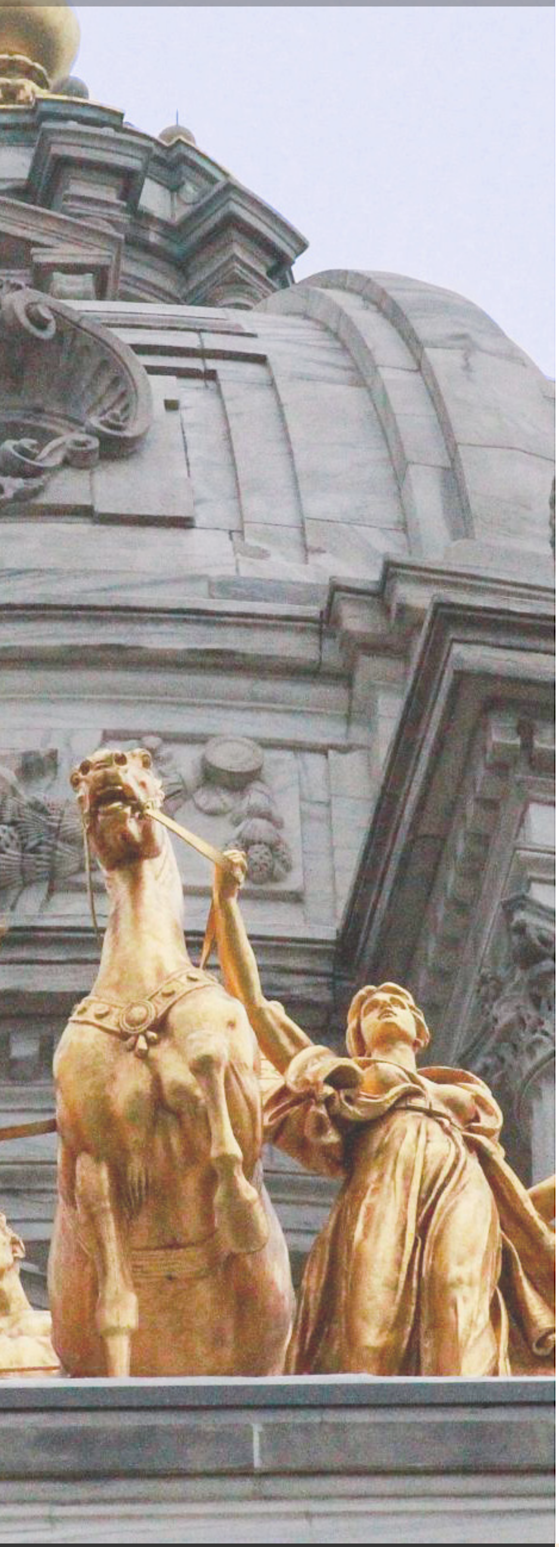
PERA

EMPLOYER EDUCATION
April 2017

FACT SHEET



Pay Types

PERA has established several different pay types for employers to use to define the earnings employees receive. The pay type used is important in that some earnings create service credit for employees who are members of the General Plan, Correctional Plan or Police and Fire Plan while others do not.

Regular Pay - Pay Type 01

Regular Pay is salary or compensation earned for regular activity and issued to an employee in the current pay period. Regular activity includes wages, overtime, and paid days off (vacation, sick leave, holiday leave, compensatory time used in place of a scheduled workday). Members receive one service credit for each month in which a deduction is taken from salary coded as Pay Type 01 (limited to 12 credits each year). When determining the contribution amount due for regular pay, use the rate in effect on the date the salary or wage is paid.

Lump-Sum Compensatory Pay - Pay Type 02

Lump-sum payments of unused, accrued or banked compensatory hours or holiday time, which meet PERA's definition of salary and cover a pay period preceding the current pay period should be coded as Pay Type 02. When determining the contribution amount due for compensatory pay, use the contribution rate in effect on the date this salary is paid even if the comp time was earned in a period when contribution rates were different. Pay Type 02 should be reported by creating a separate transaction entry on the Salary Deduction Report (SDR) and by identifying the earnings period in which the banked hours were earned. No additional service credits are earned on Lump-Sum Compensatory Pay.

Grievance Pay - Pay Type 04

Amounts awarded under settlements, court orders, arbitrator awards, grievance procedures, etc., are classified as Pay Type 04. Before reporting this type of pay to PERA, you must under the law have PERA determine if the amount is PERA-eligible salary. If approved by PERA, report the beginning and ending dates representing the period of lost wages. Grievance Pay typically results in additional service credits, but not always.

Retroactive Pay - Pay Type 05

Retroactive payments are additional wages or earnings paid to an employee for pay periods outside of the current pay period. When reporting retroactive pay, be sure to create a separate

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transaction entry on the SDR and report the coverage dates the pay was earned. Retroactive pay covering more than one month will be prorated upon receipt by PERA into monthly amounts and added to any regular pay already reported for the member. No additional service credits are awarded to members who receive these types of payments.

Omitted Deductions - Pay Type 06

If an employer finds omitted deductions of not more than 60 days, these contributions can be calculated by the employer and reported to PERA as Pay Type 06. Omitted deduction pay represents salary amounts issued in the past for which PERA deductions were missed. When determining the contribution amounts due on omitted deductions, use the contribution rates in effect at the time the contributions are submitted. Service credits are awarded for salary coded as Pay Type 06.

For a Defined Benefit Plan member to receive service credits from PERA, regular earnings must first be established. This is done through salary that has been reported as regular pay, omitted deductions or grievance pay. Once a baseline of earnings is established for various calendar months, other pay types (retroactive or lump-sum compensatory) will then increase the dollars credited to those months. Retroactive pay or lump-sum compensatory pay do not by themselves create a member's earnings baseline. If Retroactive or lump-sum compensatory pay is submitted prior to an earnings baseline being established, PERA must investigate the pay and manually correct pay types that were incorrectly coded. This may result in a delay in accurate service credit estimates to members.

Example 1: Bonnie is a Coordinated Plan member who was hired in October. She received regular pay of $1,000 in October, November and December. She took an unpaid leave of absence from January 1 through February 14, of the following year and then resumed regular duties for the rest of February (earning $500) and all of March (earning $1,000).

Bonnie's baseline "buckets" of earnings looks likes this:

October	November	December	January	February	March
$1,000	$1,000	$1,000	$0	$500	$1,000

In each month that Bonnie has earnings, she receives one month service credit. In this example, Bonnie has 5 months service credit (no service credit is awarded for January when she had no PERA-eligible earnings).

A retroactive contract settlement was finalized in April. The settlement increased Bonnie's pay 5%, resulting in an additional $250 of pay. This was reported to PERA as Pay Type 05, with an earnings period of October through March.

As stated earlier, PERA prorates the money throughout the pay period for which Bonnie has earnings. Her earnings now look like this:

October	November	December	January	February	March
$1,050	$1,050	$1,050	$0	$550	$1,050

Because PERA prorates the total amount by the number of months she had earnings, the $250 additional pay is divided by five (October, November, December, February and March), and $50 is added to her earnings in each of those months. Please note that the retroactive pay had no effect on January (the month that Bonnie had no wages). Bonnie still has 5 months of service credit.