

Employer Training

MISCELLANEOUS PAYMENTS

INTRODUCTION

Employers have a number of factors to consider in determining compensation for employees. Colorado PERA Law and Rules govern what should or should not be reported to PERA as salary.

The following miscellaneous payments are PERA-includable salary:

CONTRACT PAYOUTS

Salary attributable to a time period after contracted services have been completed (common for school employees).

NATIONAL BOARD STIPENDS

Stipends offered to qualifying National Board for Professional Teaching Standards (NBPTS)-certified teachers.

The following miscellaneous payments may or may not be PERA-includable salary based on certain requirements:

LONGEVITY PAY PLANS

Contractual incentive pay to employees based solely on seniority.

VISAS

Payments to employees in the United States holding a visa.

STUDENT EMPLOYEES

Payments to school district or post-secondary student employees.

The following miscellaneous payments are not PERA-includable salary:

OVERPAYMENTS

Payments erroneously given to employees above the employees standard rate of pay.

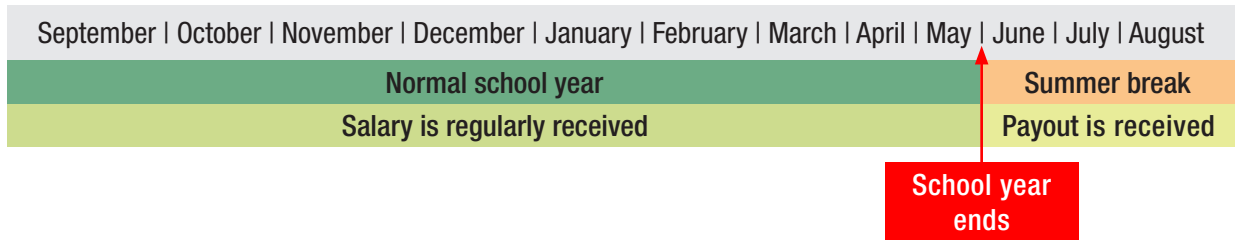
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CONTRACT PAYOUTS

School employees who work an academic year contract typically receive contract payouts in the amount of their regular salary for the summer months after the school year is over and they are no longer providing services for their employer. These payouts are PERA-includable salary.



- » Teachers provide their contracted services to the school district for the duration of an academic year and do not perform any work during the summer months.
- » In order to provide more regular income, teachers are typically paid year-round even though they are not performing work year-round.
- » A contract payout is the period of time during the summer months when a teacher receives their regular salary in compensation for work that was already performed.

Examples

Scenario 1: Every year, a school district pays their teachers over a contract period that runs from August 1 to July 31 the following year. The school year ends on May 30, but teachers continue to receive paychecks through the end of the contract year on July 31.

Explanation: The teachers do not perform any work between May 30 and July 31, but their continued salary is received pursuant to their employment contract and is considered payment for services already rendered.

PERA-includable salary

Scenario 2: In 2018, the same school district decides to change their contract period to start one month earlier. The new contract period will be from July 1 to June 30 every year. Teachers in the district will receive two months of pay during the transition month of July 2018.

Explanation: In July 2018, the teachers will receive two separate paychecks for two separate contract year periods of service: one for the last month of the 2017–2018 contract year and one for the first month of the 2018–2019 contract year. Both payments are made pursuant to an employment contract for services rendered.

PERA-includable salary

Scenario 3: A school district terminates an employee before completion of his/her contract and decides to pay the employee the remainder of the contract instead of just the portion earned through their termination.

Explanation: The payment of the remainder of the contract over and above what was earned through termination by the school district is a courtesy and is not payment for services rendered by the employee.

Not PERA-includable salary



NATIONAL BOARD STIPEND

The Colorado Department of Education (CDE) offers a stipend to all qualifying NBPTS-certified teachers employed by school districts, Boards of Cooperative Educational Services (BOCES), or charter schools. CDE distributes funds to the school districts who will provide the funds to the qualifying teacher via their payroll system. These funds are PERA-includable salary.



For more information on the National Board Stipend, visit www.cde.state.co.us/cdeprof/nbct.



LONGEVITY PAY PLANS

To be considered PERA-includable salary, a longevity pay plan must be based on a specific number of years of employment and cannot be combined with any requirement for reaching a certain age or retirement eligibility to qualify.

Examples

Scenario 1: A school district has a longevity pay plan as an incentive for teachers to remain employed with the district. After completing five years of continuous service with the district, teachers are paid an annual incentive payment every June based on the following schedule:

5–10 years of service: \$500
10–15 years of service: \$1,000
15+ years of service: \$1,500

Explanation: Eligibility for the plan is based upon a specific number of years of employment with the district, and there is not a minimum age requirement necessary to be eligible.

PERA-includable salary

Scenario 2: A local government agency has a longevity pay plan as an incentive for employees to retire. Employees who are eligible to retire under PERA and officially retire from the agency on or before the end of the current fiscal year receive a one-time, lump-sum payment according to the following schedule:

5–10 years of service: \$5,000
10–15 years of service: \$7,500
15+ years of service: \$10,000

Explanation: Even though the longevity amount awarded in this plan is based upon years of service, it is not considered PERA-includable salary because it also contains a provision that requires individuals to be retirement eligible to qualify.

Not PERA-includable salary



VISAS

Employees with the following types of visas are generally exempt from Social Security and Medicare contributions, and do not participate in PERA, therefore their salary is not PERA-includable:

- » F-1: Foreign academic student
- » M-1: Foreign vocational student
- » J-1: Exchange visitor

Other types of visas not listed above could also be exempt. Contact PERA with questions.



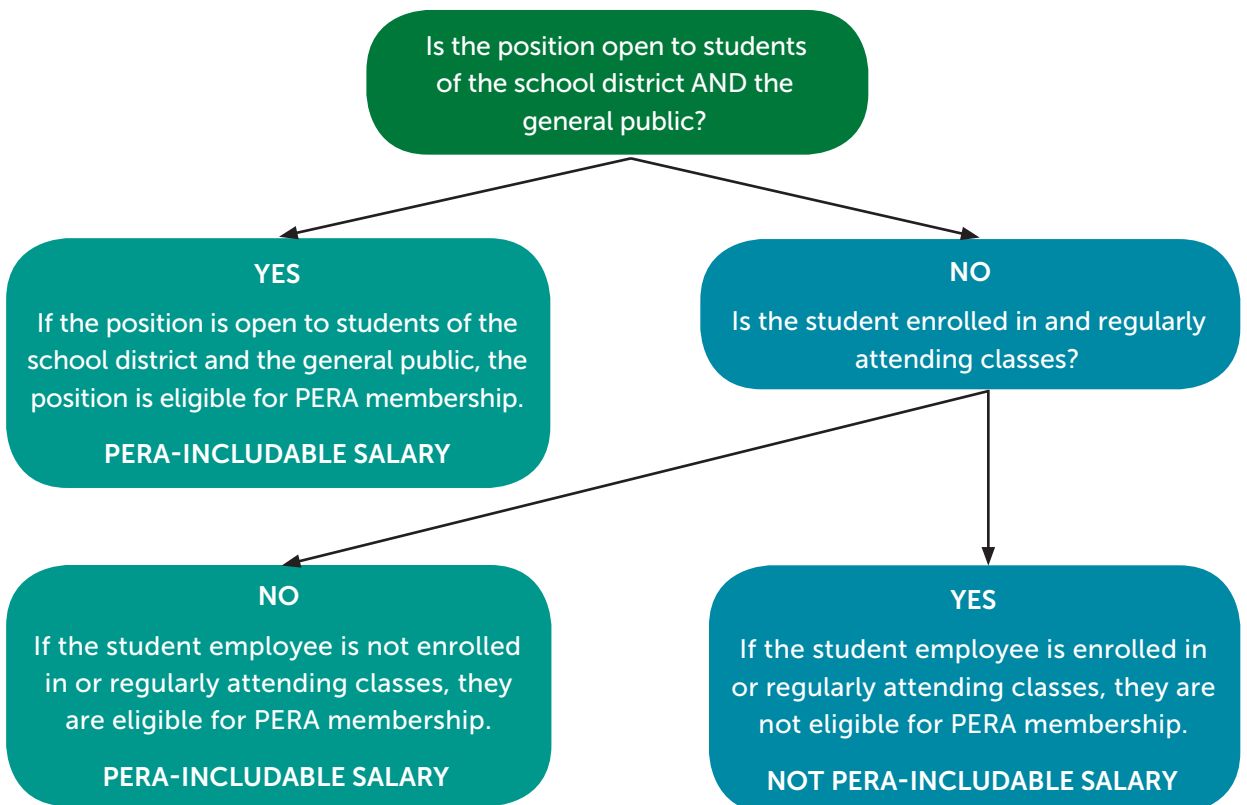
There are two- and five-year automatic exemption periods for the visa holders listed above. It is important to periodically check the status of any visa to see if the exemption or residency status has changed, which may allow the individual to participate in PERA.



STUDENT EMPLOYEES

School District Student Employees

Students who are enrolled in and regularly attending classes in a school district that is employing them are not eligible to participate in PERA if employment is predicated on their student status.



Example

Scenario: A school district is hiring a part-time office employee during the school year. The position is only open to high school students in the district to learn about general business concepts. Several students apply and one is hired for the duration of the school year.

Explanation: Since employment in this position is predicated upon student status and the employee hired is enrolled in and regularly attending classes, the employee is not eligible to participate in PERA.

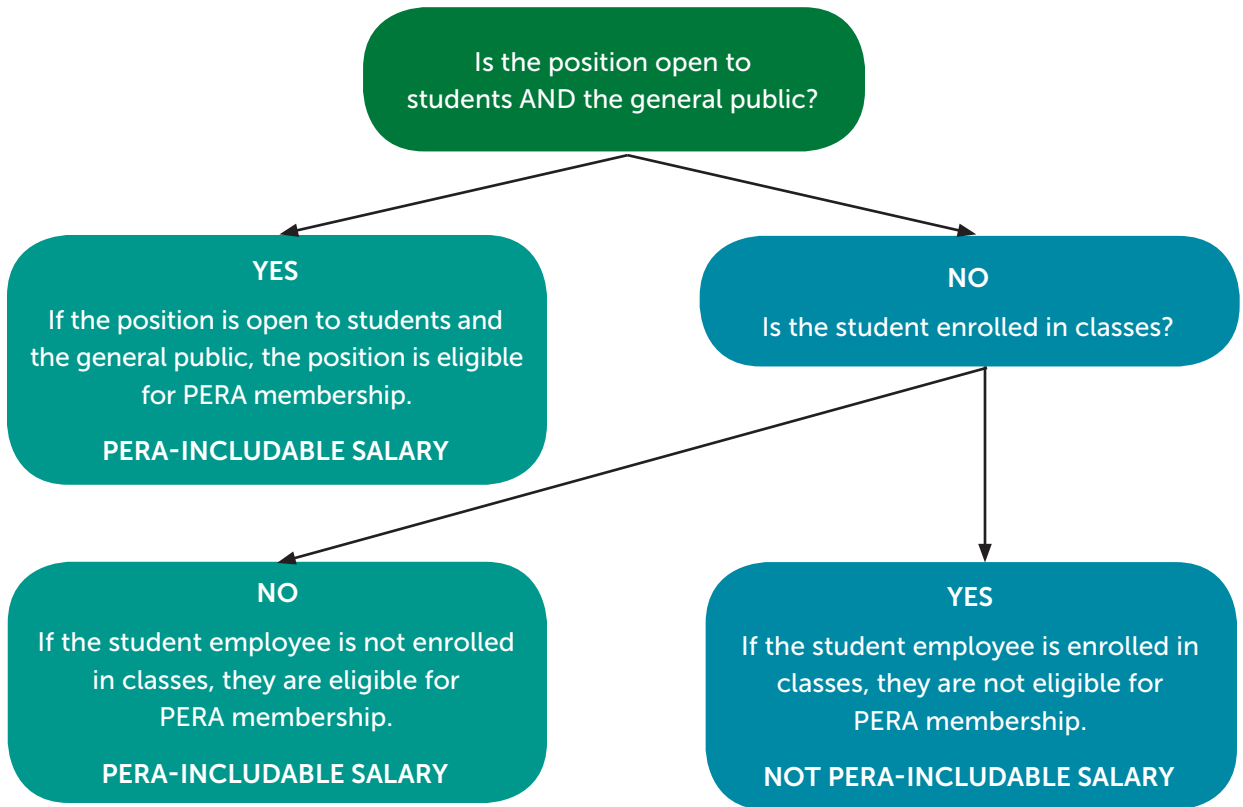
Not PERA-includable salary



STUDENT EMPLOYEES

Post-Secondary Student Employees

Student employees employed by, and enrolled in, an undergraduate or graduate program at a state college or university or a public employer affiliated with a state college or university, when such employment is predicated on student status, are not eligible to participate in PERA.



Example

Scenario: The admissions office at a local community college is hiring a temporary employee to help mitigate the increased call volume during the summer months. The position is only open to students enrolled in classes at the community college. A student who is enrolled in classes for the upcoming fall semester is hired for the position.

Explanation: Employment in the position is predicated upon student status and the student hired is currently enrolled at the college. Because this position is for post-secondary students, the student must only be enrolled (not necessarily attending classes) to be ineligible for PERA. Therefore, the student is not eligible to participate in PERA.

Not PERA-includable salary



OVERPAYMENTS

If an employer overpays an employee in error and it has been reported to PERA as a regular payment, the employer must contact PERA as soon as possible to process a credit for the amount of the overpayment.

The amount the employer deducts internally from subsequent paychecks to recover the overpayment should not reduce the amount of PERA-includable salary reported or the amount of the employee's member contributions in the months the employer is making deductions to recover the overpayment.

Example

Scenario: An employee has a base rate of PERA-includable salary of \$3,000 per month. This employee is erroneously overpaid \$1,800 in October 2016 for a total of \$4,800 in that pay period. Upon discovering the overpayment, the employer allows the employee to have the total overpayment amount paid back over the next 12 months at a rate of \$150 per month.

Explanation: Because the overpayment was made in error and is not for services rendered, the employer should credit back the entire overpayment by the end of the next payroll period (November 2016). The employer should continue to report the employee's entire salary of \$3,000 per month during the overpayment recovery period. Contributions are due for an employee's total compensation when services are rendered. The internal deduction of \$150 per month by the employer should not reduce the amount of PERA-includable salary reported to PERA each month. See the chart below.

Not PERA-includable salary

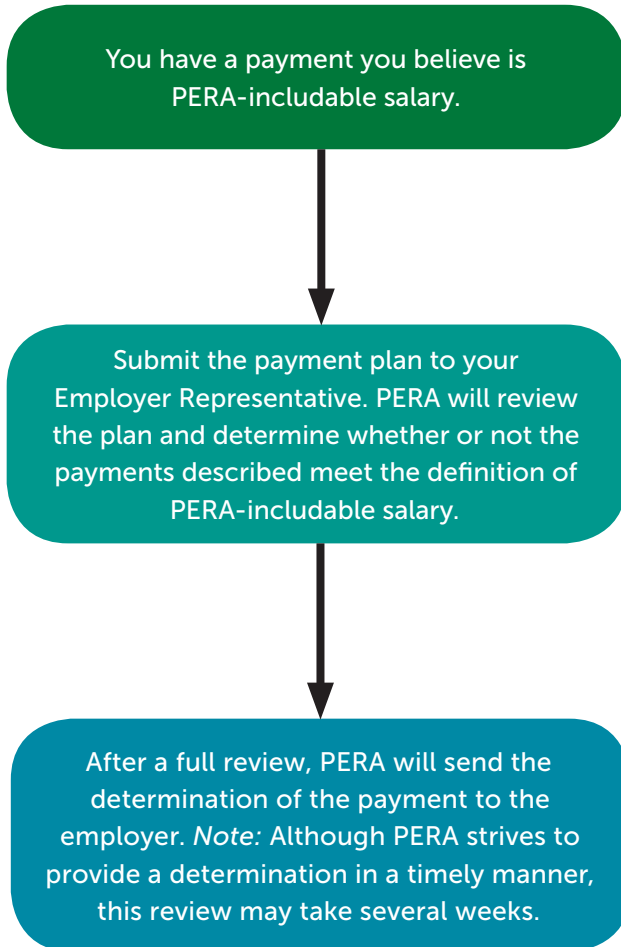
	Payroll Period	Employer Payroll	Salary Reported to PERA	Member Contributions
	09/2016	\$3,000	\$3,000	\$240
Overpayment	10/2016	\$4,800	\$4,800	\$384
	10/2016		(\$1,800)	(\$144)
Reduced pay for overpayment to be paid back by employee	11/2016	\$2,850	\$3,000	\$240
	12/2016	\$2,850	\$3,000	\$240
	01/2017	\$2,850	\$3,000	\$240
	02/2017	\$2,850	\$3,000	\$240

Salary reported to reflect contributions.

The employer must take a credit for the amount of overpayment so the salary reported to PERA accurately reflects earned salary.

SUBMITTING A PAYMENT PLAN FOR REVIEW

If you determine that you have a payment that may meet the definition of PERA-includable salary, you must submit the relevant documentation to PERA for review. Requests for review should be submitted well in advance of the anticipated pay date. Contact your Employer Representative to help you initiate this process as explained below:



INCORRECTLY REPORTING SALARY AS INCLUDABLE

If you report a payment as PERA-includable salary and it is later determined the payment did not meet the definition of PERA-includable salary, you will be required to make corrections to member records. This may include crediting the non-includable salary and contribution amounts out of member accounts and returning the withheld contributions to employees and former employees—including PERA retirees. You may also be required by the IRS to correct tax records such as W-2s for the year(s) in question.

FOR MORE INFORMATION

- » Call PERA's Employer Relations team at 1-800-759-7372 ext. 3724.
- » Email the Employer Relations team at ercontributions@copera.org.
- » Visit the "Employer" page on PERA's website at www.copera.org.
- » Visit PERA's main office at 1301 Pennsylvania Street in Denver.