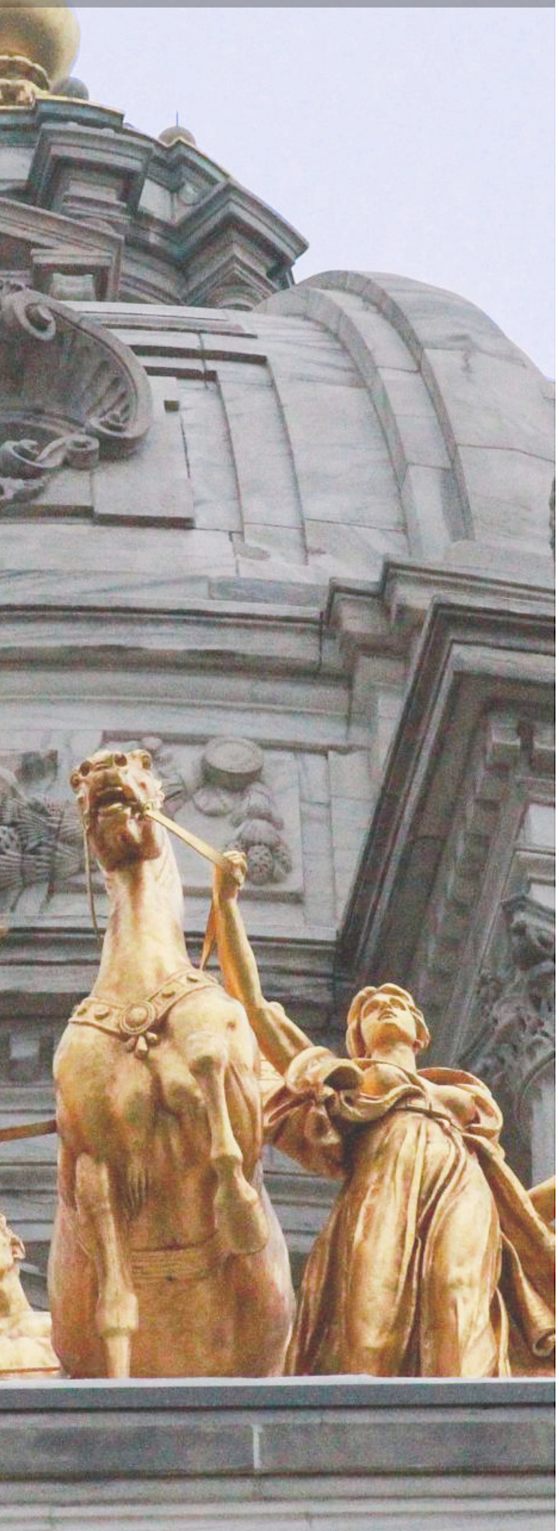
FACT SHEET



Adjustments of Contributions and Earnings

At various times, an employer may submit a Salary Deduction Report (SDR) and subsequently discover that the amounts of salary or pension deductions that had been reported to PERA were not correct. In these instances, the previously reported amounts must be corrected.

Effective with legislation passed in 2009, employers may only make an adjustment if it is lowering the gross pay previously reported to PERA. In the case of contributions being over or under reported, PERA staff must make the necessary corrections. If it is a situation in which earnings were *under* reported, this is classified as an Omitted Deductions. Guidelines for processing Omitted Deductions can be found in the Contribution Reporting chapter in the Employer Manual or in the Omitted Deductions Fact Sheet.

Importance of Adjustments

PERA-covered salary and deductions are recorded on a pay period basis in each member's account. This data is used to calculate members' monthly salaries and project high five-year average salaries. Members retirement benefits are determined by the amount of service credited to their account and their salary history. While adjustments do not usually change a member's credited PERA service, adjustments not recorded accurately could increase or decrease the amount we determine to be a member's high-five average salary.

Each year, members receive a Personal Benefit Statement detailing the salary and deductions posted to their accounts. This information is also available through the MY PERA web tool. We publish this level of detail to allow members to see the data recorded in our system for comparison against their individual records. When you report adjustments on a timely basis, it ensures that we are using the most up-to-date data to calculate pension estimates and it provides your employees with peace of mind knowing that the correct salary amounts and periods are recorded in their PERA accounts.

Periods that May be Adjusted

You may make adjustments to the following pay periods covering an ACTIVE employee:

- The pay period currently being reported
- A prior pay period in the current fiscal year
- A prior pay period in a prior fiscal year

This publication is 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 publication, the statutes and regulations shall govern.

When an Adjustment May Not be Made

There are certain instances in which adjustments cannot be made (neither by employers nor PERA staff). The following is a list of some of those times. This is not an all-inclusive list, so if you have different scenarios please contact us.

- If you need to adjust salary and deductions that were not previously reported on an SDR this is classified as an Omitted Deduction, rather than an adjustment. To report omitted deductions, follow the guidelines in the Contribution Reporting Section of the Employer Manual.
- If you are trying to lower the salary, deduction amount, or both, for an original transaction involving someone in the Defined Contribution Plan, you must contact PERA to discuss how to correct this DCP overpayment.
- When trying to lower the salary, deduction amount, or both, for a former employee (regardless of plan coverage) whose PERA coverage has been terminated, you may not reduce the prior salary or deductions without first contacting PERA to find out if a refund has been granted to the person.

Reporting Adjustments

PERA has two ways for employers to report adjustments.

1. The transaction data may be included as part of a regular Salary Deduction Report—whether you manually complete our paper form, submit the data in a computer file, or use the Employer Reporting and Information System.
2. You may complete a paper Electronic Adjustment Reconciliation Form. However, this form is only to be used if you submit salary deduction data in a computer file but do not have the ability to include the adjustment transaction in your file.

Regardless of the method you use, there is one important rule that you must follow to ensure that we properly modify the data credited to a member's pension account: **the period included in the adjustment transaction must match the payroll coverage dates of the original transaction. Thus, if you need to adjust amounts covering more than one prior pay period, you must provide the detailed salary and/or deduction amounts for EACH prior pay period in a separate adjustment transaction.**

The following must be included in EACH adjustment transaction for each employee:

- Employee SSN and Name
- PERA Plan
- Pay Type
- Pay period Beginning date as it had been reported in the original SDR transaction,
- Pay period Ending date as it had been reported in the original SDR transaction,
- Transaction code of "A" to indicate that you are reporting an adjustment.

As applicable you will also include the following for the applicable member:

- Salary to be deleted*;
- Deductions to be deleted*
- Both Salary and Deductions to be reversed from the original transaction. In this instance, always calculate the employee credit amount using the contribution rate in effect when you processed the original transaction. (The current contribution rate, if different, does not apply when reducing a deduction for a prior period.)

*Indicate credits (reduction of previous amounts) by a leading negative sign. (- 30.00)

If making the adjustments in conjunction with current payroll data, be sure to reduce the total amount due by the appropriate amount. If the adjustment is done as a stand-alone document, both the member's and the employer's account will be credited the proper amount.

As with any reporting issues, if you have any questions please be sure to contact PERA prior to submitting the data.