

The purpose of the proposed Offset #2 language is to better align income between Police & Fire disability recipients and active members. This change also aligns this offset process with other comparable Plans, such as the State Patrol Plan and PERA's Correctional Plan.

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%.

Police & Fire disability benefits provide a portion of income replacement to members when they are unable to work due to a disability. When a disability recipient is able to return to the workforce and earn wages, the disability benefit is no longer needed in its full capacity. Duty disability recipients also may receive a tax-free benefit (or mostly tax-free if they have over 20 years of service) and employer-paid health insurance.

## HOW DOES OFFSET #2 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 goes on duty disability. 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 #2 would be calculated:

Offset #2	= (Disability benefit + Reemployment Earnings) – Current Salary of Similar Position
	= (\$60,000 + \$45,000) - \$100,000
	= (\$105,000 - \$100,000) / 2 (reduction is \$1 for \$2 over 100% but less than 125%)
	= \$2,500

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 \$208 per month (\$2,500/12) to their monthly disability benefit.

## WHAT HAPPENS UNDER CURRENT LAW?

Under current law, no offsets apply because the total benefit (\$60,000) plus reemployment earnings (\$45,000) is less than 125% of average salary for a member in a comparable position (\$100,000). The disability member would receive more total net income than a comparable active member.

## WILL THIS IMPACT ME?

This offset only impacts Police & Fire disability recipients if the combination of their disability benefit plus reemployment earnings exceeds the current salary of a similar position. The offset will not exceed the member's disability benefit. Offset #2 examples are provided below for reference (note - Offset #1 is not included in the examples, see *Understanding Offset #1* for more information).

DUTY DISABILITY RECIPIENT - OFFSET #2							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 #2	\$0	\$0	\$0	\$0	-\$5,000	-\$47,500	-\$11,800 PERA Contribution
Net Disability Benefit	\$60,000	\$60,000	\$60,000	\$60,000	\$55,000	\$12,500	\$0
Total Earnings	\$60,000	\$65,000	\$70,000	\$85,000	\$105,000	\$112,500	\$88,200 Net Earnings

## 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 better align 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 #1, please refer to the *Understanding Offset #1* 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