

# **2018 PENSION BILL FACT SHEET**

## **PUBLIC EMPLOYEES RETIREMENT ASSOCIATION PLANS**

### **GENERAL PLAN**

#### **COST-OF-LIVING ADJUSTMENT (COLA)**

Current 1% COLA is replaced with a COLA that is 50% of the annual federal Social Security COLA, subject to a floor of 1% and a maximum of 1.5%. Eliminates the COLA "trigger" that automatically increases the COLA rate based on funded status.

For retirements on or after January 1, 2024, early retirees will not begin to receive a COLA until normal retirement age.

#### **EARLY RETIREMENT**

Phases out, over five years, the augmentation subsidy that is added back into the calculation used to reduce a retiree's benefit who retires before normal retirement age.

#### **DEFERRED AUGMENTATION**

The automatic annual increase of 1% made each year to the pension benefit accrued by employees who left public service before January 1, 2012, ("augmentation") is prospectively eliminated, effective January 1, 2019.

#### **REFUNDS**

Rate of interest on refunds of employee contributions is reduced from 4% to 3%, effective July 1, 2018.

#### **INVESTMENT RETURN ASSUMPTION**

Investment return assumption reduced from 8% to 7.5%.

### **POLICE & FIRE PLAN**

#### **CONTRIBUTIONS**

	EMPLOYEE (CURRENT RATE: 10.8%)			EMPLOYER (CURRENT RATE: 16.2%)		
	Calendar Year 2019	Calendar Year 2020	TOTAL	Calendar Year 2019	Calendar Year 2020	TOTAL
% Increase	0.5%	0.5%	1%	0.75%	0.75%	1.5%
% of Pay	11.3%	11.8%		16.95%	17.7%	

The state will begin making annual payments directly to the plan of \$4.5 million in FY19 and FY20, which increases to \$9 million annually thereafter until 2048.

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Eliminates the COLA "trigger" that automatically increases the COLA rate based on funded status.

#### **DEFERRED AUGMENTATION**

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#### **REFUNDS**

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#### **INVESTMENT RETURN ASSUMPTION**

Investment return assumption reduced from 8% to 7.5%.

# **PUBLIC EMPLOYEES RETIREMENT ASSOCIATION PLANS**

## **POLICE & FIRE PLAN (CONTINUED)**

### **HENNEPIN HEALTHCARE SYSTEMS**

Expands eligibility for Hennepin Healthcare System, Inc., to include employees that are less than full time but at least half time.

## **CORRECTIONAL PLAN**

### **COST-OF-LIVING ADJUSTMENT (COLA)**

Current 2.5% COLA is replaced with a COLA that is 100% of the annual federal Social Security COLA, subject to a floor of 1% and a maximum of 2.5% unless the plan's funding status declines, at which time the maximum decreases to 1.5%.

Eliminates the COLA "trigger" that automatically increases the COLA rate based on funded status.

### **DEFERRED AUGMENTATION**

The automatic annual increase of 1% made each year to the pension benefit accrued by employees

who left public service before January 1, 2012, ("augmentation") is prospectively eliminated, effective January 1, 2019.

### **REFUNDS**

Rate of interest on refunds of employee contributions reduced from 4% to 3%, effective July 1, 2018.

### **INVESTMENT RETURN ASSUMPTION**

Investment return assumption reduced from 8% to 7.5%.

## **DEFINED CONTRIBUTION PLAN**

### **PAYMENT OF BENEFIT**

A participant can now receive a distribution of all or a portion of the participant's account once each year while still employed, if the participant is at least age 65.

## **STATEWIDE VOLUNTEER FIREFIGHTER PLAN**

### **MAXIMUM LUMP-SUM BENEFIT**

The current maximum of \$7,500 per year of service used in calculating a lump sum benefit was revised to equal the maximum lump sum pension amount available to volunteer firefighter relief associations (currently, \$10,000).

### **WITHDRAWAL FROM STATEWIDE PLAN**

New statutes now permit a group of firefighters affiliated with a municipality to withdraw from the Statewide Plan and join an existing volunteer firefighter relief association or form a new one. New procedures provide for transfer of lump sum or monthly pension assets and liabilities, provided the transfer is approved by a vote of the affected firefighters. A group associated with a joint powers entity or independent nonprofit firefighting corporation is similarly eligible.