

Background Information on Sabbatical Leave Service Credit

General Comments on Leave of Absence Provisions in Minnesota's Public Defined Benefit Plans

Leave of absence provisions are found in most Minnesota defined benefit public pension plans. Leave provisions permit the individual to receive either full or partial service credit for a period of break in service to the employer. The provisions are somewhat unusual in that they are providing service credit in the retirement plan for a period of time during which the individual was not providing service to the employer. The provisions presumably are justified in that they serve as retention tools. Another factor may be that the leave, if used to receive additional training or education, further enhances the productivity and value of the employee to the employer.

Minnesota public pension plans vary in the number of leave of absence provisions that apply, with teacher retirement plans typically having the largest number of leave of absence provisions because of unique aspects to that type of public employment.

With most forms of leave, the employee is required to make payments equivalent to the employee plus employer contributions to the pension fund if the individual is to receive service credit for a leave period. Depending on the type of leave, the employer may have an option to pay the employer contributions on behalf of the employee, or the employer may be mandated to make that payment. The general intention is to approximate the payment that would have been made to the pension fund if the employee had not been on leave. If the individual had worked during the period, employee contributions would have been deducted from pay, and those contributions along with the corresponding employer contributions would be transmitted to the retirement plan fund. When a leave occurs, some allowance is typically provided in law in recognition that the employee may have reduced compensation during the leave or possibly no compensation at all. Because of this, it is not uncommon to allow all or a portion of required contributions to be made after the end of the leave, in some cases a year or more later. If payments are delayed, interest is charged to replace the investment earnings on the contributions that would have been expected if the contributions had been made on a timely basis.

Sabbatical Leaves

Sabbatical leaves exist within educational institutions to encourage professional development and professional renewal. The sabbatical leave concept derives from an early Jewish agricultural practice of allowing land to lay fallow, a year of remission, every seventh year, analogous to the Sabbath day occurring each week. Sabbatical leaves originated in institutions of higher education and became common among colleges and universities by the 1890s, where faculty members returning from a sabbatical were expected to have produced a new book, a new laboratory discovery, or new scholarly journal articles. Sometime during the 20th century, sabbatical leaves became part of the set of employment benefits for elementary and secondary teachers.

In Minnesota, the initial recognition of sabbatical leaves for retirement purposes occurred for the Teachers Retirement Association (TRA) in 1955 (Laws 1955, Ch. 361, Sec. 7). The 1955 sabbatical leave service credit provision covered any authorized sabbatical leave, any leave of absence for educational purposes in foreign countries under a scholarship from the Board of Foreign Scholarships, or any leave to render interchange teaching services in a foreign country under federal law. The 1955 provision did not set any minimum compensation requirements on the leaves, any minimum pre-leave service requirement on the leaves, or any maximum on the number of leaves available for credit. The 1955 provision did require the payment by the member of the equivalent member contribution based on the salary of the year before the leave, without a payment deadline and without the payment of interest. The 1955 sabbatical leave provision also applied retroactively to pre-1955 sabbatical leaves.

Substantive revisions to TRA's sabbatical leave provisions are as follows:

- In 1961, the 1955 TRA sabbatical leave provision was significantly amended (Ex. Sess. Laws 1961, Ch. 17, Sec. 6), when participation in the work of the National Science Foundation was added as a sabbatical leave and when a three-year limit in any ten-year period on sabbatical leaves was imposed.
- In 1973 (Laws 1973, Ch. 270, Sec. 4; Ch. 728, Sec. 5), the TRA sabbatical leave provision was again substantively amended by no longer permitting the provision to be used to receive service credit while teaching in a foreign country, by requiring the teacher to be paid at least one-third of the member's prior fiscal year salary during the leave, by requiring that contributions be made for the leave within one-year after the conclusion of the leave, and by permitting proration of formula service credit if full member contributions were not paid.

- In 1974, the TRA sabbatical leave provision was recodified (Laws 1974, Ch. 289, Sec. 54) as Minnesota Statutes, Section 354.092.
- In 1975 (Laws 1975, Ch. 306, Sec. 8) the payment terms in the TRA provision were revised by permitting payment until the end of the fiscal year following the fiscal year in which the leave ended.
- In 1985 (1st Spec. Sess. Laws 1985, Ch. 12, Art. 11, Sec. 4) the TRA provision was revised by requiring the employing unit to make the employer contribution, and by requiring that employer contribution within 30 days of being notified by TRA of the amount due.
- In 1989 (Laws 1989, Ch. 319, Art. 2, Sec. 9) the TRA provision was revised by requiring employee contribution deductions from pay based on the compensation received, and by requiring the employee to make employee contributions on remaining amounts up to full compensation salary, without interest, by the end of the fiscal year following the fiscal year in which the leave ends.
- In 1991 (Laws 1991, Ch. 340, Sec. 10) by reformatting the provision and by specifying that no service credit can be received for the leave if the person does not have full reinstatement rights at the end of the leave.
- In 1997 (Laws 1997, Ch. 241, Art. 3, Sec. 4-6) the provision was revised by simplifying employee and employer contribution procedures. Rather than deducting employee contributions from pay based on salary received, and having the employee responsible for an additional lump sum employee contribution-equivalent amount based on the difference between salary received and full-time salary, and then having TRA bill the employer for the full employer contribution, the employee contributions which are deducted from pay will be based on full-time equivalent salary rather than the partial salary received. These employee contributions and the employer's corresponding employer contribution must be remitted to TRA under the normal payroll remittance cycle.
- In 2000 (Laws 2000, Art. 3, Sec. 30) employer requirements to notify TRA that a sabbatical leave is occurring are revised. The employing unit must notify TRA of the leave when the leave is granted, rather than before the end of the fiscal year in which the leave is granted.

The current TRA sabbatical leave provision, Minnesota Statutes, Section 354.092, requires that the teacher must be compensated with at least one-third salary during the leave, that member contributions must be withheld from pay and must be based on the full-time equivalent salary rather than partial salary. The employer must make employer contributions based on that full time equivalent salary, and the employee and employer contributions must be remitted to TRA with the normal payroll cycle reporting.

The following is a comparison of the sabbatical leave provisions of the statewide and major general employee retirement plans:

Plan	Sabbatical Leave of Absence Provision
MSRS-General	No provision.
PERA-General	No provision.
TRA	A teacher on a sabbatical leave must be paid at least one-third salary. The leave is for one year and service credit for sabbatical leaves cannot exceed three years in any ten consecutive years. Member contributions must be withheld from pay and must be based on the full-time equivalent salary the person would have received if not on leave, rather than on partial salary. The employer must make employer contributions based on that same full time equivalent salary, and the employee and employer contributions must be remitted to TRA with the normal payroll cycle reporting. [354.092]
DTRFA and SPTRFA	A coordinated plan member is eligible to receive service credit for a sabbatical leave for which the teacher was compensated at a minimum of one-third of the prior year's compensation if the teacher pays an amount equal to the member contribution rate in effect on the teacher's prior year's salary. Service credit for sabbatical leaves cannot exceed three years in any ten consecutive years. Upon the member payment, the employing unit is obligated to pay the applicable employer contribution amounts. Payment must be made before June 30 of the fiscal year next following the year in which the sabbatical leave terminated and is payable without interest. If less than the full contribution amounts are paid, the service credit is prorated. [354A.092]