

# Submitted Testimony from Anne Felber, Career Probation Officer

## Testimony Documents:

1. Letter to the Members of the Legislative Commission on Pensions and Retirement
2. Transition Benefit Analysis Report
3. Fixing the 2027 Public Safety Plan Change Inequity FAQ

Dear Members of the Legislative Commission on Pensions and Retirement,

As you review this proposal, I respectfully ask that you consider the full set of concerns documented in the Work Group's own report.

The report identifies significant structural inequities for employees age 50 and older, including lower lifetime retirement benefits, limited ability to benefit from the age-60 unreduced annuity, and substantially reduced income-replacement outcomes compared to younger workers.

Older employees would also be required to pay higher contributions immediately while having too few years remaining to receive proportional value. The only relief mechanism—purchasing past service—is economically out of reach for most employees, with costs that can exceed 100 to 600 percent of annual pay, and the Work Group did not reach consensus on any meaningful mitigation despite acknowledging these disparities.

These findings highlight areas where legislative clarification or corrective action may be needed, such as targeted funding for past-service purchases, reduced-cost purchase windows for workers over 50, adjustments to early-retirement reductions, or protections to ensure Social Security coverage or equivalent compensation.

My intent is to provide a solution to many of the above issues. I am writing to respectfully request your consideration of the attached transition package addressing the mixed-service inequities created by the 2027 Public Safety Plan change. This proposal is not a benefit expansion, nor does it alter contribution rates or create ongoing liabilities. It is a targeted, time-limited correction designed to prevent **avoidable harm** to a small group of long-serving public safety employees who are uniquely and unintentionally disadvantaged by the interaction of the new plan with existing General Plan rules.

This creates a **replacement-ratio gap** that affects only the **oldest, longest-serving members**.. Under current proposal, these agents face a 25–35 percent reduction on the General Plan portion of their benefit solely because of the timing of the plan change, not because of any difference in work history, service, or retirement behavior.

In short, this package prevents **avoidable harm** to a group the Legislature has historically protected during every major transition. It restores fairness, preserves actuarial integrity, and honors the service of those who have dedicated their careers to public safety.

Thank you for your consideration and for your continued commitment to ensuring equitable and sustainable retirement systems for Minnesota's public employees.

Sincerely,

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# **TRANSITION BENEFIT ANALYSIS REPORT**

**Addressing Mixed-Service Inequities in the 2027 Public Safety Plan Change**

Prepared by Anne Felber for Legislative Review  
March 2026

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# I. EXECUTIVE SUMMARY

The 2027 public safety plan change modernizes Minnesota’s retirement structure by lowering the normal retirement age from 66 to 60. While broadly beneficial, the change unintentionally creates a **structural inequity** for long-serving members with **mixed service** in:

- the PERA General Plan, and
- the new 2027 Public Safety Plan.

Under current law, the General Plan portion of a mixed-service benefit is reduced as if the member retired **six years early**, even when the member:

- meets Rule of 85,
- retires at age 60, and
- has 30+ years of earned service.

This creates a replacement-ratio gap that affects only the **oldest, longest-serving members** — the group the Legislature has historically protected during major plan transitions.

Imagine two members who both retire at age 60 with 32 years of service:

- **Member A** spent all 32 years in the new public safety plan.
  - Their benefit is **unreduced** at age 60.
- **Member B** spent 27 years in the General Plan and 5 years in the new plan.
  - Even though Member B retires at the same age with more total service, the General Plan portion is reduced by **25–35%** because the General Plan still assumes a normal retirement age of 66.

The result: Member B — the one with *more* service — receives a **lower replacement ratio** solely because of the timing of the plan change, not because of any difference in work history or retirement behavior.

This is the inequity the transition package corrects.

The transition package (Sections A–D) corrects this inequity by:

- restoring fairness for the transition cohort,
- preventing unintended benefit losses,
- ensuring actuarial integrity, and
- limiting all costs to a five-year window with a fixed appropriation.

The full fiscal analysis demonstrates that the total cost remains within **\$13.9M–\$19.4M** under all realistic retirement scenarios.

## II. BACKGROUND AND PROBLEM STATEMENT

The Work Group’s decision to maintain the General Plan’s normal retirement age of 66 for mixed-service calculations creates a structural inequity for long-service members.

Even when a member:

- meets Rule of 85,
- retires at age 60, and
- has decades of service,

The General Plan portion is still reduced as if the member retired **six years early**.

This affects:

- the longest-serving members,
- the oldest members,
- the most dedicated members,
- and those whose careers were built under the expectation of Rule-of-85 treatment at age 60.

Without a transition package:

- replacement ratios drop sharply,
- mixed-service members lose benefits they reasonably expected,
- Similarly situated members receive unequal treatment,
- and the 2027 plan change becomes retroactively punitive.

The Legislature has consistently provided transition protections during major plan changes. This package continues that tradition.

## III. OVERVIEW OF TRANSITION PACKAGE (Sections A–D)

The transition package consists of four coordinated components.

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### Section A — Transition Supplements & Reduction Caps

Three protections for members who retire at age 60 and meet Rule of 85:

- **A3:** Treats the General Plan portion as **unreduced at age 60**.
- **A2:** Caps the General Plan early-retirement reduction at **15%**.
- **A1:** Offsets **60%** of the early-retirement reduction.

#### **A3 — Unreduced GP at Age 60**

- Eligible members: ~130
- Average monthly increase: \$600–\$900
- **5-year cost: \$4.8M–\$6.1M**

#### **A2 — 15% Cap**

- Eligible members: ~154
- Average monthly increase: \$350–\$450
- **5-year cost: \$2.7M–\$3.3M**

#### **A1 — 60% Offset**

- Eligible members: ~104
- Average monthly increase: \$300–\$400
- **5-year cost: \$1.9M–\$2.4M**

#### **Total Section A Cost**

**\$8.4M–\$10.7M**

Applies only to the transition cohort and only for retirements in the first five years.

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## Section B — Past Service Purchase Subsidy

Allows members to purchase past service as **new-plan service only**, with:

- **Tier 1 (30+ years):** 70% subsidy
- **Tier 2 (25–29 years):** 40% subsidy
- **Tier 3 (<25 years):** no subsidy

Additional rules:

- Only the **first 10 years** purchased are subsidized.
- Members may use **MNDCP/457 trustee-to-trustee transfers** to pay for purchases.
- Purchased service does **not** count toward Rule of 85 or A3.

### Tier 1 (70% Subsidy)

- Eligible members: ~200
- Participation: 25%
- Average subsidy: \$95k–\$195k
- **5-year cost: \$2.2M–\$3.4M**

### Tier 2 (40% Subsidy)

- Eligible members: ~175
- Participation: 20%
- Average subsidy: \$32,892–\$68,430
- **5-year cost: \$1.2M–\$1.8M**

### Tier 3

- No subsidy

### Total Section B Cost

**\$3.4M–\$5.2M**

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## Section C — Mixed Service & High-5 Protections

Provides:

- highest High-5 across plans,
- higher-of mixed-service, CSA, or CBMTOP calculations,
- transition-only overrides for five years.

### High-5 Override

- Eligible members: ~350
- Average monthly increase: \$75–\$125
- **5-year cost: \$1.2M–\$1.9M**

### Mixed-Service Default + Higher-Of Rule

- **5-year cost: \$0.6M–\$1.0M**

### Total Section C Cost

**\$1.8M–\$2.9M**

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## Section D — Funding, Cost Controls, and Sunset

- All benefits funded by state appropriation.
  - No employer or employee contribution changes.
  - No permanent liabilities.
  - Full sunset after five years.
  - Annual reporting to LCPR.
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## IV. FISCAL ANALYSIS (Five-Year Window)

### Key Actuarial Assumptions

#### Population Covered

- 2,248 PERA members
- 429 MSRS members
- **Total: 2,677 members**

#### Expected Retirement Rates

- 3%–5% annually
- Equivalent to **400–670 retirees** over five years

#### Service Distribution

- 40% Tier 1 (30+ years)
- 35% Tier 2 (25–29 years)
- 25% Tier 3 (<25 years)

#### Buyback Behavior

- Participation rate: 20–25%
- Subsidy applies only for the first 10 years purchased.
- Average PV:
  - 5–9 years ≈ \$93,977
  - 10–14 years ≈ \$195,515

#### A1/A2/A3 Eligibility

- A3: ~130 members
- A2: ~154 members
- A1: ~104 members

#### A3 Eligibility

- ~22% of retirees meet Rule of 85 at age 60.
- Equivalent to **~130 A3-eligible members**

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## Cost Summary (Five-Year Total)

Section	Cost Range
A — A1/A2/A3	\$8.4M–\$10.7M
B — Buyback Subsidies	\$3.4M–\$5.2M
C — Mixed Service & High-5	\$1.8M–\$2.9M
Administrative Costs	\$0.25M–\$0.45M
<b>TOTAL (5 YEARS)</b>	<b>\$13.9M–\$19.4M</b>

## V. SENSITIVITY ANALYSIS

Retirement Rate	Five-Year Retirements	Total Cost
3% (low)	~400	\$12.4M–\$14.8M
4% (mid)	~535	\$14.9M–\$17.1M
5% (high)	~670	\$17.3M–\$19.4M
6% (stress test)	~805	\$20.1M–\$22.9M
7% (extreme)	~935	\$23.4M–\$26.5M

### Interpretation

- The realistic actuarial range (3–5%) stays within **\$13.9M–\$19.4M**.
- Only extreme, implausible retirement spikes exceed the range.
- The transition package is fiscally stable under all expected conditions.

## VI. SIDE-BY-SIDE COMPARISON

### A. Transition Supplements & Reduction Caps (Section A)

Current Proposal	Transitional Supplement Proposal	Rationale
General Plan portion reduced 25–35% at age 60 even if Rule of 85 is met	A1: 60% offset of reduction	Addresses unintended reduction for long-service mixed-plan members retiring at 60
No cap on reduction	A2: 15% cap	Prevents disproportionate early-retirement penalties during transition
No unreduced treatment at age 60	A3: Unreduced GP portion at age 60 for Rule-of-85 members	Restores historical Rule-of-85 expectations for longest-serving members
No transition protections	Applies only to transition cohort for 5 years	Limits cost and scope; protects only those directly affected by plan change

## B. Past Service Purchase (Section B)

Current Proposal	Transitional Supplement Proposal	Rationale
Purchases priced at full actuarial cost	Subsidy for first 10 years purchased	Makes conversion to new-plan service financially feasible for long-service members
No subsidy	70% (30+ yrs), 40% (25–29 yrs), 0% (<25 yrs)	Targets assistance to longest-serving members most affected by mixed-service inequity
Purchased service counts toward Rule of 85	Purchased service does <b>not</b> count toward Rule of 85	Prevents gaming; maintains actuarial integrity
No transition window	5-year window	Ensures temporary, transition-only cost exposure

## C. Mixed-Service & High-5 (Section C)

Current Proposal	Transitional Supplement Proposal	Rationale
High-5 must be within 12 months of each plan's retirement date	Highest High-5 across plans	Prevents salary-timing penalties unique to mixed-service members
Mixed-service may produce lower benefit	Higher-of rule required	Ensures members receive the most favorable calculation available
No transition protections	Applies only to transition cohort	Limits scope; avoids permanent statutory change

## D. Funding & Sunset (Section D)

Current Proposal	Transitional Supplement Proposal	Rationale
No special funding	State appropriation only	Prevents impact on employer/employee contribution rates
No sunset	5-year sunset	Ensures temporary, transition-specific benefit
No reporting requirement	Annual report to LCPR	Provides oversight and transparency during implementation

## VII. DESCRIPTIONS

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### SECTION A — Transition Benefits for Long-Service Members

*(Service-Based; Rule of 85; Age-Neutral; Appropriation-Bound)*

The transition benefits in Section A address the core inequity created by applying General Plan early-retirement reductions to long-service members who retire at age 60 under the new plan. These protections are layered, actuarially grounded, and limited to the transition cohort.

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#### A1. Transition Supplement (60% Offset of Mixed-Service Reduction Gap)

##### Purpose

Mixed-service calculations apply actuarial early-retirement reductions to the General Plan portion because the General Plan retains a normal retirement age of 66. This creates a reduction of approximately 25–35% at age 60, even when a member meets Rule of 85.

A1 offsets **60%** of that reduction to prevent unintended benefit loss.

##### Eligibility

A member qualifies if the member:

- is in the transition cohort,
- retires at age 60 or later,
- meets Rule of 85 at retirement, and
- has 25 or more years of earned covered service.

Purchased service under Section B does **not** count toward the 25-year minimum or Rule of 85.

##### Benefit

- Monthly supplement equals **60%** of the actuarial early-retirement reduction that would otherwise apply to the General Plan portion at age 60.
- Payable from the start date until the member's Social Security commencement date.
- The supplement receives **no COLA**.

##### Rationale

A1 is a temporary, appropriation-funded equity measure designed to prevent a reduction that was never intended to apply to long-service members retiring at age 60 under the new plan.

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#### A2. Reduction Cap Protection (15% Maximum Reduction)

##### Purpose

A2 prevents disproportionate early-retirement reductions on the General Plan portion for long-service members who retire at age 60 under mixed-service rules.

##### Eligibility

A member qualifies if the member:

- is in the transition cohort,
- retires at age 60,
- meets Rule of 85, and
- has 25 or more years of earned covered service.

Purchased service does **not** count toward the 25-year minimum or Rule of 85.

##### Benefit

The total early-retirement reduction applied to the General Plan portion under mixed-service, CSA, or CBMTOP calculations is **capped at 15%**.

## **Interaction with A1**

- A2 limits the maximum reduction.
- A1 offsets 60% of the remaining reduction.
- Members eligible for A3 do **not** receive A1 or A2.

Together, A1 and A2 provide a layered mitigation structure while preserving actuarial principles.

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## **A3. One-Time Rule of 85 Protection (Unreduced General Plan Portion at Age 60)**

### **Purpose**

A3 provides a targeted, one-time protection for long-service members whose careers were structured around the Rule of 85 and who would have received unreduced treatment at age 60 under historical practice.

### **Eligibility**

A member qualifies if the member:

- is in the transition cohort,
- meets Rule of 85 at retirement,
- has at least 25 years of earned service,
- retires at age 60 or later, and
- retires within five years following the implementation date.

Purchased service under Section B does **not** count toward Rule of 85 or A3 eligibility.

### **Benefit**

For eligible members, the General Plan portion of the mixed-service benefit is treated as **unreduced at age 60**.

This protection applies prospectively to the interaction of future service under the new plan with the General Plan portion and does not alter past General Plan accruals.

### **Interaction with A1 and A2**

- A3 is the highest-tier protection.
- Members eligible for A3 do **not** receive A1 or A2.
- Members who do not qualify for A3 may still receive A1 and/or A2.

### **Sunset**

A3 may be granted only for retirements occurring within the five-year transition window.

Any A3 benefit already granted continues for the life of the member.

## **SECTION B — Past Service Purchase Transition Subsidy**

*(Service-Tiered; New-Plan Service; Age-Neutral; Appropriation-Bound)*

Section B provides a structured, actuarially sound mechanism for members to convert past service into new-plan service. This allows long-service members to align their benefit structure with the new plan without creating unfunded liabilities.

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### **B1. Eligibility**

A member is eligible for the past-service purchase transition subsidy if the member:

1. is in the transition cohort (employed on January 1, 2027),
2. retires within five years following the implementation date, and
3. has at least 25 years of earned covered service at retirement.

Purchased service does **not** count toward the 25-year minimum.

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### **B2. Nature of Purchased Service**

Purchased service under this section:

- is credited as **new-plan service**,

- uses the new-plan multiplier,
- uses the new-plan normal retirement age of 60,
- receives the new-plan COLA, and
- follows new-plan disability and annuity rules.

Purchased service does **not**:

- count toward Rule of 85,
- count toward A3 eligibility,
- count toward Tier 1 or Tier 2 thresholds,
- count toward the 25-year minimum, or
- alter the treatment of General Plan service.

### **B3. Tiered Subsidy Percentages**

The subsidy is based solely on **earned** covered service at retirement.

- **Tier 1 — 30+ years earned:** 70% subsidy.
- **Tier 2 — 25–29 years earned:** 40% subsidy.
- **Tier 3 — <25 years earned:** no subsidy.

### **B4. Subsidy Application**

The subsidy:

- applies only to the member's out-of-pocket cost,
- is paid directly to PERA on behalf of the members,
- is credited toward the actuarial cost of the purchase,
- applies only to the **first 10 years purchased**,
- is not paid to the member,
- is not taxable to the members,
- does not reduce the actuarial present value owed to PERA.

PERA must receive the **full actuarial cost** of the purchase (member payment + subsidy).

### **B5. Actuarial Present Value**

The purchase cost equals the actuarial present value of the increase in future benefits attributable to the purchased service.

For fiscal note purposes, age-banded averages may be used:

- **5–9 years:** PV  $\approx$  \$93,977
- **10–14 years:** PV  $\approx$  \$195,515

Exact quotes are calculated by PERA at retirement.

### **B6. Administration; Timing; Payment Method**

- The purchase occurs one time at retirement.
- The \$250 actuarial calculation fee is waived for the transition cohort.
- Members may use **direct trustee-to-trustee transfers** from the Minnesota Deferred Compensation Plan (MNDCP/457).
- Employers may offer an optional sidecar match to MNDCP for prefunding.

### **B7. Sunset**

- The subsidy is available only to transition cohort members who retire within five years of implementation.
- Subsidy payments are appropriation-bounded.
- After the five-year window closes, no new subsidies may be granted; subsidies already awarded continue.

## SECTION C — Mixed Service & High-5 Protections

*(Transition Cohort Only; Temporary; Service-Based; Age-Neutral)*

Section C ensures that mixed-service members are not disadvantaged by the interaction of General Plan and new-plan rules during the transition period. These protections apply only to the transition cohort and only for retirements occurring within the five-year window.

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### C1. Applicability

This section applies only to members of the transition cohort who:

1. retire within five years following the implementation date, and
2. have earned service in both the PERA General Plan and the new PERA plan.

These protections do **not** apply to:

- members hired after January 1, 2027, or
  - members retiring outside the five-year transition window.
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### C2. Highest High-Five Salary Across Plans

For eligible transition cohort members, each plan's annuity calculation shall use the **highest five-year average salary** earned under either plan.

This is a **transition-only override** of the 12-month limitation in combined-service annuity statutes. After the five-year transition window closes, the statutory 12-month rule resumes full effect.

Purchased service under Section B:

- is treated as new-plan service only, and
  - does not count toward service thresholds for this subsection.
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### C3. Interaction with Rule of 85 and Section A Protections

For transition cohort members who meet Rule of 85, the General Plan portion of the mixed-service benefit shall be treated as:

- **unreduced at age 60** (A3), or
- **capped at 15%** (A2), or
- **offset by 60%** (A1),

depending on the member's eligibility under Section A.

Purchased service under Section B:

- does not count toward Rule of 85,
  - does not count toward A3 eligibility, and
  - does not alter the treatment of General Plan service under Section A.
- 

### C4. Preservation of CSA and CBMTOP; Higher-of Calculation

Combined Service Annuity (CSA) and Coverage by More Than One Plan (CBMTOP) pathways remain available under existing law.

For transition cohort members only:

- Mixed service shall be the administrative default,
- unless the member elects CSA or CBMTOP,
- or unless mixed service produces a lower benefit than CSA/CBMTOP, in which case PERA shall apply the **higher** of the available calculations.

This subsection does not alter CSA or CBMTOP rules for members outside the transition cohort.

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## **C5. Treatment of Purchased Service**

Purchased service:

- is credited as new-plan service,
- does not count toward General Plan service,
- does not count toward Rule of 85,
- does not count toward A3 eligibility,
- does not count toward the 10-year GP + 5-year new-plan threshold for High-5 protection, and
- does not count toward any earned-service thresholds in this section.

Purchased service affects only:

- the new-plan portion of the annuity,
  - the new-plan multiplier,
  - the new-plan normal retirement age, and
  - the new-plan COLA.
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## **C6. Sunset**

All provisions of this section apply only to transition cohort members who retire within five years following the implementation date.

After the five-year window closes:

- no new members may qualify under this section, and
- benefits already granted shall continue to be paid as provided.

## **SECTION D — Funding, Cost Controls, and Implementation**

*(Transition-Limited; Appropriation-Bounded; No Permanent Liabilities)*

Section D ensures that the transition package is fiscally responsible, fully funded, and administratively sound. It establishes clear boundaries on cost, implementation authority, and reporting.

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### **D1. Purpose and Scope**

This section governs the funding, administration, and implementation of the transition benefits provided in Sections A, B, and C.

All provisions apply only to the transition cohort and only to retirements occurring within five years following the implementation date.

Nothing in this section creates:

- a permanent benefit,
  - an ongoing state obligation, or
  - a change to statutory contribution rates.
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### **D2. Funding Source; Appropriation Boundary**

#### **(a) State Appropriation Required**

Transition benefits under Sections A, B, and C shall be funded exclusively through a **state appropriation**.

No employer contributions, member contributions, or plan assets may be used.

#### **(b) Appropriation Boundary**

The total amount of transition subsidies and supplements payable under this act shall not exceed the amount appropriated by the Legislature.

PERA and MSRS shall administer transition benefits only to the extent of available appropriations.

#### **(c) No Impact on Contribution Rates**

Transition benefits shall not affect:

- statutory employer contribution rates,

- statutory employee contribution rates,
  - plan funding ratios, or
  - actuarial valuation assumptions.
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### **D3. Payment Flow and Administrative Handling**

#### **(a) Payments to PERA/MSRS**

All transition subsidies under Sections A and B shall be paid directly to PERA or MSRS on behalf of the members.

#### **(b) No Payments to Members**

Transition subsidies shall:

- not be paid to members,
- not be treated as taxable income, and
- not be deposited into member accounts.

#### **(c) Actuarial Integrity**

PERA and MSRS must receive the **full actuarial present value** of any purchased service or benefit increase (member payment + subsidy).

Transition subsidies shall not reduce the actuarial cost owed to the plan.

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### **D4. Implementation Authority**

#### **(a) Administrative Rules**

PERA and MSRS may adopt procedures, forms, and administrative rules necessary to implement Sections A, B, C, and D.

#### **(b) Member Eligibility Verification**

PERA and MSRS shall verify:

- transition cohort status,
- retirement within the five-year window,
- earned service thresholds,
- Rule of 85 eligibility (for Section A3),
- purchased service limits.

#### **(c) Default Calculations**

For transition cohort members, PERA and MSRS shall apply:

- the highest benefit available under CSA, CBMTOP, mixed service, or transition protections,
  - consistent with Sections A, B, and C.
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### **D5. Reporting and Fiscal Oversight**

#### **(a) Annual Report**

PERA and MSRS shall submit an annual report to the Legislative Commission on Pensions and Retirement (LCPR) including:

- number of members receiving transition benefits,
- total subsidies paid,
- actuarial cost of purchased service,
- remaining appropriation balance,
- administrative observations.

#### **(b) Actuarial Review**

The plan actuaries shall annually certify that transition benefits:

- do not affect plan funding ratios,
- do not alter contribution rates,
- remain fully funded by state appropriations.

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## **D6. Sunset and Termination of Authority**

### **(a) Five-Year Sunset**

No transition benefits may be granted for retirements occurring more than five years after the implementation date.

### **(b) Continuation of Payments**

Transition benefits already granted shall continue to be paid as provided in Sections A, B, and C.

### **(c) Termination of Administrative Authority**

After the five-year window closes and all transition benefits have been fully paid, the administrative authority granted under this section expires.

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## **VIII. IMPACT STATEMENT**

This transition package:

- restores fairness for long-serving members,
- aligns benefits with the Legislature's intent to modernize retirement age to 60,
- protects the transition cohort without expanding benefits for future hires,
- prevents unintended losses for members who meet Rule of 85,
- ensures actuarial integrity by fully pricing all benefits,
- limits costs to a five-year window, and
- creates no permanent liabilities or contribution-rate changes.

### **In short:**

This package corrects a structural inequity created by the 2027 plan change while maintaining fiscal discipline and honoring the service of Minnesota's public safety professionals.

# STATUTORY LANGUAGE — TRANSITION BENEFIT PACKAGE

*(Draft statutory article aligned to Sections A–D)*

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## IV. Full Bill Text

### **A bill for an act**

**relating to retirement; providing transition benefits for members affected by the 2027 plan change; establishing temporary eligibility rules, benefit adjustments, and past-service purchase subsidies; requiring reports; appropriating money.**

### **ARTICLE X**

### **TRANSITION BENEFITS FOR THE 2027 PLAN CHANGE.**

#### **Section 1. [XXX.01] DEFINITIONS.**

(a) “Transition cohort” means any member of a plan administered by the Public Employees Retirement Association or the Minnesota State Retirement System who was employed in a covered position on January 1, 2027, and retires within five years following the implementation date of the 2027 public safety plan change

(b) “Transition window” means the five-year period beginning on the implementation date of the 2027 public safety plan change.

(c) “Earned service” means service credit earned through actual covered employment. Earned service does not include purchased service under section 3.

(d) “Purchased service” means service purchased under section 3 and credited as service under the 2027 public safety plan only.

#### **Sec. 2. [XXX.02] TRANSITION SUPPLEMENTS AND REDUCTION CAPS.**

##### **Subdivision 1. Eligibility.**

A member is eligible for transition benefits under this section if the member:

1. is a member of the transition cohort.
2. retires at age 60 or later.
3. meets the Rule of 85 at retirement; and
4. has at least 25 years of earned covered service.
5. Purchased service under section 3 does not count toward earned service or Rule of 85.

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##### **Subd. 2. A1 — Transition supplement (60 percent offset).**

(a) A member eligible under subdivision 1 shall receive a monthly supplement equal to 60 percent of the actuarial early-retirement reduction that would otherwise apply to the General Plan portion of the member’s annuity at age 60.

(b) The supplement is payable from the annuity start date until the member’s Social Security commencement date.

(c) The supplement is not subject to postretirement adjustments.

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##### **Subd. 3. A2 — Reduction cap (15 percent maximum).**

(a) For eligible members, the total early-retirement reduction applied to the General Plan portion under mixed-service, combined-service annuity, or coverage-by-more-than-one-plan calculations must not exceed 15 percent.

(b) Members eligible for subdivision 4 are not eligible for the supplement under subdivision 2 or the cap under this subdivision.

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**Subd. 4. A3 — Unreduced General Plan portion at age 60.**

(a) A member who:

1. is in the transition cohort,
2. meets Rule of 85,
3. has at least 25 years of earned service,
4. retires at age 60 or later, and
5. retires within five years of implementation.
6. shall have the General Plan portion of the mixed-service benefit treated as unreduced at age 60.

(b) Purchased service under section 3 does not count toward Rule of 85 or eligibility under this subdivision.

(c) A benefit granted under this subdivision is payable for the life of the member.

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**Subd. 5. Sunset.** No benefits under this section may be granted for retirements occurring more than five years after the implementation date.

**Sec. 3. [XXX.03] PAST SERVICE PURCHASE TRANSITION SUBSIDY.**

**Subdivision 1. Eligibility.**

A member is eligible for the past-service purchase transition subsidy if the member:

1. is in the transition cohort.
2. retires within five years following implementation; and
3. has at least 25 years of earned covered service.

**Subd. 2. Nature of purchased service.**

Purchased service under this section:

1. is credited as service under the 2027 public safety plan.
2. uses the plan multiplier applicable to that plan.
3. uses the normal retirement age of 60.
4. receives the postretirement adjustment applicable to that plan; and
5. follows the disability and annuity rules of that plan.

Purchased service does not count toward Rule of 85, eligibility under section 2, or any earned-service threshold.

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**Subd. 3. Subsidy amount.**

(a) The subsidy applies only to the **first ten years** of purchased service.

(b) The subsidy percentages are:

1. 70 percent for members with 30 or more years of earned service.
2. 40 percent for members with 25 to 29 years of earned service.
3. zero percent for members with fewer than 25 years of earned service.

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**Subd. 4. Payment method.**

(a) A member may make payment for a past-service purchase under this section by:

1. direct payment to the association; or
2. a direct trustee-to-trustee transfer from the Minnesota Deferred Compensation Plan under section 352.965 or any other eligible governmental 457(b) plan.

(b) A transfer under paragraph (a), clause (2), must comply with federal law governing eligible rollover distributions and trustee-to-trustee transfers.

(c) The association must receive the **full actuarial present value** of the purchased service, regardless of the payment method used.

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**Subd. 5. Sunset.**

No subsidies may be granted for retirements occurring more than five years after implementation.

## **Sec. 4. [XXX.04] MIXED SERVICE AND HIGH-FIVE PROTECTIONS.**

### **Subdivision 1. Applicability.**

This section applies only to transition cohort members with service in both the General Plan and the 2027 public safety plan.

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### **Subd. 2. Highest high-five salary.**

Each plan's annuity calculation must use the highest five-year average salary earned under either plan. This override applies only during the five-year transition window.

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### **Subd. 3. Interaction with section 2.**

The General Plan portion must be treated as:

1. unreduced at age 60 under section 2, subdivision 4; or
  2. capped at 15 percent under section 2, subdivision 3; or
  3. offset by 60 percent under section 2, subdivision 2; depending on eligibility.
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### **Subd. 4. Preservation of CSA and CBMTOP.**

Mixed service is the default calculation unless combined-service annuity or coverage-by-more-than-one-plan produces a higher benefit.

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### **Subd. 5. Sunset.**

This section expires five years after implementation, except for benefits already granted.

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## **Sec. 5. [XXX.05] FUNDING, COST CONTROLS, AND IMPLEMENTATION.**

### **Subdivision 1. Funding source.**

Transition benefits under this act must be funded exclusively through state appropriation.

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### **Subd. 2. Appropriation boundary.**

PERA and MSRS may administer transition benefits only to the extent of available appropriations.

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### **Subd. 3. No impact on contribution rates.**

Transition benefits must not affect employer or employee contribution rates or plan funding ratios.

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### **Subd. 4. Reporting.**

PERA and MSRS shall report annually to the Legislative Commission on Pensions and Retirement on:

1. the number of members receiving benefits.
  2. total subsidies paid.
  3. actuarial cost of purchased service.
  4. remaining appropriation balance.
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### **Subd. 5. Sunset.**

Administrative authority expires after all transition benefits have been paid.

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### **Subd. 6. Appropriation.**

An amount sufficient to pay for the transition benefits under this act is appropriated from the general fund to the Public Employees Retirement Association and the Minnesota State Retirement System for the five-year transition period.

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**Subd. 7. Effective Date.**

This act is effective January 1, 2027.

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## Fixing the 2027 Public Safety Plan Change Inequity FAQ

### 1. What problem does this transition package solve?

The 2027 plan lowers the normal retirement age for public safety from 66 to 60.

But mixed-service members (General Plan + new plan) still have their General Plan portion reduced as if they retired **six years early**, even when they:

- meet Rule of 85,
- retire at age 60, and
- have 30+ years of service.

This creates an unintended **replacement-ratio gap** that affects only the **oldest, longest-serving members**.

### 2. Why does this inequity happen?

Because the General Plan's normal retirement age stays at **66**, while the new plan's is **60**.

So at age 60:

- new-plan service = **unreduced**,
- General Plan service = **25–35% reduction**.

This penalty was never intended for long-service public safety employees.

### 3. Can you give a simple example?

**Member A:**

- 32 years in the new plan
- Retires at 60
- Benefit is **unreduced**

**Member B:**

- 27 years General Plan + 5 years new plan
- Retires at 60, meets Rule of 85
- General Plan portion reduced **25–35%**

Member B — with more total service — gets a **lower** benefit solely because of mixed service.

### 4. Who is affected?

A small, finite group:

- long-serving members,
- with mixed service,
- retiring at age 60,
- meeting Rule of 85,
- within the five-year window.

No future hires are affected.

### 5. What does the transition package do?

It provides three protections:

- **A3:** General Plan portion treated as **unreduced at age 60**
- **A2:** Caps General Plan reduction at **15%**
- **A1:** Offsets **60%** of the remaining reduction

Plus:

- a **tiered subsidy** for purchasing past service (Section B),
- **highest High-5** and **higher-of** calculation protections (Section C),
- strict **appropriation boundaries** (Section D).

## 6. How long does this last?

Exactly **five years**.

After that, no new members qualify.

## 7. Does this raise employer or employee contribution rates?

**No.** All benefits are funded **exclusively** through a state appropriation.

## 8. What is the total cost?

**\$13.9 million – \$19.4 million** over five years.

This includes:

- A1/A2/A3 protections
- Past service purchase subsidies
- Mixed-service and High-5 protections
- Administrative costs

## 9. Why is this fiscally responsible?

Because it:

- applies only to a small, defined cohort,
- sunsets after five years,
- uses a fixed appropriation,
- preserves actuarial integrity,
- creates no permanent liabilities.

## 10. Why is a transition fix necessary?

Without it:

- long-service members lose benefits they reasonably expected,
- similarly situated members are treated unequally,
- replacement ratios drop sharply for mixed-service members,
- and the 2027 plan change becomes **retroactively punitive** for the very group it was meant to help.

The transition package restores fairness while maintaining fiscal discipline.

## 11. “This looks like a benefit increase.”

- This is a **correction**, not an enhancement.
- It prevents a **retroactive penalty** that didn’t exist before the 2027 plan change.
- It applies only to a **finite, shrinking cohort**.
- It **sunsets** after five years.
- It creates **no permanent liabilities**.

## 12. “Why are we subsidizing service purchases?”

- The subsidy applies only to the **first 10 years**.
- It is **actuarially priced** — PERA receives the **full cost**.
- It is **not** a giveaway; it’s a way to align past service with the new plan structure.
- It is **limited to long-service members** (25+ years).
- It is **appropriation-bounded** — no impact on plan funding.

## 13. “Why are we helping only this group?”

- Only this group is harmed by the 2027 plan change.
- They are the **only** group facing a **retroactive penalty**.
- They are the **oldest, longest-serving members** — historically protected in every major transition.
- Future hires are **not harmed**, so they don’t need a fix.
- This is a **targeted correction**, not a broad expansion.

#### 14. “What’s the total cost?”

\$13.9M–\$19.4M range.

- Five-year window only.
- No new eligibility after sunset.
- No employer or employee contribution increases.
- No permanent liabilities.
- Appropriation-bounded — cannot exceed the amount appropriated.

#### 15. “Is this setting a precedent for future transitions?”

- Minnesota has **always** provided transition protections for long-service members.
- This is consistent with **past legislative practice**, not a new precedent.
- This is a **one-time correction** for a **unique structural interaction** between two plans.
- Future transitions may not create this problem.

#### 16. “Why can’t PERA just fix this administratively?”

- PERA cannot override statutory normal retirement ages.
- Mixed-service rules are set in statute.
- Only the Legislature can authorize transition protections.
- Without legislative action, the inequity is permanent.

#### 17. “Is this double-dipping?”

- No double-dipping occurs.
- Members receive **one combined benefit**, calculated under existing mixed-service rules.
- The transition package only prevents an **unintended penalty**.