

The purpose of the proposed Offset #1 language is to better align disability recipients who are able to work and active members currently contributing to the Police & Fire Plan. Disability recipients that can work are then able to support the health of the fund in which they benefit.

Offset #1 is comparable to active member contributions. Active members contribute during their working lifetime to fund benefits after retirement, currently at a rate of 11.8% of pay. Duty disability recipients receive at least 60% of their average salary (high 5), a minimum 20-year unreduced benefit. The disability recipient may have contributed to the Plan for less than 20 years, but are receiving a 20-year benefit.

The proposed Offset will require disability recipients who are able to return to the workforce to have their disability benefit reduced based on the minimum of (a) 50% of reemployment earnings or (b) 11.8% (or the current member contribution rate) 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. The member is then helping contribute back to PERA for the gap between their 20-year benefit and their actual contribution period.

## WHO DOES THIS IMPACT?

Offset #1 only applies to Police & Fire disability recipients who have less service than what was used to calculate their disability benefit. This offset is not applicable to duty disability recipients who have 20 or more years of service or regular disability recipients who have 15 or more years of service.

The amount of Offset #1 for disability recipients will be based on their average salary, how much service they earned with PERA, and their age at the time of disability.

## HOW DOES OFFSET #1 WORK?

Let's say a Police & Fire member, age 40 at the time of disability, with 15 years of service credit and an average salary of \$100,000 receives a duty disability benefit. The member's disability benefit would be 60% of average salary, or \$60,000. Suppose they then get another non-public safety job and earn \$45,000. The proposed Offset #1 would be calculated:

Offset #1	$= 11.8\% \times (\text{average salary}) \times (20 - \text{accrued years of service}) / (55 - \text{age at time of disability})$
	$= 11.8\% \times \$100,000 \times (20-15) / (55-40)$
	$= 11.8\% \times \$100,000 \times 5/15$
	$= \$3,933$

Note: The above calculation used the smaller of (a) 50% of reemployment earnings, which would be \$22,500 (50% x \$45,000), or (b) 11.8% of average salary multiplied by the service/age ratio, which is shown above.

If PERA receives the reemployment information in advance, we would spread the offset amount over each monthly benefit for the year. Therefore, the member would see a reduction of approximately \$328 per month (\$3,933/12) to their monthly disability benefit.

## QUESTIONS?

If you have any further questions on how this offset may impact you, please contact our Member Service Center at 1.833.454.0154, or email us at [benefits@mnpera.org](mailto:benefits@mnpera.org).

### OFFSET EXAMPLES

The purpose for the offset changes are to make net income for disability recipients who return to work (income = net disability benefit + reemployment earnings) comparable to active members (income = salary - PERA contributions). To learn more about Offset #2, please refer to the *Understanding Offset #2* supplement.

AGE 30, 5 YEARS OF SERVICE CREDIT							ACTIVE MEMBER
	1	2	3	4	5	6	7
Disability Benefit	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$0
Reemployment	0	5,000	10,000	25,000	50,000	100,000	100,000 Earnings
Offset #1	0	-2,500	-5,000	-7,080	-7,080	-7,080	-11,800 PERA Contribution
Offset #2	0	0	0	0	-5,000	-47,500	0
Net Income	\$60,000	\$62,500	\$65,000	\$77,920	\$97,920	\$105,420	\$88,200

AGE 35, 10 YEARS OF SERVICE CREDIT							ACTIVE MEMBER
	1	2	3	4	5	6	7
Disability Benefit	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$0
Reemployment	0	5,000	10,000	25,000	50,000	100,000	100,000 Earnings
Offset #1	0	-2,500	-5,000	-5,900	-5,900	-5,900	-11,800 PERA Contribution
Offset #2	0	0	0	0	-5,000	-47,500	0
Net Income	\$60,000	\$62,500	\$65,000	\$79,100	\$99,100	\$106,600	\$88,200

AGE 40, 15 YEARS OF SERVICE CREDIT							ACTIVE MEMBER
	1	2	3	4	5	6	7
Disability Benefit	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$0
Reemployment	0	5,000	10,000	25,000	50,000	100,000	100,000 Earnings
Offset #1	0	-2,500	-3,933	-3,933	-3,933	-3,933	-11,800 PERA Contribution
Offset #2	0	0	0	0	-5,000	-47,500	0
Net Income	\$60,000	\$62,500	\$66,067	\$81,067	\$101,067	\$108,567	\$88,200

AGE 50, 15 YEARS OF SERVICE CREDIT							ACTIVE MEMBER
	1	2	3	4	5	6	7
Disability Benefit	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$0
Reemployment	0	5,000	10,000	25,000	50,000	100,000	100,000 Earnings
Offset #1	0	-2,500	-5,000	-11,800	-11,800	-11,800	-11,800 PERA Contribution
Offset #2	0	0	0	0	-5,000	-47,500	0
Net Income	\$60,000	\$62,500	\$65,000	\$73,200	\$93,200	\$100,700	\$88,200