

## **Information for the PERA Correctional Plan Members who are *Not* Eligible to Participate in the January 2015 Social Security Referendum**

DATE:

FROM:

TO:

As you may know, a referendum (or vote) of certain members of the Local Government Correctional Service Employees Retirement Plan that is administered by the Public Employees Retirement Association (PERA) will be held in January 2015 to sanction the Social Security contributions that are being made on local correctional service employment.

**The purpose of this communication is to inform you that you are *not* eligible to vote in the referendum.** A review of your employment as it relates to membership in the PERA Correctional Plan shows that your correctional service position was initially covered under the PERA Coordinated Plan, subsequently transferred to the Correctional Plan, and there has been no break in service since that transfer occurred. Under federal law, your Social Security coverage continued after your PERA membership had transferred from the Coordinated Plan to the Correctional Plan and that coverage under Social Security cannot be voluntarily terminated by you, your employer, or the State of Minnesota.

The information below and on the next pages provides more details about this matter.

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### **QUESTIONS AND ANSWERS**

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#### **My Social Security coverage is connected to a Section 218 Agreement that covers the PERA Coordinated Plan. What is a Section 218 Agreement?**

Social Security coverage to members of a public retirement system can only be provided through voluntary Section 218 Agreements between the state and the Social Security Administration.

A Section 218 Agreement is a written voluntary agreement between a State and the Social Security Administration to provide Social Security for employees of state and local governments. It's called a 218 Agreement because it is authorized under Section 218 of the Social Security Act. It is the official document through which government employees can obtain the same Social Security coverage and benefit rights as employees in the private sector.

A Section 218 Agreement has been in place for the PERA Coordinated Plan since 1968 and it requires members of that PERA Plan to contribute to both Social Security and PERA.

#### **What prompted the need for a vote relating to Social Security participation?**

When the Legislature created the PERA Local Government Correctional Service Employees Retirement Plan on July 1, 1999, the first employees enrolled in the plan were transferred directly from the Coordinated Plan and they continued to contribute to Social Security as members of the Correctional Plan. In 2000, another group of Coordinated Plan members were transferred to the Correctional Plan after the Legislature changed the membership eligibility requirements and their employers certified to PERA that the transfer was appropriate. This group of employees also continued to contribute to Social Security after the membership in the Correctional Plan began. Additionally from July 1, 1999 to present, new participants to the Correctional Plan were given Social Security coverage.

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PERA, when later named the State’s Social Security Administrator, took steps in 2004 to process the paper work requested by the Social Security Administration (SSA) for extending Social Security coverage under the State’s 218 Agreement to positions under the PERA Correctional Plan. However, PERA was notified recently that in addition to the paperwork processed in 2004, a referendum should have been conducted years ago to extend Social Security coverage to the *new members* of the Correctional Plan. The omission of the referendum must be corrected now and a vote must be held for current employees who have been enrolled as *new participants* in the Correctional Plan.

### **Am I eligible to vote?**

No. Your employment records indicate that your correctional position was initially covered under the Coordinated Plan, later transferred to the Correctional Plan, and there has been no termination of service since your membership under the Correctional Plan coverage began. This means that you are *not* considered a “new participant” of the Correctional Plan. Your Social Security coverage is based on your original membership under the Coordinated Plan and you cannot be given an option to drop that coverage.

### **How will the voting be done?**

County personnel will conduct the vote in January and will distribute the ballots to those employees who are eligible to participate in the referendum. The voting process will be supervised by PERA in its capacity as the State Social Security Administrator.

### **Will the voting results affect my coverage under Social Security?**

No. The Social Security coverage you have will not be affected by the outcome of the referendum. You must continue to participate in Social Security until you terminate your current position.

### **Will the voting results affect my PERA benefits?**

Nothing changes with respect to PERA Correctional Plan benefits. The PERA Correctional Plan will continue to provide the current benefits of the plan. The benefits of the Correctional Plan were intended to ‘coordinate’ with Social Security coverage.

### **Glance at benefits**

Following is a side-by-side quick glance of benefits payable from PERA Correctional Plan and Social Security. It is a high level summary so you should refer to the websites for more detailed information.

	<b>PERA Correctional Plan</b>	<b>Social Security</b>
Employee Contributions	5.83% of pay	6.2% of pay (For 2014, the maximum amount of taxable earnings is \$117,000.)
Employer Contributions	8.75% of pay	6.2% of pay (For 2014, the maximum amount of taxable earnings is \$117,000.)
Vested	3 years of credited service if enrolled before July 1, 2010 Graded 5 to 10 years if enrolled after June 30, 2010	Must have earned 40 quarters of credit, or about 10 years of covered service in Social Security to qualify for a benefit
Retirement Age	50 with reduction 55 full retirement (unreduced)	62 with reduction 66 to 67 full (depends on year of birth)
Earnings used to determine benefits	Highest five years’ average (must be consecutive years)	Any highest 35 years (indexed to current dollar value; do not need to be consecutive; if less than 35 years of earnings recorded, will still average over

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	<b>PERA Correctional Plan</b>	<b>Social Security</b>
		35 years) referred to as the AIM
Formula to determine benefits	1.9 percent for each full year of credited service (prorated for partial years)	Based on a percentage replacement of average earnings; changes slightly each year. Refer to <a href="http://www.ssa.gov">www.ssa.gov</a> .
Disability Benefits	Occupational test – unable to perform duties of position Duty - minimum = 47.5% of high five, plus 1.9% more for each year over 25 (correctional plan service only) Regular = minimum of 19% of high five years; plus 1.9% for each year over 10	Total and permanent disability – defined as being so severely impaired, physically or mentally, you cannot perform any substantial, gainful work. Depending on age, can qualify with less than 40 quarters of credited earnings. Refer to <a href="http://www.ssa.gov">www.ssa.gov</a> .
Surviving Spouse Benefits	Lifetime benefit based on member’s salary and years of service, reduced if death occurs before full retirement age; term certain payments over 10, 15 or 20 years can be chosen instead of lifetime.	A benefit is payable to a surviving spouse at age 60. Surviving spouse caring for a child under age 16 or a child disabled before age 22 receives 75% of your primary insurance amount (PIA). Refer to <a href="http://www.ssa.gov">www.ssa.gov</a> .
Children’s Benefits	If no surviving spouse and children are under age 20, a value of the lifetime benefit based on member’s age at death, earnings and years of service will be paid to age 20 or for five years if older than 15, but less than 20. Actuarially divided among all eligible children based on ages.	An eligible child qualifies for 75% of your primary insurance amount (PIA) – eligible means under age 18 or up to 19 if in high school or any age if disabled before age 22. More than one child – each entitled to 50% of PIA of parent with highest value, not both parents. Refer to <a href="http://www.ssa.gov">www.ssa.gov</a> .
No one eligible for monthly payments of any kind	Designated beneficiary or estate receives refund of employee contributions, plus interest.	Contributions are not refundable.

Key terms used by Social Security:

**AIM – average indexed monthly earnings;** this is determined by indexing your earnings from years past to current dollar values and averaged over 35 years, more specifically, averaged over 420 months to arrive at the average earnings that will be used by Social Security to determine your benefit payments. If you have less than 35 years of earnings reported, Social Security will still average the total of your reported earnings over 420 months, so the more years you have paid into Social Security, the better for determining this average.

**PIA – primary insurance amount;** this is the benefit that Social Security calculates using their formula for replacing your AIM; it is the base from which any reduced retirement and survivor benefits are determined.

Key term used by PERA:

**High five – high five consecutive years’ average salary;** this is the average of your highest 60 consecutive months of earnings for which you received credit in your PERA account and is used to determine your full benefit amount payable at full retirement or for disability, and is used as the base for determining reduced retirement benefits, or the lifetime optional or term certain benefits payable to beneficiaries.

**How can I get general information about the benefits available from Social Security?**

Social Security has an excellent website explaining retirement, disability and survivor benefits. To see its publications go to [www.ssa.gov](http://www.ssa.gov). Select the *Benefits* tab at the top to see a list of topics including Retirement,

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Disability, and Survivors. When you click a topic, you have easy access to numerous publications. For example, to see retirement publications, click *Retirement*. When the Retirement Benefits screen appears, click *Publications* on the right side under Related Information.

If you want to talk with a representative of the SSA about the general benefits under the Old Age Survivors and Disability Insurance (OASDI) program, you will need to call the toll free number of 1-800-772-1213.

### **How can I get benefit estimates from Social Security?**

If you have an online Social Security account you can get immediate estimates of your future SSA retirement benefit. To create an account, go to [www.ssa.gov](http://www.ssa.gov) and click *MySocialSecurity*. Then select *Create an Account* and provide the information required for new users.

### **How can I get benefit information from PERA?**

If you want information about your PERA Correctional Plan benefits, visit PERA's website ([www.mnpera.org](http://www.mnpera.org)) and on the left side of the Home Page, click on *Members*, then *Correctional Plan*. There you will find information on retirement, disability, and survivor benefit coverage. If registered to use MYPERA, you can access your own account online for estimates of retirement, disability, survivor benefits, and refundable balance.

If you want to speak with a PERA representative about the benefits available under the Correctional Plan, please call Member Information Services at 651-296-7460 or 1-800-652-9026.