

When Members Terminate Employment

Employers play a significant role in ensuring the accurate and timely payment of retirement benefits and refunds to members who terminate public service and PERA membership. The purpose of this document is to explain the definition of termination, provide information on some of the forms employers may need to complete and give basic information about member options upon termination.

Termination Defined

Termination of public service for PERA purposes occurs when:

1. a member resigns, is dismissed from service by the employing governmental unit, or a position ends and the employee is not considered to be on a temporary layoff and
2. the employee does not, within 30 days of the date the employment relationship ended, return to an employment position in any governmental subdivision; and
3. The employee has not, prior to terminating service, agreed to return to work with a governmental subdivision as an employee, independent contractor or employee of an independent contractor.

A termination of public service is

the ending of the work relationship between the employer and employee. It requires more than the person being “off the payroll” and not compensated for a specified period. Generally, terminations require certain actions from employers, including, but not limited to:

- Complying with the governing personnel policies, collective bargaining agreements, or laws relating to employment termination of the employee.
- Treating the individual as a former employee. This includes the employer paying the person accumulated benefits that are routinely paid at time of termination.
- Taking steps to fill the vacated position or eliminate it as a budgeted position.

Furthermore, federal law requires a good-faith termination of employment before a person may receive a full benefit payment from a qualified retirement plan such as PERA. Maintaining PERA’s tax-qualified status with the IRS is critical for members and employers must do their utmost to preserve that status.

Notifying PERA of Terminations

When an employee terminates employment, the employer is

required to provide termination data. In most cases, the data is submitted electronically (either through demographic data files or the Employer Reporting and Information System). Employers who do not have Internet access should use the Member Information Change Report. In either case, there are some instances in which PERA's Member Services Department needs additional paperwork to complete a retirement or refund application. The following is a list of forms that we may need in order to process payments to individuals.

Verification of Termination of a PERA Member's Employment for the Retirement Application Process –

This form is used for retirement applications. PERA will pay an estimated pension within two weeks following the employee's effective date of retirement if we have received the application, all required documents and the Termination Verification form. The form is used to document employment information, including termination date, and to verify that there is no agreement for re-hire in effect prior to termination.

Note: When completing a Verification of Termination of a PERA Member's Employment for the Retirement Application Process form, please make sure you enter the exact date of the termination in the "Anticipated or Actual Termination Date of Above Employee" field. Do not report the termination date as the first

day of the month unless that is the actual termination date. We must have the exact date of termination to accurately calculate the refund or retirement benefit.

Application for Refund, Direct Rollover, or Trust Transfer of Accumulated Deductions –

An employee who wishes to receive a refund of PERA contributions or to rollover those funds to another tax-qualified plan must complete this form. The employer must complete part 'A' of the form to confirm that the employee has terminated service or is no longer eligible for PERA membership.

Verification of Separation from Work letter –

An employer will be asked to provide a termination, layoff or student status date if PERA receives an application for a refund but no termination data is in our database or on the application. A letter will be mailed to the employer requesting this information. The letter must be signed by the employer to be valid. You will only receive this letter if we do not have the status or termination data in our system.

Member Options

When a member terminates employment, his or her options are tied to the service credit accumulated from PERA-eligible positions.

In order to qualify for a pension from PERA, the member must be vested. For those who have PERA membership prior to June 30, 2010, vesting occurs once they

have three years of service credit (for each month in which a person has earnings, he or she receives one month service credit). If the person first became a member after June 30, 2010, five years of service credit is needed to be vested.

Vested members have three options upon termination:

1. **Apply for PERA benefits -** Specific rules with regard to age and number of years of service govern when a member may retire and the amount of the pension. Refer to PERA's Web site or plan specific handbooks for details.
2. **Request a refund -** Members who do so only get the employee portion, plus interest, but minus federal income taxes
3. **Defer the money -** Members are not required to withdraw PERA funds. They can defer the money until a later date - The account accrues interest from the termination date until the funds are ultimately withdrawn.

A member who terminates prior to vesting can either request a refund or defer the money until a later time. They are not eligible for a monthly benefit from PERA.

We strongly urge any members who have questions related to PERA refunds or benefits to contact PERA's Member Services department.