE 1

If a 30 year old Police & Fire member with 5 years of service credit and an average salary of \$100,000 goes on duty disability, the disability benefit would be 60% of average salary.

Suppose they then get another non-public safety job and earn \$30,000. Under current law, no offsets apply because the total benefit (\$60,000) plus reemployment earnings (\$30,000) is less than 125% of average salary for a member in a comparable position (\$125,000).

The proposed change would have the following offset:

- » Offset #1 would be \$7,080 ($11.8\% \times \$100,000 \times 15/25$).
- » Offset #2 would not apply as the combined benefit plus reemployment earnings do not exceed current salary in a similar position.

The net result is the duty disability benefit would be $\$60,000 - \$7,080 = \$52,920$. Together with reemployment earnings, the total would be $\$82,920$ ($\$52,920 + \$30,000$).

EXAMPLE 2

If a 40 year old Police & Fire member with 15 years of service credit and an average salary of \$100,000 goes on duty disability, the disability benefit would be 60% of average salary.

Suppose they then get another non-public safety job and earn \$50,000. Under current law, no offsets apply because the total benefit (\$60,000) plus reemployment earnings (\$50,000) is less than 125% of average salary for a member in a comparable position (\$125,000).

The proposed change would have two offsets:

- » Offset #1 would be \$3,933 ($11.8\% \times \$100,000 \times 5/15$).
- » Offset #2 would be \$5,000 ($\$110,000 - \$100,000 = \$10,000 / 2$, as excess is less than 125%).

The net result is the duty disability benefit would be $\$60,000 - \$3,933 - \$5,000 = \$51,067$. Together with reemployment earnings, the total would be $\$101,067$ ($\$51,067 + \$50,000$).