

Leaves of Absence Guidance for City of Saint Paul Employees

Leave of Absence without Pay: [\(Click here to Civil Service Rules 19, go to Section A\)](#)

Reasons for Leave of Absence: [\(Click here to Civil Service Rules 19, go to Section B\)](#)

Sick Leave without Pay: [\(Click here to Civil Service Rules 20, go to Section H\)](#)

[Fact Sheet: Purchasing service credits back from PERA for Non-Military Leave of Absence](#)

Forms:

- [Leave of Absence Request Form \(Word\)](#)
- [Leave of Absence Reserve Military Duty With Pay \(Word\)](#)
- [Leave of Absence No Pay \(Word\)](#)

IF YOU HAVE ANY FURTHER QUESTIONS REGARDING THIS POLICY, PLEASE CONTACT:

The payroll person in your department

or

Human Resources (651) 266-6500

Revised: 07/20/2009



Fact Sheet

Non-Military Leave of Absence

This fact sheet is designed to explain to employers how members receive service credit for personal, parental or medical leaves of absence and to highlight the changes in purchasing service credit brought about by state laws enacted in 2007. Allowable service credit on personal, parental and medical leaves is covered in Minn. Stat. § 353.01, subd. 16(a).

Building Service Credits

A PERA defined benefit plan pension is based on a formula using three variables: the member's age at retirement, the highest five consecutive years' average salary, and the accumulated years of service credit. While each of these factors is important, the more service credit the person has, the higher the percentage of the average salary he or she will receive as a retirement benefit.

A member begins to build service credits from the first time deductions are paid into PERA, and a service credit is earned each month a deduction is reported to PERA. A member cannot exceed 12 service credits for any calendar year, even if employed concurrently in more than one public job.

Occasionally, that service credit will be altered by the lack of earnings during a leave of absence. Many leaves of absence are considered "paid" leaves because the member has enough vacation and/or sick leave to cover the time away from work. When this occurs, it is not necessary for the employer to notify PERA because the member continues to contribute and thus receive service credit during this time.

However, when the leave of absence is unpaid, and the leave extends for an entire calendar month or more, service credit is not earned. In this situation, though, the PERA member has the option to purchase that service credit limited to 12 months. For example, if a member is on an unpaid leave from September 23, 2007 to December 3, 2007, no service credit is earned for October or November, 2007 because there were no earnings in those calendar months. This member could, however, purchase the two months of uncovered service.

Purchasing Credit

Pension legislation enacted in 2007 changed the way service credit is purchased for personal, parental or medical leaves of absence (including a leave covered by the federal Family Medical Leave Act, or FMLA).¹ This law applies to employees who begin the leave of absence on or after July 1, 2007. If you have employees who began a personal, parental, or medical leave of absence before that date, the prior laws still apply.

Effective July 1, 2007, members of the Defined Benefit Plan who begin a non-military leave will be able to purchase up to 12 months of uncovered service between the date they return from the leave and the date they terminate employment. Previously, the

¹ The law change does not affect how members purchase credit for military leaves or periods in which they receive workers' compensation payments and a reduced salary or no salary. Service credit purchases in those situations are governed by Minn. Stat. § 353.01, subd. 16a and 40, respectively.

member had to make the service purchase within 12 months of returning from the leave or within 20 days of terminating service, whichever was earlier.

In addition, how the purchase is calculated, the manner in which interest is accrued, and the options for payment were changed under the new legislation. The following table shows the purchase of service provisions, which are applicable to personal, parental or medical leaves of absence that begin on or after July 1, 2007.

Calculating Service Purchases for Personal, Parental and Medical Leaves	
Cost if Paid Within One Year of the End of the Leave (M.S. § 353.0161)	Cost if Paid After One Year from the End of the Leave (M.S. § 356.551)
<p>In this case, the cost will be based on:</p> <ul style="list-style-type: none"> • The member's hourly rate of salary on the date of return to service • The employee and employer contribution rates in effect at the end of the leave for the applicable plan • The number of months being purchased (limited to 12), and • Compounded interest at a monthly rate of 0.71 percent from the last day of the leave until the last day of the month in which payment is received. <ul style="list-style-type: none"> • The employer has the option to pay the employer portion only and must wait for a billing from PERA, which is mailed once the member has paid the employee contributions. • Employer has 30 days from the date of the invoice to make payment; after which 0.71 percent interest accrues monthly on the outstanding balance. 	<p>In this case, the service credit purchase cost increases to the full actuarial value. The fee reflects the actual cost needed to fund an increased retirement benefit resulting from the additional service.</p> <p>Actuarial cost is based on the salary and age of the member at the time of purchase; thus, the longer a member waits, the more expensive the purchase becomes because we have less time to invest the purchase money.</p> <ul style="list-style-type: none"> • The employer has the option to pay all or any portion of the purchase amount that exceeds an amount equal to the employee contribution rates in effect prior to the leave period applied to the employee's salary then in effect plus interest at 8.5 percent a year compounded annually from the date the contributions would have been made to the date on which payment is made. • The employer must wait for a billing from PERA, which is mailed once the member's portion has been paid. • The employer's payment is due within 60 days of PERA's receipt of the member's payment.

Employer Reporting Requirements

When a member is on an unpaid leave of absence, the employer must report the beginning date of the leave to PERA. A status change, such as a leave of absence can be reported through demographic data reporting (for employers who are approved to use this method), through the Employer Reporting and Information System (previous registration required) or via a Member Information Change form.

The employer must also report the date the employee returns to work so that we can accurately calculate the service credit purchase cost. Similarly, in instances in which the employee plans to make the service purchase within one year of the end of the leave, the employer must report the hourly wage of the employee so that PERA can calculate the cost. When an employer is choosing to pay a portion of the service credit purchase, it must first wait for the employee to pay his or her portion.