

DATE: June 16, 2003
TO: Agency Payroll and Human Resource Staff
FROM: Don Smith, Director, Statewide Payroll Services
SUBJECT: Military Differential Pay

Governor Pawlenty recently signed a bill authorizing military differential pay and other benefits to eligible state employees on leave for active duty military service.

Effective Date

Employees on active duty on May 29, 2003 are eligible for military differential pay beginning on May 29. There is no end date at this time.

Calculation of Military Differential Pay

The employee's base state pay must be greater than their base military pay, to be eligible for the military differential.

State Pay = employee's normal base rate. Example: \$18.50 per hour. Do not include any differentials (e.g. shift differential, heavy equipment).

Military Pay = employee's base rate. Example: \$2000.00 per month; divided by 174 (average number of hours per month) = \$11.49. Do not include any differentials.

State Pay minus Military Pay = Military Differential.

Note: The employee must provide documentation to the agency before the payment may be processed, e.g. pay stubs.

Enter the military differential dollar amount in Mass Time Entry. Use earn code **MSD**.

Deductions

When the military differential pay is processed in Mass Time Entry, optional deductions will be taken unless the employee submits a request to the appropriate office(s) to end the deduction before the military differential is processed for payment. Examples: deferred compensation, parking, charities, union dues, pre-tax expense accounts.

Vacation and Sick Leave Accruals

While on military leave, employees continue to accrue vacation and sick leave as if employed. When the employee has returned to work, calculate the additional leave the employee has accrued. In Mass Time Entry increase the employee's leave balances using earn codes *VL and *SL. Review the contract or plan to confirm the employee's eligibility for leave.

Job Record

For employees claiming the military differential prior to returning to work, place the employee on a **Paid Leave of Absence** with reason code **MSD**. This will cause the employee to show up in Mass Time Entry where the payment is entered.

Insurance

Employees who are eligible for the military differential while on this paid military leave continue to remain eligible for health/dental insurance and pre-tax expense accounts. Employees will be charged the whole cost of health/dental.

Note: Statute does not address disability or life insurance. Employees may choose to cancel or continue their life and disability coverage while on this paid military leave. If coverage is cancelled, it may be reinstated upon return to work.

Once you enter the action/reason of Paid Leave of Absence/MSD you should also update the **Special Eligibility** field on the Benefit Program Participation page to one that is not eligible for an employer contribution but continues to remain eligible to participate through payroll deductions. The correct code for non-MnSCU agencies is **MN12**, and for MnSCU is **CN12**.

An enrollment form will be generated and sent to the employee's current SEMA4 address. If no response is received within 30 days, it will be assumed that the employee does not wish to continue, and coverage will be terminated as of the date the leave began.

When the employee returns from the paid military leave, be sure to update the **Special Eligibility** field based on the employee's current employment condition. An enrollment form will be sent to the employee so that payroll deductions can be reinstated at the proper amount and any lapsed coverage can be reinstated.

Time Off Before or After Official Dates of Active Military Duty

If an employee is going to take time off before or after their official dates of active duty, the employee

can choose to use vacation, comp time, floating holiday, or their personal day to be in active pay status. If they choose not or do not have the option to use paid time, they should be put on an unpaid personal leave for their time away between reporting for scheduled work and their first or last day of active military duty.

Other items to note:

- Employees' state and class seniority, as well as vacation and sick time accruals, continue to increase regardless of the type of military leave granted. Employees should suffer no penalties in these areas because of military leaves.
- Automatic pay increases are granted on the same time schedule regardless of military leave status.
- If an employee is serving a probationary period and is going to be out on a military leave longer than 10 days, the agency can extend the employee's probationary period to account for the time away from work. However, once the employee passes the probationary period, the agency must retroactively adjust the employee's class and state seniority dates as well as any delayed pay increases to account for any losses due to their time on military leave status.

If you have questions about this information, contact:

Payroll: Lynda Hanly at 651/201-8074 or lynda.hanly@state.mn.us

Human Resources: Your SEMA4 HR Services representative:

Judy Cencich at 651/259-3626 or judy.cencich@state.mn.us

Mary O'Connor at 651/259-3633 or mary.oconnor@state.mn.us

Insurance: Employee Insurance Division at 651/355-0100 and you will be directed to the appropriate staff member.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF.