Spotlight on Leaves of Absence

Legislation passed in 2013 modified the rules about pay that is eligible for PERA contribution withholding when an employee is on a leave of absence. We’ve provided information in the Employer Manual and FAQs but occasionally receive questions on specifics not included in our materials. Here is additional guidance to help navigate these situations.

When is Pay Eligible?
Pay to an employee while on a **medical leave** of absence if the person receives at least 50 percent of the average regular salary that the employee had earned during the six months of PERA-covered employment immediately prior to the starting date of the leave.

Pay to an employee while on a **personal, parental, or military** leave of absence if the compensation is equivalent to the full average regular salary that the member had received in the six months of PERA-covered employment immediately prior to the leave.

What is Medical, Personal or Parental Leave?
PERA law does not define these types of leaves, and we generally advise employers to look to their policies or to applicable bargaining agreements for direction.

Whose Medical Condition?
PERA’s rules for pay while on medical leave apply to the employee’s own health condition only.

FMLA Leave
FMLA is not a reliable indicator of leave type, as it can be awarded for a number of non-medical situations and/or individuals other than the employee.

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Maternity Leave – Medical or Parental?
A portion of maternity leave is medical, due to the physical nature of pregnancy and childbirth. PERA does not define the medical period, but employers may look to a member’s short term disability determination as measurement. A maternity leave extended beyond the duration of medical certification becomes parental and is therefore subject to the compensation rules of that type.

Parental Leave – Fathers and Adoptive Parents
Typically no medical component.

Employee Returns to Work with Reduced Hours
Sometimes employees work a reduced schedule for a period of time after returning from a leave of absence. Employers should withhold PERA contributions immediately, as all salary for hours worked is PERA eligible. The eligible salary qualifications only apply when the member is not working and is using accrued sick or vacation time to cover their missed hours.

Intermittent Leaves of Absence
If you have a covered employee who experiences reductions in salary at various times during a year due to authorized, intermittent leaves of absence, you may report the leave status and coverage dates to PERA on an annual basis, rather than reporting each individual period of unpaid leave.

If you use the annual reporting method, the leave period start date would be equal to the first day in the year that the leave reduced the member’s wages. The end date of the leave period would be the last day in the year that leave was used. If you repeat this two-step procedure of opening and closing the leave of absence period in each year the employee has reduced wages, PERA will mail information annually to the member about purchasing PERA credits.

More information on Eligible Salary and Leaves of Absence are available in Employer Manual Chapter 5 or by calling our Employer Response Line and selecting Option 3.

Spotlight on Leaves of Absence (continued from page 1)

Hold Got You Down?
A number of recent staffing changes have resulted in our Employer Response Line being short-staffed on occasion. We apologize for the inconvenience and appreciate your patience as we work to fill vacancies and increase coverage. We also wish to be respectful of your time. If you are on hold for more than a few minutes, please use the voicemail option to leave a message and PERA staff will return your call promptly.

Meet Heather Schoenberger
PERA’s New Manager of Account Information and Management

On August 7, 2019, Heather Schoenberger began her new role as Manager of the Account Information and Management Division at Minnesota PERA.

Heather brings over twenty years of public sector experience, having worked in both state and municipal government. Most recently, Heather served as AIM supervisor for eligibility and employer outreach since 2013.

Her initial focus is to fill a number of critical vacancies within the division. With an eye to the future, she plans to engage with PERA employers throughout 2020. Coming initiatives include a complete update of the Employer Manual, additional training opportunities, and an employer survey to help us understand what we do well and where we can improve.
PERAPHRASE

Past Employees with PERA Unclaimed Funds

PERA is contacting inactive members who qualify for a refund of their contributions. Here’s why. Members who are inactive (not working for a PERA-covered employer) and not vested (who don’t have enough years of service to qualify for a monthly retirement benefit), but still have member contributions with PERA are eligible to receive a refund.

What the law says
State law (Minn. Statute 356.65) states that inactive, non-vested members can either apply for their refund within five years after their last member contribution was made or forfeit their member contributions and interest. If a member leaves their contributions in PERA, does not make any contributions for five years, and is not vested in the retirement plan, PERA will automatically consolidate their member contributions and interest to the PERA fund. The consolidated member contributions are automatically forfeited by the member, and can be restored if they return to PERA-covered employment or apply for a retirement benefit with another public pension plan.

What you need to know
PERA is sending letters to former PERA-covered employees who are inactive and not vested to encourage these members to apply for a refund. If these members do not take a refund by the time period provided in their letter, they will forfeit their contributions and interest.

It’s simple to apply for a refund. Members complete and return the Application for Refund to PERA. Most members can leave the employer section of the form blank because PERA already has their termination details. However, some members may ask you to complete the employer section.

If your past employee meets these qualifications, they should apply for their refund:
- Inactive (not working for a PERA-covered employer)
- Non-vested (not enough service to qualify for a monthly retirement benefit)
- Have not received a refund of their member contributions
- Have already exceeded or will likely exceed five years from last member contribution before returning to PERA or any other Minnesota public service.

Questions?
Most member questions are addressed by their letter from PERA and the Applying for a Refund publication. Another helpful resource is the “Do you have unclaimed funds with PERA?” article and FAQs, available on the homepage of the website.

Q.
Why is it important to report an employee’s Leave of Absence?

A leave of absence that results in lost service credit or a reduction in salary can affect a member’s pension. Members who have an unpaid or partial-paid leave of up to a year can restore service and salary credit by paying the employee and employer contributions to PERA for the leave period, plus interest. This voluntary payment must be made within one year of the employee’s return from leave or 30 days of terminating employment, whichever is first.

When a return-from-leave date is entered, PERA automatically notifies members of their right to purchase lost service or salary credits for a leave period. If the member’s leave of absence is not reported to PERA, no letter is generated.

Please review your internal practices to ensure that leave of absence dates are reported for members, including those who draw reduced pay or no pay during the leave period.
PERA New Employer Representative Training

Description: Reporting salary and data about your employees can be complex. We will walk through common eligibility and reporting topics in this special 90m training session

Audience: New HR/Payroll who administer PERA benefits.

When: Thursday, December 12 @ 12 p.m. - 1:30 p.m.  
We will plan for some Q&A time between 1:30 p.m. and 2:00 p.m.

Registration for this session is now open, and can be found on our website under employers, or by clicking on: https://www.mnpera.org/wbnr1219/

Did you know that PERA representatives are available to give your employees an informational presentation?

To schedule a presentation, email us at: StakeholderAffairs@mnpera.org