



WINTER 2022



PERA Seeks Return to Monthly Salary Threshold

Each fall, the Board of Trustees determines PERA's priorities for the next legislative session. The legislative agenda is typically shared in our Spring newsletter. However, one of the initiatives approved at the October meeting deserves special attention due to the potential impact for employers.

For the 2023 legislation session, PERA is proposing to change the membership salary threshold from an annual threshold to a monthly amount.

BACKGROUND

Before Jan. 1, 2015, PERA had a long-standing monthly threshold requiring that anyone who earned \$425 in a month be enrolled in PERA. During the 2014 legislative session, the monthly threshold was replaced by an annual threshold of \$5,100 (\$3,800 for school-year employees). Language was also added to require omitted deductions retroactively for any employee not initially expected to reach the threshold but who subsequently did exceed the annual threshold.

The intent of the change was to simplify the administration of PERA eligibility. In practice, however, the annual threshold process has been problematic for employers, our members, and PERA staff. Employers bear the largest cost of

omitted deductions, so they often err on the side of caution by enrolling more employees. Individuals are confused when those funds are later deemed ineligible and refunded after contributing to PERA for a year or more. Since the annual threshold was implemented in 2015, PERA's deduction-in-error refund volume has increased 275%.

PROPOSED CHANGES

For the 2023 legislation session, PERA is proposing to change the membership salary threshold back to a monthly amount of \$425. This will meet the immediate need to correct the administration issues created by the annual threshold.

Separately, PERA also intends to work with stakeholders and bring forward a recommendation on the threshold amount for the 2024 legislative session. The monthly threshold last increased to \$425 in 1988, and we wish to allow sufficient time to evaluate this important membership entrance point before proposing a change.

EMPLOYER VOICES MATTER!

Employer groups are important stakeholders in pension legislation. If you support this change, please tell your agency's lead administrators.

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

2023 IRS Compensation and Contribution Limits

Restrictions affect small percentage of employees

The Internal Revenue Service (IRS) limits compensation applied to Defined Benefit (DB) Plans and contributions made to PERA's Defined Contribution Plans (DCP). These limits are defined in Section 415 of the Internal Revenue Code (IRC) and adjusted annually.

For calendar year 2023, IRC Section 401(a)(17) limits compensation subject to retirement contributions to \$330,000 for members of PERA's DB Plans (Coordinated, 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 \$490,000.

IRC Section 415(c)(1)(A) limits the annual contributions a person may make to a DCP.

For 2023, that limit is \$66,000. 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.

PERA's prior practice was to evaluate these employees on a yearly basis. However, a review conducted by PERA auditors and its legal advisors has produced a different way to evaluate salary regarding PERA compliance with IRS regulations.

To ensure continued IRS compliance PERA began evaluating payments through each pay period starting with the calendar year 2022. Therefore, payrolls are now evaluated on a pay period basis. The following is the limit for an employee based on common pay periods.

Annually: \$330,000.00

Monthly: \$27,500.00

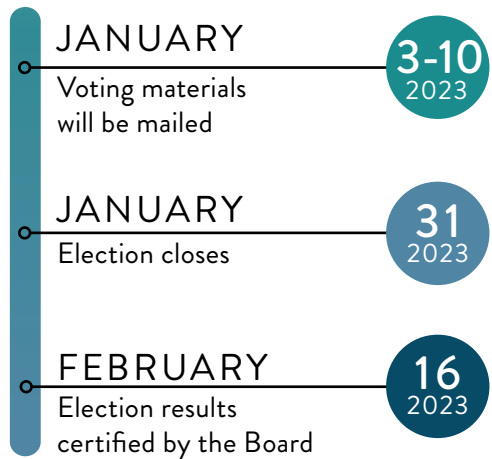
Semi-Monthly: \$13,750.00

Bi-Weekly: \$12,692.31

Please monitor employee earnings and implement the contribution limits for each pay period. If PERA finds that an employer has reported compensation or contributions in excess of these limits, we will contact you to coordinate an adjustment or refund.

January Board Election

In January 2023, our voting process will begin for the election of five Board of Trustee positions. Three seats are to be filled by active (presently working) Coordinated, Basic, or Correctional members of PERA. The fourth seat is filled by an active member of the Police & Fire Fund, and the fifth seat is filled by a former member of PERA who is either receiving a retirement annuity or disability benefit.



Voting materials will be sent to eligible members and benefit recipients at the beginning of January and voting will close January 31. Defined Contribution Plan participants are not eligible to vote unless they also participate in a PERA defined benefit plan. For more information, visit our Board of Trustees web page at mnpera.org/about/board.

Governor Appointment

PERA has an opportunity for you to serve on the Board of Trustees to represent the general public. This position is for a four-year term and appointed by the Governor. The Board does not receive compensation for their service to PERA but are reimbursed for necessary expenses incurred while serving the Association. Meetings are held on the second Thursday in February, April, May, June, August, October, and December.

HOW TO APPLY

Individuals can apply online through the Office of the Secretary of State website, sos.state.mn.us under Boards and Commissions. Applicants may submit a cover letter, resume or other information that might be helpful to the appointing authority. Applications become public information once submitted. Applications will be accepted until the Governor appoints a trustee. More information about the Board of Trustees can be found on our website.

Employer Initiated Electronic Verification of Termination (eVOT)

PERA recently enhanced the electronic Verification of Termination (eVOT) process to allow employers to initiate the action. Previously, an eVOT could only be initiated by the employee after their retirement application was submitted to PERA and it would appear in their employer's ERIS account under Pending Reports. Once the employer entered the requested information, the Verification of Termination requirement for the employee's retirement would be completed.

Now employers can enter an eVOT on their own through ERIS. To find the Retirement Form button, just click on MEMBER ACCOUNT and enter the member's SSN to go directly to the employee's information window. Click on your Employer Number after confirming the Plan Description. Select the Retirement Form button to complete the eVOT.

This enhancement eliminates the need to complete a paper Verification of Termination form for all employers who are registered to use ERIS. The eVOT can be completed right after an employee gives notice of their retirement date. For assistance with this new process, contact the Employer Line and select option 4.

No Change to Contribution Rates

The latest omnibus pension bill did not include any change to contribution rates in effect for the Defined Benefit and Defined Contribution plans that PERA administers. Please refer to the following tables for a full list of contribution rates currently in place. You may also visit PERA's website for current and historical contribution rates.

DEFINED BENEFIT PLANS

Plan	Employer	Employee
Coordinated	7.50%	6.50%
Correctional	8.75%	5.83%
Police & Fire	17.70%	11.80%
Basic	11.78%	9.10%

DEFINED CONTRIBUTION PLANS

Plan	Employer	Employee
Elected Official	5.00%	5.00%
Physicians	5.00%	5.00%
City Managers	6.50%	6.50%

EMPLOYER WEBINARS

COMING SOON: ANNUAL LEAVE REPORTING

It's been a year since the new Annual Leave Report rolled out. Since that time, we've made a few changes to the process based on our experience and employer feedback. This on-demand webinar session discusses why this report is important, walks through the process and addresses common questions.

Recommended for any contact responsible for member status or contribution reporting.

The on-demand webinar will be available in January 2023. We will send communication once available.

WELCOME EMPLOYER: PERA REPORTING TRAINING

If you're new to PERA reporting, getting started can seem daunting. This recurring webinar is intended to help explain the process and covers how to access and utilize the Employer Reporting and Information System (ERIS).

Recommended for payroll, HR, and business managers who are new to PERA reporting.

When: Thursday, January 26, 2023 at 11:00 am



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PERMIT 171

Ask PERA!

Have a question for PERA? We'd love to hear from you!
employer.reps@mnpera.org | 651.296.3636 | 888.892.7372 | mnpera.org

What is the difference between ERIS Administrators and Representatives?

The Employer Reporting and Information System (ERIS) allows employers to create and update members' accounts and maintain information on the PERA contacts in your agency. Each employer is allowed up to two Administrators and an unlimited number of Representatives. ERIS Administrators have full access to all ERIS modules and maintain ERIS security for their entity by creating and managing individual Representative accounts and their security rights.

Whether Administrator or Representative, every ERIS user is required to have a unique login ID. It is critical that users do not share their credentials with others. PERA tracks all actions taken by each User ID, meaning users are responsible for any changes made under their ID. This requirement helps to protect the integrity of PERA's data.

More information about ERIS Access and Reporting is available in Chapter 6 of the Employer Manual or by contacting our Employer Line and selecting option 4.