

The PERAphrase

The employer newsletter of the Minnesota Public Employees Retirement Association

4th Quarter 2015

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Meet PERA's New Director

After a national search, the PERA Board of Trustees voted unanimously in October to offer the executive director position to Doug Anderson, a Minnesota native and University of Minnesota graduate.



Doug Anderson

The PERA Board is very pleased to have someone of Mr. Anderson's expertise take this leadership position. He brings more than 25 years of public pension plan experience to PERA by having worked as an actuary with Arthur J. Gallagher. Doug began his PERA job on a part-time basis and will begin working full-time on Jan. 1, 2016. His initial focus has been to meet with PERA's Board of Trustees and contracted actuary firm to discuss the current status of the fund. He has also met with staff from the Legislative Commission on Pensions and Retirement and talked with various PERA stakeholder groups to understand their needs and concerns for the future.

As the newly appointed executive director, Doug plans to work closely with the Board of Trustees and staff to carry out PERA's mission and to achieve the organization vision of being a recognized leader in efficient and excellent service delivery and plan management.

Annual Threshold Monitoring Now Available

A new Threshold Monitoring report has been added to ERIS under the Enroll Member tab. **This report is informational only.** It lists the employees with your entity that have been enrolled in a Defined Benefit plan since January 1, 2015 whose earnings are being monitored for membership eligibility. PERA will stop tracking the listed employees if their earnings for a full year of employment exceed \$5100 (\$3800 for 9 month school year employees) or if the employee terminates service.

At this time you may wish to review the report to verify that the individuals listed are active employees. If any employee has terminated service, update the PERA member record by adding the termination status and effective date to the person's employment record.

To discuss the employment situation of an employee listed on the report, send an email to PERA with full details (do not include the person's SSN) or call our Employer Response Line and select option 3.

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Public Employees Retirement Association

60 Empire Drive, Ste. 200
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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

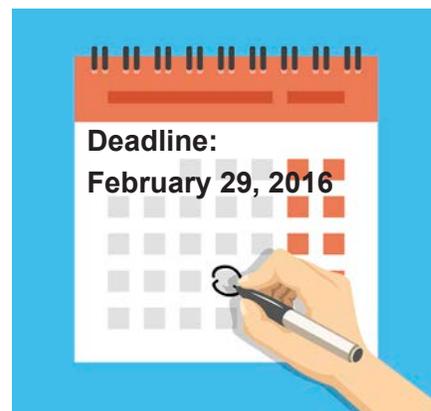
Non-School Employers: 2015 Exclusion Reports due by February 29, 2016

It is time for all non-school employers to complete an exclusion report for calendar year 2015 which is due by Feb. 29, 2016. The report must provide information about all employees – including non-governing body elected officials – who worked any amount during the reporting year and were not members of PERA or another Minnesota public retirement system.

This is the second year for the online reporting process. Employers with internet and email capabilities are required to submit their Exclusion Report using PERA’s Employer Reporting and Information System (ERIS). Two options are available for online reporting – create an online Exclusion Report directly in ERIS or submit a properly-formatted fixed length text file or Excel file. Paper forms continue to

be available to employers who are exempt from ERIS reporting.

As a reminder, the 301 exclusion code (earnings under \$425 per month) is not valid for 2015. The Exclusion Reporting page of our website contains helpful information including the list of exclusion codes, file format specifications and samples of properly formatted files.



Coming Soon to ERIS Pending Reports:

Annual P&F Certification Report

In February 2016, the annual request for Position Data on Police and Fire (P&F) plan members will be delivered in a new way for most employers. In prior years, PERA mailed this annual report and asked employers to confirm or correct the position data on the report before returning it to us.

The annual P&F report helps us calculate the amount of employer contributions paid to the PERA P&F plan for which the municipality may be entitled to receive Police State Aid next fall for police officers as defined in Minnesota Statutes Section 353.64.

This report will be created in February for any employer who had P&F plan members during 2015 and will now be available electronically in ERIS under the Pending Reports tab. Once the online report is

generated, an email notification will be sent to the employer’s ERIS users who have security rights to modify member enrollment records. Instructions for processing the report will be available in the ERIS Help section.

This online report is the latest in a series of automation initiatives designed to make reporting more efficient, accurate, and cost effective for employers and PERA. Employers who lack the internet and email capabilities to access ERIS will continue to receive this report in the mail.

Questions?

Contact our Employer Line and select option 5.

Inform Elected Officials about PERA Options

Newly elected officials who take office in January will rely on many of you to provide information about their eligibility for PERA and Social Security coverage. Even if you don't have any newly elected officials, this is a good time to provide PERA membership information to current local elected officials who have not opted to join the retirement system.



Here are a few reminders:

- With the exception of county sheriffs who qualify for membership in the Police and Fire Plan, any person who is elected to a local governmental position by the public is eligible to participate in the PERA Defined Contribution Plan (DCP). Participation in the plan is voluntary and elected officials may start and stop DCP participation at any time. This means that even those officials who have held office for an extended period can enroll in the DCP and begin making contributions.
- Membership in the Coordinated Plan for newly elected local officials is restricted to those who hold a non-governing body position and will earn more than \$5,100 in a year. These officials have the option to join the Coordinated Plan or the DCP but cannot participate in both plans for the wages earned for a single elected position. Participation is voluntary and the official may choose to not participate in either PERA plan.
- Elected officials must provide written authorization for PERA membership for either DCP or Coordinated Plan enrollment. The employers and elected official should complete the Membership Election by Public Officials form and send it to PERA with or before the first contribution withholding.
- Social Security participation depends on various factors. Coverage is required if your governmental unit has a Section 218 Agreement for elected officials. In the absence of a 218 Agreement, DCP members are excluded from participating in Social Security unless the individuals hold non-governing body positions that qualify them for join the membership in the Coordinated Plan.

Resources available...

PERA provides several resources for determining the plan options available to elected officials:

- *Membership Options for Elected Officials* fact sheet
- *Employer Manual* Chapters 3 & 4
- Call us at 1 888-892-7372 or 651-296-3636 and select option 3.

2016 IRS Contribution and Compensation Limits Restrictions affect small percentage of employees

The Internal Revenue Service (IRS) has announced the 2016 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), will not increase for 2016 and will remain at \$265,000 for individuals who initially became DBP members on or after July 1, 1993. For those who were initially enrolled in the DBP before July 1, 1993, the compensation limit is unchanged at \$395,000. This limit is applied even if 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. That amount remains unchanged for 2016 at the lesser of 100% of compensation or \$53,000. The retirement contribution limit represents the annual maximum amount of combined DCP employee and employer contributions that may be credited to an employee.

Annual Threshold Monitoring

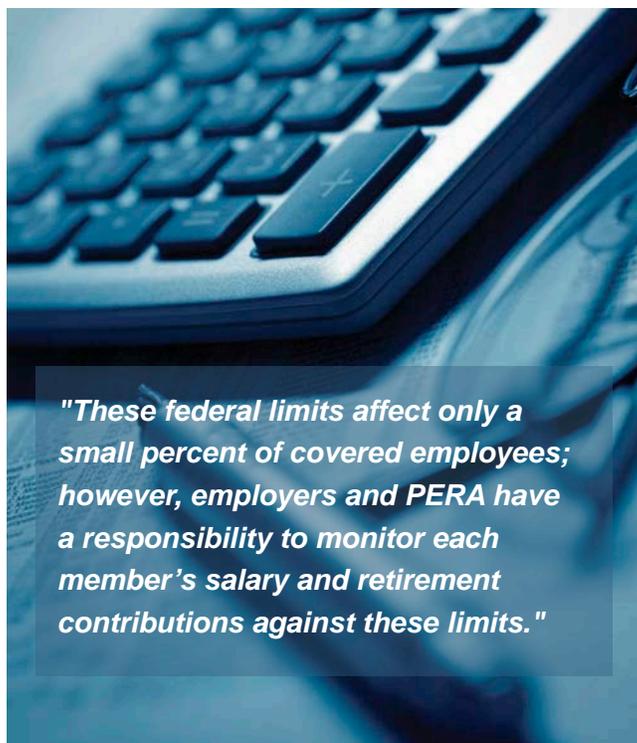
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This informational report is separate from the annual salary review process which will be rolled out in mid-2016. In this process, PERA will prepare a separate report for you at the conclusion of each calendar or fiscal year identifying any employees who did not meet the minimum salary requirement in the prior year. You must then validate the earnings data and authorize a refund of invalid deductions. More information will be published prior to the report's debut.

Salary and Contribution Monitoring

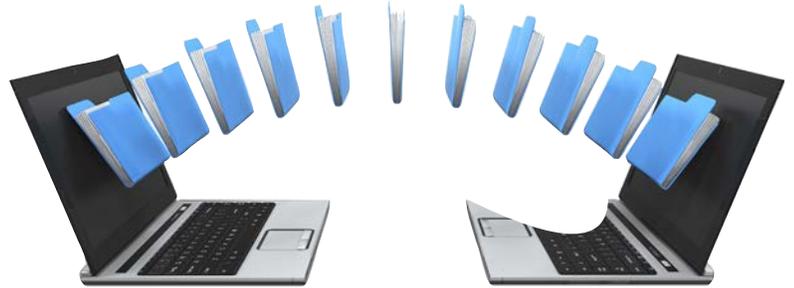
These federal limits affect only a small percent of covered employees; however, employers and PERA have a responsibility to monitor each member's salary and retirement contributions against these limits. If you, as the employer, stop contributions for a DBP member who salary has reached the IRS limit, 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 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.



Know Your Format to Avoid File Errors

Over 1,300 employers use PERA's online Employer Reporting and Information System (ERIS) to send computer files to PERA for processing. PERA has published file format requirements which detail information needed for each record and enable us to process this volume of data efficiently. The information below highlights data errors which require manual correction by PERA staff or resubmission by the employer.



Salary Deduction Reports:

- Coverage dates of members' earnings are the single largest source of SDR issues. Correct dates ensure that members will receive proper service credits for retirement benefit calculations
- Pay code accuracy is important to ensure the correct calculation of high-five average salaries for members. For example, the retro pay code (05) should appear for annual longevity payments and for payouts of unused, accrued holiday hours.

Demographics:

- Status Codes are often mis used. PERA recently restored the accounts of several members after an employer representative mistakenly reported them as deceased with Status Code C (Deceased) by assuming that C = Change.
- We also routinely correct new enrollment records reported with the Status Code "A" (Return from Leave or Layoff) by employers who intend for A to mean Active.

Exclusion Reports:

- Incorrect date format typically requires resubmission as our system cannot read dates reported as MM/DD/YYYY. Hire Dates must be YYYYMMDD without slashes or dashes.
- Pay Cycle data must be reported with a valid one-digit code as defined in the file format. For example, monthly pay = 1, semi-monthly pay = 2, etc.

Need more information?

PERA's computer file format descriptions are located in Chapter 9 of the *Employer Manual*. You may also contact our Employer Response Line and select the option that applies to the type of file you are sending.



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The PERAphrase

Ask PERA!

Have a question for PERA? Call our Employer Line or email us at employer.reps@mnpera.org

Q Is PERA planning any upcoming employer training sessions?

A Not at this time. Dan Callahan, the PERA staff member who has done employer education, recently left for another job opportunity and his replacement has not yet been hired.

As part of our education and communication planning, we are reviewing available materials to develop a long-range strategy for meeting the ongoing needs

of employers. Going forward, our goal is to offer more on-demand content online and limit the number of in-person education sessions.

We appreciate your patience as we work through this process and want to remind you of the many other informational resources that are available. Payroll or human resource staff who are new to PERA reporting or would like a refresher on membership eligibility may use the resources located in the Employer > Education section of our website.

In addition, the *Employer Manual* is a comprehensive guide that will help answer most questions relating to reporting procedures. Employer representatives may also call PERA's Employer Response Line to discuss their reporting, eligibility and ERIS questions.

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.