Webinar Companion Sheet:

Annual Salary Threshold, pt. 2

[Watch the recorded webinar]

Part 1 recap

In part 1, we talked about the Calendar and Fiscal Year earning amounts of $5100 and $3800, and we touched on how enrollments are based on projections at hire.

Part 2 will cover PERA's tracking and review of individuals once they are enrolled

Regarding the notice of non-covered service: This written notice is **required by MN State Statute** when an employee is excluded because their salary is not expected to exceed the threshold.

Threshold Description

PERA's threshold test applies to employment with an individual employer.

Scenario: A valid employee with city A accepts a new PT position with city B. The earnings from the 2nd position must meet $5100 for that position to qualify for PERA.

It is **not** the case that once a person is a valid PERA member with one employer, that they are always in PERA for others.

Who is included in the Annual Salary threshold report?
The report lists employees who have a full year of earnings in the previous year and whose reported salary did not exceed the threshold.

MN statute requires PERA to evaluate annual earnings. It does not include a provision for prorating.

When a partial year of earnings exists due to mid-year enrollment, and the threshold is not met in that year— the threshold determination depends on the earnings in the subsequent full year.

Example:
2016 earnings are $3000, and 2017 earnings were $15,000

The employee's membership is not only valid moving forward, but is eligible back to the original 2016 enrollment date.

On the other hand:
Example:
2016 earnings are $2000, and 2017 earnings were $3,000

The employee is not eligible for either year and both 2016 and 2017 contributions must be refunded to the member and employer.

Calendar year scenarios
Bob: Enrolled January 15, exceeds threshold June 20

Bob's name will not appear on the threshold report because he has exceeded the threshold in the first year he was enrolled.

Jan: Enrolled July 15, 2015, did not exceed the threshold CY with $4500. Exceeds the treshold May 15, 2016.

Jan didn't exceed the threshold in 2015, PERA does not evaluate the earnings during a partial year. The following year, Jan exceeds the threshold by May 15th. Her membership is not only valid moving forward, but is eligible back to the original 2015 enrollment date.

What happens when Jan doesn't meet the threshold during her partial year, or the next year in 2017? Jan's name would appear on the threshold report, and her employer would confirm these contributions would need to be refunded back to Jan.

Fiscal year scenarios
Bob: Enrolled January 1, exceeds threshold May 15

Bob's membership is valid and will continue until he is terminated.

What if Bob hadn't met the threshold during his first year? 2015 was a partial year, so PERA is going to look at his earnings in 2016, and he exceeds the threshold on May 15. Bob's membership is valid, and his service credits will reflect the original enrollment date of Jan 1.

Annual Salary Threshold, pt. 2

Watch the recorded webinar

Stan: Enrolled October 1. Did not exceed the threshold FY16 and FY17.

Stan's name would show up on the threshold report, and his contribution refund would be up for review by his employer.

The annual threshold report will list individuals similar to our last scenario. According to PERA records, these individuals did not meet the threshold in either year. We're asking you to review the information and confirm that the threshold wasn't met, and to authorize the refund.

Occasionally, there are instances where PERA's records may be incomplete, and a refund is not appropriate.

Terminations

PERA requires a full year of either calendar or fiscal year earnings to determine that an employee has not met the annual threshold. When an employee is hired to a position stipulated to exceed the threshold but terminates before a full year of earnings are reported, the enrollment is presumed valid.

When a termination occurs, the employee's threshold status changes from Pending to Closed. They will no longer appear on your Threshold Monitoring list and they will not be included on that year's threshold report.

If your Annual Threshold report does include a person who terminated during the year under review, this means that the termination was not reported to PERA by the time the report was created. You'll want to immediately update the employee's PERA record with the term date. If they were terminated in the current year, report the termination, and make your threshold determination based on the earnings shown on the report.

Example: FT employee hired to work 40 hrs/wk @ $15/hr.

I enroll him into PERA, and he terminates employment after 1 week. In that week, he made $600 in earnings that are PERA eligible, so you'll have to report those earnings in your SDR.

This is in line and remains consistent with the policy that was in place under the previous $425 monthly eligibility threshold. If the employee wants that money back, he can apply for a refund of his member contributions by contacting PERA's Member Services.

When a provisionally enrolled employee terminates without exceeding the threshold, and before PERA has received a full year of earnings— Employers may request a refund of employer & employee contributions by providing a copy of the Provisional Enrollment, and other relevant information. In the absence of a substantiated request, the contributions & service credits stand.

Delayed Enrollments

Scenario 1: In lieu of provisional enrollment, you choose to exclude Bill, and monitor his earnings. After several months, it appears that he will exceed the threshold, you enroll Bill immediately before he exceeds the threshold.

Scenario 2: As a new hire, Cindy is excluded from PERA because she holds a temporary position expected to last less than 6 months.

At the 6 month mark, the position is extended indefinitely. Since she's already earned $7,000, you enroll her into PERA immediately.

Missing piece of the puzzle

If Bill or Cindy appear on your Threshold Report, the earnings reported to PERA will not meet the threshold in the years under review. In these cases, PERA's salary records are incomplete, and a refund may not be appropriate. The report asks for **your review and authorization**. If the employee had earnings that are not reflected on the report, and your records show that their salary exceeded the threshold, select NO and provide information about the missing earnings.

Annual Salary Threshold, pt. 2

Watch the recorded webinar

ERIS Threshold Report Walkthrough

Calendar Year Example

David Bowie— is not enrolled at hire in January and his earnings will be monitored. He worked a special project and earned $3000 in 3 months. You enroll him April and PERA begins to track his salary.

PERA shows his 2015 earnings as $3011 and 2016 as $3337, but you know that his total 2015 salary was $6011. Click "No" because his membership should be valid.

Cindy Brady— Hired as an on call in April and enrolled provisionally because we couldn't make an accurate prediction. Due to her mid-year enrollment, 2015 is a partial year. PERA continued to monitor her earnings for the full year of 2016.

The earnings listed on the report are correct. Select "yes" because her membership is invalid and PERA will refund both employer and employee contributions.

Fiscal Year Example

Joey Bowie— Enrolled 9/14 at the time of hire because her earnings were expected to be $4590 per year. She terminates employment in February and the status change does not get reported to PERA.

PERA does not have a full year of earnings to evaluate so her enrollment is presumed valid. Since she wasn't provisionally enrolled, we can't request a refund of employer and employee contributions. Respond NO on the report.

Once this report is done, report the termination to PERA.

Jon Snow— Mr. Snow was projected to have an annual salary of $4500. Due to his 1/1/15 enrollment, 2015 was a partial year. PERA continued to monitor his earnings for FY2016.

The 2015 and 2016 listed on the report are correct. Although his earnings were lower than expected, we predict he'll meet the threshold for FY2017. I select "Yes" because his FY 2015 & 2016 membership is invalid and PERA will refund both employer and employee contributions.

The report asks about prior years, but what about the current year?

If you believe there is no chance an employee on your report will qualify in the current year,

1. Complete the report to approve a refund of prior year's earnings
2. Stop withholding contributions
3. Email PERA at eligibility@mnpera.org to:
   - Tell us the paid date of the final contribution
   - Request a manual refund of the current year

Refund Details

Employers will receive a credit memo via email and employees will receive a check mailed to the home address on file.

PERA will issue a 1099R to each employee who receives a refund. For refunds issued in 2017, the 1099R will be mailed in January 2018. It's taxable income, PERA withholds 10% in federal taxes, and not considered an early withdrawal because it's a refund of ineligible contributions.

What happens when an employee is excluded, then their earnings exceed the threshold?

There are times when an employee excluded due to salary— exceeds the threshold.

1. Enroll the employee to PERA immediately-- and

2. Provide a record of the employee's earnings for the year the earnings exceeded the threshold.

PERA will then review those earnings, and bill omitted deductions. In this situation, state statute requires PERA to establish eligibility retroactively to the first month that $425 was reached. Limited exceptions may apply.