

ANNUAL LEAVE Q&A

UPDATED 1/10/2023

This document addresses questions that were submitted by employers during and after the 11/4/2021 Annual Leave Reporting webinar.

Trying to find specific information? By selecting Ctrl+F on your keyboard, a search box will appear in your web browser where you can enter whatever word you are looking for in this Q&A document. After typing in the word and hitting enter, the search form will list how many times the word was found and will allow you to toggle through the sections where the word is located. In addition, the word is highlighted on the web page to easily view.

Other essential resources for Annual Leave Reporting:

- » Pre-recorded webinar available to view on-demand on the [Employer Programs](#) page.
- » [Employer Manual Chapter 9 Supplement - Annual Leave Reporting](#)
- » Summer 2021 and Fall 2021 editions of the [PERAphrase Employer Newsletter](#)

Should you have additional questions, please email employer.reps@mnpera.org.

A. INTRO TO LEAVE REPORTING

A1. How does PERA define an Authorized Leave of Absence (LOA)?

PERA's definition of an authorized leave of absence is listed in [Minn. Stat. §353.01, Subd. 31](#).

Subd. 31. Authorized leave of absence. "Authorized leave of absence" means any period during which a member is authorized by an employer to refrain from active employment, with or without pay, evidenced by appropriate record of the employer and promptly transmitted to the association.

A2. When is an absence an authorized leave of absence?

PERA does not determine how an employer classifies which leaves are an authorized leave of absence. We recommend that each employer review their own internal policies for guidance. If your entity defines leaves of absence, those are the periods that should be reported to PERA if they result in unpaid hours.

Questions to consider:

- » Does your entity have a definition for leaves of absence and criteria for approval?
- » Do existing personnel policies or collective bargaining agreements address leaves of absence?
- » Are leave approval processes applied consistently for each employee?
- » Are certain leaves authorized and documented by Human Resources or another central administrator?

A3. Who needs to complete an Annual Leave Report, and when is it due?

Any government unit employing at least one Defined Benefit Plan member is required to complete an Annual Leave Report. This report will list all authorized leaves taken during the calendar year (or fiscal year for schools) that resulted in any unpaid time.

Local government employers report on a calendar year basis, with the 2022 report due by January 31, 2023. School employers report on a fiscal year basis, with the 2023 report due by July 31, 2023.

A4. Why is this report important—what is it used for?

PERA uses the information from this report to create Leave Purchase estimates for any members who may want to make a payment for their unpaid leave.

A5. Why would a member want to make a payment for their unpaid leave?

Unpaid leaves may affect a member's future monthly benefit amount. A member may purchase the missing employee and employer contributions plus interest to restore service or salary lost during the leave, which could result in a larger benefit.

PERA uses three factors to determine a member's monthly benefit: service, age, and salary. Two of the factors—service and salary—may be affected by a leave with unpaid salary. This optional leave purchase can be helpful to members who want to avoid a possible reduction in their benefit calculation. To help members determine if the purchase would be beneficial, monthly estimates and purchase information will be mailed to impacted individuals.

Members may choose to purchase their unpaid leave with PERA to increase their overall service credit and/or boost their highest average salary. If the member is missing service during the leave, then the purchase will increase the benefit amount. If the member is only missing partial salary during the leave, then it depends if the salary purchase is in the member's final highest average salary period. Generally, the final highest average salary period occurs when the member is within five years from retirement, but it truly depends on where the member's highest average salary occurs in their career.

Additional details are provided in the Leave Purchases member fact sheet.

A6. What information does PERA need to calculate the Leave Purchase estimate?

PERA needs the following information from employers:

- » Hours: the number of hours the member missed that resulted in unpaid salary.
- » Dates: the dates that the leave occurred in. PERA needs specific dates to calculate different factors, including interest accrual.
- » Leave Type: the type of leave the member took. There are different requirements/rules depending on the leave type.
- » Rate of Pay: the member's rate of pay is needed in order to calculate the amount of contributions that were missed during the leave period.

PERA will use all of this information to calculate the cost of member's leave purchase and create estimates for the member. The estimate will show the member not only how much the leave purchase will cost, but also how much it will increase their monthly benefit.

A7. Why does PERA need the Annual Leave Report submitted on time?

There are two reasons timely reporting of unpaid leaves is important:

- » Time limits. Members only have until the last day of the next fiscal/calendar year (June 30/December 31) to make their payment.
- » Interest accrual. The payment begins to accrue interest on the first day of the next fiscal/calendar year (July 1/January 1) after they return from their leave. Interest will accrue up until the leave is paid. The longer it takes for a member to make their payment, the more expensive it will be.

For example, let's say a local government employee takes unpaid leave in November 2022. Interest on their leave purchase payment will begin to accrue on January 1, 2023, and the payment will get more expensive the longer it takes them to make the payment. The final day the employee can make the payment is December 31, 2023. If the employer doesn't report their employee's leave on a timely basis, not only will the employee's payment be more expensive, but they may miss their purchase window entirely.

B. WHAT TO REPORT

B1. How should we decide which leaves to report?

Employers should report all authorized leaves of absence (LOA) that result in any unpaid or ineligible salary for the member.

Do not report any leaves that are fully paid by an employee's sick, vacation, or other paid time off.

B2. What is considered "eligible salary"?

Eligible Salary refers to salary members earned that PERA contributions can be deducted from. Basically, it is pay for hours worked.

If the salary is ineligible, PERA will not deduct contributions from it, which may affect a member's future monthly benefit amount when they begin their pension.

Employers should only report ineligible salary on the Annual Leave Report.

B3. What types of leaves should be reported?

There are five categories of leaves that must be included in the Annual Leave Report. Each has a unique code because rules for member purchasing depend on the type.

- » 81 - Periodic Repetitive Leave (often described as “furlough”)
- » 82 - Budget Savings (another type of “furlough”)
- » 83 - Authorized Leave (includes Medical, Parental, and Personal)
- » 84 - Military Leave*
- » 85 - Worker’s Compensation

*While military leaves can either be reported on the Annual Leave report or as soon as the member returns from the military leave, be aware that there is a follow-up process. After employers report a military leave, they will receive a follow-up form and be given instructions for any next steps.

B4. Why does the report combine several different leave types under the category of Authorized Leave?

For the purposes of the annual report, Code 83 - Authorized Leave is a grouping of leaves that PERA previously classified as Medical, Parental or Personal. This category also includes any unpaid FMLA leave. These leaves were combined because they all follow the same rules for member purchasing.

B5. When is pay during a leave considered ineligible for PERA deductions?

When an employee receives partial replacement of their salary through workers’ compensation (WC) or disability insurance (LTD/STD), that pay is not eligible for PERA deductions and is considered “unreported.” In some situations, use of sick or other personal leave may also be ineligible salary and the associated hours should also be included in your annual report. See question 7 below and Section D for more information. Further details are available in [Chapter 5](#) of the Employer Manual.

B6. Are we required to report only unpaid leave time OR both paid and unpaid leave time off?

Only unpaid hours and ineligible salary should be included in the report. If all missed time during the LOA is fully paid by use of sick or other personal time, do not include these leaves in your report.

B7. If a member is on a medical leave and PTO covers some of their salary, how should we report missed hours?

If the sick, vacation, comp or other paid time off are less than 50% of their average salary, then the pay is ineligible for PERA purposes and should not be reported as part of the employee’s normal salary deduction reporting.

However, this unreported paid time off during a medical leave should be listed on the leave report as missed hours, as the member is eligible to purchase this salary for PERA purposes.

Example:

A member normally receives \$15/hr and works 30 hrs/wk, earning \$450 each week. The member goes on a medical leave for eight weeks, but only has 80 hours in their sick time bank. The member exhausts their sick time bank by using 10 hours of sick pay for each week, resulting in them being paid \$150 each week instead of their usual \$450.

Since the member’s pay is less than 50% of their regular pay, this sick pay is not eligible salary for PERA purposes, and no contributions would be deducted. When reporting the member’s leave, you will report the entire period as missed hours (240 hours).

Now, let’s say the member in question had 160 hours in their sick time bank, and used 20 hours of sick pay each week, resulting in them being paid \$300 each week instead of their usual \$450. Since their pay is more than 50% of their average salary, their \$300 salary for those eight weeks would be considered PERA-eligible, and PERA contributions would be deducted from it. In this case you would report only the 80 unpaid hours.

NOTE: When a member is on a NON-MEDICAL leave, the paid time off is ineligible if their total salary for the pay period is less than 100% of their regular pay.

B8. Should we report unpaid time for an employee who calls in sick for one day and has no sick leave or personal time to cover the missed hours?

Generally, a leave of absence differs from the periodic absences an employee typically reports on a timesheet approved by their supervisor. Whether a LOA is authorized for a single unpaid day off is determined by the procedures of your individual entity.

B9. For school employees that don't work during the summer (paraprofessionals and cooks), is that considered a leave?

No, because the summer months are not part of the employee's regularly-scheduled work.

B10. What if the school employee is on leave prior to the summer months?

Then the system should end the leave at the end of the reporting period and on the next one, they start the leave again.

B11. Our township meets once a month and each person is paid a meeting rate. If a person who has PERA misses one or more meetings, is this considered leave and should to be reported?

No, you do not need to report unpaid meeting hours unless your entity has authorized a LOA.

B12. If an employee is on an unpaid absence for disciplinary reasons, should these hours be reported?

No. An absence due to disciplinary reasons is not an eligible leave for purchase.

B13. What if the employee is on a layoff or an indefinite layoff?

Indefinite layoffs are ineligible for layoff credit.

For details, review [Chapter 5](#) of the Employer Manual.

C. HOW TO REPORT

C1. How do I determine the leave start date? Is it the first day they are not physically at work, or the first day they become unpaid?

The Leave Start Date is the first day with unpaid or ineligible salary and the Leave End Date is the last day of unpaid or ineligible salary. If it's paid partway through a technical leave, it should only be reported when it's not fully paid for by sick/vacation leave.

Example:

A member takes leave from March 6 through March 29, and returns to work on March 30. If they use no PTO for this leave, you will enter the start date as March 6, and the end date as March 29. If the member used three days of PTO to cover March 6-8, then you will enter the start date as March 9, and the end date as March 29.

C2. What happens when an individual receives a pay increase during their LOA?

Provide an average of the two rates in your report. You are not required to prorate the amount.

For example, the member's leave began on February 2, 2020 and initial rate of pay was \$20.00. On March 1, 2020, the member's salary rate changed to \$20.40. The leave ended on March 8, 2020.

As two rates occurred during the leave, you would find the average:

$$\$20.00 + \$20.40 = \$40.40$$

$$\$40.40 / 2 = \$20.20$$

In this example, you will report \$20.20 for the entire unpaid leave period.

C3. Can the hourly rate be reported with 4 digits after the decimal or will it need to be just 2?

ERIS will accept an hourly rate with additional numbers after the decimal, but the rate will be rounded to two digits during processing.

C4. In the "Total Hours" column, should we list the total number of hours a member missed from work during their leave or the total number of unpaid hours?

Report the total unpaid hours that the employee is normally scheduled to work.

C5. What is the lowest number of hours that can be reported in the Total Hours column of the new Annual Report?

One hour is the minimum number accepted by the report. Do not list unpaid time under 60 minutes.

C6. How do we report a part-time employee's unpaid LOA?

Employees are only eligible to purchase unpaid hours that they are scheduled. If an employee's normal schedule is 20 hours, and they miss a full week of work, you will only report 20 hours—not 40.

C7. What if an employee's schedule varies each pay period from 72 to 80 hours what should you record for missed hours?

If this person's LOA spans multiple pay periods, you may use the average number of pay period hours when calculating the total number of unpaid hours.

D. WORKER'S COMPENSATION AND DISABILITY INSURANCE PAYMENTS

D1. Are workers' compensation (WC) and disability insurance payments considered salary for PERA purposes?

No. Under our salary definition, salary does not mean WC payments or disability insurance (STD/LTD) payments, including payments from employer self-insurance arrangements. Therefore, WC or other disability insurance payments are not reported as part of the employee's normal salary deduction reporting.

However, WC or other disability insurance payments should be reported on the leave report as missed hours, as the member is eligible to purchase this unreported salary for PERA purposes.

D2. If a member is approved for WC and uses other types of pay to supplement their gross salary, what should be reported on the leave report?

Typically, WC payments replace 2/3 of the employee's missed salary and are not eligible for PERA deductions. If the employee chooses to use sick, vacation, or other paid time off to cover the remaining 1/3 of missed salary, this is eligible salary. Note that this 1/3 rule applies to WC leaves ONLY.

Therefore, you should report the 2/3 WC missing hours on the leave report, as that was the period the member did not pay PERA deductions.

D3. If a member is approved for disability insurance payments and uses other types of pay to supplement their gross salary, what should be reported on the leave report?

Similar to WC, disability insurance (STD/LTD) payments generally replace 2/3 or a portion of the employee's missed salary and are not eligible for PERA deductions.

What's the difference? If the member chooses to use their accrued sick, vacation, or comp time to cover the remaining 1/3 of their salary, that pay is not eligible for PERA deductions. The salary paid to a person while on a medical leave of absence is only eligible when it is at least 50% of their average salary. The 1/3 used to supplement a disability insurance payment does not meet this threshold. In these cases, there would be no contributions reported to PERA under the normal salary deduction reporting process.

Therefore, you should report ALL hours on the leave report, as the member did not pay PERA deductions on any of the salary during the leave period.

D4. What happens if a member receives full salary (work hours, vacation, sick, etc.) during the WC period as the WC claim is pending, but later WC is approved and paid for that period and some of the salary paid is changed?

If salary pay is reversed due to WC, please report the reversal to PERA right away. PERA will need to process a refund of deductions for any salary that was reversed to WC. You would then report the hours and pay rate on that year's leave report. If the status change happens across report years, we may need to address those on a case-by-case basis. As this is a unique situation, please contact PERA if you have questions regarding the impacted employee.

E. SPECIAL SITUATIONS

E1. How should we report an employee who had multiple leaves during the year?

When an employee has multiple periods of leave during the year, each should be reported separately unless they are the same type and occur within 30 days of each other.

- » »Two Authorized Leaves: 2/1 – 2/28 and 4/1 – 6/30. Report separately.
- » »Two Authorized Leaves: 2/1 – 2/28 and 3/15 – 6/30. Report together as 2/1 – 6/30.
- » »Military Leave 2/21 - 2/28 and an Authorized Leave 3/15 - 6/30. Report separately.

You cannot report an employee as being on two types of leaves at the same time for the same dates.

E2. What about a leave that crosses over from one year to the next?

If an employee's leave continues into a subsequent year, employers will report the leaves over two annual reports.

Example:

- » »Local government employee with unpaid LOA from 9/1/2022 to 3/31/2023
- » »9/1/2022 to 12/31/2022 is listed on the 2022 report (due by 1/31/2023)
- » »1/1/2023 to 3/31/2023 is listed on the 2023 report (due by 1/31/2024)

E3. How should we report an employee who has a LOA and terminates mid-year?

Report the leave of a terminated employee in the same manner as you would a current employee. Include all terminated employees with a LOA on the Annual Leave Report. Terminated employees have the same timeframe as current employees to make a leave purchase with PERA.

F. ERIS QUESTIONS

F1. Is it okay to continue reporting leaves on a Demographic file?

If you currently report leaves in ERIS or by transmitting a demographic file, you may continue to do so. Any leaves reported throughout the year will be prepopulated on your annual report by default and you may review and modify the dates of those records. Please note that demographic reporting of leave status and dates is not a substitute for the Annual Leave Report which collects additional salary information.

F2. Can I start a manual entry report and edit it later?

Yes, the manual entry option allows you to save the data and return back to the content later. Once you submit the report, however, it is no longer available to edit.

F3. Is there a formatted Excel spreadsheet to use for the upload?

We do not have an Excel template available at this time. Please see the Chapter 9 Supplement (link) for layout and format instructions.

F4. I have access to the ERIS system but do not see the option to enter a leave report manually. Can you please direct me?

The manual entry option is only available when an Annual Leave Report is due to be completed. Local government employers report by calendar year and will receive an alert at the end of December. Schools report by fiscal year and their report will become available at the end of June. When there is no report due, the only option displayed is file format testing.

F5. What if I submit my report and then need to make a correction on an employee I listed in the report?

Call PERA's Employer Response Line at 651.296.3636 or 1.888.892.7372 and select option 4.

F6. If I missed an employee on the leave report, how do I provide this member's leave data to PERA?

Employers can manually add any missed employees directly in ERIS using the "Amend Report" option.

