

The **PERA** Deferral

July 2015

Newsletter for deferred members of the Public Employees Retirement Association of Minnesota

Offices in St. Paul, Duluth and Mankato

Over 52,000 Vested Deferred Members

Pension bill lowers earnings assumption, interest on repayments

For the past two years, PERA has used a temporary assumed long-term rate of investment earnings of 8 percent in our actuarial calculations. That assumption was made permanent under this year's Omnibus Pension Bill.

Passed late in the legislative session and signed into law May 22, the bill adopts the more conservative earnings assumption for PERA, MSRS and the St. Paul Teachers Retirement Fund. While long-term investment earnings by the State Board of Investment have matched or exceeded the old 8.5 percent earnings assumption, the measure was seen as a prudent move given the reevaluation of earning assumptions being made by public pensions plans nationwide.

A compilation of 19 individual pension-related bills, the Omnibus Bill included several other provisions impacting PERA. Among those actions are a reduction on the interest charged for the repayment of a refund or the purchase of service. After June 30, 2015, the interest rate will be 8 percent. Any interest accrued prior to that date will remain at the previous 8.5 percent. Repayment of a refund is only available to members who have re-entered public service.

The bill also calls for a 2.5 percent annual increase in benefits for Police and Fire Fund retirees if the plan achieves 90 percent funding for two consecutive years, the same as PERA's other funds.

Combined Service: It adds up for many deferred members

Thousands of PERA's deferred members remain in public service today—just not in jobs covered by the same PERA pension plan they had when they first entered public employment. If that describes you, you should become familiar with the state's combined service law.

In essence, combined service makes it possible to move from one public-sector job to another with no adverse impact on your eventual retirement benefits. In its simplest form, each pension plan computes your benefit using its specific benefit formula. However, each plan uses your same high-five average salary as a public employee, no matter when it was earned, as part of that computation. Add the two benefit amounts together and it's often equivalent to having earned the entire benefit under one pension plan, only the checks are coming from multiple sources. But not always.

As we noted a moment ago, each pension plan uses its own benefit formula. Those formulas are identical in the case of someone with time under our Coordinated Plan and the General Plan of the Minnesota State Retirement System. The same is true for an individual who was a Police and Fire Plan member who now works in a job covered by the State Patrol Plan. However, it gets a bit more complicated for someone covered by two dissimilar plans, such as our Coordinated and Correctional plans.

You see, in order to qualify for combined service, you must also meet the benefit eligibility requirements of each plan as well. For example, the minimum age for a pension is 50 under the Correctional and Police and Fire plans, and 55 for the Coordinated Plan. In addition, combined

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Combined service makes it possible to move from one public-sector job to another in Minnesota with no adverse impact on your eventual retirement benefits.



A word to our younger deferred members

President's Message



Don Rambow

Board Directory

PERA's trustees invite you to notify them personally of any concerns you have regarding the policies or operations of the Association.

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I know what you are thinking. I'm so young I can't even imagine, let alone think about, retirement. I have so many financial obligations to deal with, retirement is just too far away (if ever) to begin to plan for it now. Then all of a sudden you experience your 50th birthday, and then your 60th, and you are no longer one of PERA's younger members.

Imagine yourself sitting across from a fortune teller who claims she can tell you exactly what your pension is going to be 25 or 30 years from now. Skeptical? If your retirement plan was a 401(k), you'd have good reason to be skeptical.

With that type of plan your eventual retirement nest egg depends on how good you are at saving, how good you are at choosing your investments, and how good you are at watching your investments change (positive and negative) as the markets change.

With your PERA pension, the Association takes all those variables into consideration to determine our overall funding needs. Your investments are managed by professional investors at the State Board of Investment and have returned an average of 8.8 percent over the last 20 years.

However, because your retirement plan is a defined benefit plan, your pension is based on a formula incorporating your age at retirement, length of public service and your average salary over your five highest-paid consecutive years of public employment. That means we can tell you the exact percentage of that average salary your pension will replace at a given retirement age. In the case of deferred members, unless you're working in a job covered by another Minnesota public pension plan, we can even tell you the dollar amount. That's a powerful piece of information when you're planning financially for retirement.

Now, what if that fortune teller predicts that you will be guaranteed that monthly pen-

sion for your lifetime—a benefit you will never outlive? And, if you choose, upon your death that pension will continue for the lifetime of someone you name as your survivor. Dubious? Well, PERA's been doing exactly that for over 80 years. All our retirement benefits are lifetime pensions. So, when you've passed your 100th birthday, there will still be a PERA benefit check deposited in your bank account each month.

What if that fortune teller said all this is free? Well, it's time to find a new fortune teller. In order to make this all happen we needed your plan contributions every pay period you worked in a PERA-covered job. We also needed your employer's regular contributions. However, the real magic happens when those contributions are invested over time. Over the last 20 years, approximately 70 percent of PERA's income has come from returns on our investments.

PERA was never meant to be your only income source in retirement, even if you worked in a PERA-covered job for your entire career. There is also Social Security and your individual savings. If you're not contributing to your current employer's 401(k), 457, or other retirement plan, start. If you are contributing, is it enough? Check out the Ballpark E\$timate® on our website under RESOURCES. It's a quick check to see if you are in the **rough ballpark** of achieving your retirement savings goal, and incorporates both your PERA benefits and Social Security in the calculation.

Finally, stop wasting your money on fortune tellers. Put it in your current retirement savings plan.

Don Rambow
President, PERA Board of Trustees

**PERA is
an Equal
Opportunity
Employer**

**The Deferral is published as a service to deferred members
of the Public Employees Retirement Association.**

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This document is available in alternative formats to individuals with disabilities by calling 1-800-652-9026 or through the Minnesota Relay Service at 1-800-627-3529.

The phone is convenient and fast, but we offer more with our online services

Why do PERA's counselors always encourage members who have access to the internet to take advantage of PERA's online features? It's quite simple: there are a lot more services and information available online than we can possibly provide over the phone. One of the main features we encourage members to take advantage of is MY PERA. Registration is convenient and fast.

Don't have a MY PERA account? Well, let's get started.

Creating a MY PERA account is simple. Typically, members can complete registration in a matter of minutes. Visit the homepage at www.mnpera.org by typing this directly into your internet browser. Select MY PERA on the left side of the webpage.

In the Member Log On window, select Register as New User on the left or at the bottom of the webpage. Enter the requested information, create your own password and security questions, and submit. Once you accept the Access Terms and Conditions, you will see a Welcome screen with your PERA account information.

I am Registered, now what?

Once you are logged on, select from the different options on the left side of the webpage. You can view or update many of the details of your account. Looking to update your address? Need a retirement estimate? Registering for a workshop or conference? It can all be done instantly from your MY PERA account.

But I Forgot my Password.

Resetting the password is easy. From the Member Log On window, select Forgot Password on the left of the webpage. Enter the requested information and submit. Once you answer your security questions or receive a reset password email, you'll be able to reset your password.

Is this secure?

MY PERA is our secure member portal. The servers PERA uses for MY PERA

are protected by industry standard technologies, including password protection and firewalls. Personal information submitted by users and information provided by us through MY PERA are both secured with encryption. We are constantly evaluating and improving our security, including using outside firms to periodically test our security measures.

Oh no, I got an error message.

Error messages are not a cause for alarm. They typically indicate a field needs to be changed. If you get an error message, read it carefully and follow the instructions to change that field. We understand some members get an error message when they initially register after accepting the Access Terms and Conditions. If this happens, please close the window and attempt to log in again using the password you just created.

I'm still having trouble.

Please call a PERA representative for assistance. We answer calls regarding the use of our MY PERA online account feature daily and are able to troubleshoot a variety of issues. Some members have limited or restricted MY PERA access. Sometimes the website is unavailable when we are performing web updates. Before you become frustrated with the website please reach out to us for help.

Of course, you can still call and request information over the phone or contact us by mail, but we encourage you to make the most of our online features, even if you need a bit of help from time to time.

So, what else you got?

While MY PERA is your member portal online, our website has a wealth of information about your PERA benefits, from specific plan information to assistance in applying for Association benefits. It's all at www.mnpera.org.



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PRERETIREMENT WORKSHOPS

Willmar, Brainerd, Duluth, New Ulm, and St. Cloud are the locations of our outstate Preretirement Workshops for the second half of 2015. Of course, we also have half a dozen workshops scheduled for our office in St. Paul between August and December.

Registered members of MY PERA can register online for any of our workshops, as well as our group and individual conferences. Simply log in and click on Workshop or Conference.



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July 2015



Are you in the rough ballpark when it comes to retirement?

Ever wonder if you are setting aside enough to fund the retirement you want?

The Employee Benefit Research Institute (EBRI) has created a short exercise to help you determine if you are in the rough "ballpark" of saving sufficiently for your future retirement. It is available as a worksheet or interactive calculator.

We have a link to EBRI's Ballpark E\$timate® on our website under RESOURCES. It is also linked in our Do It Yourself Retirement Tool Kit. They're both online at www.mnpera.org.

Combined Service (Continued from page 1)

service requires that the benefit effective dates for all plans must be within a year of one another. That means for the benefits to qualify under combined service, the Coordinated benefit cannot begin until age 55, and the Correctional or Police and Fire benefit cannot begin until at least age 54. Otherwise, the two benefits would have to be computed using the high-five salary earned under each plan.

However, in many cases, Police and Fire and Correctional members who retire early find it to their advantage to forgo combined service in favor of an earlier public safety pension, picking up the Coordinated pension later. In these cases, it's often wise to look at a number of benefit scenarios before making a decision.

Also under combined service, you may add your years of service with

your current pension plan to those you previously earned under your PERA plan to qualify for the Rule of 90 (age plus years of service equal 90), but only if you were first hired into public service before July 1, 1989. The Minnesota State Retirement System, the Teachers Retirement Association, and the St. Paul Teachers Retirement Fund Association all provide unreduced retirement benefits under the Rule of 90.

In addition to the benefit effective date stipulation we saw earlier, other combined service requirements include:

- You must have at least six months of allowable service credit under each plan; and
- You must terminate all public service before any combined service benefits can begin.