

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.

COST-OF-LIVING ADJUSTMENT (COLA)

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 is reduced from 4% to 3%, effective July 1, 2018.

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.