Salary Eligibility

PERA prohibits recording and distribution of this presentation.

Agenda

- Eligible salary types
- Ineligible salary types
- Other salary types
  - Bonus Pay
  - PTO
  - Settlements

Eligible Salary

Eligible Salary Types

Gross, pre-tax salary that is:

1) Paid by the employer
2) To an employee who performs services in an eligible position
3) During the reported coverage period

Includes:

- Overtime
- Cash tips
- Salary paid to district court reporters

Holiday Pay

- When an employee has a holiday off, but is still paid their regular wage
- Lump-sum payments for accrued holidays
- Additional pay for working on a scheduled holiday

Retroactive Pay

- Pay for work performed before the current payroll period
- Payouts of accrued or banked overtime hours
- Unused holiday payout that is paid:
  - On an annual basis
  - When an employee terminates

Other Eligible Salary

Other Eligible Salary Types

- Court appearance pay awarded to a **current** employee
- Jury duty leave paid by employers
- Salary paid from a grant (unless specifically prohibited)

Ineligible Salary

Reimbursements and Allowances

Reimbursements and Allowance Payments

- Reimbursements for parking, mileage, meals, etc.
- Per diem payments
- Stipends for wellness programs, meals, cell phones, and uniforms
  - Pay is ineligible whether or not they use the entire allowance

Employer-Paid Benefits

Employer-paid fringe benefits

- Membership fees for use of fitness/recreational facilities
- Any amount paid by the employer as a supplement to salary
- Amounts an employer pays for/in lieu of insurance coverage

Third Party Payments

Third Party Payments

- Workers' Comp payments
- MN Paid Leave payments
- Disability insurance payments
- Jury duty compensation paid by the court

Excess Salary

- The IRS sets an annual limit on salary eligible for compensation under the Internal Revenue Code (IRC)
- Applies to a very small percentage of PERA members
- Employers and PERA must monitor excess salary on a pay period basis

2025 ELIGIBLE SALARY LIMITS	
PAY PERIOD	**LIMIT**
Annually	$350,000
Monthly	$29,166.67
Semi-monthly	$14,583.33
Bi-weekly	$13,461.54

More details in **Chapter 7: Contribution Reporting** of the Employer Manual

Other Ineligible Salary

Other Ineligible Salary Types

- Court appearance pay awarded to a **former** employee
- The value of PTO hours donated by an employee
- Payment for unused PTO
  - Includes sick, vacation, or unused ESST

Bonus Pay

Eligible Bonus Pay

Eligible Bonus Pay

- Performance or merit-based bonuses
- Hazard pay that increases a member's hourly rate of pay
- Longevity or retention pay that is paid as routine wages on a periodic basis of at least annually

These payments *must* be attached to a specific earnings period

Ineligible Bonus Pay

- Non-performance-based bonuses
- Referral or signing bonuses
- Service awards made on a **one-time** basis
- **One-time** longevity or retention pay
- Compensation given as an incentive or recognition
- Retirement/severance incentive payments

Salary While on Leave

Leave Reporting

Employers must report employees' missed hours and wages on the *Annual Leave Report*

- PERA uses the report to calculate cost estimates for the employees to make a leave purchase
- All leave salary calculations are determined
  - On a pay period by pay period basis
  - Based on the employee's average gross earnings during the prior six months of employment

Eligible Leave Salary

PTO is eligible when:

- An employee exhausts their PTO bank in a pay period
- If taken at a reduced rate, PTO is eligible when it:
  - Covers 100% of a non-medical leave
  - Covers at least 50% of a medical leave
  - Brings the salary up to 100% when used during a Workers' Comp leave or medical MPL

Ineligible Leave Salary

PTO is ineligible when all available PTO is *not* used in a pay period and:

1) It is not a Workers' Comp leave or a medical MPL leave
2) The PTO covers ***less than***
   - 100% of a non-medical leave
   - 50% of a medical leave

Include as missed wages/hours on the *Annual Leave Report*

Ineligible Leave Salary

Third Party Payments

- Workers' Comp payments
- Disability insurance payments
- MN Paid Leave payments
  - From the state
  - From a private vendor

Include as missed wages/hours on the *Annual Leave Report*

Medical Leave

Sam takes an eight-week **medical leave**. Sam earns $15/hour and works 60 hours/pay period = $900 each pay period.

- Sam uses 20 PTO hours each pay period = $300/pay period
- $300 is less than 50% of $900; pay is **ineligible** for the first three pay periods of the leave
  - Report the first three pay periods as missed hours (60 hours x 3 pay periods = 180 hours)

Medical Leave

On the fourth pay period, Sam uses her last 20 hours of PTO.

- Since Sam is ***exhausting*** her PTO, the pay is **eligible**
- Report contributions on the fourth pay period salary
- Report 40 unpaid hours on the Annual Leave Report

Medical Leave

Sam takes an eight-week **medical leave**. Sam earns $15/hour and works 60 hours/pay period = $900/pay period

- Sam uses 40 PTO hours each pay period= $600
- Sam has 20 unpaid hours each pay period
- $600 is more than 50% of $900; pay is **eligible**
- Only report the unpaid hours
  (20 unpaid hours x 4 pay periods = 80 hours)

Non-Medical Leave

Sam takes an eight-week **non-medical leave**. Sam earns $15/hour and works 60 hours/pay period = $900 each pay period.

- Sam uses 40 PTO hours each pay period = $600
- $600 is less than 100% of $900; pay is **ineligible** for the first three pay periods of the leave
  - No contributions to report
  - On the leave report: include all as missed hours/pay (60 hours x 3 pay periods = 180 hours)

Non-Medical Leave

On the fourth pay period, Sam uses her last 40 hours of PTO.

- Since Sam is ***exhausting*** her PTO, the pay is **eligible**
- Report contributions on the fourth pay period salary
- Report 20 unpaid hours on the Annual Leave Report

Non-Medical Leave

Sam takes a six-week **personal leave**. Sam earns $15/hour and works 60 hours/pay period = $900 each pay period.

- Sam uses 120 PTO hours to fully cover first two paychecks:
  - Report contributions on 100% pay
  - Do not report on the Annual Leave Report
- Sam uses remaining 40 PTO hours to cover third paycheck; pay is **eligible**
  - Report contributions
  - On the leave report, only include the 20 missed hours/pay from the third pay period

Workers' Comp Leave

- Sam earns $900 each pay period.
- While on leave, Workers' Comp covers 2/3 of Sam's salary each pay period
  - $900 x 2/3 = $600
- Sam uses PTO to cover the remaining $300 each pay period
  - The $300 is **eligible**
  - Report the $600 on the leave report

Leave Reporting

Don’t report:

- Fully compensated hours that were reported to PERA

Report:

- Unpaid hours
- Ineligible pay

Settlements

Settlements

Settlements are PERA-eligible when they:

a) Represent payment for lost wages for a period of suspension or involuntary termination

b) Are not for a wrongful discharge, and

c) Also meet the following criteria:

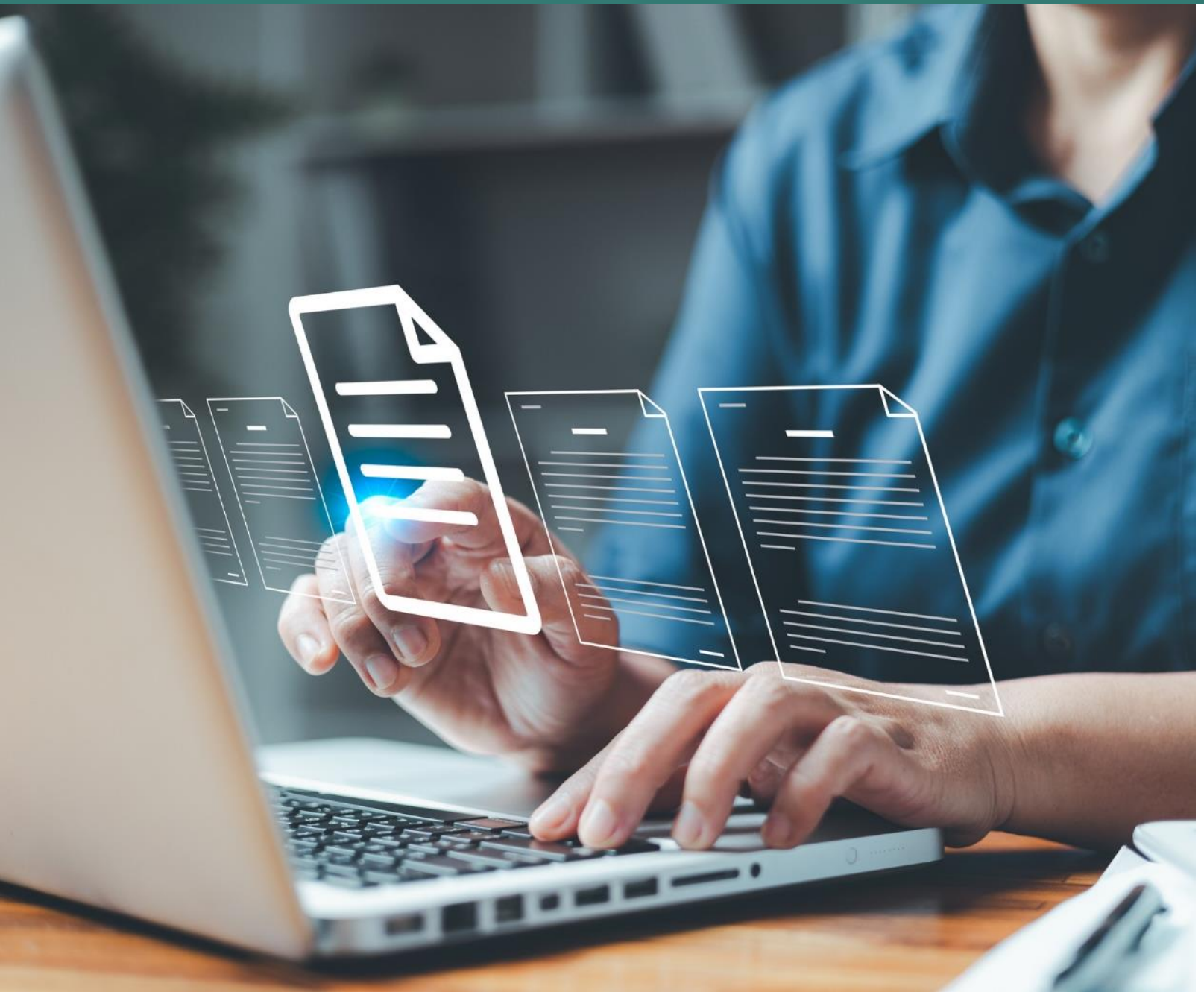
- Attached to a specific earnings period
- The amount is equal to the employee's average earnings from the prior six months

Wrongful Discharge Settlements

Wrongful Discharge Settlements

- Requires an advance determination from PERA staff
- Contact PERA first

Refer to **chapter 7** of the Employer Manual for more detail



Resources

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- Employer Forms and Publications
- Employer Manual

Welcome, PERA Employers

PERA employers now have a new home.

GET STARTED

I'm here to...

Contact PERA

Have Questions?
Contact the Eligibility Team!

- Send an email to eligibility@mnpera.org
- Include:
  - Employee's name
  - Paid date
  - Coverage dates
  - Gross pay amount
  - Reason for pay

Recap

- Eligible salary
  - Gross, pre-tax salary earned by your employees
  - Can be used to determine membership eligibility
  - PERA contributions must be deducted
- Ineligible salary includes allowance payments, reimbursements, employer-paid benefits, third party payments
- Contact us with questions!

PERA is governed by Minnesota Statutes; especially chapters 11A, 353, 353A, 353D, 353E, 353F, 353G, 356 and 356A.

Changes to PERA's plans, including benefit provisions and contribution rates, are made through the introduction and passage of legislation by the Minnesota Legislature.

Disclaimer

Disclaimer:

Our programs are intended to provide general information; the rights and obligations of PERA members are governed by state and federal laws, rules, and regulations. The Minnesota Legislature or the federal government may change the statutes, rules, and regulations governing PERA at any time. If there is a discrepancy between the law governing PERA and the information contained in this presentation, the statutes and regulations will govern.

Wrap-up and questions

www.mnpera.org/employers
eligibility@mnpera.org
651.296.3636
1.888.892.7372
Select **option 3** for eligibility

Recap

- Eligible salary
  - Gross, pre-tax salary earned by your employees
  - Can be used to determine membership eligibility
  - PERA contributions must be deducted
- Ineligible salary