

# UNDERSTANDING PERA

## WHAT IS PERA?

Your PERA pension is a 401(a) defined benefit plan you pay into while working as a public employee. You contribute a percentage of each paycheck to your PERA account. While PERA administers the plan benefits, the Minnesota State Board of Investment (SBI) manages and invests all contributions on your behalf, making it maintenance-free for you.

- » Unlike other 401(k)-style retirement plans, your benefit payment is not based on investment performance or the amount of contributions.
- » Your monthly benefit is based on a formula taking into account your years of service, salary, and age—not the contributions you have made.
- » This monthly benefit amount is meant to replace a portion of your income, and it is for life—you cannot outlive it!

## WHO IS A MEMBER?

We serve over 450,000 current and former public employees from 2,100 governmental agencies and pay monthly benefits to more than 120,000 retirees, disabled members, and survivors of deceased members.

Nearly 8% of Minnesotans are members of PERA, and in 2022, PERA paid over \$2 billion in benefits to retirees and former members, with 88% going to Minnesota addresses. Benefit payments to PERA recipients are spent in local communities supporting economic activity and jobs, and are considered taxable income at both the federal and state levels.

### ACTIVE MEMBER

A member who is actively employed in a PERA-covered position and has not applied for a monthly benefit or a refund

### BENEFIT RECIPIENT

A member who has applied and is receiving PERA monthly benefits

### INACTIVE MEMBER

A member who has left PERA-covered employment and has not applied for a monthly benefit or a refund



**36%**  
ACTIVE MEMBERS

**28%**  
RECEIVING BENEFITS

**36%**  
INACTIVE MEMBERS

# MEMBERSHIP

PERA covers Minnesota local government public employees and non-teaching school staff. Membership is required for employees who are expecting to exceed \$425/month in earnings. Once you meet this threshold, your employer will enroll you into your membership group and you will contribute a percentage of each paycheck to PERA.

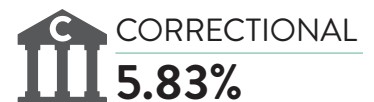
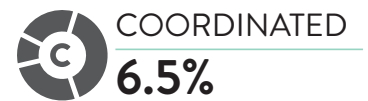
## PERA HAS THREE MAIN MEMBERSHIP GROUPS

- » **COORDINATED** The largest group, membership includes positions in cities, counties, schools, and other local government entities. PERA “coordinates” with Social Security Administration and all members pay into Social Security and Medicare.
- » **POLICE & FIRE** Membership includes full-time police officers and full-time professional firefighters. Part-time positions and certain other public safety positions may also be eligible. Members do not pay into Social Security, but do pay into Medicare.
- » **CORRECTIONAL** Membership includes guards, joint jailer-dispatchers, and protection officers. Most members pay into Social Security and Medicare.

There are exclusions to contributing to defined benefit plans. Specific statutes exclude full-time students under the age of 23, seasonal or temporary employees, independent contractors, and PERA benefit recipients.

# CONTRIBUTIONS

Once your PERA membership is established, you will contribute a percentage of each paycheck to your PERA account through payroll deductions. You cannot increase or decrease the amount you contribute, as contribution rates are determined by law, based on your plan and eligible gross salary. Your PERA contributions are tax-deferred, so you will not pay taxes on your contributions now. Once your benefit begins, federal tax and state tax (if applicable) will be owed. Your employer also contributes a percentage, but their contributions are not a match like a 401(k)-style plan.



Employer contributions are meant to help fund your plan—their contributions are not included in your account balance and are nonrefundable if you choose to take a refund.



# VESTING



One of the objectives of membership is to become vested in your plan. Vesting means you earned enough service credits to receive a monthly lifetime benefit after leaving public service and reaching a retirement-eligible age. You earn one service credit each month you contribute to your plan. PERA converts your monthly service credits into years for vesting and benefit calculation purposes.

If you have contributed to another Minnesota public pension plan, your service in the other plan will be applied to your PERA vesting requirement.

## VESTING REQUIREMENTS

**COORDINATED**  
3 YEARS  3 years (36 service credits)

**POLICE & FIRE**  
5-10 YEARS  50% vested at 5 years  100% vested at 10 years

**CORRECTIONAL**  
5-10 YEARS  50% vested at 5 years  100% vested at 10 years

# PERA BENEFITS

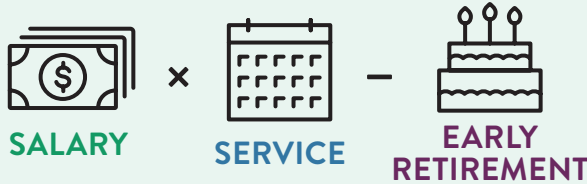
The ultimate goal of your PERA account is collecting a monthly retirement benefit when you reach an eligible age. The plan offers other benefit options if you are unable to collect a retirement benefit:

- » Disability monthly benefits if you become disabled before retirement, or
- » Survivor monthly benefits if the event you die before retirement, or a
- » Refund of your account if you do not have enough service to qualify for a monthly benefit

The benefits for each group are distinct and fully explained in each membership handbook at [mnpera.org](http://mnpera.org).

## HOW MUCH WILL PERA PAY ME?

PERA pensions are calculated using a formula that includes your salary, service, and age. The longer you work in PERA-covered employment, the larger your retirement benefit.



### SALARY

Your benefit calculation will use your highest average salary, which is the five consecutive years—or 60 consecutive months—during which your salary is the greatest. This could be at the end of your career or it could be in the past. A break in public service does not affect this—we ignore that gap.

### SERVICE

Your years of service are combined with your plan multiplier to create your formula percentage. You do not have to work a full year in order to get credit—you get credit for each month that you work.

### AGE

You will receive your full, unreduced benefit if you are at full retirement age or older when your pension begins. However, if you choose to retire early, there will be an early retirement factor applied to the calculation, reducing your monthly benefit amount because it will be paid to you for a longer period.

|               | MULTIPLIER | EARLIEST RETIREMENT AGE | FULL RETIREMENT AGE |
|---------------|------------|-------------------------|---------------------|
| COORDINATED   | 1.7%       | 55                      | 66                  |
| POLICE & FIRE | 3.0%       | 50                      | 55                  |
| CORRECTIONAL  | 1.9%       | 50                      | 55                  |

### CALCULATION EXAMPLE

AGE: 66  
 PLAN: COORDINATED  
 YEARS OF SERVICE: 20  
 HIGHEST AVERAGE SALARY: \$4,000 PER MONTH

| FORMULA                       | EXAMPLE           |
|-------------------------------|-------------------|
| 1.7% for each year of service | 1.7%              |
| Years of service              | × 20              |
| Benefit formula               | = 34%             |
| Highest average salary        | × \$4,000         |
| Monthly benefit               | = \$1,360 MONTHLY |

## KEEP IN MIND

Your PERA pension is an excellent benefit, and while it may be the biggest tool in your retirement toolbox, it's not intended to replace all of your salary. It is recommended to have 80–100% of your pre-retirement net income to maintain your same standard of living after you retire. The combination of your PERA pension, Social Security or other retirement investments, and personal savings can help you reach your retirement goals.



# LIFE EVENTS

## JOB CHANGE

- » **You move into a new Minnesota public service job.** If your new position is PERA-covered and meets membership eligibility, you will continue contributing to PERA. If the new position is not under PERA but covered by another Minnesota public pension plan, you may qualify to coordinate your PERA benefit with the other Minnesota plan benefit.
- » **You quit public employment entirely.** If you leave public service after becoming vested, you can leave your contributions with PERA and later draw a benefit once you reach retirement age. If you leave public service before becoming vested, you have up to five years after your last contribution to either return to public service or request a refund of your contributions plus interest. If you don't take a refund within five years, you will forfeit your contributions.
- » **You return to public employment after receiving a refund.** A previous refund can be repaid once you have returned to public service for a minimum of six months.

## NOT VESTED

If you do not meet vesting requirements, your only option is to take a refund of your account.

## DIVORCE

Your PERA pension is a marital asset and can be divided. See our website for sample calculations and decree language.

## DISABILITY

You may be eligible for PERA disability benefits if you are unable to work due to a physical or psychological disability.

## LEAVES

Unpaid leaves may affect your pension amount, and you may qualify to purchase missed service credit and/or salary upon your return.

## DEATH

All plans have surviving spouse/family provisions in the event you die before collecting your pension.

# MEMBER RESOURCES

We encourage you to educate yourself on other ways to prepare for retirement. PERA staff are not financial planners and cannot provide financial advice. What we can do is provide you with educational resources so you can make informed benefit decisions.

## myPERA

You can update your personal information, add or change beneficiaries, run retirement estimates, and more in your online account. To activate, click the myPERA Login button located at the upper-right corner of our website and select "Register as New User" from the left-hand menu. You will need your PERA ID to register, which you can find on your welcome letter.

## ONLINE RESOURCES

Our website, [mnpera.org](http://mnpera.org), provides comprehensive plan information and educational resources. We encourage you to routinely access our website and resources to help you understand your benefits and plan for retirement.

## PERSONAL BENEFIT STATEMENT

Your statement summarizes your PERA account, including your service, account balance, and estimated benefits.

## EDUCATION PROGRAMS

PERA provides member education programs and individual counseling sessions. We offer two different programs:

- » Ready to Retire is intended for members who plan to retire within one year and focuses on the application process step-by-step.
- » From Hire to Retire is designed for all members to learn about PERA benefits.

We also offer individual meetings by phone and at our St. Paul office, which are designed for members who are within six months of retirement.

## MEMBER SERVICE CENTER

Have additional questions? Call us Monday through Friday from 8 a.m. to 4:30 p.m., or email us at [benefits@mnpera.org](mailto:benefits@mnpera.org).

*This publication is intended to provide general information; the rights and obligations of PERA members are governed by state and federal laws, rules, and regulations. The Minnesota Legislature or the federal government may change the statutes, rules, and regulations governing PERA at any time. If there is a discrepancy between the law governing PERA and the information contained in this publication, the statutes and regulations will govern. This document can be made available in alternative formats to individuals with disabilities by calling-651-296-7460 or 1-800-652-9026, or through the Minnesota Relay Service at 1-800-627-3529.*