2023 LEGISLATIVE WEBINAR Q&A

October 2023

This document addresses questions that were submitted by employers during and after the 2023 Legislative Update webinar in August.

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 document to easily view.

Other essential resources for 2023 Legislation:

» 2023 Legislative Update on-demand webinar on the Employer Programs page.

» PERA's Legislation page.

» Winter 2022, Spring 2023, and Summer 2023 editions of the PERAphrase Employer Newsletter.

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

A. MONTHLY SALARY THRESHOLD

Effective July 1, 2023, the earnings threshold for PERA's Coordinated, Correctional, and Police & Fire defined benefit plans (DBPs) is $425 in a single month. This applies to all employer types and replaces the annual threshold of $5,100 for local government and $3,800 for school-year employees.

PERA's return to a $425 monthly threshold is an important change, but it is not the only factor for determining membership eligibility. In fact, salary is the last step in screening a new employee for PERA enrollment. Exclusion codes are intended to be reviewed in sequential order, starting with zero. See the Exclusion Reports section on page 2 for more information.

Current members who met eligibility criteria under the previous rules are not affected and will retain their membership until termination.

ELIGIBILITY RULES

Provisional enrollment has been eliminated and employers no longer need to guess whether an employee is eligible. An employee will either qualify for mandatory coverage upon hire or will be eligible once their eligible pay reaches $425 in any month.

The two times for enrollment are:

» **At time of hire:** New hires to a position with regular monthly earnings of $425 or more must be enrolled immediately. Membership is mandatory as a condition of employment when regular monthly earnings will exceed $425 per month, even if they will not receive $425 until month two. As a reminder under mandatory enrollment, if $425 is not met in month one, but is met in month two, both months are still valid. This applies to all full-time and most part-time employees.

» **First month $425 is met:** Employees with intermittent schedules or who are expected to have monthly wages below $425 must be enrolled in PERA coverage the first time they are paid at least $425 in a single month if no other exclusion applies. This includes employees who were previously excluded under the annual threshold. Contributions begin with the check that caused earnings to go over the $425 threshold. For example:

- Intermittent or on-call eligibility begins the first month that pay is $425 or more in a month.
- Seasonal and temporary employees remain excluded from PERA if the period of work is less than six consecutive months, regardless of earnings. However, if employment is extended beyond six months, the person becomes eligible for PERA the next time their monthly pay is at least $425.

- Exception: For pay frequency of less than monthly or retroactive payments covering multiple months, divide the total by the number of months represented to determine a monthly amount. Only enroll the employee if the result exceeds $425 per month.

After $425 is met, a member's eligibility continues until termination with that employer, even if subsequent earnings never reach $425 in any other month. A person who meets the threshold but later terminates and has at least a 30-day break before rehire is now considered a new enrollment and must re-establish eligibility.

TRANSITION PLAN—EMPLOYEES HIRED BEFORE JULY 1, 2023

NO ACTION IS NEEDED BY YOU—INFORMATIONAL ONLY.

If the employee was ENROLLED before June 30, 2023 with earnings below $5,100 ($3,800 for school-year employees).

Continue to withhold contributions for these employees. PERA will compare their year-to-date earnings to a prorated threshold based on the number of months worked through June 2023. This prorating evaluation only applies to employees who were enrolled and contributing during the annual threshold period.

If the prorated threshold is met, we will validate the membership and notify you that eligibility will continue until termination. Employees who do not meet the prorated threshold will be reported to you for review and approval of refunds. Going forward, you will monitor the employee's earnings and enroll if $425 is met in any month.

PERA will contact you about this evaluation in late 2023 or early 2024.

If the employee was NOT ENROLLED before June 30, 2023.

Prorating does not apply for employees who were excluded under the annual threshold and not enrolled in PERA.

As of July 1, 2023, these employees must be monitored for earnings equal to or greater than $425 in any month and enrolled the first time the threshold is met. If you have additional questions or would like a review of a specific excluded employee, email us at eligibility@mnpera.org.

THRESHOLD TRACKING & REPORTS

The current threshold tracking and reports will be modified to identify possible enrollment errors. More details to come later this year. Anticipated completion of the reports is early 2024.

Under mandatory enrollment, if $425 is not met in month one, but is met in month two, both months are still valid.

EXCLUSION REPORTS

Begin using Exclusion Code **301** ($425/month not met) immediately for Calendar Year 2023 and Fiscal Year 2024 salary exclusions. This single code replaces Codes 302 (school year below $3,800) and 303 (annual salary below $5,100) for all employer types.

Remember, the $425 monthly threshold is the last factor to consider when deciding membership eligibility. Exclusion codes are intended to be reviewed in sequential order, starting at codes that begin with zero. If none of these codes apply to the employee, review codes that begin with one, and so on. As such, you will only arrive at Code 301 ($425/month not met) when no other valid exclusions apply

Schools only: Code 302 is still valid for FY2023 which ended June 30, 2023 because the annual threshold was in effect until that date.

All other exclusion reasons and codes **remain in effect and prevent PERA enrollment, including:**

» Code 001: Full-time students under the age of 23

» Code 003: PERA retirees and disability recipients

» Code 101/106: Persons solely employed in a temporary or seasonal position lasting less than six months

» Code 108: Volunteer firefighters who receive credit in a relief association or the Statewide Volunteer Firefighter (SVF) Plan

FUTURE CHANGES

The monthly rate of $425 was last changed in 1988. PERA is reviewing the monthly threshold amount and may bring forward legislative changes to the amount in future sessions. We are seeking input from employers and other stakeholders to create a recommendation.

MONTHLY SALARY THRESHOLD Q&A

A1. How is the $425 monthly threshold calculated?
Use paid dates to determine monthly wages. Add up the eligible earnings for all paid dates that occur in a single month. If PERA-eligible salary meets $425, the employee is eligible and will participate until termination from your entity.

A2. When an employee reaches $425 in a month, when do we start taking out PERA?
Begin PERA deductions with the check that puts the employee's earnings over $425 in a month.

A3. We pay employees biweekly, so there are two months each year when there are three checks in the month. How does this affect the monthly threshold?
The monthly threshold remains $425 during three-paycheck months. For example, a new employee who earns $150 each pay period has total pay of $300 in two-paycheck months and is excluded from PERA membership during this time. However, in the next three-paycheck month, their total monthly pay is $450, and the threshold is met. Begin deductions for PERA from the third check and continue until the member terminates.

A4. If an intermittent/on-call employee makes $425 in month four of employment, do I have to go back and pay contributions for the first three months?
No. This employee's eligibility starts with the check that reaches $425. Retroactive contributions are not owed for months before $425 was met.

A5. What if an employee reaches $425 once due to extra hours for training or to cover for absences, but does not meet $425 in any later month?
Enrollment continues until termination of employment, even if monthly pay does not exceed $425 in any subsequent month.

A6. Once a person is eligible for PERA, do they stay enrolled forever?
PERA membership lasts until the employee terminates from their position, regardless of future earnings. If they terminate employment with a 30-day break or more, PERA participation is not automatic. They will need to re-establish eligibility under the requirements in effect at the time of rehire.

A7. We have employees that work for us a few times a year and may make over $425 within a certain month. Do we take PERA deductions? If not, what exclusion code would we use?
Review the list of exclusions in sequential order with the person's status and position in mind. If the person is hired for distinct jobs that have a predetermined duration of six months or less, they may be excluded using the 101 temporary or 106 seasonal Codes. If the person is hired to a job with a duration of greater than six months, or without a determined end point, they do NOT qualify as temporary or seasonal for PERA exclusion purposes and must be enrolled the first time their monthly pay exceeds $425. Enrollment will continue until termination of employment, even if monthly pay does not exceed $425 in any subsequent month.

A8. If a seasonal employee works more than six months and becomes eligible for PERA in month seven, should PERA deductions resume right away when they return the following year?
Once an employee meets PERA eligibility criteria, they maintain their PERA membership until they have a bona fide termination. This occurs when they cease their employment status, have at least a 30-day break, and are required to apply before returning to work for the same employer. Simply having a break between periods of work while maintaining the employer-employee relationship is NOT considered a termination for PERA purposes.

A9. Can we provisionally enroll employees in jobs with variable earnings, such as on-call, intermittent, substitute, or casual positions?
No, provisional enrollment is eliminated because employers no longer need to guess whether an employee is eligible. Unless some other valid exclusion applies, every employee will either qualify for mandatory coverage upon hire or will be eligible once their gross pay reaches $425 in any month. You can make corrective deductions on your own within the first 60 days. See question 11 for more information.

A10. We have part-time bartenders that receive tips. Are these counted toward the $425 monthly threshold?
Tips treated as wages by the employer are considered PERA-eligible salary and count towards the $425 earnings threshold.

A11. If I discover in October that an employee went over $425 in September, how can I correct the error?
Correct enrollment errors on your next Salary Deduction Report (SDR) if within 60 days of the omission. During this time, the employee contributions are the member's responsibility and no interest is due. You would create additional lines for each of the missed paid dates. It is helpful to also add a note or send an email to our Employer Reps explaining the additional contributions.

If there are more than 60 days of earnings to correct, begin deductions with the next available check and contact PERA so we can create an omitted deduction invoice for the missed contributions.

A12. Should we enroll an employee who is paid $600 quarterly for work performed two days each month?
When the pay frequency is less than monthly, you will calculate the monthly amount to make an eligibility determination. In this case, the monthly amount is $200 ($600 / 3) which is below the $425 monthly threshold. This employee is excluded from PERA. Please note that rules are different for elected officials—see the DCP section on page five for more information.

A13. Should an employee be enrolled if they receive over $425 in a lump sum? Our employee makes $350 per month but will receive $480 in retroactive pay for the prior year (January 1—December 31).
Whenever pay represents a period of more than one month (approximately 30 days), you should first calculate the monthly amount. In this situation, the $480 payment covers 12 months ($480 / 12) which equals $40. The employee's regular monthly $350 + $40 retro = $390. This person is not PERA eligible because their pay has not exceeded $425 in a month.

However, if the $480 retro pay was for a period of only six months, the monthly amount is $80. Adding this to the regular monthly $350 totals $430. Enroll this person in the month retro pay is issued.

A14. PERA previously refunded contributions for an employee who did not meet the $5,100 annual threshold. They will only exceed $425 only once or twice each year. Should they be enrolled?
The first time the employee's monthly pay exceeds $425 after July 1, 2023, they are eligible for PERA coverage. Begin withholding deductions with the check that caused monthly pay to reach $425. Under the monthly threshold, yearly pay is not a determining factor.

A15. What action should be taken with active employees who were hired before July 1, 2023 but excluded under the annual threshold?
From July 2023 forward, all employees who were excluded under the annual earnings threshold must be monitored for monthly earnings of $425 or more and enrolled in the first month that the threshold is met.

A16. Our employee was hired in 2018 but did not meet the annual earnings threshold in previous years. In February 2023, their earnings did exceed $425. Should they have been enrolled then?
The $425 monthly threshold was not effective until July 1, 2023 and does not apply to earnings received prior to that date.

ENROLLMENT EXAMPLES

Example 1. An employee is hired to a part-time position working 10 hours/week at $20 per hour. Start date is October 10, 2023 and expected pay is $400 per check. This employee is subject to mandatory membership as a condition of employment because their regular monthly earnings will exceed $425.

DATE PAID	GROSS SALARY	PAY PERIOD DATES	COMMENTS
10/20/2023	$400	10/1–10/14	Begin PERA deductions as of this check with enrollment date of October 10, 2023 (first day of employment). Membership continues until employee terminates employment with the entity.
11/3/2023	$400	10/15–10/28	
11/17/2023	$400	10/29–11/11	

Example 2. An employee hired October 1, 2023 to an on-call position with no predictable earnings.

DATE PAID	GROSS SALARY	PAY PERIOD DATES	COMMENTS
10/20/2023	$150	10/1–10/14	October pay = $150.
11/3/2023	$100	10/15–10/28	
11/17/2023	$25	10/29–11/11	November pay = $125.
12/1/2023	$150	11/12–11/25	
12/15/2023	No check	11/26–12/9	
12/29/2023	$300	12/10–12/23	December pay = $450. Exceeds $425 on December 29. Begin PERA deductions as of this check with enrollment date of December 10, 2023 (first day of pay period).

Example 3. Employee A begins a six-month temporary position on April 1, 2023 to cover the leave of another Employee B. Working 20 hours per week at $15 per hour. The six-month exclusion period is April 1 through September 30, 2023. All pay is excluded during this time and the monthly threshold does not apply. In September 2023, Employee B's leave is extended to December 31, 2023.

DATE PAID	GROSS SALARY	PAY PERIOD DATES	COMMENTS
4/7/2023–10/6/2023	$600 biweekly; $7,200 total	3/26–9/30	No earnings threshold applies during the six-month temporary position exclusion period.
10/20/2023	$600	10/1–10/14	Earnings exceed $425 and six-month temporary position exclusion has expired. Begin PERA deductions as of this check with enrollment date of October 1, 2023. Membership continues until Employee A terminates employment with the entity.

B. DEFINED CONTRIBUTION PLAN—LIMITED EXPANSION

The 2023 Legislative Session addressed concerns of public employees hired to perform governmental functions required of a public officer (township and city clerk or treasurer, county auditor, treasurer, or recorder) in place of non-governing elected officials.

These employees are subject to mandatory Coordinated Plan membership if their wages meet the $425/month salary threshold. However, smaller governmental units may pay less than $425 per month for these roles, which left those public officers without any option to participate in PERA. This coverage gap also affected individuals who had enrolled in DCP as an elected clerk or treasurer but were terminated from the plan because the position was converted from elected to an "appointed" employee.

Beginning May 20, 2023, appointed (employed) public officers may contribute to DCP while their earnings remain below the $425 monthly threshold.* Those who enrolled while the role was elected will retain their DCP coverage under the same conditions. This change applies to the position types listed above and does not extend DCP to all employees excluded due to salary.

A new “DCP Election by Appointed Public Officials” form was developed for these enrollments and added to the Forms & Publications section of PERA’s website. Continue to use the “Membership Election by Public Officials” form for all elected positions.

*If the employee’s earnings exceed $425 in any month, immediately stop DCP and begin Coordinated Plan deductions. This mandatory membership rule ONLY applies to this expanded DCP group; there is no salary restriction for elected officials in the DCP.

ERIS users: when adding an employed public officer into the DCP, select a Position Title “Other” instead of “Elected Official.”

There were no changes to PERA’s DCP eligibility rules for any other positions.

NO CHANGE TO DCP FOR ELECTED OFFICIALS

Elected Public Officials are those elected to a local government position and those appointed (selected) to fill the unfinished term of an elected position. The legislative changes did not affect this group.

All elected local government officials can participate in the Defined Contribution Plan (DCP), while only certain elected officials may choose the Coordinated Plan instead. There are two types of elected officials:

1. **Governing** elected officials
    - This group serves as the primary policy makers for local government and include the city council, county commissioners, township supervisors, and school board.
    - PERA option: DCP only.
    - This group is not eligible for Coordinated or any other defined benefit plan, and therefore not required to be listed on the annual Exclusion Report.
2. **Non-governing** elected officials
    - This group provides administrative functions and include township and city clerk or treasurer; county auditor, treasurer, or recorder.
    - PERA option: DCP, or may choose Coordinated instead if earnings exceed $425/month.
    - These positions have the potential for Coordinated Plan eligibility, and therefore must be listed on the annual exclusion report.

NO CHANGE TO DCP FOR PHYSICIANS OR CITY ADMINISTRATORS/MANAGERS

Physicians and city administrators/managers are to be enrolled into the Coordinated Plan by default if their earnings exceed the salary threshold. They have the option to choose DCP, but they must do so in writing and within a certain time period.

City administrators/managers may also choose to be excluded entirely. In this case, the city governing body must pass a resolution approving the exclusion and you would report them under Code 201 on future exclusion reports.

Details are available in the Optional Coverage section of the employer manual chapter 3. The forms to document the exclusion are available on our website at mnpera.org/forms-publications. We are currently updating our materials, so although the text may still say $5,100/year, as of July 1, 2023 it is $425 in a month.

NO CHANGE TO DCP FOR ELECTED SHERIFFS

Elected sheriffs can only participate in the DCP when they are already receiving a pension from the Police & Fire Plan. All other sheriffs must be enrolled in the Police & Fire Plan when their earnings exceed $425 in a month.

DEFINED CONTRIBUTION PLAN Q&A

B1. Is every appointed public officer who earns less than $425 per month required to join the DCP?
No, enrolling in the DCP is voluntary.

B2. Can an appointed public officer choose to stay in the DCP after their salary exceeds $425 in a month?
No, the DCP expansion is intended only to provide an option for public officers who are excluded from pension coverage. As with all employees, Coordinated Plan enrollment is mandatory once the earnings threshold is reached, unless a valid exclusion applies.

B3. Are elected officials in the DCP required to move to the Coordinated Plan if their pay exceeds $425 per month?
No, the Coordinated Plan is not available to any governing official who was first elected after 2002.

B4. Can an employee currently enrolled in the Coordinated Plan convert to DCP?
No.

C. INVESTMENT RETURN ASSUMPTIONS

PERA's assumed investment return changes from 7.5% to 7.0% effective June 30, 2023. This is the rate at which PERA assumes we will see a return on the investments made by the State Board of Investment on PERA's behalf. Due to this change, interest charged by PERA on omitted deductions, delinquent invoices, purchases of service or salary credit, and repayments of refund will be lowered to 7% after June 30. Interest accrued prior to June 30 would remain at 7.5%.

INVESTMENT RETURN Q&A

C1. Does this affect the contribution rates for members or employers?
No. The investment return assumption affects interest accrual on payments due to PERA. There were no legislative changes to contribution rates for any PERA plan. Current contribution rates for employees and employer are maintained on our website.

D. VESTING CHANGES

Being vested means a member qualifies for lifetime monthly benefits when they are first eligible to start collecting a monthly benefit. Each PERA defined benefit plan has different vesting requirements.

Vesting changes do not affect the high-five salary used to calculate a retirement benefit amount. Information regarding the high-five calculation can be found in each membership handbook, under "How We Calculate Your Benefits:"

- » Coordinated
- » Police & Fire
- » Correctional

COORDINATED

Three-year vesting applies to all members who were active on or after July 1, 2023.

Five-year vesting remains in place for unvested members who terminated between July 1, 2010 and June 30, 2023 and remain inactive. However, if these individuals become active PERA members in the future, the three-year vesting will immediately apply to them. For example, a person who was enrolled in PERA from January 1, 2018 to December 31, 2021 has four years of PERA credit and remains unvested. If they start a new position on November 1, 2023 and become an active PERA member, they become vested immediately because their previous credit exceeds three years.

POLICE & FIRE

Five-to-ten-year graded vesting now applies to those who became a member of PERA on or after July 1, 2010 and have not taken a refund or started a monthly payment. The previous 10–20 year vesting was removed from statutes.

CORRECTIONAL

No vesting changes were made to this plan.

VESTING Q&A

D1. If a Coordinated Plan member was hired before July 1, 2023, are they under five-year or three-year vesting?
A retroactive vesting adjustment only applies to a member who was active on July 1, 2023, or becomes active any time after July 1, 2023.

» A Coordinated member hired before July 1, 2023, who was still active on July 1, 2023 is subject to three-year vesting.

» A Coordinated member who both enrolled AND terminated employment between June 30, 2010 and July 1, 2023 remains subject to five-year vesting.

D2. Does the five to ten-year vesting apply to Volunteer Firefighters?
No, the change only applies to members of the Police & Fire Plan.

E. MEMBER PURCHASES

Each year, employers report all employees who had an authorized leave in the prior year. PERA then gives the employee the option to purchase these missing contributions to restore their salary and service during the leave period.

Effective July 1, 2023, members who terminate or start a disability benefit before paying a leave of absence will now have the same period to make the purchase as active members, which is one year after the end of each reporting period. Members who are applying for a disability benefit are now eligible to purchase all leave types. Accrued interest on member purchases (repaying a refund, leave of absence, etc.) will be 7.0% after June 30.

MEMBER PURCHASES Q&A

E1. Can you explain why a member would want to make a payment for their unpaid leave?
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 unpaid leave. 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 possibly 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 average salary period. Generally, the 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.

F. OTHER Q&A

F1. An employee asked about the PERA psychological treatment disability process. How can I get more information about this?
Members interested in applying for a Police & Fire duty disability benefit due to psychological conditions must first complete psychological treatment before they are eligible to apply. Members must be active in the Police & Fire Plan or be within 18 months of termination to be eligible.

Please read and refer the employee to the information regarding the treatment requirement by visiting mnpera.org. From the PERA website, select Members, then Disability Benefits, then Police & Fire Treatment Requirement.

F2. How will the new Minnesota Sick and Safe leave hours affect PERA contributions?
For PERA contributions, Sick and Safe leave hours are equivalent to other paid leave types offered by the employer, such as sick time, vacation leave, or paid time off (PTO). Follow PERA's existing guidelines to determine what pay is eligible for pension deductions.