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Employer Newsletter of the Public Employees Retirement Association of Minnesota

PERA PHRASE

Over 3,500 Employers
166,000 Active Members

JUNE 2018 — Q2

Midnight at the Capitol

The House and Senate unanimously passed the 2018 Omnibus Pension Bill Sunday night in the final minutes of this year's legislative session.

Governor Mark Dayton signs 2018 Omnibus Pension Bill into law

Governor Mark Dayton at the State Capitol's Rotunda

On Thursday, May 31, a public ceremony was held at the State Capitol's rotunda where Governor Mark Dayton signed into law the Omnibus Retirement Bill (SF2620). The ceremony came days after the House and Senate unanimously passed the bill on the last night of the legislative session.

Gov. Dayton and Minnesota Management & Budget Commissioner Myron Frans expressed their support of the pension bill throughout the session. Commissioner Frans said the bill is a "very important sustainability package" that has been several years in the making and includes measures to improve the financial health of the pension funds and the state."

The bill will reduce the present value of Minnesota's unfunded liabilities over $8 billion (measured over a 30-year period). Of that, $3.4 billion will be savings recognized immediately in the next actuarial valuations. The bill puts the plans of the state's four public pension systems on the path toward full funding, provides funding to government employers to offset increased pension contributions, and safeguards the retirement security of public employees for the future. The bill also lowers the rate of return on investments to 7.5 percent.

CONTRIBUTION RATE INCREASE FOR THE POLICE & FIRE PLAN

Effective January 1, 2019, the contribution rates for the Police & Fire Plan will increase. Employee and employer rates will increase by 1.0 percent and 1.5 percent respectively, phased in over a two-year period.

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

ISSUE HIGHLIGHTS:

Governor Mark Dayton signs Omnibus Pension Bill into law (continued from page 1)

Contribution rates for Police & Fire plan	Employer	Employee
January 1, 2019	16.95%	11.30%
January 1, 2020	17.70%	11.80%

These are the only contribution rate increases slated to take effect in January 2019. The rates for the General and Correctional Plans will not change in January. Similarly, the contribution rates for the Defined Contribution Plans (DCP) will also remain the same.

OTHER NOTABLE CHANGES

The 2018 bill made changes to clarify administrative provisions and clearly defined terminology. One of these changes come in the form of an existing exclusion rule for foreign citizens.

The bill amends the exclusion for foreign citizens who are employed by a governmental subdivision, other than Hennepin County or HCMC, to provide that employees are excluded for the first three years of employment under a work permit or work visa. PERA no longer must take into consideration the type of visa or duration of the visa.

Executive Director Doug Anderson and Board President Kathy Green with Senator Julie Rosen (R-Vernon Center)

The period in which a member has to purchase salary credits is reduced to 12 months effective June 30, 2018. As has been stated in past issues of The PERAphrase, most notably in 2015 when we covered leaves of absences in the 2nd and 3rd quarter issues, timely reporting of return-from-leave dates cannot be stressed enough because they can have a negative impact on your employees when reported late. Members only have 12 months to purchase the credits from the date they return to work.

Our redesigned website

The website address remains the same (www.mnpera.org), but you may need to update your bookmarks

Activities are underway to release PERA's redesigned website on July 9, 2018. The updated site represents a significant step forward in the organization's mission to provide services that members' value.

The new site has a fresh modern look and consistent themes that describe who we are and how we help more than 400,000 members and beneficiaries. Its text and images will be easily seen on a computer, tablet, or mobile device and it is compliant with accessibility best practices.

The structure provides easy access to information for members, employers, retirees and other stakeholders. Some of the key navigation features include:

- A **Homepage** that puts the emphasis on members and provides ready access to the resources they commonly use.
- Separate **landing pages** (mini-homepages) for members, retirees, and employers. These will allow us to focus on providing information, news, and events that are important to each group.
- A **hamburger menu** (three stacked lines in upper right corner) on every page. It expands to show a menu of the site and makes navigation within the site easier.

If you visit the site to access ERIS or EFT, you have two ways to get to the log in page. You can click the hamburger menu and select the Online Services page under the Employer heading. Or from the Home Page, click "For Employers" in the top navigation bar and then scroll down on that employer landing page to select Online Services.

We're excited about the new site and where we can go from here! We encourage you to spend some time on the site to view its contents and to familiarize yourself with the new layout.

Annual Salary Threshold report revised

Changes to reporting for employees whose earnings have not met the minimum amount required to establish membership

The Annual Salary Threshold report was recently updated. It continues to list employees whose earnings have not met the minimum amount required to establish membership ($5100 in a year or $3800 for school year employees). The new format goes a step further to include current year earnings and allows you to identify employees whose contributions will be stopped because their earnings are not expected to exceed the threshold in the current year.

This change to the report was reflected in the calendar year 2017 reports released to non-school employers in May 2018. Schools will receive this new format when fiscal year 2018 reports are generated in the early fall.

It is very important for you to recognize employees who have a pattern of annual earnings that do not meet the threshold. When you cannot reasonably expect the employee's pay will meet the amount required to establish membership, you should stop the ongoing PERA withholding from their earnings.

Upon review of threshold records, we identified 350 employees have had PERA contributions withheld and flagged for refund in three consecutive years (2015-2017). For over half of those employees, annual earnings were less than 60% of the threshold amount. For these employees, ongoing PERA contributions should be stopped unless their employers can stipulate that some significant change has occurred so that the earnings of the employees will exceed the threshold amount.

Example:
Paul's earnings with PERAdise City in 2015, 2016, and 2017 were $220.82, $2363.45, and 1805.04 respectively. His 2015 and 2016 contributions were refunded last year. The city received the 2017 Annual Salary Threshold report in May 2018 which includes Paul's 2018 earnings to date of $180.51.

Unless the city plans to significantly alter Paul's work schedule for the remainder of 2018, the city should stop taking PERA deductions from Paul's wages and provide the date on which the final deduction will be reported. PERA will then process a refund for 2017 and 2018 contributions. PERAdise City will receive a credit memo for the employer contributions and Paul will receive a check for his member contributions, plus interest.

For an overview of the new report format, see below for details about our upcoming webinar. Information about Threshold Reports is also available in the Employer Manual, online FAQs or by calling the Employer Line and selecting option 3.

Webinar: Changes to Annual Threshold reporting

Description: Similar to the walkthrough for the annual threshold report, we will revisit the updated report and complete it live. Q&A to follow.
Audience: All employers that deal with PERA eligibility & reporting
When: Thursday, July 12 @ 11am

Registration for this session is now open, and can be found on our website under employers, or by clicking on:
attendee.gotowebinar.com/register/6539927439363098369

We're here to help!

We'd love to hear from you! By email or phone, we're here to help our employer representatives with any questions!

employer.reps@mnpera.org
651-296-3636 (metro area)
1-888-892-7372 (toll-free)

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Ask PERA!

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We'd love to hear from you!

Email
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Employer Line
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1-888-892-7372 (toll-free)

Member Line
651-296-7460 (metro area)
1-800-652-9026 (toll-free)

Website
www.mnpera.org

How does PERA track Provisional Enrollments?

Provisional enrollment is a process that allows you to enroll certain members upon hire on a provisional basis rather than wait until the threshold is met and risk the possibility of an omitted deduction billing. In a provisional enrollment situation, an employer stipulates that they are unable to accurately predict whether the earnings in the coming 12 months will exceed the annual threshold.

To enroll a new employee on a provisional basis, process the enrollment as usual and provide the employee with a Notice of Non-Covered Employment or Provisional Coverage within two weeks of hire. Be sure to keep a copy of the form.

PERA will monitor the earnings of all new employees and will generate a report at the end of each fiscal and calendar year to identify members who have had a full year of employment with a single employer, but have not met the annual salary threshold. At that time, we will contact employers to determine whether the enrollment was invalid and if a deduction-in-error refund is appropriate.