

The purpose of the proposed Offset #2 language is to seek fairness and equity 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.

Police & Fire disability benefits provide a portion of income replacement to members when they are unable to work due to a disability. Duty disability members receive at least 60% of their average salary, a 20-year unreduced benefit. The disability recipient may have contributed to the Plan for less than 20 years, but is receiving a 20-year benefit. 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.

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. The member no longer needs 100% support of the disability benefit. Offset #2 provides equity to our membership and provides that net income for disability recipients who return to work is comparable to active members.

### 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
	= \$5,000

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 \$417 per month (\$5,000/12) 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 (\$125,000). 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	-\$10,000	-\$60,000	-\$11,800	PERA Contribution
Net Disability Benefit	\$60,000	\$60,000	\$60,000	\$60,000	\$50,000	\$0	\$0	
Total Earnings	\$60,000	\$65,000	\$70,000	\$85,000	\$100,000	\$100,000	\$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 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 #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	-10,000	-52,920	0
Net Income	\$60,000	\$62,500	\$65,000	\$77,920	\$92,920	\$100,000	\$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	-10,000	-54,100	0
Net Income	\$60,000	\$62,500	\$65,000	\$79,100	\$94,100	\$100,000	\$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	-10,000	-56,067	0
Net Income	\$60,000	\$62,500	\$66,067	\$81,067	\$96,067	\$100,000	\$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	-10,000	-48,200	0
Net Income	\$60,000	\$62,500	\$65,000	\$73,200	\$88,200	\$100,000	\$88,200