



PERA Update for the Association of Minnesota Counties

September 14, 2023

Doug Anderson, Executive Director

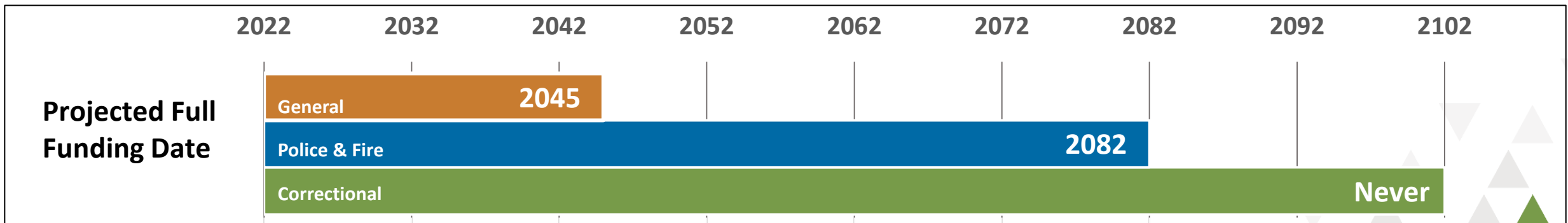
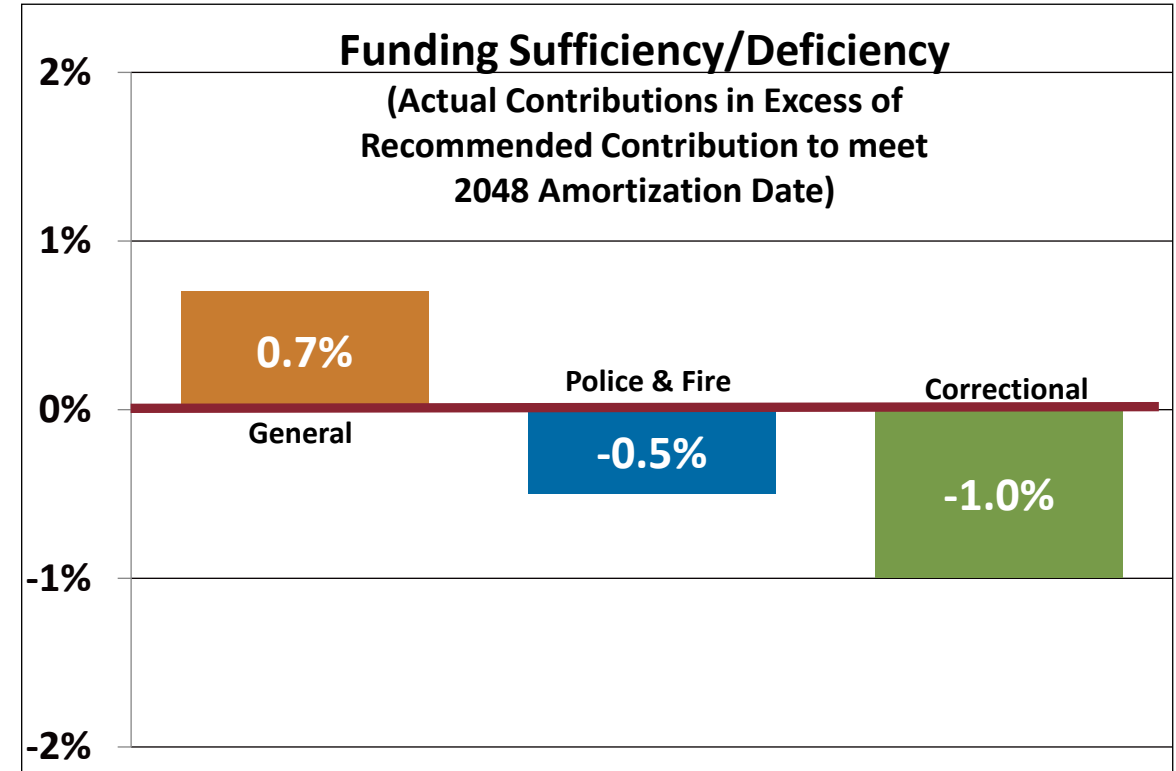
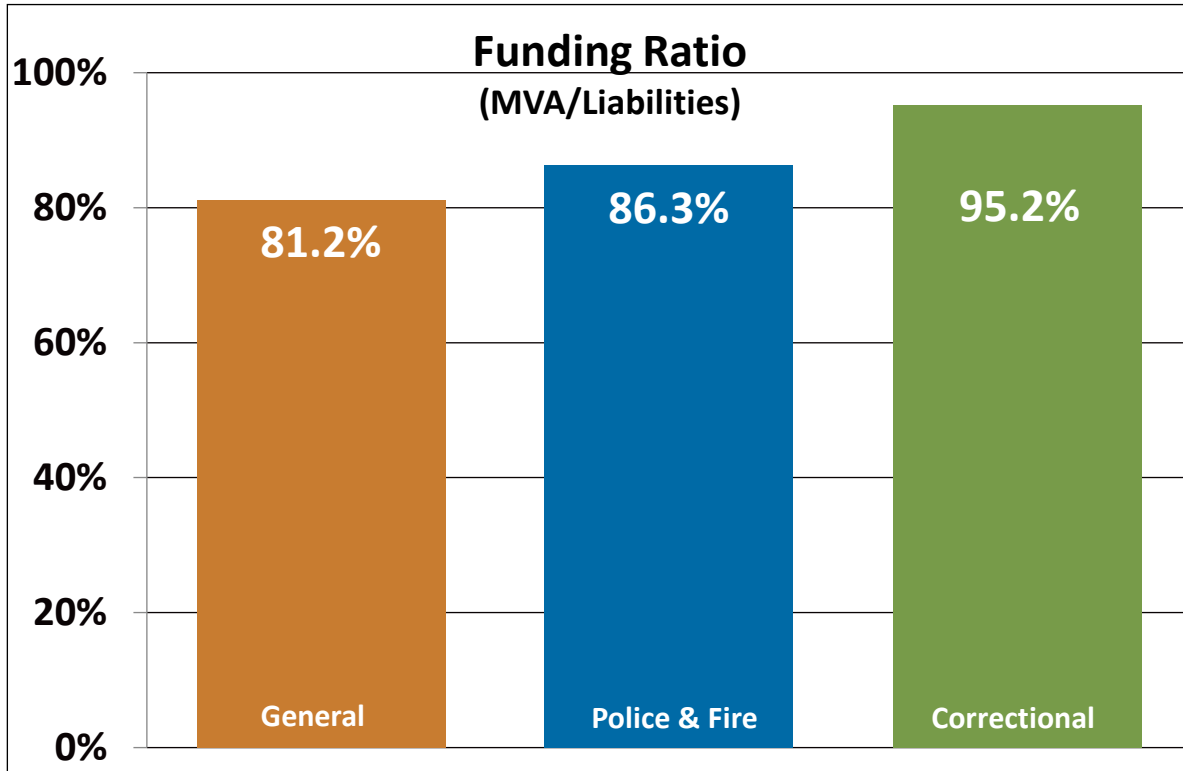
Amy Strenge, Policy Coordinator



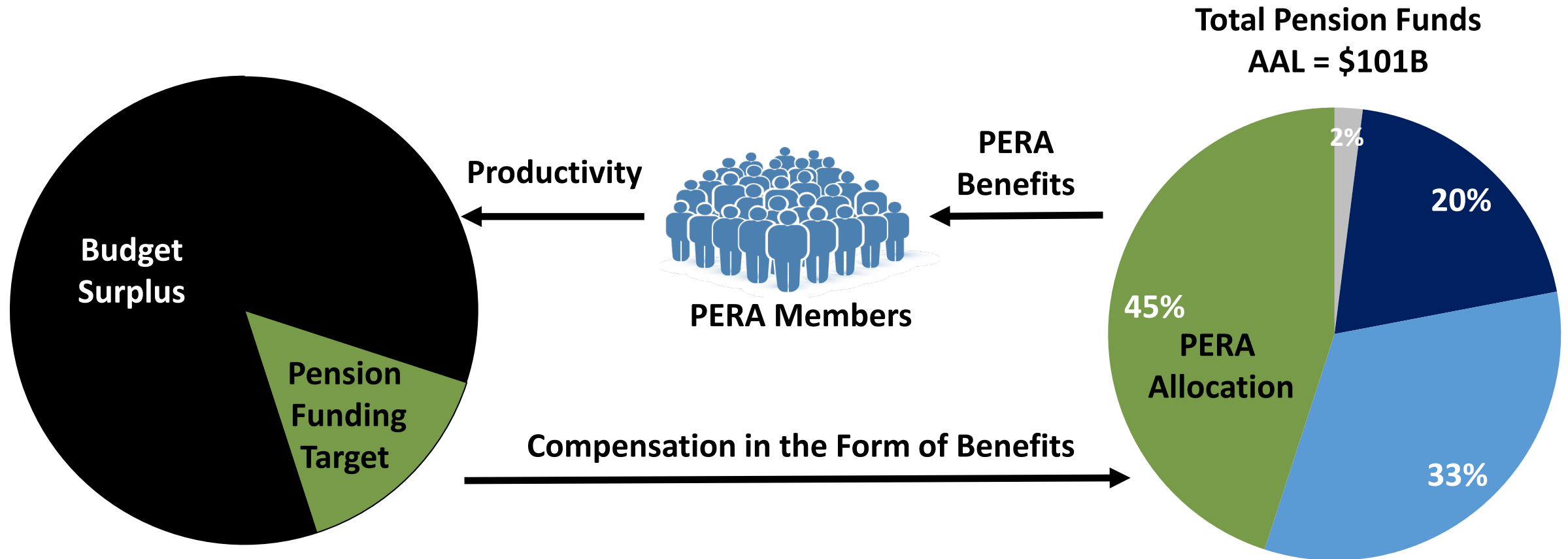
- ▶ 2022 Funding Status Update

- ▶ 2023 Legislative Recap
 - ▶ PERA's Pitch to the Legislature
 - ▶ Actual Legislature Changes
 - ▶ Police & Fire Plan Duty Disability Treatment Program

- ▶ 2024 Legislative Initiatives
 - ▶ PERA Initiatives
 - ▶ Stakeholder Initiatives



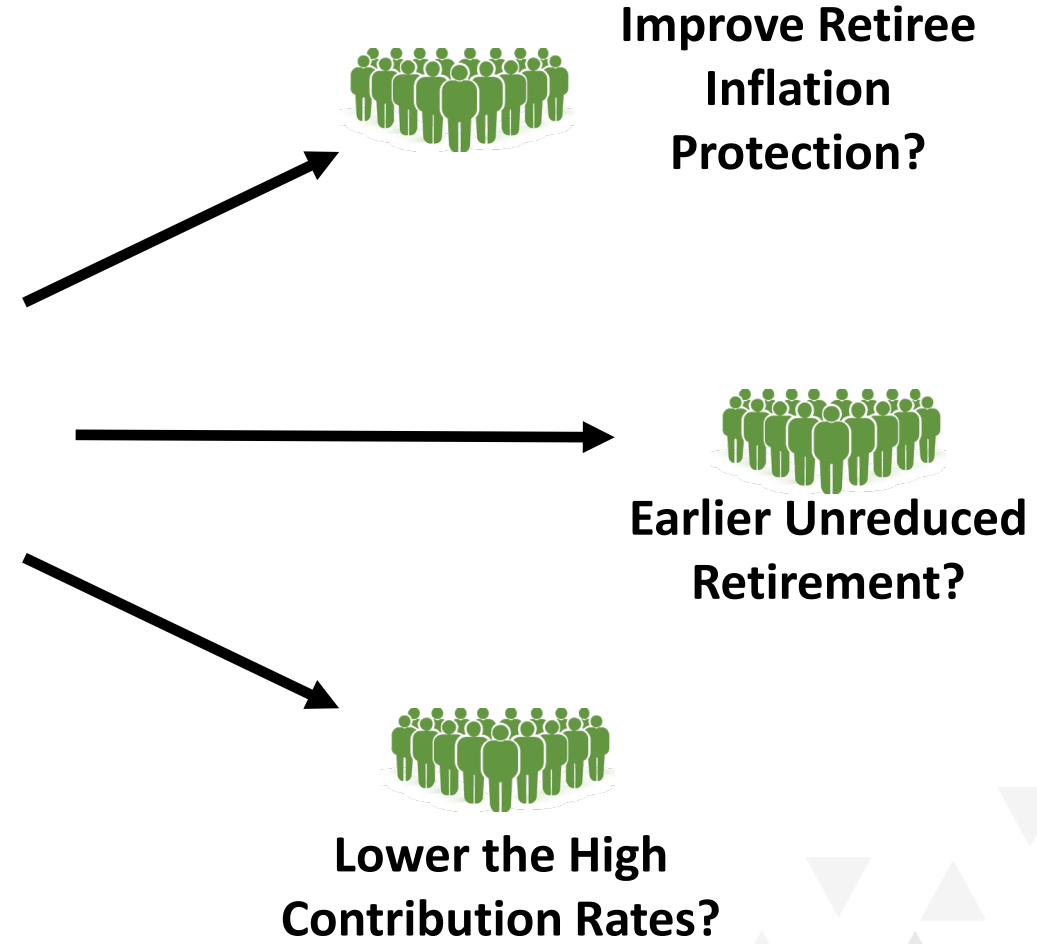
Source: GRS estimates based on 7.0% assumed investment return



An active member's productivity is directly correlated to their compensation. Pension benefits are a form of compensation. ***The Actuarial Accrued Liability (AAL) is the amount of a member's compensation not yet paid to them for their past service.*** The value of each member's productivity and compensation can be measured.



Allocate Evenly
to All?

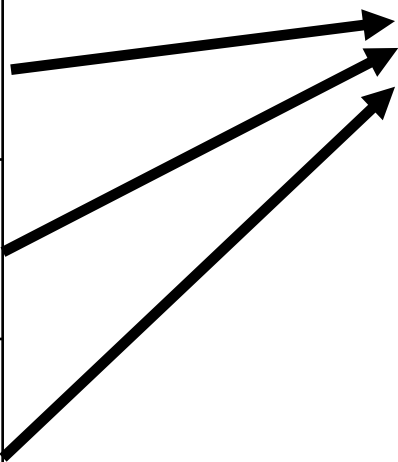


A One-time Pension Funding Target of \$500M, if spread evenly, would increase the value of every member's benefit (their AAL) by about 0.5%.

Metrics	Questions to Consider	General	Police & Fire	Correctional
Assumptions	Are the economic & demographic assumptions appropriate?	7.0% is reasonable	7.0% is reasonable, but disability rates are not	7.0% is reasonable
Funding Status*	Is the Plan expected to achieve and maintain fully funded status?	81% now, 100% by 2045	86% now, 100% by 2082	95% now, but declining
Contributions*	Do employees & employers contribute the appropriate amount?	Contributions 161% of Normal Cost	Contributions 127% of Normal Cost	Contributions 102% of Normal Cost
Benefits	Do retirees have sufficient inflation protection?	50% CPI, 1.0% Min 1.5% Max	1% fixed (No SS)	100% CPI, 1.0% Min 2.5% Max

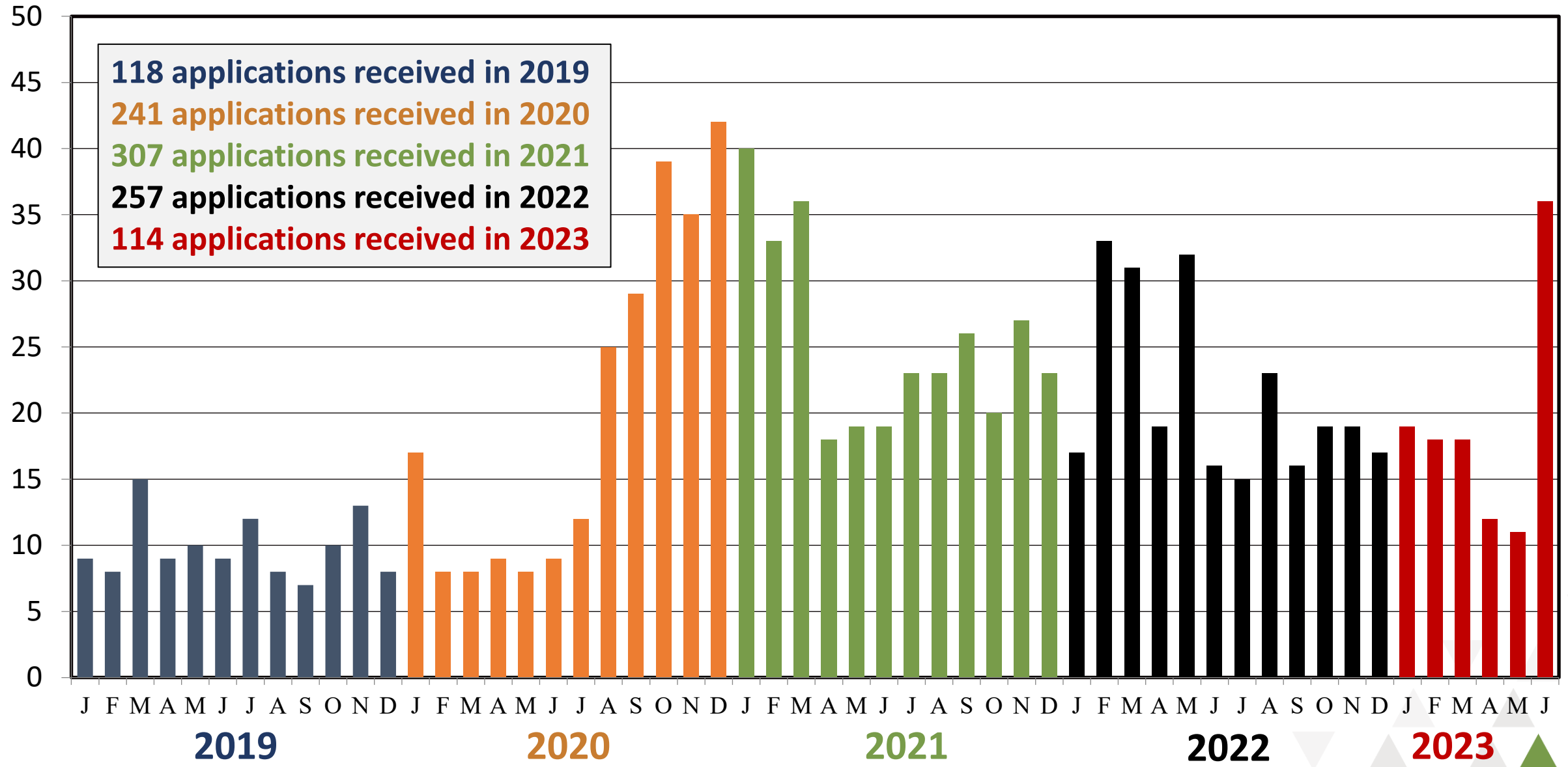
*Funding status and contribution metrics are based on a 7.0% investment return assumption.

If funds were provided to PERA’s Board for the purpose of increasing benefits, PERA staff would recommend increasing the postretirement annual increase formulas. A change in the postretirement annual increase formula provides value to current and future retirees.

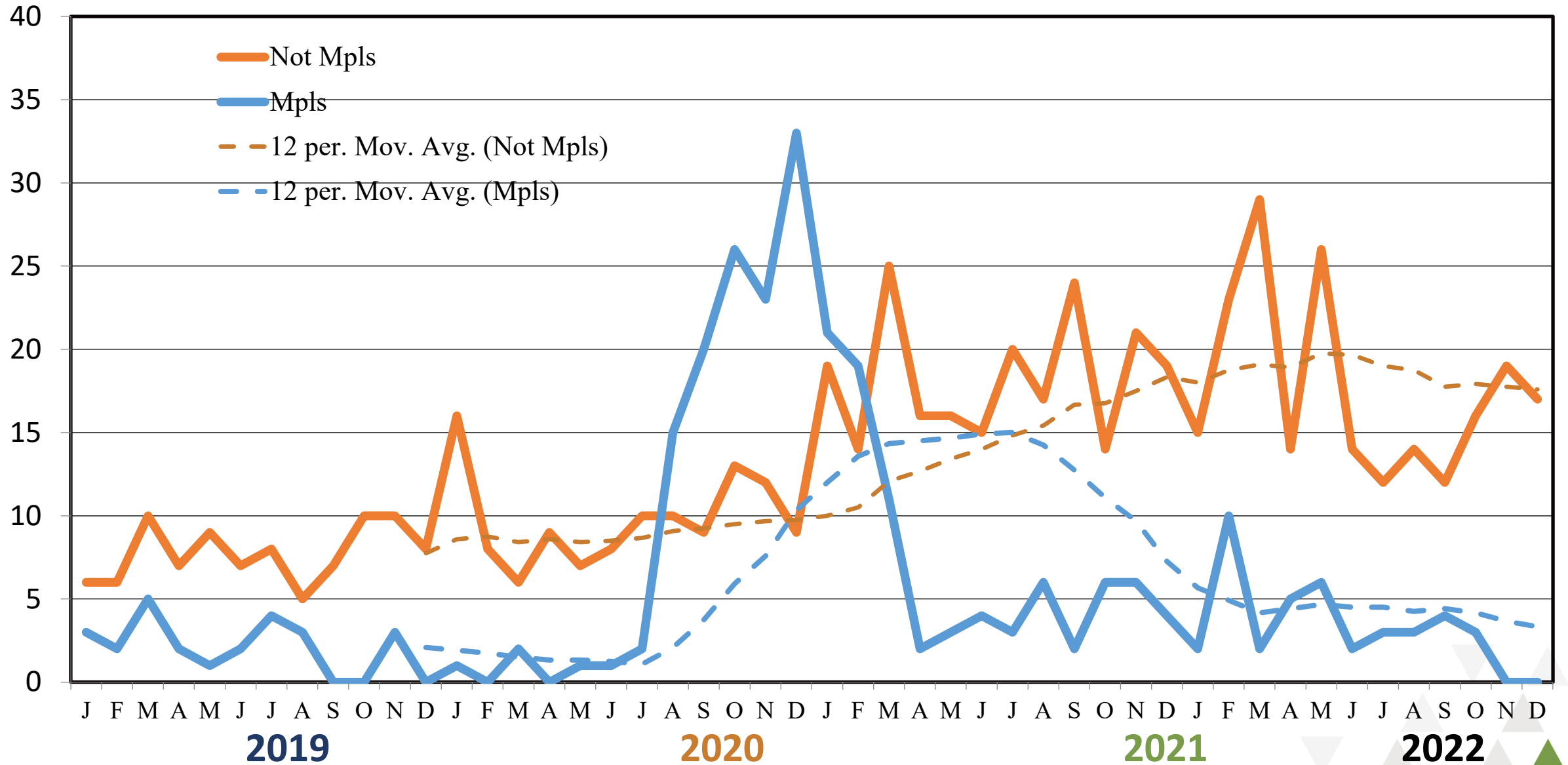
	Current Formula	
General Plan	50% of CPI 1.0% Min 1.5% Max	
Police & Fire Plan	Fixed 1%	
Correctional Plan	100% of CPI 1.0% Min 2.5% Max (Max drops to 1.5% if funding levels drop)	
		Our Long Term Goal 100% of CPI 0% Min 5% Max How We Get There 2018 – Change to formula with dials 2023 – Turn the dials with funding Future – Turn the dials further when it is affordable to do so

Yes but...It’s not immediately gratifying to actives. **Response**...It’s a retirement plan, it’s not meant to be.
 Yes but...There is no guarantee an increase won’t be reversed. **Response**...There are no guarantees, but reasonable assumptions and a strong funding commitment should reduce this risk.

Metrics	What is Success	General	Police & Fire	Correctional
Assumptions	Economic & demographic assumptions are appropriate	Yes	Yes	Yes
Funding Status	The Plan achieves and maintains full funding	81% to 100%	86% to 100%	95% to 100%
Contributions	Employees & employers contribute an amount comparable to the normal cost	EE 6.5% -> 5% ER 7.5% -> 5%	EE 11.8% -> 8% ER 17.7% -> 12%	EE 5.83% ER 8.75%
Benefits	Retirees have sufficient inflation protection	100% CPI	100% CPI	100% CPI



Source: Data prepared by PERA staff on January 12, 2023

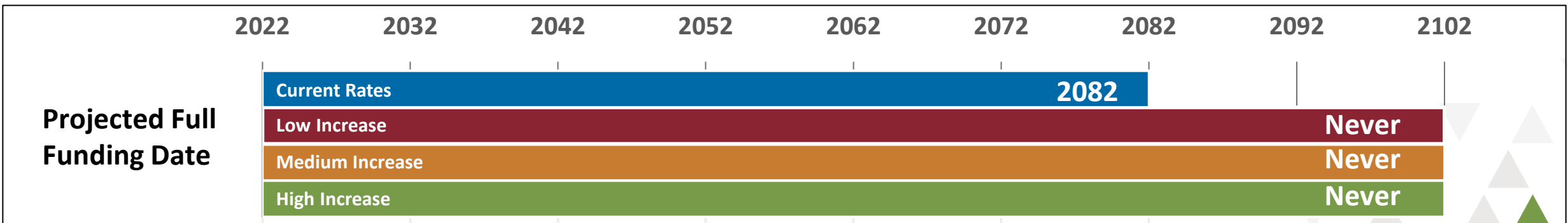
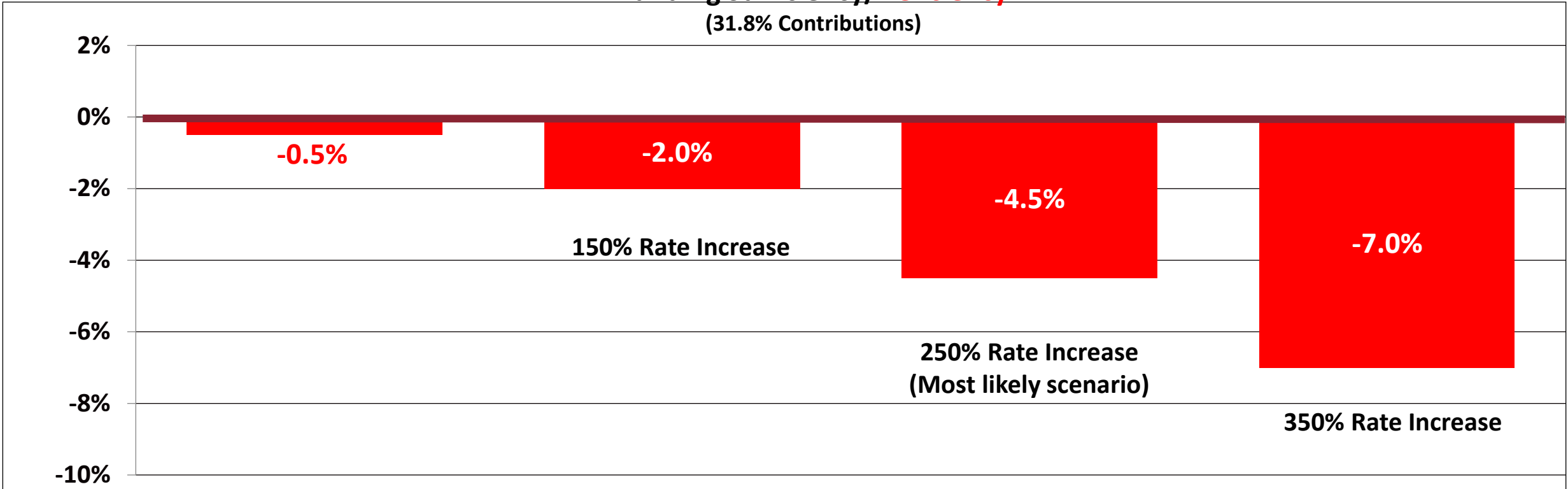


Source: Data prepared by PERA staff on April 21, 2023

Metric	Current	Impact of Disability Rate Assumption Change		
Disability Rate Assumption	Current rates	150% Rate Increase	250% Rate Increase	350% Rate Increase
Basis for Assumption	Experience from 7/1/15 to 6/30/19	Experience from 7/1/15 to 1/31/22	Experience from 7/1/18 to 1/31/22	Experience from 7/1/20 to 1/31/22
Cost Increase (% of payroll)	N/A	1.5%	4.0%	6.5%

Funding Sufficiency/Deficiency

(31.8% Contributions)



- ▶ All Plans

- ▶ 7.0% Investment Return Assumption
- ▶ Dependent child benefit standardization
- ▶ Member purchase standardization
- ▶ Disability Reapplication Clarification

Statewide Volunteer
Firefighter (SVF) \$5M
Incentive Program

- ▶ General Employees Retirement Plan

- ▶ \$170M towards the Unfunded Actuarial Accrued Liability
- ▶ Fully funded One-time Non-compounded retiree payment equal to 1% times annual payment
- ▶ Vesting requirement reduced from 5 years to 3 years
- ▶ Early retirement annual increase restored
- ▶ Membership eligibility determined on monthly basis instead of annually

▶ Police & Fire Pension Plan

- ▶ Fully funded one-time non-compounded retiree payment equal to 3% times annual payment
- ▶ Full vesting requirement reduced from 20 years to 10 years
- ▶ Creation of Psychological Condition Duty Disability Treatment Requirement
- ▶ Disability Benefit Offset Changes
- ▶ Elimination of Workers' Compensation offset
- ▶ Increased Duty Total & Permanent Disability Benefit

▶ Correctional Officer Plan

- ▶ \$5M towards the Unfunded Actuarial Accrued Liability
- ▶ Restoration of 2.5% Annual Increase cap if funding levels drop and then rebound

▶ **What is the treatment requirement?**

- ▶ Police and Fire members with a psychological condition must complete up to 24 weeks of treatment prior to being eligible to apply for a duty disability benefit.

▶ **Who does the treatment requirement apply to?**

- ▶ Current Police and Fire members who with a psychological condition Police that is the result of performance related to their occupation are eligible for up to 24 weeks of treatment (and potentially an additional 8 weeks).
- ▶ Terminated Police and Fire members have 18 months to complete the treatment requirements and apply for duty disability benefits.
- ▶ A Police and Fire member who has a dual diagnosis (physical and psychological condition) may complete the treatment but are not required to prior to applying for a duty disability.
- ▶ Members with a psychological condition who applied for duty disability benefits prior to July 1 2023, do not have to complete the treatment.

▶ How does a member apply for treatment?

- ▶ A Police and Fire member with a psychological condition must submit the required psychological condition treatment application to PERA.
- ▶ The application indicates the member has a psychological condition that is the result of the performance of the duties related to their occupation that prevents the member from performing the normal duties of their occupation. The member's mental health professional must indicate that the member has a psychological condition that prevents the member from performing their normal duties.
- ▶ Once PERA receives an application for psychological condition treatment, PERA notifies the employer and requests that the employer certify the dates the member was on duty.
- ▶ PERA notifies the member that they have been approved for treatment.
- ▶ The member may begin treatment prior to PERA's notification of approval.
- ▶ PERA must notify the member of approval within 14 days of receipt of the application.

▶ **What information does PERA provide to the employer?**

- ▶ Once a member submits an application to PERA, PERA notifies the employer and requests confirmation regarding the member's on duty dates within 6 business days of receipt via email and letter. This serves as notice to the employer regarding employer responsibilities.
- ▶ The employer has five business days upon receipt of the notification to provide the certification.
- ▶ The notification includes the date PERA received the member's psychological condition treatment application.
- ▶ The employer is responsible to continue the member's salary and benefits during the treatment period. The employer is also responsible for out-of-pocket costs associated with the treatment. These costs are reimbursable by the State.
- ▶ For the purposes of the employer's requirement, these requirements begin the date PERA receives the psychological condition treatment application.

▶ **What is required to complete the treatment?**

- ▶ In order to satisfy the treatment requirement, members must receive treatment for their psychological condition for up to 24 weeks.
- ▶ Members are responsible for finding a mental health professional.
- ▶ The mental health professional must also include monthly treatment assessments. They must assess the member's progress in treatment monthly, including any change to their ability to return to work with their employer. PERA will request these assessments be submitted when the member sends in the treatment report.
- ▶ Note: Those who are unable to get into treatment with a mental health professional within 30 days must notify PERA and their employer. Notification must include written documentation from a mental health professional and a proposed treatment start date.

▶ **What happens upon completion of the initial treatment?**

- ▶ After 24 weeks, PERA will follow up with the member regarding the completion of the treatment requirement by asking them to complete and return the PERA Psychological Condition Treatment Report. This treatment report must be completed by the member and mental health professional. The mental health professional will indicate whether:
 - ▶ treatment for an additional eight weeks could help the member return to work;
 - ▶ the member is able to work in a comparable position with the employer; or
 - ▶ treatment was completed for up to 24 weeks and the member's condition prevents them from:
 - (1) Performing the normal duties of a police officer or firefighter, and
 - (2) Returning to work with their employer.

- ▶ **What happens upon completion of the initial treatment (continued)?**
 - ▶ Based on the recommendation of the mental health provider, PERA will:
 - ▶ Extend the treatment an additional 8 weeks (if this occurs, PERA will send another psychological condition treatment report upon completion of the 8 weeks);
 - ▶ Advise the member to contact their employer for available job opportunities in comparable positions, or
 - ▶ Send a disability packet which includes an estimate, application, and other disability information.

- ▶ **What does PERA communicate to the employer upon completion of the treatment?**
 - ▶ PERA notifies the employer that the member has completed the treatment.
 - ▶ In that notification, PERA indicates if the member's mental health professional has determined that the member is able or is not able to return to work.
 - ▶ PERA requests the employer provide vacant comparable positions available to the member. A response is requested within 5 business days.
 - ▶ A comparable position is one that is not as a police officer or firefighter that provides salary and employer-provided benefits equal or greater than the position held on the date of injury, event, or onset of mental illness.

▶ PERA Initiatives

- ▶ Update General Plan Demographic Assumptions
- ▶ Submit Outline of SVF Incentive Program and Defined Contribution Plan Legislation
- ▶ Membership Eligibility Threshold Amount
- ▶ Defined Contribution Plan Eligibility
- ▶ Elimination of Workers' Compensation Offsets for PERA General & PERA Correctional
- ▶ Recodification of PERA Survivor Benefits
- ▶ Privatization Withdrawal Liability

▶ Stakeholder Initiatives

- ▶ Expand Board to add Dedicated Correctional Trustee
- ▶ Increase Correctional Plan multiplier for future service
- ▶ Police & Fire Plan Return to Work Provisions