

HF 4429 (Nelson, M.); SF 4751 (Seeberger): PERA General and Correctional Plans; Modifying the Limitation on Disability Payments by Eliminating an Offset for Income Received from Workers' Compensation

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Introduction

- Affected Plan(s):** Public Employees Retirement Association (PERA) General Employees Retirement Plan (PERA General)
PERA Local Government Correctional Service Retirement Plan (PERA Correctional)
- Laws Amended:** Minnesota Statutes, sections 353.33, 353.335, and 353E.06.
- Laws Repealed:** Minnesota Statutes, sections 353.33, subdivision 5, and 353.335, subdivision 2.
- Brief Description:** The bill modifies the limitation on disability payments by eliminating an offset for income received from workers' compensation to match the changes made in 2023 to the PERA Police and Fire Retirement Plan. A member receiving disability benefits will no longer need to report workers' compensation benefits to PERA nor will the member's disability benefit be reduced due to income received from workers' compensation.

Background

During the 2023 legislative session, a bill was enacted¹ that modified the disability benefits under the Public Employees Police and Fire Retirement Plan (PERA P&F) and the Minnesota State Retirement System (MSRS) State Patrol Plan. The bill included provisions that modified the limitation on disability benefits provided by the PERA Police and Fire Plan by eliminating an offset for income received from workers' compensation benefits. The bill also exempts members of the plan receiving disability benefits from having to report income received from workers' compensation to PERA. The reduction of disability benefits due to income received from workers' compensation is referred to in this summary as the "offset for workers' compensation."

Under current law, the PERA General and Correctional plans offset a member's disability benefit if the sum of a member's disability benefit, workers' compensation benefit, and reemployment earnings

¹ Laws 2023, Chapter 48.

exceeds the member's base salary.² The bill would eliminate the offset for workers' compensation for PERA General and PERA Correctional to match the changes made in 2023 to the PERA Police and Fire Plan.

Section- by- Section Summary

Section 1 amends section 353.33, subdivision 7, by modifying the limitation on disability benefits for PERA General by eliminating the offset for workers' compensation. Under current law, if the sum of a member's disability benefit, workers' compensation benefit, and reemployment earnings exceeds the member's base salary, the member's disability benefit will be reduced to not exceed the member's base salary.

Section 1 removes workers' compensation benefits from this calculation. As a result, a member's disability benefit would only be reduced if the member's benefit plus reemployment earnings exceeds the member's base salary.

Section 2 amends section 353.33, subdivision 7a, which allows a member of PERA General receiving disability benefits to return to work with a public employer for a trial period and continue to receive disability benefits for up to six months. The current limitation on disability benefits during this trial period is the same limitation that normally applies (see section 1). Section 2 eliminates the offset for workers' compensation for disability benefits paid to a member during this trial period.

Section 3 amends section 353.335, subdivision 1, by eliminating a requirement for members to report income received from workers' compensation to PERA. Members will still be required to report reemployment earnings to PERA. This provision applies to members of the PERA General, Correctional, and Police and Fire plans.

Section 4 amends section 353E.06, subdivision 6, by modifying the limitation on disability benefits for PERA Correctional. These changes mirror the changes made by section 1. Section 4 removes workers' compensation benefits from the limitation calculation for disability benefits for members of PERA Correctional. As a result, a member's disability benefit would only be reduced if the member's benefit plus reemployment earnings exceeds the member's base salary.

Section 5 repeals section 353.33, subdivision 5, and section 353.335, subdivision 2, which applies to members of PERA General receiving disability benefits. This subdivision requires PERA to reduce a member's disability benefit if the member's benefit, when converted to a single life annuity amount, plus worker's compensation, exceeds the member's base salary. PERA General is the only PERA plan that converts the member's benefit amount to a single life annuity for the purpose of calculating this limitation. Repealing this subdivision eliminates another reference to the offset for workers' compensation.

Section 353.335, subdivision 2, was added by the 2023 legislation mentioned above that modified the disability benefits under the PERA Police and Fire Plan and the MSRS State Patrol Plan. This subdivision

² The base salary used for this purpose is the greater of 1) the member's base salary as of the date of disability or 2) the current base salary for similar positions.

exempts members of the PERA Police and Fire Plan receiving disability benefits from reporting income received from workers' compensation to PERA. Due to the change made by section 3 of the bill, the requirement to report income received from workers' compensation to PERA is eliminated. As a result, this subdivision is no longer necessary.

Effective Dates. All sections are effective January 1, 2025.

Analysis

Rationale of removing offset for workers' compensation

According to PERA, the rationale for eliminating the offset for workers' compensation is that the limitation of disability benefits should focus on reemployment earnings. Workers' compensation benefits are not connected to reemployment earnings. In addition, the bill creates parity among PERA plans related to offset for workers' compensation.

Another potential rationale may be related to state workers' compensation law. Under current law, if a person is receiving a workers' compensation benefit for a total and permanent disability, the benefit is reduced if 1) the person is receiving a disability benefit from a government disability benefit program and 2) the disability benefit and worker's compensation benefits are resulting from the same injury or injuries.³ This offset or reduction occurs after a total of \$25,000 in workers' compensation benefits is paid and the reduction is the amount of the disability benefit.

If a member's workers' compensation benefit is already being reduced due to receiving disability benefits, the provisions in chapters 353 and 353E related to the offset for workers' compensation may be unnecessary. According to a 2023 report published by the Department of Labor and Industry,⁴ it appears that a member's benefit is not being reduced by both offsets, because "the application of the offsets depends on which entity first becomes aware of other benefits or earnings." However, LCPR staff do not have additional information on how these offsets are administered. The bill does not modify the offset for disability benefits required by workers' compensation law.

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³ Minn. Stat. §176.101, subdivision 4

⁴ Department of Labor and Industry, Institute for Urban and Regional Infrastructure Finance (IURIF) Humphrey School of Public Affairs, University of Minnesota (2023, January), pp. 68-69, [Adequacy of Disability Benefits for Minnesota Police Officers](#)