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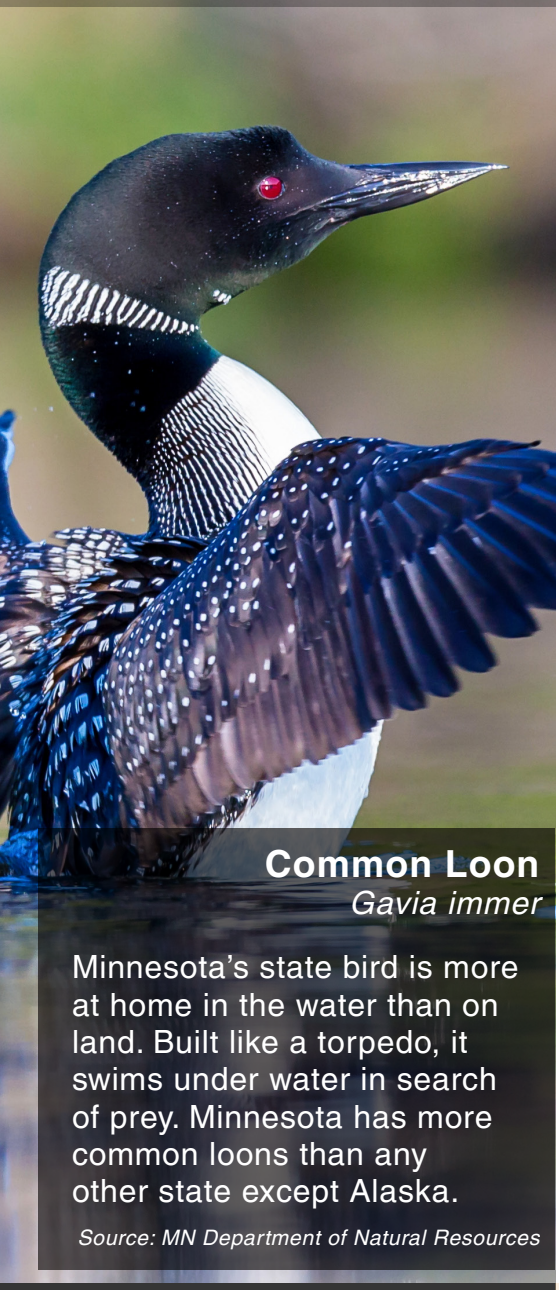
Employer Newsletter of the Public Employees Retirement Association of Minnesota

PERA PHRASE

Over 3,500 Employers
166,000 Active Members

MARCH 2018 — Q1



Common Loon
Gavia immer

Minnesota's state bird is more at home in the water than on land. Built like a torpedo, it swims under water in search of prey. Minnesota has more common loons than any other state except Alaska.

Source: MN Department of Natural Resources

Pension commission approves bill—includes proposed increased contributions for Police & Fire Plan

The 2018 retirement bill containing sustainability reforms for all four Minnesota public pension systems was unanimously passed by the Legislative Commission on Pensions and Retirement (LCPR) at their March meeting. The bill contains sustainability reforms for PERA's General, Police & Fire, and Correctional Plans. The PERA Board of Trustees unanimously approved the legislative proposals for the three retirement plans during their December and January board meetings. The Board also reaffirmed their position from last year to change the investment return assumption from 8 percent to 7.5 percent for future valuations. The Board agreed to the legislative proposals after PERA staff did extensive plan design analysis and met with various stakeholder groups since last summer to receive input on the legislative proposals. The stakeholders agreed and are actively supporting the plan design proposals recommended by PERA.

GENERAL PLAN

The legislative proposal adopted by the Board includes replacing the current cost-of-living adjustment (COLA) trigger structure with one tied more closely to inflation, or the Consumer Price Index (CPI). The current 1 percent COLA is not projected to trigger to 2.5 percent until 2045. The annual benefit increase is proposed to equal 50 percent of CPI to keep the change cost neutral with a floor of 1 percent and a cap of 1.5 percent on the actual increase payable. This would ensure annual increases no less than the current 1 percent and provide the possibility for an increase up to 1.5 percent if warranted by actual inflation rates.

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

ISSUE HIGHLIGHTS:

Pension commission approves bill— includes proposed increased contributions for Police & Fire Plan (continued from page 1)

Under the proposal the Plan's funding status will improve more rapidly, increasing the likelihood of long-term plan sustainability. The proposal does not require an increase in employee or employer contributions and will mean a more equitable post-retirement increase structure that is tied to actual inflation.

POLICE & FIRE PLAN

The Board voted to reaffirm their positions from last year related to changes to ensure the sustainability of the Plan. The changes were included in the vetoed 2017 Omnibus Retirement Bill.

The legislative proposal for the Police & Fire Plan includes removing the 2.5 percent trigger; increasing the employee and employer contribution rates by 1 percent and 1.5 percent respectively, phased in over a two-year time beginning Jan. 1, 2019; and changing to a 30-year amortization period.

The Board also voted to support additional funding, provided by the legislature, to the Police & Fire Plan to ensure long-term financial stability.

Proposed contribution rates: Police & Fire plan	Employer	Employee
January 1, 2019	16.95%	11.30%
January 1, 2020	17.70%	11.80%

CORRECTIONAL PLAN

The Correctional Plan legislative proposal includes a post-retirement increase to provide 100 percent of the Consumer Price Index (CPI), with a 1 percent floor, and a 2.5 percent cap until the Plan's funding ratio drops below 80 percent for one year or 85 percent for two consecutive years. The funding ratio would be measured on the market value basis every year. If the funding ratio does not meet the required level, the post-retirement increase would be 100 percent of CPI, with a 1 percent floor, and a 1.5 percent cap. Once the lower cap applies, no further triggers would exist.

The proposal preserves the opportunity for a post-retirement increase as high as 2.5 percent provided that the funded ratio exceeds the existing trigger.

STAY INFORMED

Visit mnpera.org for news about legislation during the 2018 session. The full Legislature must pass the bill, and the governor must sign it before it becomes law. The 2018 legislative session ends May 21.

Employer workshops around the state

PERA is often invited to conferences by stakeholder groups to present employer reporting topics.

~~**February 15 - 16**~~ - Region 1 Annual Business Conference (Fargo, ND)
~~**March 8**~~ - cmERDC Business Conference 2018 (St. Joseph, MN)
March 22 - Region V 28th Annual Spring Conference (Austin, MN)
April 11 - Region IV 35th Annual School Business (Marshall, MN)
April 19 - MN Association of Townships, Town Law Review (Burnsville, MN)
May 9 - Minnesota Association of School Business Officials (Duluth, MN)

Stay tuned!

The next webinar topic will focus on updates and changes being made to the annual threshold report in ERIS!

We are still working on finalizing the report, and will announce the webinar covering these changes by email. The email will contain the date of the webinar along with the registration link for the event.

The ERIS Corner

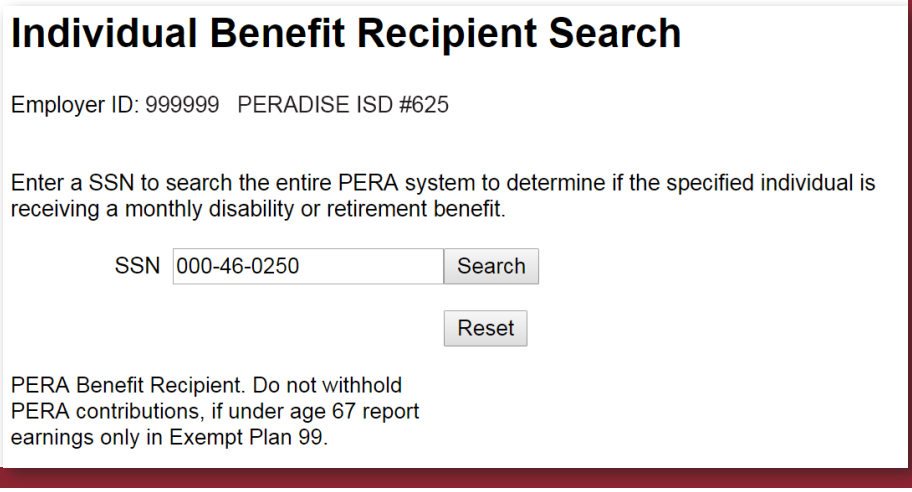
PERA's Employer Reporting and Information System (ERIS) allows you to complete many reporting tasks online.

Did you know you can look up PERA benefit recipients?

Are you hiring an employee who is receiving a benefit from PERA? Whether they indicated their status within PERA during the hiring process or not, employers can find out if an employee or new hire is a benefit recipient by using the benefit recipient search located in ERIS.

Log in to your ERIS account and find the option on the left-hand navigation of the home page.

The option to search by an individual's social security number is available using this search function. If the user is a PERA benefit recipient, the text populates at the bottom of the text box instructing you to exempt the member from contributing to PERA. If the individual is not a benefit recipient, the text instructs you to enroll the employee into PERA and withhold their contributions.



Attention schools — Summer earnings verification coming for certain employees

New pending report in ERIS!

Beginning in May, if one of your employees begins to draw a PERA retirement or disability benefit, you may be required to validate the summer earnings that are part of the person's estimated high-five years of salary. This verification is needed so that PERA can determine the appropriate wages to use when finalizing the monthly benefit amount payable to the new benefit recipient.

As a school district, you know that PERA has specific requirements for reporting contract payments that are issued to employees who do not work year-round. Here's an example: In the fiscal year 2018, you will pay 9-month employees in 24 equal payments beginning on September 15, 2017. The last day of school is June 7th, but these employees will receive five paychecks in June, July, and August that represent contract payouts from the prior school year. For PERA, only the five summer payments are to include "2018" in the school fiscal year (FY) indicator field in your Salary Deduction Report data files. For those transactions only, PERA will blend the associated pay with all other salary that the member earned in the prior school year. And, although the employee doesn't work in July and August, the member will be given service credits under our summer layoff provisions.

For PERA, it is also important to not include the FY indicator when reporting pay that was earned in a non-summer month. If you need a refresher, please review Chapter 7 of the Employer Manual.

To determine when a member's highest five years of salary occurred, our records must contain accurate earnings amounts and coverage periods. Any mistake in coding or not coding a summer contract payout with the school FY indicator can result in overpaid or underpaid monthly benefits. PERA is committed to making accurate benefit payments and believes that this summer earnings verification process is an essential step toward that goal.

We are currently working to enhance ERIS so that you can verify the accuracy of the salary transactions in question for a new benefit recipient with simple "yes" or "no" responses. If PERA needs your school to complete this new earnings review process, we will send an email to your payroll contact(s). Completion instructions will be provided in the online report.

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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

Several of our employees are excluded because they are full-time students under the age of 23. How should we document their student status?

You must obtain certification and monitor the full-time student status. This can be done with PERA's Full Time Student Exclusion form or by obtaining a fee statement which the student can generally access from the school's website.

Fee statements document the number of credits per semester and don't require a registrar's signature. Explain to student employees that it is their responsibility to provide you with documentation each semester. If they do not, and no other exclusion applies, contributions must be withheld until student status is verified.

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.