Webinar Companion Sheet:

Annual Salary Threshold, pt. 1

Intro to Earnings Threshold

The PERA Eligibility process begins the second a job description is complete. By the time a new employee is officially on the clock, both pay, and time have been discussed. Based on this information, your employee was either enrolled in PERA because they are expected to exceed the Earnings threshold, or were excluded from PERA because their salary will not exceed the earnings threshold.

Basic Rule

Historically, PERA has always asked for an earnings threshold to qualify for membership. On January 2015, new legislation prompted PERA to switch from looking at monthly earnings as a threshold standard to an annual salary threshold.

With some exceptions, PERA membership under a Defined Benefit Plan can be broken down into 2 parts:
1. Required for public employees—
2. —who have annual earnings in excess of PERA's salary threshold

The general rule is an employee must make over $5100 in a year of employment to qualify for PERA. Once they meet the threshold, their membership becomes valid until they are terminated from their employment.

For employees who work the school year, these employees must make over $3800 in a year of employment to qualify.

When you take the number of months in the general and school-year calendars, and multiply them by $425, we get our current annual salary thresholds. It's $425 annualized.

Salary Projections*

*When making projections, calculate based on a year of employment, rather than the number of months left in the year.

Susie: PT, 20hrs/wk @ $16/hr
Formula:
Time x Money x 52/wks

Kelly: PT, ??hrs/wk @ $16/hr
Formula:
Average Time x Money x 52/wks

In some scenarios, you'll find yourself in a gray area. It's always a good idea to make a projection based on a good faith estimate.

Joey: PT, 3hrs/wk @ $9/hr
Formula:
Time x Money x 170/days

School year employers know exactly how many days an employee will work in a year. Use that number in your formula.

Brian: PT, 6hrs/wk @ $10/hr
+ PT, 6hrs/wk @ $12/hr
Formula:
(T x $$) + (T x $$) = $$ x 52/wk

Brian has been excluded from PERA because his earnings have not exceeded the threshold.

He picks up another PT position with the same employer. Individually, each position would not meet the threshold, but add both positions together and the salary exceeds the threshold.

David: PT, ??hrs/wk @ $17/hr

There are cases where you won't be able to make a proper projection or cases where there is insufficient data.

Employers have 2 options to consider:

Option 1
- Exclude the employee due to salary if you are sure that they will not exceed the threshold.

If you do exclude an employee from PERA due to salary, you are required by law to give them a Notice of Non-Covered Employment.

PERA lists a couple other exclusions on the form to make it easier for you to explain why an employee is being excluded, but you're not required to use it for any of those other reasons.

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Option 2
• Enroll the employee into PERA on a provisional basis

This option should not be used for every new hire, but a provisional enrollment can be helpful in situations where earnings are uncertain.

This provisional enrollment form helps explain to employees that if they do not exceed the minimum salary threshold, contributions would be refunded to them after a review by PERA. The employer would also receive their contributions back from PERA, in the form of a credit memo.

Membership Eligibility Checklist!
This checklist makes for a great companion resource when employers are enrolling a new employee! The checklist was referenced when creating the salary projection content that was covered in the webinar and can be found under forms and brochures in the employer section.

PERA Tracked Earnings
PERA tracks the earnings of all employees enrolled in a Defined Benefit plan since January 1st of 2015, to verify that the annual threshold is met. PERA stops tracking employees once their earnings exceed the threshold of $5100, or $3800, or if the employee terminates service.

This salary data is available for you to view in ERIS under Threshold Monitoring.

The earnings, and all information on ERIS, is what PERA can see internally on our system. If at anytime you see something that is off, please give us a call, and we can look into it.

Scenario: City of PERA admin

James - *new employee 4/21*
I enrolled him immediately upon hire after projecting he'd make about $6800 in the year. Even if he doesn't meet the threshold for 2017 because of his late enrollment, if he hits the threshold next year, PERA will go back to this original enrollment date of April 2017 and give James the proper credits for his contributions.

Alison - *Enrolled 12/2016*
Her projections were really close to $5100, so I gave her the provisional enrollment notice to let her know she may, or may not exceed the threshold. By the end of June, she's only made $1600, so it's possible she will not meet the threshold.

Anne - *Late 12/2016*
I had projected her making over $7000 in a year, and it looks like she's getting close to hitting threshold. Once she meets the threshold, her name will no longer appear on this list