

## FACT SHEET

## Settlement Agreements and Salary (Procedural Guidelines Relating to Agreements that Pay Back Wages)

Suspensions or involuntary separations from public employment sometimes result in grievances, settlements, or court orders that grant a current or former public employee retroactive wages, restored benefits, damages, etc., which may or may not be salary for purposes of contributions to the Public Employees Retirement Association (PERA).

**Note:** Payments awarded by a court or an arbitrator to a person who has been determined to have been wrongfully discharged from PERA-covered employment are not covered by the guidelines in this document. Refer to Minn. Stat. Section 356.50.

### Payments Reportable to PERA

Under Minnesota Statutes (2013) Section 353.01, subdivision 10, salary for PERA purposes includes a payment from an employer to a public employee through a grievance, settlement, or court order when the payment is:

1. attached to a specific period in which the employee's regular salary was not earned or paid to the member due to suspension, leave of absence, or period of involuntary termination; and
2. an amount equivalent to the

earnings the member would have otherwise earned during the applicable period.

To qualify for retirement plan coverage, the payment must not include the following:

- An amount for penalties, attorney fees, or interest.
- An amount for unused vacation or sick leave hours or for severance pay.
- An amount that would result in salary exceeding the limits set in Minnesota Statutes Section 356.611.
- If applicable, an amount covering one or more periods after the date in which the employer-employee relationship has been severed.

### Remitting PERA Contributions

Employers must report a back-pay award that meets the definition of PERA salary on the Salary Deduction Report (electronic or paper). The back-pay amount is to be reported under the pay type of "grievance" with the applicable coverage dates. Member and employer contributions, calculated using the rates in effect when the payment is issued, are due within 14 days of the date the payment is made to the employee.

Once payment has been made, the member's account will be credited with salary, contributions, and service for the appropriate period. In addition, when applicable for a PERA benefit recipient, PERA staff will recalculate any benefit payments to include the back-pay amount.