The legislative session ended May 22, 2023. PERA has drafted several forms of communication to members, employers, and stakeholder groups to inform individuals on PERA-related legislative changes. We wish to highlight a few communication materials we published recently.

1. **Website Legislative Article.** This website article provided high level changes impacting PERA's benefit provisions.

2. **Member Newsletter.** In our summer member newsletter, we included an article detailing legislative changes impacting members. This newsletter was sent to over 100,000 members who have elected a digital email newsletter notification. The newsletter is in the process of being mailed to over 335,000 members.

3. **Employer Newsletter.** In our summer employer newsletter, we included two legislative articles:
   - An overview of several legislative changes impacting employers
   - An article providing more detail on the changes to the monthly membership earnings threshold.

   The newsletter was sent to over 5,000 employer contacts who have elected a digital email newsletter notification. The newsletter is in the process of being mailed to over 750 employers.

4. **Legislative Update Handout.** This document provides an overview of legislative changes impacting members. This insert will be mailed to members with their annual Personal Benefit Statement. It will also be mailed with requested member estimates. A link to the document will be highlighted in the member's myPERA account as well.
2023 Omnibus Retirement Bills

May 24, 2023

On May 19, 2023, the Governor signed three bills impacting PERA benefits:

- SF3016/HF2950, the Pension and Retirement Omnibus Policy Bill (Policy Bill);
- SF3102/HF3100, the Pension Omnibus Budget Bill (Budget Bill); and
- SF1999/HF1234, a bill modifying police officer and firefighter duty disability provisions (Disability Bill).

The Policy Bill included a return to monthly threshold criteria for PERA membership eligibility requirements, age standardization of dependent child benefits, minor changes to the leave purchase process for terminated members and those applying for disability. Statewide Volunteer Firefighter (SVF) changes that authorize previous service to count for vesting purposes, and a provision for previously elected but now appointed positions to remain in the Defined Contribution Plan (DCP). Many of these provisions were administrative changes and did not create any additional costs to PERA plans.

The Budget Bill contained a few changes that provided direct funding by the legislature. The first change provides a one-time lump sum payment to Coordinated, Basic, and Police & Fire recipients. The bill also modifies the assumed rate of return from 7.5% to 7%, adjusts vesting requirements from five years to three years for General Plan members, repeals the delayed annual increase for General Plan members, adjusts the annual increase trigger criteria for the Correctional Plan, and allocates direct funding for General and Correctional Plans' unfunded liabilities. In addition, the bill includes $5 million for an incentive program for new entities to join the SVF Plan.

The Disability Bill establishes new treatment plan requirements for Police & Fire members with a psychological condition that occurred on the job, changes the Police & Fire vesting requirements from 10-20 years graded vesting to 5-10 years graded vesting, modifies PERA’s reapplication process, increases Police & Fire duty total and permanent benefits from 60% to 99% of the member's average salary, eliminates the workers' compensation offset, and modifies the offset calculation for disability members with reemployment earnings.

We appreciate your patience as we begin communicating and implementing these new changes. We will provide additional communication in our Summer 2023 member and employer newsletters, including when each change will be effective. In addition, we will share specific details to impacted membership groups as we begin implementing these changes.
The 2023 legislative session ended on May 22. The Legislative Commission on Pensions and Retirement heard testimony and reviewed proposed legislation on several topics and initiatives related to pension benefits. Several bills were signed at the end of the session that impact PERA: 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). These legislative changes are effective July 1, 2023, unless noted below.

**MEMBERSHIP ELIGIBILITY**

The current annual earnings requirement for defined benefit membership for local government and school employees of $5,100 and $3,800, respectively, is now replaced with 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.

**VESTING**

For Coordinated members, three-year vesting now applies to active public employees. Five-year vesting still applies to members first hired on or after July 1, 2010, and who terminated before June 30, 2023. For Police & Fire members, five to 10-year graded vesting now applies to those who became a member on or after July 1, 2010, and have not taken a refund or started a benefit. The previous 10 to 20-year graded vesting was removed from statutes. There are no vesting changes for Correctional members.

**ONE-TIME PAYMENT**

Coordinated, Basic, and Police & Fire benefit recipients who have received retirement, survivor, or disability benefits for at least 12 full months as of June 30, 2023, are eligible for a one-time payment. The amounts will be based off the 2024 annual increase and your gross benefit. We are unable to determine your one-time payment until March 2024. For Coordinated members, the amount will be the difference between the actual 2024 increase and 2.5%. For Basic and Police & Fire members, it is the difference between the actual 2024 increase and 4.0% as these members are not eligible for Social Security (exception: if a Police & Fire recipient has not received an annual increase on their benefit as of Jan. 2024, the one-time amount will be based on 3.0%). You will receive this extra payment by March 31, 2024. This one-time payment is non-compounding toward the overall benefit. More information will be shared in our Winter 2023 Newsletter.

**ANNUAL INCREASE**

For Coordinated, Basic, and MERF members who start early retirement benefits January 1, 2024 or later, the delayed annual increase provision was removed from statute. These members will now follow the standard increase schedule based on their benefit effective date. For Correctional members, the trigger provision was corrected to move back to the 2.5% increase cap after meeting certain criteria if it ever dropped to 1.5%.

continued on page 2 »
DEATH BENEFITS
Dependent child benefits for all defined benefit plans now have a benefit duration to age 23. This provision generally applies when a member’s death occurs before starting a PERA benefit. The Police & Fire full-time student requirement between ages 18 to 23 was removed from statute.

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. Accrued interest on member purchases (repaying a refund, leave of absence, etc.) will be 7.0%, July 1, 2023, forward.

MN STATE TAXES
The tax withholding form will change beginning January 1, 2024, and allow withholding elections based on a percentage of your gross benefit.

PLAN ASSUMPTIONS
Beginning June 30, 2023, PERA’s assumed investment return changes from 7.5% to 7.0%.

POLICE & FIRE DUTY DISABILITY
The 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.

DISABILITY REAPPLICATION PROCESS
While this is not a new process, the current administrative procedures for the disability reapplication process were clarified in 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 clarified 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 re-application process may be waived.

PERA’s Board of Trustees

BOARD ELECTION RESULTS
In February of 2023, PERA completed the Board election process. YesElections, the election vendor, certified the Board election results. The Board voted to accept the certified results during their meeting on February 16.

The PERA Board welcomes one new trustee along with four returning trustees:

» Dennis Flaherty, retired, disabled and survivor representative
» Paul Bourgeois, active general and correctional representative
» Thomas Stanley, active general and correctional representative
» Thomas Rupp, active general and correctional representative
» Paul Ford, police and fire representative

We would like to thank our candidates and voters for their participation in the voting process.

GOVERNOR APPOINTMENT
The PERA Board welcomes Mary Falk, who was re-appointed to a four-year term on PERA’s Board by the governor in April 2023. Trustee Falk is serving as PERA’s general public representative.

To learn more, visit our Board of Trustees page.

MEET PERA’S NEW TRUSTEE
Dennis Flaherty, elected to represent retired, disabled and survivor members, grew up in Saint Paul and began his career as a police officer in the City of Brooklyn Center in 1974. He became the executive director of the Minnesota Police and Peace Officers Association (MPPOA) in 1986 and later left the executive director position to become deputy mayor of the City of Saint Paul in 2002. Dennis returned to his role as executive director of the Minnesota Police and Peace Officers Association in 2008. Dennis has been an advocate for law enforcement officers in Minnesota and an ambassador for Minnesota’s law enforcement community to all Minnesotans.
8.9% Unaudited FY 2023 Returns

The State Board of Investment (SBI) provided unaudited, annualized returns of 8.9% for the fiscal year ending June 30, 2023. The Combined Funds are returns for all contributions and investment earnings from the statewide retirement systems, including PERA, Minnesota State Retirement System (MSRS), and Teacher’s Retirement Association (TRA).

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined Funds</th>
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<tr>
<td>1 YR</td>
<td>8.9%</td>
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<tr>
<td>3 YR</td>
<td>9.9%</td>
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<td>5 YR</td>
<td>8.2%</td>
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<td>10 YR</td>
<td>8.8%</td>
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<tr>
<td>20 YR</td>
<td>8.5%</td>
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<tr>
<td>30 YR</td>
<td>8.2%</td>
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EDUCATION SPOTLIGHT

What is email phishing?

Email phishing is a type of scam where fraudsters are trying to get something from you, often passwords, account information, or other personal information. Phishing may come to you in a variety of ways. Some fraudsters send malicious links and attachments, while others try to gain your trust before scamming you.

Here are some signs to look for a phishing attack. Fraudsters may:

» Create a strong sense of urgency or call to action
» Request private data or personal information
» Claim to be from an official organization but have grammar or spelling mistakes
» Be from someone you know, but the tone or message doesn’t sound like them

Tips:

» Protect your device by using security software
» Only open email attachments you trust or were expecting
» Scrutinize any hyperlinks in emails. If in doubt, don’t click the link
» If the email is from someone you know, contact that person a different way (don’t reply back) and verify if they sent it

Our main email communication to members is our newsletter, which is sent through an email service, Active Campaign. PERA will NOT send you emails asking for your personal information or banking information. If you are unsure if the email is from us, go directly to our website at mnpera.org instead of clicking on a link. Report any suspicious PERA-related emails to us immediately.

Member Survey

We want to hear from you! Please share your feedback on PERA’s communication, content, and your overall member experience to help shape future communication initiatives. This survey will take about 10 minutes to complete and is completely anonymous.

https://www.research.net/r/PERA_Member_Survey

PERA has several short videos on our website to help you plan for retirement. Most videos are less than five minutes in length and provide helpful information about the retirement process.

» Learn About your Pension
» Understanding your Benefit Estimate
» Completing a Retirement Application
» Lifetime Monthly Benefit Options
» How are PERA Benefits Calculated?
» Completing a Refund Application
PERA PROGRAMS NEAR YOU

PERA is hosting member education programs and individual counseling sessions across the state this summer and fall. We will be presenting two different programs:

» **Ready to Retire** is intended for members who plan to retire within one year and focuses on the application process step-by-step

» **From Hire to Retire** is designed for all members to learn about PERA benefits

There will also be limited space available for individual meetings, which are intended for members who are within six months of retirement.

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<tr>
<th>SCHEDULE</th>
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<tr>
<td>Detroit Lakes: August 9</td>
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<td>Mankato: September 8</td>
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<tr>
<td>Alexandria: August 10</td>
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<tr>
<td>Duluth: September 21</td>
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<td>Fairmont: September 7</td>
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REGISTRATION IS SIMPLE
Register for a counseling session or presentation in your myPERA account or by calling our Member Service Center.

LOOKING FOR OTHER DATES?
We continue to offer these programs as live webinars weekly. You can view our calendar of events under Resources -> Member Programs on our website. Later this fall, we will be offering more on-demand webinars that can be viewed at your convenience.
2023 Legislative Update

The 2023 legislative session ended on May 22. The Legislative Commission on Pensions and Retirement heard testimony and reviewed proposed legislation on several topics and initiatives related to pension benefits. Several bills were signed at the end of session that impact PERA: 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). Legislation changes are effective July 1, 2023, unless noted below. No changes were made to contribution rates for any PERA plan.

**Membership eligibility**
The defined benefit annual earnings requirement for local government and school employees of $5,100 and $3,800, respectively, is now replaced with a monthly threshold of $425. Current members who qualified for membership under the previous rules are not affected and will retain their membership until termination. For more information, see the Monthly Salary Threshold article on page 3 for details.

**Vesting**
For Coordinated members, three-year vesting now applies to active public employees. Five-year vesting still applies to members who terminated between July 1, 2010 and June 30, 2023. For Police & Fire members, 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 monthly payment. The previous 10 to 20-year vesting was removed from statutes. There are no vesting changes for Correctional members.

**Investment return assumptions**
PERA’s assumed investment return changes from 7.5% to 7.0% effective June 30, 2023. This is the rate at which PERA assumes we will see a return on the investments made by the State Board of Investment on PERA’s behalf. Interest charged by PERA on omitted deductions, delinquent invoices, purchases of service or salary credit, and repayments of refund will be lowered to 7.0% after June 30. Interest accrued prior to that date would remain at 7.5%.

**Defined contribution plan**
Beginning May 20, 2023, appointed public officials (such as city or township clerks, treasurers, or auditors) who had previously been excluded from the DCP because their position was not elected, are now eligible to participate if their salary remains below the threshold for mandatory Coordinated Plan membership.

**Member purchases**
Members who terminate employment or start a disability benefit before paying a leave of absence will now have the same period to make a 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. Accrued interest on member purchases (repaying a refund, leave of absence, etc.) will be 7.0% after June 30.
UPCOMING EMPLOYER WEBINARS

EMPLOYER LEGISLATIVE UPDATE
Learn about the 2023 Omnibus Retirement Bill and how it will impact the day-to-day administration of PERA benefits.

Topics covered include:
» Overview of 2023 legislative changes
» Transition from annual to monthly salary threshold
» Vesting changes for Coordinated and Police & Fire Plan members
» Leave purchase period extended for terminated members

When: Thursday, Aug. 10 at 11 a.m., followed by recorded version for on-demand viewing.

WELCOME EMPLOYER: PERA REPORTING TRAINING
This webinar has been updated to incorporate the 2023 legislative changes. Recommended for payroll, HR, and business managers who are new to PERA reporting.

When:
» Thursday, July 20 at 11 a.m.
» Thursday, Oct. 26 at 11 a.m.

ERIS TROUBLESHOOTING
Some employers have experienced ERIS access issues despite recent changes to our server and firewall settings. We apologize for the inconvenience and continue to work with our IT department on a solution.

Here is a list of troubleshooting tips that resolve most issues:

Avoid Bookmarks. Sessions often time out. Accessing through a bookmarked link can store an expired session. Log into ERIS by going to mnpera.org > Employers > ERIS Login.

Cookies and Cache. Clearing cookies and cache browsing history can remove any obstruction in the ERIS connection. The process for clearing these items varies by web browser. If you are unfamiliar, search “how to clear cache on [insert name of your web browser].”

Check for New Devices. Has your agency installed any new hardware, devices, or programs recently? Sometimes those can cause a disruption where least expected. Check with your internal IT Department for assistance.

Use Another Web Browser. Try Google Chrome, Microsoft Edge, or Mozilla Firefox.

Refresh the Page. Press Ctrl + F5. In most browsers, this will retrieve the webpage from the server instead of loading it from the cache.

Provide PERA the IPv4 Address. If none of the above options work, your firewall may be blocked. Locate the IPv4 address of your computer and email to employer.reps@mnpera.org for staff assistance.

To Find Your IPv4 Address: search “what is my IPv4 address” in a web browser. The result will display as ###.###.###.###.

Farewell to Barb Bibeau
After 22 years of outstanding service, Barb Bibeau has resigned from PERA to pursue new opportunities and adventures.

As the supervisor of Employer Services, Barb worked closely with many employer contacts on contribution reporting and reconciliation projects. She is well known by many of you for her helpfulness, optimism, and love of travel.

We at PERA are grateful for her impact as a leader and wish her well in the future.

We are in the process of filling Barb’s position. Please direct your questions to employer.reps@mnpera.org or to the employer line at 651.296.3636 or 888.892.7372.
Monthly Salary Threshold

Effective July 1, 2023, the earnings threshold for membership in PERA’s Coordinated, Correctional and Police & Fire defined benefit plans (DBP) is $425 paid in a single month. This applies to all employer types and replaces the annual threshold of $5,100 ($3,800 for school-year employees).

When to enroll
Immediately enroll every new hire whose regular earnings will exceed $425 per month. Membership is mandatory for these individuals, even if they won’t receive $425 in their first month. This applies to all full-time and most part-time employees.

All other employees are eligible for PERA coverage once they are paid at least $425 in a single month, if no other exclusion applies.

Some members who were excluded under the annual threshold may now be eligible under the new monthly threshold.

» Intermittent or on-call eligibility begins the first month that pay is $425 or more.

Seasonal and temporary employees remain excluded from PERA membership if the period of work is less than six consecutive months, regardless of earnings. However, if the period is extended beyond six months, the person becomes eligible for membership the next time their monthly pay is at least $425.

After $425 is met once, a member’s eligibility continues until termination with that employer, even if subsequent earnings never reach $425 in any other month. A person who meets the threshold but later terminates and has at least a 30-day break before rehire is now considered a new enrollment and must re-establish eligibility.

Transition plan
For those enrolled in PERA membership before July 1, 2023 who did not meet the annual threshold by that date, PERA will compare their year-to-date earnings to a prorated threshold based on the number of months worked. We expect to resolve these records by December 2023.

Here are two transition plan calendar year examples:

» Person A, hired in January 2023, will be valid if paid at least $2,550 by June 30, 2023 ($425 x 6 months).

» Person B, hired in April 2023, to a calendar year employer will be valid if paid at least $1,275 by June 30, 2023 ($425 x 3 months).

Exclusion reports
Schools should still use code 302 for the fiscal year 2023 exclusion reports which are due August 31, 2023.

Effective with calendar year 2023 and fiscal year 2024 reports, exclusion code 301 will replace codes 302 and 303 for all employer types.

Future changes
The monthly rate of $425 was last set in 1988. PERA is reviewing the amount for the monthly threshold and may bring forward changes to the amount in future legislative sessions.

Designate a PERA Disability Contact

Employers with members in the Police & Fire Plan have the option to designate a police disability contact and a fire disability contact with PERA. This directs Police & Fire disability letters to these individuals instead of the primary payroll contact. This can help employers meet the necessary response timelines.

To update contact roles in ERIS, click on Maintain Employer > Employer Contacts. Search for your employee using the fields or create a new ERIS representative account with the assigned contact role.

Available Roles
- Fire Chief
- Fire Disability Contact
- HR/Personnel Contact
- Mail Recipient
- Payroll Contact
- Police Disability Contact

If you have any questions or need help designating a representative through ERIS, please feel free to reach out.

EMPLOYER SURVEY

We want to hear your feedback regarding the sex and gender options that are included on your agency forms for employees. Your information will help us understand how to best create gender-inclusive options on PERA’s forms for our members. This survey will take about five minutes to complete.

https://www.research.net/r/PERA_Employer_Survey
Our agency would like to schedule the submission of Salary Deduction Reports (SDR) and Demographic Report files so that they are automatically transmitted to PERA each pay period. How can we set this up?

At this time, PERA’s ERIS system is not configured to accept files via the File Transfer Protocol (FTP) process. Transmitted files must be uploaded by an active ERIS administrator or representative who has logged into the system.

There are currently no plans to change this requirement. However, PERA will be modernizing our system interfaces in the coming years and may consider this option in the future.
2023 PERA LEGISLATIVE UPDATE

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.

<table>
<thead>
<tr>
<th>COORDINATED, BASIC, AND MERF MEMBERS</th>
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<tbody>
<tr>
<td><strong>CONTRIBUTIONS</strong></td>
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<td><strong>VESTING</strong></td>
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<tr>
<td><strong>ANNUAL INCREASE</strong></td>
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<tr>
<td><strong>BENEFIT RECIPIENTS</strong></td>
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<th>POLICE &amp; FIRE MEMBERS</th>
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<td><strong>DISABILITY</strong></td>
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<tr>
<th>CORRECTIONAL MEMBERS</th>
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<th>DEFINED CONTRIBUTION PLAN (DCP)</th>
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<td><strong>MEMBERSHIP ELIGIBILITY</strong></td>
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### ALL DEFINED BENEFIT PLANS

<table>
<thead>
<tr>
<th>PLAN ASSUMPTIONS</th>
<th>Changes the assumed investment return from 7.5% to 7.0% beginning June 30, 2023.</th>
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<tr>
<td>MEMBERSHIP ELIGIBILITY</td>
<td>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.</td>
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<td>DEATH BENEFITS</td>
<td>Dependent child benefits now have a benefit duration to age 23. Police &amp; Fire full-time student requirement between ages 18 to 23 was removed from statute.</td>
</tr>
<tr>
<td>PRIVATIZED MEMBERS</td>
<td>Beginning January 1, 2024, interest applied to benefits will be 0% prospectively (note this is a 2020 legislative change).</td>
</tr>
<tr>
<td>MEMBER PURCHASES</td>
<td>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.</td>
</tr>
<tr>
<td>MN STATE TAXES</td>
<td>MN tax withholding form will change beginning January 1, 2024, and allow withholding elections based on a percentage of your gross benefit.</td>
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<tr>
<td>DISABILITY REAPPLICATION PROCESS</td>
<td>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.</td>
</tr>
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### FEDERAL AND OTHER REQUIRED CHANGES (BEGINNING JANUARY 1, 2023)

| REQUIRED MINIMUM DISTRIBUTIONS (RMD) | • 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.