The PERAphrase

The employer newsletter of the Minnesota Public Employees Retirement Association

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Public Employees Retirement Association
60 Empire Drive, Ste. 200
St. Paul, MN 55103-2088

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

PERA Board of Trustees Votes to Recommend Rate Increase, Statutory Change

The PERA Board of Trustees voted Jan. 8, 2015, to recommend a 0.25 percent contribution rate increase for members of PERA's Coordinated Plan. The recommendation was sent to the Legislative Commission on Pensions & Retirement for review.

While members of the Board recognized that an increase may not be necessary, they are required by law to recommend an increase up to 0.5 percent for both employees and employers based on current actuarially determined funding levels. According to Executive Director Mary Most Vanek, PERA's actuary examined market value and actuarial value including the already implemented Jan. 1, 2015, contribution rate increase. The contribution level is current sufficient at market value. However, the law states that contribution rates must be increased to eliminate any actuarially determined contribution deficiency greater than 1.99 percent. The current deficiency is 2.05 percent at actuarial value.

Though the board ultimately recommended an increase, they are also recommending a less prescriptive statutory change that would allow the board to consider additional factors, not just actuarial value, before making a recommendation.

The Legislature can decide to approve the recommendation, deny it, or do nothing. In the event that the Legislature chooses to do nothing, the recommendation then becomes law and the increase in employee and employer contributions goes into effect on Jan. 1, 2016.

A Few Things To Remember About the New PERA Rules

A number of larger changes were instituted by the Minnesota legislature in 2014. Many of these changes went into effect Jan. 1, 2015. PERA made efforts to traverse the state in late 2014 to educate our employers on the many shifts that have taken place for our membership rules.

Included below are a few items to remember about the new PERA rules as we move forward in 2015.

1. Eligibility Threshold Change

   Longstanding minimum salary threshold of $425 in any month has been replaced with annualized threshold of $5,100, or $3,800 for 9- or 10-month school employees, effective Jan. 1, 2015. To determine eligibility under the new annual salary threshold, calculate income from the first day of employment and project salary for 12 months. This change does not affect current members, who will retain their membership until termination.

2. Notice of Exclusion Form

   All employees excluded under the annual salary threshold must be notified within two weeks of the exclusion determination. PERA created the Notice of Non-Covered Employment or Provisional Coverage form to serve as this notification. The notice is only required by statute for salary-based exclusions. PERA, however, recommends that employers notify all excluded employees within two weeks of the exclusion determination as a best practice.

3. Provisional Enrollment

   Because the new annual threshold is a projected annualized threshold of $5,100 ($3,800 for 9- or 10-month school employees), it may be difficult for employers to determine whether some employees are likely to exceed the threshold over the course of the year. PERA has anticipated this problem and offered a solution: Provisional Enrollment. To complete a Provisional Enrollment, fill out Section B of the Notice of Non-Covered Employment or Provisional Coverage, give a copy of the form to the employee, and enroll the employee in PERA as usual. PERA will run a series of reports to track employee earnings and contact the employer if they fail to meet the applicable threshold. This avoids the issues that may arise with Omitted Deductions should PERA membership have been withheld in error.

Need to Know More About PERA's New Rules?

We will have a series of videos on our website by the end of the month explaining in detail the new requirements for eligibility, overtime reporting, exclusion reporting, and more.

4. Solely Seasonal/Temporary – Multiple Positions

   The membership exclusions covering temporary and seasonal positions will only apply if it is the sole employment of the person under a single employer. If multiple positions are held at the same time with the same employer, all salary must be combined and the annual threshold must be examined to determine eligibility. There must be a clear 30-day break in service between positions to be excluded as seasonal or temporary.

5. Exclusion Reporting

   As of July 1, 2014, PERA made some alterations to the Exclusion Reporting all employers are required to complete annually. All employers with internet and email access are now required to complete the Exclusion Report through PERA's Employer Reporting Information System (ERIS). The paper Exclusion Report form is still available to employers who are exempt from ERIS, but the Certification form has been eliminated.

   Only excluded employees and non-governing body elected officials (such as clerks and treasurers) are to be listed on the report; independent contractors and governing-body elected officials (such as city council, school board and township supervisors) are

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PERA Options for Elected Officials

With many new elected officials taking office in January, now is the time to ensure that you have provided them with information about their PERA choices. Elected officials have the following options:

The **Defined Contribution Plan (DCP)** is open to all local elected officials* and has no minimum salary requirement for membership.

The **Coordinated Plan** is a defined benefit plan available to non-governing body elected officials who earn at least $5100 per year. Non-governing body elected officials usually serve as city or township clerks, county auditors, treasurers or attorneys.

Elected officials may choose **no PERA plan** coverage. They may enroll at a later time if desired. We recommend that you remind the official annually of their right to PERA membership and document the decision in writing.

Because PERA participation is optional for all elect ed officials, individual membership choices must be made in writing. Employers should complete Part A of the Membership Election by Public Officials form to indicate the individual's PERA option(s) before giving it to the official. The official then completes Part B to select the coverage desired. If PERA membership is chosen, immediately send the form to PERA and begin withholding contributions.

PERA provides several tools for employers to use when determining the plan option(s) available to an elected official:

- Membership Options for Elected Officials fact sheet
- Employer Manual Chapters 3 & 4
- Our Employer Response Line is staffed with plan specialists who will answer your questions

In addition, the PERA Membership for Elected & Appointed Government Officials brochure offers helpful information to assist officials in making their enrollment decision.

**Elected county sheriffs can participate in the DCP only if they are currently receiving retirement benefits from the PERA Police and Fire Plan*

Things To Remember

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no longer to be included. With these changes, some previous exclusion codes have been eliminated. A full listing of the current codes is available on the Exclusion Reporting Requirements page at www.mnpera.org as well as in Chapter 3 of the Employer Manual.

6. Contribution Rates Have Increased

   As of Jan. 1, 2015, the contribution rates for those participating in the Coordinated Plan have increased 0.25 percent. Employee contributions now total 6.5 percent of pay while employer contributions now account for 7.5 percent of pay. Additionally, any future Coordinated Plan contribution rate increases will occur on Jan. 1 instead of July 1 as previously.

7. Phased Retirement Option

   The Phased Retirement Option (PRO) program has been extended through 2019. No new agreements may be created after June 30, 2019, but agreements that are already in place will be allowed to be renewed yearly for a full five years.

8. Overtime Reporting

   In efforts to determine the impact of so-called "pension spiking," PERA requested information from employers in 2013, but didn't receive enough data to make an educated policy decision. Because we could not accurately determine a course of action based on that insufficient data, PERA sought and received legislative authority to make overtime reporting a mandatory part of the employer reporting process.

Have a question about reporting, eligibility or anything else PERA-related? ASK PERA!

We've been busy answering many questions due to the recent changes in PERA laws and policies. Here are some of the questions we have been asked most often.

Annual Threshold

Q If a new permanent employee is hired near the end of the fiscal or calendar year, how should we determine eligibility if they won't meet the new annual threshold by the end of the current fiscal/calendar year?

A The eligibility decision is based on anticipated earnings in the upcoming 12 month period rather than the remaining months in the calendar or fiscal year. You may wish to refer to job announcements or budgeted amounts to help predict earnings. PERA has developed a new Membership Eligibility Checklist that may help when making eligibility determinations. To access the form, visit the Employers > Forms and Brochures page on our website.

More Annual Threshold FAQs are available in the Employers section of our website at www.mnpera.org.

SDRs

Q Why did I need to apply 2015 contribution rates to wages earned in 2014?

A State law requires that employee deductions be withheld at the contribution rate that is in effect on the date the salary is paid.

More SDR information is available in Chapter 7 of PERA's Employer Manual online.

Seasonal Exclusions

Q We have a part time employee who was enrolled in PERA under the previous $425/month threshold. This individual also coaches baseball each spring. In the past, the coaching pay was excluded because it was a seasonal position. Has this changed?

A Yes. The employee's coaching pay is subject to PERA deductions as of Jan 1, 2015 because the coaching job is not the sole position with a single employer.

More Seasonal Employee FAQs are available in the Employers section of our website at www.mnpera.org.

Exclusion Reports

Q I have created my Exclusion Report in ERIS but the Save/Submit button is gray. Why?

A There are errors or missing data in one or more of the lines of your report. Open the report in ERIS and check the Status column on the left. Open any lines in Error and correct the data. Once all lines of the report are fixed, the Save/Submit button will be available.

More Exclusion Report FAQs are available in the Employers section of our website at www.mnpera.org.

ERIS

Q I just requested access to ERIS. Why can't I log in?

A The registration process generally takes 1-2 weeks. When your request is received at PERA, we mail a form that must be signed by you and your supervisor. Once the completed form is received, we will send an email to you with a temporary password so that you can log in.

For more details, review the Getting Started with ERIS page of our website.

More ERIS information is available in the ERIS Help Manual online.

From the Manager

The From The Manager column features comments from Account Information Management Division Manager Cheryl Keating

On Jan. 27, Mary Vanek, PERA's executive director for the past 16 years, retired. Mary's accomplishments are many but she was quiet about celebrating them. As employers you know firsthand the many challenges PERA faced after the Great Recession of 2008. PERA's retirement plans stand firmly on the ground today due in large part to Mary's leadership and dedication.

In parting, Mary said to staff, "Take pride in the difference you make in the lives of our members and their families." She shared those words many times during her tenure and we know they came from her heart.

I know you are all very busy now implementing the 2015 legislative changes, but I encourage you to follow Mary's lead — take a moment to feel good about the important work you do to support this valued retirement system and its members.

Cheryl Keating

2015 IRS Contribution and Compensation Limits

Restrictions affect small percentage of employees

The Internal Revenue Service (IRS) has announced the 2015 limits that apply to the compensation limits of the Defined Benefit Plans (DBP) and contributions made to PERA's Defined Contribution Plans (DCP).

For members of the Basic, Coordinated, Correctional or Police and Fire plans, the IRS limit determines the amount of compensation that is subject to retirement plan contributions in a given year. This threshold, as established under the Internal Revenue Code (IRC) Section 401(a)(17), increased Jan. 1, 2015. It changed from the 2014 amount of $260,000 to $265,000 for individuals who initially became DBP members on or after July 1, 1995. For those who were initially enrolled in the DBP before July 1, 1995, the compensation limit has increased to $395,000. This limit is applied even is the DBP member has had a break in public service since his or her initial membership date.

Section 415(c)(1)(A) of the IRC limits the annual contributions a person may make to a DCP. For 2015, that limit is the lesser of 100% of compensation or $53,000 (up from the 2014 limit of $52,000). The retirement contribution limit represents the annual maximum amount of combined DCP employee and employer contributions that may be credited to an employee.

Salary and Contribution Monitoring

These 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 who salary has reached the IRS limit, please advise us immediately.

We will then adjust our records so that the member does not lose service credits that would otherwise have accrued based on the remaining wages that will be earned through the end of the calendar year.

At the start of each new year, PERA staff will review the earnings and deductions reported in the previous year 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 issue a refund to the entity for the employee and employer amounts that have been overpaid.

Public Employees Retirement Association
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088

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Have You Provided PERA with Requested Information About the Financial Statements You Prepare?

Over the past several months the PERA Finance Division has been requesting that employers provide us with contact information and information about the financial statements employers prepare. We have requested the information so that we can provide important information to those employers who prepare financial statements in accordance with generally accepted accounting principles. Employers will need the information from PERA in order to comply with the Governmental Accounting Standards Board Statement 68, Accounting and Financial Reporting for Pensions.

The contact information requested includes names, email addresses, and phone numbers for employers' key financial reporting staff and their auditors, and information about your financial reporting process. PERA will use the information provided to notify employers about GASB 68 information that we will post on our website. For example, we recently sent an email notification to employer financial reporting contacts and their auditors with a link to our new newsletter, The GASB Gazette, which is devoted to GASB 68 implementation issues. (You can find the first issue at: http://bit.ly/TheGASBGazette) We will also use the contact information to announce when our audited Schedule of Employer Allocations, Schedule of Pension Amounts by Employer, footnotes to the schedules, and independent auditors report on the pension schedules are available.

The easiest way to provide the requested information is to complete the short GASB Implementation Survey at https://www.surveymonkey.com/r/PERA-GASB68Survey.

Also, if you have any questions about GASB 68 implementation, email them to us at gasb@mnpera.org.