The PERAphrase

The employer newsletter of the Minnesota Public Employees Retirement Association

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Governor Signs 2015 Omnibus Pension Bill

On Friday, May 22, 2015, Gov. Mark Dayton signed into law the 2015 Omnibus Pension Bill. The bill previously received strong bi-partisan approval in both houses of the Legislature, with a unanimous vote (131-0) in the House, and a 53-4 tally in the Senate.

Three key areas of interest to employers in the bill are: a change in the assumed rate of return and PERA interest rates, flexibility given to the PERA Board of trustees on determining the need for contribution rate changes, and a change to salary credit purchases for members on leave of absence.

Rate of Return and PERA Interest Rates

The assumed rate of return 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. The current rate is 8.5 percent. With the passage of the bill, the assumed rate will be decreased to 8 percent as of July 1, 2015. Additionally, the interest charged by PERA on omitted deductions, purchases of service or salary credit, and repayments of refund will be lowered to 8 percent after June 30, 2015. Interest accrued prior to that date would remain at the current 8.5 percent.

No Increase to Coordinated Plan Rates

The PERA Board of Trustees is charged with making recommendations to the Legislative Pension Commission on contribution rate increases. Currently, certain funding levels of the General Coordinated Plan triggered an automatic requirement for a recommendation from the Board for a contribution rate increase. As reported last quarter, the PERA Board had recommended an increase of 0.25 percent effective January 1, 2016 in the employer and employee contributions t o the Coordinated Plan. That recommendation did not become part of the 2015 Omnibus Pension Bill and there will not be an increase in the contribution rates of the Coordinated Plan for 2016. Instead, the Legislature modified the contribution stabilizer requirements used to determine future recommendations.

Under the revised contribution stabilizer language the PERA Board will make the determination for contribution rate recommendations for the Coordinated Plan based on a variety of factors other than just actuarial value, such as the mar-

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Are You Properly Reporting Leaves of Absence?

This is the first in a series of two articles about leave of absence reporting. This issue addresses leaves for Defined Benefit Plan members which last for a specific period. The next issue will discuss intermittent leaves.

As a payroll administrator, you have a responsibility to inform PERA when a covered employee is authorized to take a leave of absence from work for a defined period of time.. Under the law, you are to report a change in status during the pay period in which it occurs for the covered employee. Timely reporting facilitates PERA's ability to provide information to the member about obtaining service or salary credit for work time missed while on leave.

Reporting Leaves of Absence

Leave of absence reporting is generally the most challenging status change for employers. A leave of absence is a specific period of time in which an employee has been authorized to be absent from work and the employer-employee relationship continues to exist. Types of leaves of absence include medical, military, personal, parental and workers' compensation. An employee on an approved leave of absence retains PERA membership rights even though he or she is not working.

Employers must notify PERA when a covered employee takes a leave of absence with or without pay for any reason. Report the leave of absence with a beginning date that is the first day in which the employee did not report to work. Identify the reason for the leave using the applicable PERA status code. When a member returns to work after a leave of absence, report the return to active employment during the pay period in which the employee returned. Use the PERA status code of "A" and include the first day in which the employee reported to work after the leave.

Service Credits

Members do not receive service credit for any calendar month in which PERA-eligible salary was not earned due to a leave of absence. However, the member may have a right to voluntarily purchase some or all of the service credits that were lost. In addition, if a member receives reduced pay while on a leave, the employee may have the option to make retirement plan contributions with interest in order to maintain his or her full salary (without overtime) during the leave period. In these situations, you can choose to pay the employer contribution portion of this salary credit purchase.

When you report a member's return from leave, PERA mails information to the member explaining the option to purchase service or salary credit. Members have a limited time during which to purchase service or salary credit. As such, delays in reporting the leave of absence to PERA may negatively affect the member by increasing the purchase cost, reducing the amount of time to make the purchase, or invalidating the purchase option altogether.

Resources

You can find more information about reporting leaves in Chapter 6 of PERA's Employer Manual. You may also call our Employer Response Line (option 4).

For members, the Building Service Credit with PERA brochure available on our website summarizes ways to earn or purchase credit. Employees may also call our Member Services Center at 1-800-652-9026 or 651-296-7460.

PERA's Experienced Education Staff Is Ready to Help

The eager souls in our Communications & Education department are always ready to hit the road to spread the good word on PERA benefits. Our educators specialize in all the areas we cover - including member benefits in all our defined benefit plans, the Statewide Volunteer Firefighters Fund, our defined contribution plan, among other areas - and are willing to attend or host sessions in your area. All we need is an invitation.

Contact Director of Education Linda Habel at 651-355-0024 or email linda.habel@mnpera.org.

Facing Tough Employee Questions About PERA Pensions? Send 'em Our Way!

We at the Public Employees Retirement Association of Minnesota have always prided ourselves on being available to handle questions your employees may have about their pensions. Today, even more than in the past, we are ready and willing to help guide our members to a successful retirement. Our Benefit Information department does so in a number of ways:

If you have employees with questions about calculations, benefits, service, or any other topic relating to PERA and our programs, send them our way! We're happy to answer their questions (and yours!).

Online

Our online web portal, MY PERA, can provide many of the services to our members that previously required a call or visit. From ballpark estimates to tax withholding forms, MY PERA is the "always-on" option for PERA members. Our website also features our DIY Retirement Toolkit, giving members a step-by-step guide to retirement.

On the phone

A call to our dedicated call center can solve many problems for PERA members. Our retirement counselors can access files, letters and issue paperwork for members as well as answer most questions in a one-on-one environment.

In Person

In addition to our regular program of group counselling sessions and preretirement workshops at our offices in St. Paul, Mankato and Duluth, we regularly send retirement counselors on the road, visiting sites around the state of Minnesota to provide education and group counseling to members in far flung parts of the state.

Pension Bill Becomes Law

(Continued from Front Page)

ket value of the plan assets. This allows the Board to utilize more information before recommending a contribution rate change for the Coordinated Plan. The law continues to give the Legislature oversight over any PERA Board recommendations.

Leaves of Absence

Effective July 1, 2015, a purchase of salary credit will be allowed for members that have medical, maternity, or paternity leaves that result in a reduction in their PERA-covered earnings. Currently, the option to purchase salary credit is restricted to members whose monthly earnings are reduced because of an authorized medical leave or workers' compensation. The purchase of salary credit allows a member to maintain his or her high-five average salary for PERA purposes by making both employee and employer contributions, plus interest, on the lost earnings. As has been in place for salary credit purchases, the employer may make the appropriate employer contributions, but is under no obligation to do so.

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

Ask PERA is a feature of a quarterly newsletter which shares interesting or common questions we have received from employers. Have a question for PERA? Call our Employer Line or email us at employer.reps@mnpera.org.

Q Why are pay period begin and end dates (coverage dates) required fields in the Salary Deduction Report (SDR) that is remitted to PERA?

A Coverage dates associated with eligible salary are crucial to the accuracy of benefit calculations for Defined Benefit Plan members because they are used to:

1) Issue service credits. PERA uses the coverage dates of earnings and employment status dates to determine the number of service credits to award to each member. One service credit is awarded for each month in which a member earns eligible salary. A member is vested in PERA with 36 months of public service (60 months for members hired after June 2010). Being vested means the person qualifies for a monthly retirement benefit.

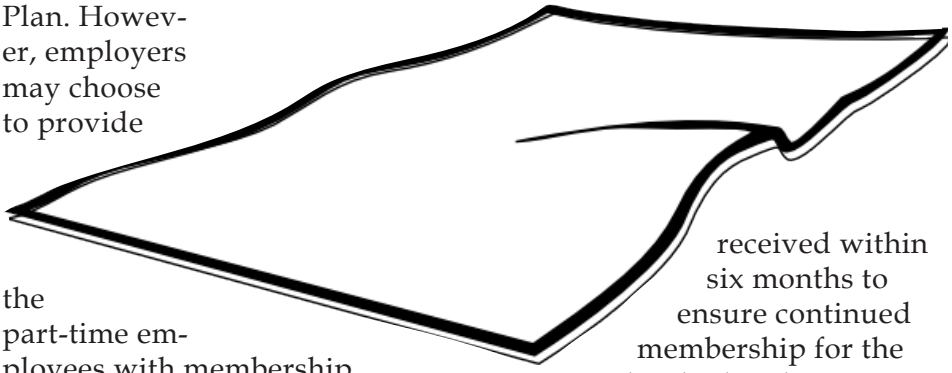
2) Calculate the highest five years of salary. This "high five" average salary consists of the member's 60 consecutive months in which salary was greatest. The benefit paid at retirement uses the member age, years of credited service and average salary to determine the monthly pension payment.

PERA uses established business rules to identify possible errors in coverage dates and the reporting of lump sum payouts with a current coverage start and end date listed. The review we complete with employers ensures that the coverage dates in our system are correct so that the members will receive accurate benefit estimates and payments.

P&F Resolutions Leaving You Cold? Try a Blanket!

With limited exceptions, membership in the Police and Fire (P&F) Plan is mandated only for full-time police officers and full-time professional firefighters as defined by state law. The P&F Plan gives special consideration to public employees who protect the property and personal safety of others. Since this work is hazardous, P&F members are eligible for substantially higher retirement, disability, and survivor benefits than are provided to members of the Coordinated Plan.

By default, eligible part-time police officers or firefighters are to be enrolled in the Coordinated Plan. However, employers may choose to provide the part-time employees with membership in the P&F Plan if the governing board passes a resolution declaring that the position and the person who holds it meet the legal requirements for such membership and requesting the coverage for the employee. If not filed with PERA at time of enrollment, the resolution must be received within six months to ensure continued membership for the individual and acceptance of all previous P&F deductions.



Employers typically pass one resolution for each new part-time police officer or firefighter, however, another option exists: the blanket resolution. Under this option, the governing board pass-

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From the Manager

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

O The PERA Board of Trustees recently updated our organization's mission and vision statements to guide PERA into a new era.

Our mission is to administer and promote sustainable retirement plans and provide services that our members value. The changes to our mission statement align our actions to more clearly promote sustainable retirement plans and make distinct our goal of ensuring the long term health of the plans we administer. Additionally, the final words of the statement distinctly point to our mandate of member satisfaction with our services.

Our vision identifies what our organization intends to be over the next few years: "We are a recognized leader in efficient and excellent service delivery and plan management." The vision is clear: We must be on the forefront of public pension plan administration. PERA will always look for ways to better protect the assets of our plans, to promote a healthy retirement plan and retirement planning for members, and do this in the most cost efficient ways possible.

Process Improvements Ahead for PERA Employers

PERA staff is working on some process changes that may affect you. As always, our goal is to maintain up-to-date information on members while promoting efficiency for both employers and PERA. More details on the changes described below will be shared with the affected employers in the coming months.

In mid-May, we will upgrade ERIS to eliminate the need for Contracted Payroll Service Providers to have different login IDs to perform PERA reporting on behalf of multiple employers. Upon entering ERIS, the Service Provider will receive an abbreviated menu that will make it simple to transmit demographic or Salary Deduction Report (SDR) data files to PERA. Additionally, if the Service Provider has security rights beyond transmitting SDR files for a specific employer, the representative will be able to remain logged in and switch to that employer record using only a drop down list.

On the horizon for later this fall is a change to the way PERA requests missing enrollment data on new members. Now, PERA mails letters to employers every other month asking for critical information to complete member enrollments. We are currently building a report in ERIS so that the request for enrollment data will be electronic for all employers that have computers and email at work. There will be no change for employers that don't have ERIS access.

The last development will affect all employers that make contributions. PERA is developing a tracking mechanism so that PERA can immediately identify when an SDR has not been received by the deadline set in law. Currently, all tracking and communications about missing SDRs are done manually and occur a few months after the due date of the report. As part of the new process, we will store in our system the annual payroll calendars for each employer. The calendar must identify the pay frequency of wages along with the paid dates and coverage dates for each cycle (monthly, biweekly1, biweekly2, etc.) in the year. Employers with ERIS access will create the pay calendar online. Once launched, the new SDR tracking system will compare an incoming report (paper, web, or data file) with the employer's pay calendar(s) to record receipt and to identify any missing report. The pay calendar process is slated for 4th quarter 2015.

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Blanket Resolutions

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es a one-time resolution applying to all eligible part-time police officer or firefighter positions of the employer rather than to an individual employee. Blanket resolutions are convenient for employers because the governing board is not required to pass a new resolution every time the employer wants to enroll a new part-time police officer or firefighter in the P&F plan.

There are a few procedures that must be followed in order for PERA to accept the blanket resolution covering eligible part-time positions. First, each time a part-time police officer or firefighter is enrolled in the P&F plan, the employer must send a copy of the blanket resolution to PERA. This applies to both individual resolutions that name a specific employee and to blanket resolutions that apply to all eligible part-time police officer or firefighter positions. Second, before submitting a blanket resolution, the employer must write the name and last four SSN digits of the new employee to whom it is being applied.

Samples of all resolutions are available on our website.

The PERA New Employer Toolkit

While it is already widely known that www.MNPERA.org hosts a wealth of information, one may be intimiated by just how much is available.

PERA is in the process of creating a New Employer Toolkit for those who are new to PERA reporting or need a refresher course on the basics. This Toolkit will be housed online. Stay tuned to www.MNPERA.org for more information.