PERA

FROM HIRE TO RETIRE - OVERVIEW

The *From Hire to Retire* program is for members to begin their education on PERA benefits. The program is designed for new PERA members, those who are close to retirement, and everyone in between!

WELCOME TO PERA

» PERA is a pension—a retirement plan paid into while working that provides future monthly lifetime income.

» Participation is mandatory for public employees by law.

» State Board of Investment manages contributions.

» Unlike a 401(k), your retirement benefit is not based on amount of contributions or market performance.

» Benefit is calculated using a formula and designed to replace a portion of your income.

HOW DO I BECOME ELIGIBLE?

» PERA covers all local government employees in Minnesota; cities, counties, and non-teaching staff in school districts.

» To become eligible you must meet the $425 monthly salary threshold.

» No action required to enroll. Once you become eligible, it is your employer's responsibility to enroll you.

» Excluded from membership: full-time students under 23, seasonal/temp employees, and PERA retirees.

PAYCHECK DEDUCTIONS

Membership contributions rates are set by Minnesota state statute and are automatically deducted from your paycheck.

Coordinated Plan: 6.5% **Police & Fire Plan:** 11.8% **Correctional Plan:** 6.83%

Deductions are taken from your gross salary and are tax-deferred. Federal and state tax is owed once the benefit begins.

VESTING

Members need to be "vested" (i.e., have earned enough service credit) to be eligible for a lifetime monthly benefit. You earn one credit for each month you have salary and contributions. Total of 12 credits per year.

» **Coordinated Plan** (as of July 1, 2023)
3 years, no minimum vesting

» **Police & Fire Plan** (as of July 1, 2010)
10% earned for every full year after 5 year minimum vesting.
i.e. *5 years, 50%; 7 years – 70%; 10 years –100%*

» **Correctional Plan** (as of July 1, 2010)
10% earned for every full year after 5 year minimum vesting.
i.e. *5 years, 50%; 7 years – 70%; 10 years –100%*

VALUE OF PUBLIC SERVICE

» PERA is not meant to replace all income at retirement. However, the longer a person works in public service, the more of their income PERA will replace.

» Social Security may replace a portion of your income.

» Universal thought is to replace 80 to 100% of working income after retirement to maintain a similar lifestyle.

» Income gap may exist that will need to be filled by:

- Other tax-qualified retirement plans
- Personal savings
- Working longer
- Paying off debt in preparation for retirement

HOW MUCH WILL PERA PAY ME?

Benefits are calculated by multiplying a plan-specific percentage times each year of service, multiplied by your high-five salary.

Coordinated: 1.7% **Correctional**: 2.2/1.9%* **Police & Fire**: 3%

Years of service

» You earn one credit for each month you have contributions.

Salary

» Your average monthly salary is the 60 consecutive months of your highest salary.

Age at retirement

» Full retirement age for Coordinated Plan members is 66; early retirement is 55.

» Full retirement age for Police & Fire and Correctional Plan members is 55; early retirement is 50.

» A reduction factor is applied to the calculation for early retirement as there will be more payments paid over time.

**Correctional: 1.9% for service credit earned before July 1, 2025*

LIFETIME MONTHLY BENEFIT OPTIONS

Are you going to draw the entire benefit for just *your life*, or are you looking to stretch this monthly benefit over a *second lifetime*?

The single life benefit option pays a monthly benefit for just the member's lifetime.

- Largest monthly pension possible.
- Paid every month of your lifetime until death.
- Account closes upon your death. Any remaining contributions will be paid to your beneficiary.

The survivor benefit option pays an additional monthly lifetime benefit to any one survivor the month after your death.

- Monthly pension based on age of the survivor.
- Choose from four benefit options.
- If your survivor dies before you, the benefit reverts to the single life amount. A second survivor may not be named.

Once your first payment is processed, the benefit selection is FINAL and cannot be changed.

JOB CHANGES: WHAT HAPPENS IF...

You move into a new public service job?

- If still PERA-covered, contributions go into one account.
- If not PERA-covered, you can earn a pension from more than one fund.

You quit public employment entirely?

- If vested, you may defer your pension or choose to get a rollover or refund of your contributions.
- If not vested, you have up to five years to either return to public employment, or choose to get a rollover or refund.

You return to public employment after cashing out a refund?

- A previous refund can be repaid once you have returned to public employment for six months.
- The earlier you repay, the less expensive the purchase.

READY TO RETIRE?

- Must terminate from all public service for a minimum of 30 days with no written or verbal agreement to return to public service.
- Submit paperwork 60-90 days before you would like your payments to begin.
- Be aware of events that may affect your pension. There are time limits to apply for disability and to restore service credit from leaves.

LIFE EVENTS

Disability

You may be eligible for this benefit if you are unable to work because of a physical or mental disability. There are different qualifications and variables for each plan. Please refer to your plan's handbook or call us for further questions.

Divorce

Your pension is considered a marital asset and is subject to division in the event of divorce. You may **not** rescind the survivor option without a marriage dissolution or annulment decree specifying the change. Please refer to our website for the divorce handbook. You may obtain updated estimates by calling the service center.

Leaves

Leaves may affect your pension benefit. You may purchase up to one year of missing contributions to restore lost credit. PERA will send you cost estimates and options after your employer reports your leave to PERA.

Death of the member before the pension begins

All of PERA's plans have surviving spouse/family provisions in the event you die before collecting your pension. Payouts differ between plans. Refer to your plan's handbook for more details.

RESOURCES

- Our website and myPERA are great resources to use to learn more about your benefit.
- When you are within one year of retirement, you may want to attend the Ready to Retire webinar for in-depth information on paperwork and the retirement process.
  - Member Service Center is staffed Monday-Friday, 8:00 a.m. to 4:30 p.m. CST.
  - Call our toll-free line 1.800.652.9026 or our local line 651.296.7460.

This publication provides general information for educational purposes and should not be construed as legal or financial advice. The statutes, rules, and regulations governing PERA may change at any time. If there is a discrepancy between the law and this publication or any information you receive orally, the law will govern.