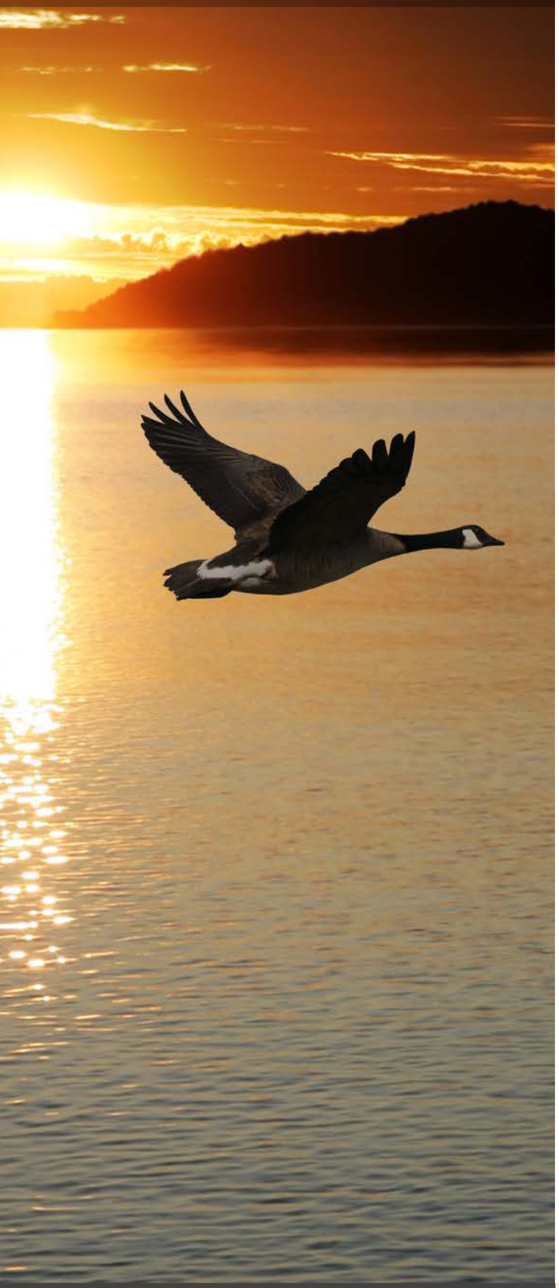
mnpera.org
Employer Newsletter of the Public Employees Retirement Association

PERA PHRASE

Over 3,500 Employers
166,000 Active Members

FALL 2020



2020 Legislative Session Update

The legislative session began on February 11, 2020, and by May 27, the Governor signed SF 3808/HF 3903, the Omnibus Retirement bill. PERA appreciated the opportunity to work with the Legislative Commission on Pensions and Retirement, legislators, and stakeholders to move forward a bill that included most of PERA's 2020 legislative agenda. The bill included PERA's administrative recommendations, changes to future rates of benefit augmentation for privatized members, and administrative items for the Statewide Volunteer Firefighter (SVF) Plan. In addition, the Omnibus Retirement bill included a provision addressing partial payments of refunds for all statewide plans.

PERA Administrative Changes
The Omnibus Retirement bill included PERA's administrative proposals.

Phased Retirement Option (PRO): This change clarified that to participate in the PRO, an employee must remain in the same position with their current employer. The clarification in law also states that if a member violates a PRO agreement by exceeding the 'hours' threshold, the benefit is suspended on the first day of the month following the violation.

Seasonal Employee Definition: The Omnibus Retirement bill altered the timing requirement for seasonal employees. The approved change modified the 185 consecutive days' time requirement to six months, which is consistent with the temporary employee timeframe.

Military Service Purchase: As a result of the Omnibus Retirement bill, to purchase prior military service, a member must return and be employed in public service for six months. In addition, a member may now purchase partial periods of service. The member must purchase the entire service period if under a year. If beyond a year, a member may purchase service in six-month increments.

Retirement Benefit Adjustment: The Omnibus Retirement bill eliminated the ability of a member to temporarily reduce or suspend their monthly benefit.

Continued on page 2

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

2020 Legislative Session Update

continued from page 1

Other administrative changes include removal of obsolete provisions, consistency for retroactive payments, and clarification of minimum vesting requirements for Police and Fire survivor benefits.

PERA Police & Fire Plan Disability:
The Omnibus Retirement bill included PERA's Board's proposal to clarify that members who have not met age and vesting requirements for a retirement annuity are eligible to apply for and receive disability benefits in the Police & Fire Plan. The bill did not include PERA's Board's proposal to adjust disability benefits for those over 55 with less than 20 years of service.

Retirement Systems Administrative Changes:
The Omnibus Retirement bill included changes to Minnesota Statutes Chapter 356, which governs the retirement systems. The bill eliminated the ability for members of all statewide plans to make partial payments for refund repayments.

Statewide Volunteer Firefighter (SVF) Plan:
Changes included in this bill included four of the SVF Board's legislative proposals:

- Plan name change for Statewide Volunteer Firefighter Plan
- Allows for a fire chief to initiate a cost request
- Clarification of alternative service pension calculation rules
- Clarification of responsibility for coverage approval

The SVF Advisory Board's recommendation to address vesting portability was not included in the Omnibus Retirement bill. The bill also did not address the supplemental contribution recommendation made by both the Volunteer Firefighter Relief Association Working Group and the SVF Advisory Board.

Local Government Aid:
Not included in this year's bill was the extension of the 1997 local government aid. As of the end of the 2020 regular session, the 1997 local government aid has not been extended.

Spotlight on Seasonal Exclusion

The 2020 Omnibus Retirement bill changed PERA's time limit for the seasonal employee exclusion. Prior to July 1, 2020, an employee whose sole employment was a seasonal position was excluded from PERA membership if the duration of their employment was limited to 185 consecutive calendar days or less. Administering and measuring this exclusion period in days has been an ongoing source of confusion among employers, members and PERA staff.

After considering this feedback, we successfully pursued a change to simplify the exclusion criteria. Effective July 1, 2020, the seasonal exclusion applies to employment limited to six months, which is consistent with the temporary exclusion.

The language now reads:
353.01 subd. 2b (16) employees who are hired after June 30, 2002, solely to fill seasonal positions under subdivision 12b which are limited in duration by the employer to a period of six months or less in each year of employment with the governmental subdivision;

PERA will continue to apply the 185 consecutive calendar day exclusion period when reviewing earnings and employment that occurred prior to July 1, 2020.

2020 IRS Compensation and Contribution Limits

Restrictions affect small percentage of employees

The Internal Revenue Service (IRS) limits compensation applicable to qualified retirement plans in Section 401(a)(17) of the Internal Revenue Code (IRC). Benefits payable from Defined Benefit (DB) Plans and contributions made to Defined Contribution (DC) Plans are limited under Section 415 of IRC. Compensation, benefit, and contribution limits are all adjusted annually.

For calendar year 2020, IRC Section 401(a)(17) limits compensation subject to retirement contributions to **$285,000** for members of PERA's DB Plans (General, Correctional and Police & Fire) who initially became plan members on or after July 1, 1995. The limit for employees who were initially enrolled in a DB Plan before July 1, 1995, is **$425,000**.

IRC Section 415(c)(1)(A) limits the annual contributions a person may make to a DCP. For 2020, that limit is **$57,000**. The retirement contribution limit represents the annual maximum amount of combined DCP employee and employer contributions that may be credited to a member.

Continued on page 3

2020 IRS Compensation and Contribution Limits

continued from page 2

Salary and Contribution Monitoring

The federal limits affect only a small percent of covered employees; however, employers and PERA have a responsibility to monitor each member's salary and retirement contributions against these limits.

Please advise us immediately if you stop contributions for a DBP member whose salary has reached the IRS limit. At the end of the year, we will contact you to confirm whether to apply service credits for the months that were without PERA deductions.

PERA also reviews reported earnings and deductions annually to verify compliance with the federal provisions. If we find that an employer has reported compensation or contributions in excess of the annual limits, the overpaid employee and employer amounts will be refunded.

See why over 1,700 Minnesota PERA groups and 18,000 public employees have selected the NCPERS Decreasing Term Life Insurance Program.

1. It's a good value for your employees.

- Up to $225,000 of life coverage for $16/month— plus $100,000 AD&D coverage for the employee.
- The rate is flat and will never increase with age.
- Guaranteed coverage—no medical questions, no medical exams, no disqualifying health circumstances.
- Coverage that can even be carried throughout retirement, with no maximum age.
- Higher benefits are delivered in younger years and decrease over time to complement pension plan benefits.
- Up to $20,000 of life insurance for the spouse and $4,000 with each child.
- Up to $50,000 student loan protection benefit for the employee.

2. It's a program that supports your Financial Wellness initiatives.

It is accessible and affordable to even the most vulnerable employees. Plus, this program can be offered in addition to any other life programs you may have.

	NPCERS Program	Term Life Competition
Guaranteed issue	✓	No in most cases
No medical exams required	✓	No in most cases
No medical questions	✓	No in most cases
No pre-existing medical conditions can disqualify the employee	✓	No in most cases
Spouse and dependant coverage is included at no additional cost	✓	No- as spouses and dependants are added, costs usually increase
Can keep for life	✓	Varies
Cost structure	$16 per month for life- no increases as the employee gets older	Varies- typically increases as employees reach older ages. Can increase by 50% over the lifetime of holding coverage.

3. It's simple to set up and administer.

- There is no cost to your retirement system—the plan is voluntary and employee paid.
- There are no minimum participation requirements.
- By completing our online new employer form, you can start offering this program in as little as one to two days.

Learn More.

1. Visit: www.ncpersvoluntarylife.com/mn
2. Call or email Member Benefits at 800-525-8056 or NCPERS@memberbenefits.com
3. Watch the latest NCPERS Life Insurance webinar at https://bit.ly/30pz5UI

PERA
Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, MN 55103

Your Feedback Matters

PERA is looking for feedback regarding the employer services we offer to help us understand what we do well, and where we can improve. Please help us by taking time to complete this survey by **Wednesday, September 30**.

Type or click on the following link: MNPERA.org/ER_Survey

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. When an employee returns from a COVID-19 related absence, do they have an option to buy back their missed salary or service?

It depends on the type of absence reported.

Employees who were placed on leave may purchase missed salary and service credit. Information about this option is mailed to the member when you report their return in ERIS. The employee may also contact PERA Member Services directly by calling 651-296-7460 or toll free 1-800-652-9026.

Employees returning from a layoff status do not have the option to purchase salary or service credit, but may receive up to three (3) months of service credit at no cost once they have returned to public employment.

Please visit the Employer section of our website for updated COVID-19 Q&A for PERA Employers.