

HF xxxx; SF xxxx (Revisor #23-03171)
Public Employees Retirement Association (PERA)
2023 Administrative Bill

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Introduction

- Affected Plans:** General Employee Retirement Plan (PERA General)
Public Employees Police and Fire Retirement Plan (PERA P&F)
Local Government Correctional Service Retirement Plan (PERA Correctional)
- Laws Amended:** Various sections in Minnesota Statutes, Chapters [353](#) and [353E](#)
- Brief Description:** This bill amends statutes governing the pension plans administered by the Public Employees Retirement Association. The amendments make changes of an administrative or technical nature.

Section- by- Section Summary

Article 1: Salary threshold for membership in the PERA plans

Under current law, an employee of a county, city, town, or other local governmental subdivision is required to participate in the pension plans administered by PERA if the employee's annual salary will exceed \$5,100 for a 12-month year or \$3,800 for a school year, as applicable.

Under subdivision 2a of Section 353.01, an employee will be required to participate in a PERA plan if the employee's salary exceeds the salary threshold and the employee is in one of the categories of "included employees." Subdivision 2b lists the categories of "excluded employees," the first of which is public employees whose salary does not exceed the \$5,100 or \$3,800 salary threshold. The statute provides a process whereby an employer can stipulate that an employee will not exceed the threshold. If the employee, in fact, does exceed the threshold, the employee should have been participating since the start of the year, resulting in PERA having to collect missed employer and employee contributions for that period.

Until 2014, the salary threshold was \$425 in a month, but was annualized in 2014 to the annual thresholds in current law. PERA believes that returning to a monthly threshold will reduce the instances of having to bill employees and employers for periods when contributions should have been made but were not because the employer expected that the employee's salary would not exceed the threshold.

Sections 1 and 2

Sections 1 and 2 of the bill amend subdivisions 2a and 2b to replace the 12-month or school year threshold of \$5,100 and \$3,800, respectively, with a monthly threshold of \$425.

Article 2: Definitions of “dependent child” and Correctional Plan “member”

Current law contains different definitions of “dependent child” for different purposes. This article amends those definitions to use the same definition throughout the chapters that govern the PERA pension plans. In reviewing Chapter 353E to make these changes, it was discovered that a number of provisions had not been revised in 2002 when “medical center protection officers” became eligible to participate in the plan, in addition to “local government correctional service employees.”

Section 1

The definition of “dependent child” in Section 353.01, subdivision 15, is amended to change the maximum age from 18 to 23. After age 23, the biological or adopted child of a member is no longer entitled to “dependent child” benefits.

Section 2

Section 353.32, subdivision 1c, which provides for refunds after the death of a member, permits a refund to be paid in a monthly annuity to a dependent child until the dependent child is age 15 or, if the dependent child is age 15 or older, for at least five years. This provision is amended to make payments until the dependent child is age 23.

Sections 3 to 9

Sections 3 to 9 of the bill amend subdivisions in Chapter 353E, which governs the Local Government Correctional Retirement Plan.

Sections 3, 4, and 5 amends Section 353E.001, which is the definitions section for Chapter 353E, to add definitions for “fund,” “member,” and “plan.” The use of “fund” and “plan” will eliminate the repetition of much longer terms throughout the chapter and the use of “member” will ensure that both categories of member, “local government correctional service employees” and “medical center protection officers,” are treated the same as to surviving spouse and dependent child benefits. This conforms statutory language to plan administration.

Sections 6 and 7 amend Section 353E.07, subdivisions 3 and 4, to replace the term “local government correctional service employee,” which is one category of member, with the new defined term “member,” so the statute conforms with administrative practice to provide both categories of member with surviving spouse benefits.

Section 8 amends Section 353E.07, subdivision 5, which provides for benefits for dependent children, to make changes similar to the changes made in Section 2 of the bill: the age 15 or five years of payment is replaced with age 23 as the cut-off for the dependent child benefits.

Section 9 is an instruction to the Revisor to replace long terms throughout chapter 353E with the new short defined terms “fund” and “plan.”

Section 10

Section 10 repeals Section 353.01, subdivision 15a, which is a second definition of “dependent child” that is no longer necessary because the same definition, as amended in Section 1 of Article 2, will be used for all purposes.

Article 3: Salary credit purchase for periods of reduced salary

Under Section 353.0162, members are permitted to purchase credit for salary that the member would have received during a period of reduced salary due to a leave of absence. The purchase is for “differential salary credit” which is the difference between the salary received during the leave and the salary the member would have received had the member not been on leave. The section imposes deadlines for making the payment to purchase service credit, depending on the member's circumstances:

1. Six months after leaving public service;
2. One year after the end of the period of reduced salary; or
3. Six months after the start of a disability benefit.

Article 3 eliminates the six-month requirements and applies the one year deadline in all cases. The statute imposing the one year deadline is also revised to conform to the way PERA administers this requirement.

Section 1

Section 1 revises Section 353.0162 to reformat the paragraphs as subdivisions and add a new subdivision for definitions. New subdivision 1 provides two new defined terms for “differential salary credit” and “reporting period.” Non-substantive conforming changes are made to subdivisions 2 and 3. Subdivision 4 is amended to conform the statute to actual administration of due dates for payments for reporting periods.

Section 2

Subdivision 10 of section 353.031 is amended to delete unnecessary language, so that the general rule in Section 353.0162 for payment for periods of reduced salary will apply in the case of disability.

Effective Date

All sections are effective July 1, 2023.