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Employer Newsletter of the Public Employees Retirement Association

PERA PHRASE

Over 3,500 Employers
166,000 Active Members

JULY 2019 — Q2

Legislative Changes

During the 2019 Special Session, the Minnesota Legislature unanimously passed the Omnibus Retirement Bill (HF 10) which contained legislation that impacts PERA employers and members. Governor Walz signed the bill May 30.

In addition to the Phased Retirement Option (PRO) and Foreign Citizen exclusion changes outlined in separate articles, other noteworthy items include:

Military Service Purchase

- Effective 7/1/2019, active members have the option to purchase service credit for up to five years of military service outside of PERA-covered employment or those with a prior leave where the original purchase deadline under Federal law was missed. The purchase cost will be the full actuarially determined cost associated with the benefit increase. Members inquiring will receive a letter detailing the eligibility requirements, eligible service credits, the process, and cost examples. There is no employer action associated with this legislation. If you receive questions from members, please refer them to PERA's Member Line.

Report a Return from Military Leave Within 14 Days

- Effective 7/1/2019, employers are required to report the return of a member from a military leave within 14 days of the member's reemployment and must retain a copy of the status update notification in the member's employment file.

Statewide Volunteer Firefighter (SVF) Plan Termination

- The legislation established a new process by which a municipality may terminate its participation in the SVF.

Interest for Erroneous Contributions

- This confirming change adjusts the interest paid to a member on a Deduction in Error refunds which was missed in the 2018 Omnibus Retirement Bill applied a three percent rate to other refunds.

ISSUE HIGHLIGHTS:

Administer and promote sustainable retirement plans and provide services that our members value.

Phased Retirement Option (PRO)

The Special Session of the 2019 MN Legislature implemented PERA's Phased Retirement Option (PRO) as a permanent program that employers can choose to offer to eligible employees. The PRO was due to sunset effective June 30, 2019. The program creates a flexible environment where employees can transition into retirement, and employers can better navigate the necessary knowledge transfer.

Eligibility

With their employer's agreement, the PRO allows Basic and Coordinated members of the General Plan to begin collecting a PERA benefit as early as age 62 while working a reduced schedule. The employee must have worked more than 1,044 hours in each of the five preceding years.

The PRO agreement form has been updated on our website under *Members > Retirement Planning*. New participants must enter into a PRO agreement prior to terminating employment, and PERA must receive the PRO agreement before the PRO begins. Employees who are currently on a PRO are required to work with their employer to submit a new agreement to PERA.

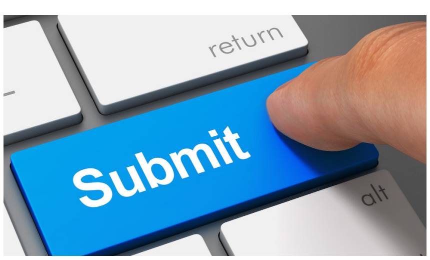
Requirements

To participate in the PRO, the employee must reduce their schedule by 25% in each pay period and may not work over 1,044 hours in a year. If the allowed hours in a pay period or the maximum hours per year are exceeded, the PERA monthly benefit will be suspended and will not be reinstated until all public employment has been terminated and a continuous separation for 30 days has occurred.

Though there is no longer an annual renewal process, a PRO agreement is for a five-year maximum. During the PRO agreement, employees and employers do not contribute to PERA.

PRO Reporting Responsibilities

As of 7/1/2019, employers must report PRO earnings and compensated hours under Exempt Plan 99 within 14 days of the end of each pay period. The compensated hours should include hours worked and vacation/sick pay used for an employee based on their agreed upon work schedule. Again, no contributions should be withheld.



The existing Salary Deduction Report (SDR) file format allows Exempt Plan 99 to be reported along with your agencies other contributions. It also allows for reporting of compensated hours as follows:

- Column 161 (+ -) plus or minus
- Column 162-167 compensated hours

These fields remain optional for active members and retirees not participating under the PRO. However, you may choose to add compensated hours for all transactions. If file format changes are required by your agency, you may view the format specifications in Employer Manual – Chapter 9.

Alternate WEB SDR option

If you or your payroll provider are not able to include the earnings and compensated hours in your regular SDR, you may use ERIS to create a special SDR by selecting New SDR and selecting Exempt Plan only under Plan. Enter the paid date, coverage begin and end date and select Submit. The report will allow you to enter earnings and compensated hours. Left click on Summary/Submit to PERA, then select Submit to PERA to remit the required detail to us. If you need assistance, please contact us at 651-296-3636 option #2

At the end of PRO employment, employers and employees must inform PERA that the employee has terminated from a PRO covered position. A 30-day break in public service is required for the employee in order to continue to qualify for retirement benefits.

Foreign Citizen Exclusion

The 2019 bill simplified the language relating to PERA coverage for foreign citizens. Foreign citizens who are employed by a governmental subdivision are excluded for the first three years of employment, EXCEPT:

- Employees of Hennepin County or Hennepin Healthcare System, Inc.
- Employees legally authorized to work in the United States for three years or more
- Employees otherwise required to participate under federal law

Currently, those under H1B1 Visas are required to be in the plan if they meet all other eligibility criteria. As an employer, you are responsible to notify PERA of any other federal law that requires participation of a foreign citizen you employ.

PERA's Manager of Account Information and Management Retires After 46 Years of Service

At the June 2019 Board of Trustees meeting, Account Information and Management (AIM) manager Cheryl Keating was recognized for her 46 years of dedicated service to Minnesota PERA's members, employers, stakeholders, and it's employees.

With a career spanning November 1, 1972, to June 27, 2019, she holds the record as PERA's longest-tenured employee. As manager of the AIM division since 2003, Keating also served as Minnesota's State Social Security Administrator and is well known among many employer representatives. She played a key role in several of PERA's past modernization efforts. Most recently, her vision for the AIM division inspired our move to expand automation and increase use of ERIS for employer reporting. We at PERA are grateful for her impact as a leader, coach, and mentor.

Especially for Schools – Retiree Summer Earnings Audit

In 2018, PERA implemented summer earning audits for retirees that had the Fiscal Year (FY) Indicator included in the member's highest 60 consecutive months of salary. Only transactions that represent contract payouts for the prior school year should include the FY in the pay issued in summer months. Unfortunately, we have found the FY Indicator used in summer months for members that were year-round employees.

The audits will continue in ERIS as new retirements occur. Here are instructions for reviewing the member record and completing the audit:

- Review the member's payroll and benefits history in your records to determine if the member chose to have their contract paid out over 11 or 12 months instead of as it was earned.
  - If the contract was paid as earned, no FY indicators should be present
  - If the contract was prorated and paid out over 11-12 months, the FY for the school year should be present in transactions where the member did not work
- Review the transactions listed on the ERIS audit report to see how they were originally reported. Based on your review of the member's payroll and benefits records, was the original reporting correct? Or, are changes needed?
  - As you respond Yes to update a transaction in ERIS, you will see the FY Indicator added or modified in the last column of the report. PERA staff will make the changes to the transactions for the final benefit calculation.
  - If the pay has the incorrect coverage dates reported, please make a note at the bottom referencing the line number and correct dates so that the PERA staff may make the change.
  - If the pay was originally reported with the contract payout and hours worked for summer school combined in one transaction, please make a note of the paid date and the contract amount so that PERA staff may separate the two types of wages and add the FY to the contract amount.

Special note for transactions with June coverage dates

Although the pay in June is part of their contract, it is critical to distinguish between periods when the member worked and those when a member was receiving contract payouts.

Example #1:

Paid date 6/15/2019 reported with coverage dates 9/4/2018 to 06/07/2019 – the PERA member worked until June 7th so this transaction should not have the FY indicator. However, if the member didn't work, and the entire amount was a contract payout, the FY indicator should be attached.

Example #2:

Paid date 6/30/2019 reported with coverage dates 8/20/2018 to 5/31/2019 – the member didn't work during June, so the FY indicator of 2019 should be present.

If you have questions while completing the Summer Earnings audit, please send an email to employer.reps@mnpera.org or call the Employer Response Line and select option #2.

PERA

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Ask PERA!

Have a question for PERA?
We'd love to hear from you!

Email
employer.reps@mnpera.org

Employer Line
651-296-3636 (metro area)
1-888-892-7372 (toll-free)

Member Line
651-296-7460 (metro area)
1-800-652-9026 (toll-free)

Website
www.mnpera.org

Q. Our city's last Annual Threshold report listed one of our on-call police officers because he earned only $2500 in the prior year. Aren't all police officers automatically eligible for PERA coverage? He is also a full-time deputy with a nearby county.

The annual earnings threshold of $5100 per year ($3800 for school year employees) replaced the longstanding monthly threshold of $425 as of 1/1/2015. This threshold applies to all PERA Defined Benefit Plans: Coordinated, Correctional, and Police & Fire.

Any new employee hired since 2015 must exceed the annual threshold to establish eligibility. When the threshold is not met after a full year of employment, the enrollment is deemed invalid, and both employer and employee contributions must be refunded. However, if the threshold is met, eligibility will continue until termination.

Eligibility is established with each individual employer, so any PERA coverage an employee has with another employer does not carry over.

This document is available in alternative formats to individuals with disabilities by calling PERA or through the Minnesota Relay Service at 1-800-627-3529.