mnpera.org
Employer Newsletter of the Public Employees Retirement Association

PERA PHRASE

Over 3,500 Employers
166,000 Active Members

DECEMBER 2018 — Q4

Changes for the Phased Retirement Option (PRO)

The PERA Board of Trustees voted unanimously Oct. 11 to recommend that the Phased Retirement Option (PRO) become a permanent program that employers can choose to offer to eligible employees. The PRO is currently set to expire on June 30, 2019.

The PRO, which has been available since 2009, allows Basic and Coordinated members of the General Plan to begin collecting a retirement benefit as early as age 62 while working a reduced schedule. The employer has the discretion to determine if it will offer phased retirement employment to an employee and the duration of the PRO agreement(s). The employee must agree to a reduction of hours of at least 25 percent, not to exceed 1,044 hours per year—essentially half time.

Since its inception, 385 employers have used the program by allowing just over 1,000 employees to work under the terms of the PRO. In a survey done in the fall of 2018, we learned of the top three reasons that employers have used the program:
1) to allow time for them to plan for the employee's departure and for the employee to gradually move to full retirement,
2) to improve replacement training by having some job overlap by the retiring employee and the new hire, and
3) to facilitate job knowledge transfer.

PERA staff is currently working on preparing revisions to the laws that govern the PRO for consideration in the 2019 legislative session. In addition to recommending

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Contribution rate increases for P & F Plan

NO CHANGES FOR OTHER PLANS IN 2019

Please update your payroll systems to ensure that Police & Fire Plan members have new contribution rates applied to all pay issued on or after Jan. 1, 2019, regardless of when the salary was earned. As part of the legislation passed during the 2018 session, employer and employee contribution rates for the Police & Fire Plan will increase by 1.5 percent and 1.0 percent respectively, phased in over a two-year period. These are the only contribution rate increases set to take effect in January 2019. Rates for the General and Correctional Plans as well as the Defined Contribution Plan will remain the same. *See page 3 for more information.*

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

ISSUE HIGHLIGHTS:

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Inform elected officials about PERA options

Newly elected officials rely on you to provide information about their eligibility for PERA and Social Security coverage. Now is also a good time to share PERA membership information with current officials who have previously opted out of PERA participation. Here is some information to help:

- Any person who is elected to a local governmental position by the public is eligible to participate in the PERA Defined Contribution Plan (DCP) - except for certain county sheriffs.
- Participation in the plan is voluntary and elected offi cials may start and stop DCP coverage at any time. This means that officials who have held office for an extended period can enroll in the DCP and begin making contributions.
- Elected officials must provide written authorization for PERA membership for either DCP or Coordinated Plan enrollment. The employers and elected official should complete the Membership Election by Public Officials form and send it to PERA with or before the first contribution withholding.
- Coordinated membership in the General Plan is restricted to elected local officials who hold a non-governing body position and will earn more than $5,100 in a year.
- Social Security participation depends on various factors. Coverage is required if your govern mental unit has a Section 218 Agreement for elected officials. In the absence of a 218 Agreement, DCP members are excluded from participating in Social Security unless the individuals hold non-governing body positions that qualify them for membership in the General Plan.

Additional information about PERA options for elected officials

- *Membership Options for Elected Officials* fact sheet available on our website.
- *Employer Manual Chapters 3 & 4* on our website.
- Call our Employer Response Line, select option 3.
- DCP handbook available on our website after Jan. 1, 2019.

Board votes to recommend PRO as permanent option

(Continued from front page)

that the 2019 sunset date be eliminated, the proposed changes will include:

• Eliminating the current requirement for employers to file paperwork with PERA each time they renew a PRO Agreement with employees. Employers will continue to send the initial PRO Agreement it establishes with employees to PERA and must continue to report when the phased retirement employment comes to a close. Employers will still have the flexibility to determine if they want to offer phased retirement employment to an employee and the length of the PRO agreement such as for the full five-year duration period or for a shorter period. Renewals can be done, but will no longer need to be reported to PERA.

• Restricting eligibility for phased retirement to employment with the same employer.

• Having employers include the number of hours worked when they report the pay period earnings that the member had in the phased retirement employment.

• Requiring a 30-day break in public service at the end of the PRO employment in order for the person to qualify for ongoing monthly retirement benefits. This requirement is consistent with the retirement eligibility provisions that apply to all other PERA Defined Benefit Plan (DBP) members. Generally when DBP members begin to collect an annuity they must remain out of public employment for at least 30 days.

PERA will not propose changes to the five-year maximum length for a PRO, the requirement that a participating employee be age 62 or over, or that the earnings from the phased retirement employment are not subject to employer contributions or employee deductions.

If you want to learn about the eligibility requirements for the PRO, please review Chapter 6 in the Employer Manual or the Fact Sheet "PERA Phased Retirement Option." We will provide updates on the 2019 legislative process in future editions of the PERAphrase as well as on our website.

2019 IRS contribution and compensation limits

Restrictions affect small percentage of employees

The Internal Revenue Service (IRS) has announced the 2019 limits that apply to the compensation limits of the Defined Benefit (DB) Plans and contributions made to PERA's Defined Contribution Plans (DCP).

For members of PERA's DB Plans (General, Correctional and Police and Fire), the IRS limit determines the amount of compensation that is subject to retirement plan contributions in a given calendar year. This threshold, as established under the Internal Revenue Code (IRC) Section 401(a)(17), will increase on January 1, 2019 to $280,000 for employees who initially became DB Plan members on or after July 1, 1995. For employees who were initially enrolled in the DB Plan before July 1, 1995, the compensation limit will increase to $415,000.

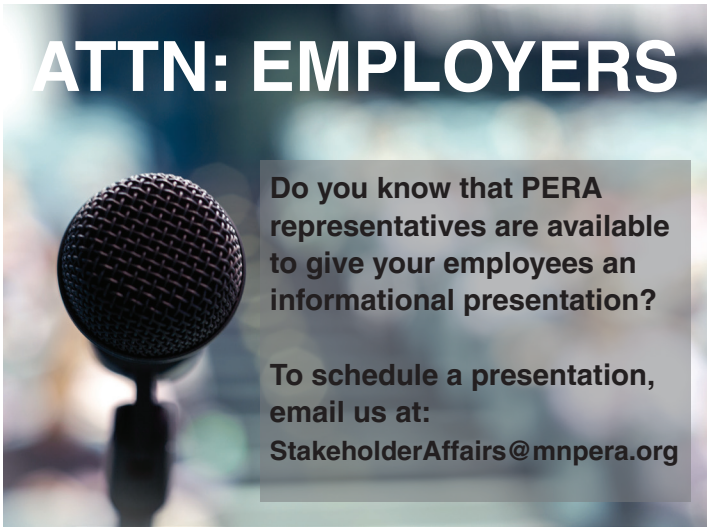
IRC Section 415(c)(1)(A) limits the annual contributions a person may make to a DCP. For 2019, that limit is increased from $55,000 to $56,000. The retirement contribution limit represents the annual maximum amount of combined DCP employee and employer contributions that may be credited to a member.

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.

If you, as the employer, stop contributions for a DBP member whose salary has reached the IRS limit, please advise us immediately. We will note the reason that salary reporting has stopped for the member. And after the year ends, we will ask you if the employee continued to work through the end of the calendar year so that we know whether or not to award service credits for the months that had been without PERA deductions.

Annually, PERA staff reviews the earnings and deductions reported on members to verify compliance with the federal provisions. If we find that an employer has reported compensation or contributions in excess of the annual limits, we will take steps to return any employee and employer amounts that have been overpaid.



CONTRIBUTION RATES

PLAN	Employer	Employee
Police & Fire Plan		
Jan. 1, 2019	16.95%	11.30%
Jan. 1, 2020	17.70%	11.80%
General Plan (Coordinated)	7.50%	6.50%
Correctional Plan	8.75%	5.83%
Basic	11.78%	9.10%
Defined Contribution Plan (DCP)		
Elected and Eligible Appointed Public Officials	5.00%	5.00%
Physicians	5.00%	5.00%
City Managers	6.50%	6.50%

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

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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

With the increase in Police & Fire Plan contribution rates effective Jan. 1, 2019, what rates should be applied in the following situations?

1. **P&F member is paid 1/11/2019 for work performed 12/15/2018 to 12/29/2018**
2. **P&F member is paid 1/18/2019 for work performed 12/22/2018 to 1/4/2019**
3. **P&F member is paid 1/25/2019 for retroactive pay for the period of 1/1/2018 to 12/31/2018**
4. **P&F member is paid 2/1/2019 a payout of banked holiday hours at termination. The holiday hours were earned in 2017 and 2018.**

In all of the above situations, the 2019 P&F contribution rates must be applied to the full salary amount of each check. Minnesota Statute requires the new rate be used for all pay issued in 2019, regardless of when it was earned. This includes retro pay and any pay earned in 2018. For contribution withholding, use the check date to determine when the pay was issued.

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.