


**This publication does not reflect changes passed in Senate Bill 18-200 (SB 200). Please visit the "Legislation" page on [www.copera.org](http://www.copera.org) for a comprehensive summary of the bill.**

# PERA EMPLOYER RETIREMENT PROCESS AND WORKING AFTER RETIREMENT

September 2016



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Look for this symbol to learn helpful hints and best practices identified by PERA's Employer Relations Team.

For questions about working after retirement or working after retirement training, please contact the Employer Relations Team at 1-800-759-7372 ext. 3724, 303-863-3724, or [employerrelations@copera.org](mailto:employerrelations@copera.org).

# INTRODUCTION

This training guide will help you understand and navigate through the retirement process and the (re)hiring of a Colorado PERA retiree.

Understanding how the retiree, the employer, and PERA interact will help to ensure the retirement process is completed successfully and the retiree is following the working after retirement rules and regulations.

## KEY TERMS AND CONCEPTS

- » **Termination of employment:** This is a critical component of retirement. There must be a bona fide separation of service that is a distributable event required by Title 26, 401(a) of the Internal Revenue Code (IRC), PERA plan documents, and the state law governing PERA. The member must terminate service from all PERA employers. This termination must be an actual severance of the employer/employee relationship and the termination date is considered legally binding.
  - Failure to completely sever the employer/employee relationship will cause an individual to be ineligible for retirement. All benefits paid to an individual who was ineligible for retirement must be paid back to PERA promptly upon discovery.
- » **Working after retirement:** A retiree is considered to be working after retirement if he/she receives a PERA benefit and receives compensation from a PERA employer for work performed after the effective date of retirement.
- » **Effective date of retirement:** The date when the retirement officially takes place. It is generally the first day of the month following the last day physically on the job or last day of sick or injury leave actually used.
- » **Retirement cut-off date:** The PERA deadline for receiving required documents to process new retirements with payments beginning at the end of the month. The cut-off date is always the 15th of the month (or the following first business day).
  - Retirements that are incomplete as of the cut-off date may not be paid until the end of the following month. For these retirees, the first payment will then be equal to two benefit payments.
- » **First benefit check:** If all necessary documentation received by the retirement cut-off date was completed properly, the first benefit payment will be issued on the last business day of the month.

# RETIREMENT PROCESS

## RESPONSIBILITIES

### Employee

- » Initiates retirement process.
- » Notifies employer's human resources and payroll teams of effective date of retirement.
- » Sends completed forms included in the *Retirement Kit* to PERA by the retirement cut-off date.
- » Provides *Final Six Months' Salary Report* to employer.

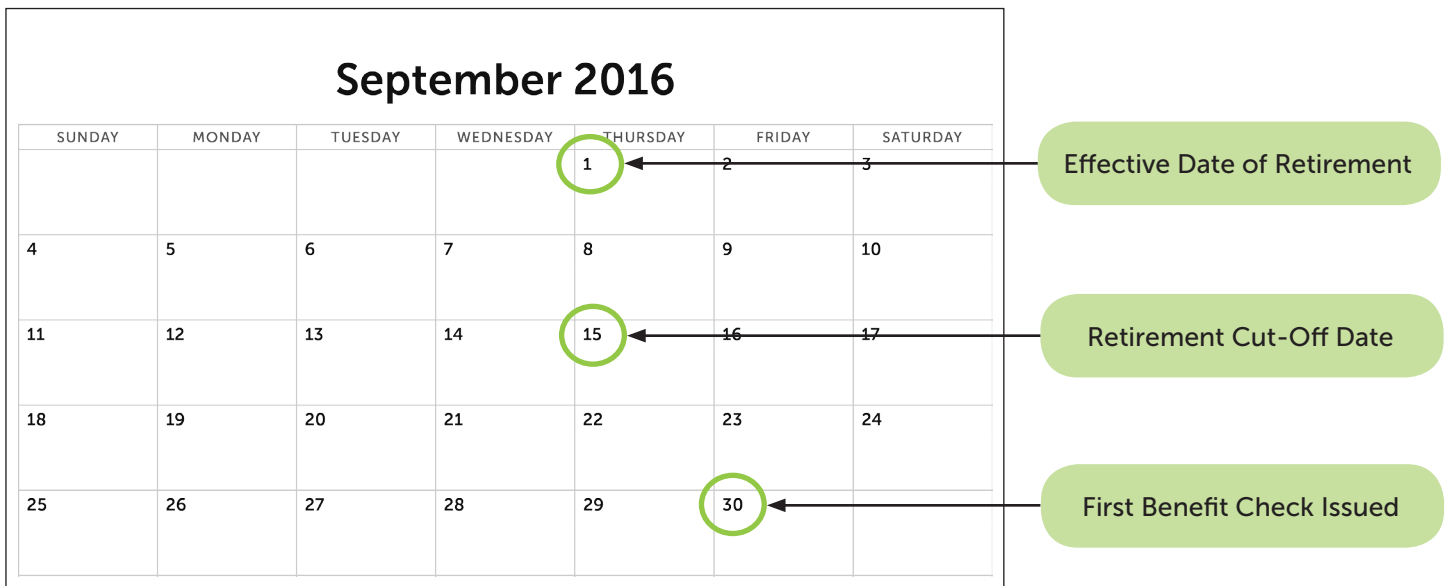
### Employer

- » Completes *Final Six Months' Salary Report* and submits it to PERA by the retirement cut-off date.
  - Termination of employment must be certified in writing and signed by the employer in order for monthly benefit payments to commence.
  - Submit as soon as you are able to accurately certify salary. Do not include estimates.
  - The termination date shows verification of separation of service and is considered legally binding.

### PERA

- » Confirms correct forms have been received.
- » Notifies employee and employer of discrepancies or if additional information is needed.
- » Calculates retirement benefit based on submitted paperwork.
- » Sends employee *Retirement Acknowledgment Letter* and *Benefits Summary*.
- » Emails employer *Retirement Notification* after retirement closing dates.\*
  - This *Notification* shows the effective retirement dates and retirements that will be arranged that month.
- » Emails a *Final Six Months' Salary Notification* on the first of every month.\*
- » Emails alerts to employers concerning retirees who have applied for retirement and need a *Final Six Months' Salary Report* for current month and earlier.\*

\* These emails are sent to designated employer contacts. Please contact your Employer Representative if an employee needs to be added.



PERA must receive the retiree's *Final Six Months' Salary Report* by the 15th of the month.

## COMPLETING THE FINAL SIX MONTHS' SALARY REPORT USING STARS

After logging into PERA's Secure Transfer And Reporting System (STARS), choose "Final Six Months' Salary" from the "Forms" drop-down menu.

You should complete the following sections of the Report:

### Member

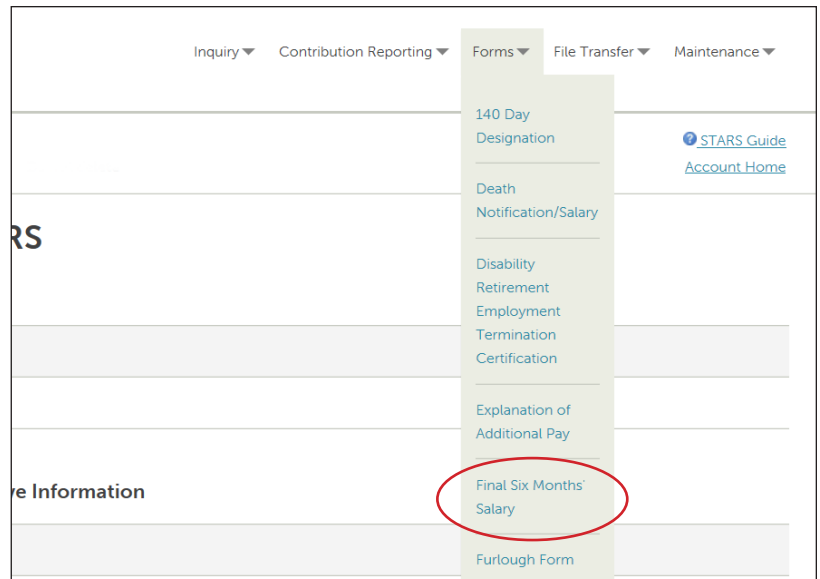
- » Fill in the employee's Social Security number (SSN), name, and job title in the appropriate spaces provided.
- » Choose "Regular" from the "Category" drop-down menu.

### Member Employment

- » **Termination Date:** The date when the employee/employer relationship ended. It will often be the same as "Last Day Physically on the Job," but could be later in the case of a contracted employee (such as a teacher).
- » **Last Day Physically on the Job:** The last day the employee performed services for the employer. Used to determine the effective date of retirement.
- » **Paid-Through Date:** The pay period end date of the last payroll period in which the employee will receive pay. This day is often after the last day on the job.
- » **Last Day of Sick or Injury Leave Actually Used:** Must be left blank unless the employee uses a sick or injury leave after the last day on the job, which is common when a member becomes disabled or otherwise uses large amounts of sick or injury leave.
- » **Final Six Months of Salary:** All of the salary and contribution amounts listed here must *only* be PERA-includable salary and must match exactly what will be reported on the Contribution Report.

A common mistake is to neglect to account for Section 125 deductions or other amounts that reduce PERA-includable salary, causing more salary to be listed on the *Final Six Months' Salary Report* than is reported. Salaries must be accurately certified. **Do not use estimates.**

Months and years listed on the *Final Six Months' Salary Report* must correspond with the pay period end dates (not the actual pay date).



This image shows the 'Final Six Months' Salary Report' form. The form includes fields for 'Member' information (SSN, Name, Job Title, Category), 'Member Employment' information (Termination Date, Last Date Physically on the Job, Paid-Through Date, Last Date of Sick or Injury Leave Actually Used), and a table for 'Final Six Months of Salary'. The table has columns for 'Date' and 'Base Pay'. A blue callout box with a lightbulb icon contains the text: 'Helpful Hint: When listing the final six months of salary, start with the final month the member will be paid at the bottom then complete the previous five months.' A red arrow points from this callout to the bottom row of the table, which is circled in red.



## Extra Pay Breakdown

Include any amounts above the member's base rate of pay in this section.

### » Number of Hours/Days of Payoff of Unused Vacation, Annual, or Personal Leave:

- First box: Indicate the quantity of days or hours.
- Second box: Indicate the rate of pay.
- Third box: Indicate whether the rate is paid by the hour, day, or month.

### » Sick Leave Used: List total hours used.

### » Bi-weekly Pay: Indicate whether or not the employee is paid bi-weekly.

- If you pay an employee bi-weekly, list the last three months in which there were three **pay period end dates** in the "Three-pay Month(s)" boxes. Do not list the actual pay dates.

### » Other Amounts: The following extra pay situations can be included in this category and clarified in the "Other Amount Comments" box:

- Extra duty pay (cannot be considered a stipend).
- Overtime or shift differential.
- Merit or performance payment.
- Annual, personal, or vacation leave time dollar amount.

## Employer

- » Add any necessary information in the "Comments" box and include your phone number.
- » When the form is completed, click the "Submit" button. The *Final Six Months' Salary Report* will be added to the member's account.
- » If there are any changes after submission, complete a new *Final Six Months' Salary Report* and indicate that it is "Revised" in the "Comments" section. If multiple changes are anticipated, please wait until all revisions are done to submit the revised *Report* to avoid multiple adjustments to the benefit.

After submission, choose "Recently Submitted Documents" under the "Inquiry" drop-down menu to confirm the form has been received by PERA.

**Extra Pay Breakdown**

If the final months of salary include any Extra Pay, please itemize the Extra Pay

Number of Hours/Days of Payoff of Unused Vacation, Annual or Personal Leave  
[ ] at [ ] per [ ] (hour, day, month)

Sick Leave Used  
[ ]

Bi-weekly Pay  
[No] [v]

Three-pay Month(s) (mm/yyyy)  
[ ] [ ] [ ]

Other Amount  
[ ]

Other Amount Comments  
[ ]

Employer

Comments  
[ ]

Phone Number \*  
[ ]

**SUBMIT** PREVIEW



Be sure to click "Submit" when the form is completed. Clicking "Preview" will NOT submit the form.

**COLORADO PERA**

Inquiry Contribution Reporting

GASB - Employer Support

Meeting Request

Member Contributions

PERACare Register

**Recently Submitted Documents**

SSN Verification

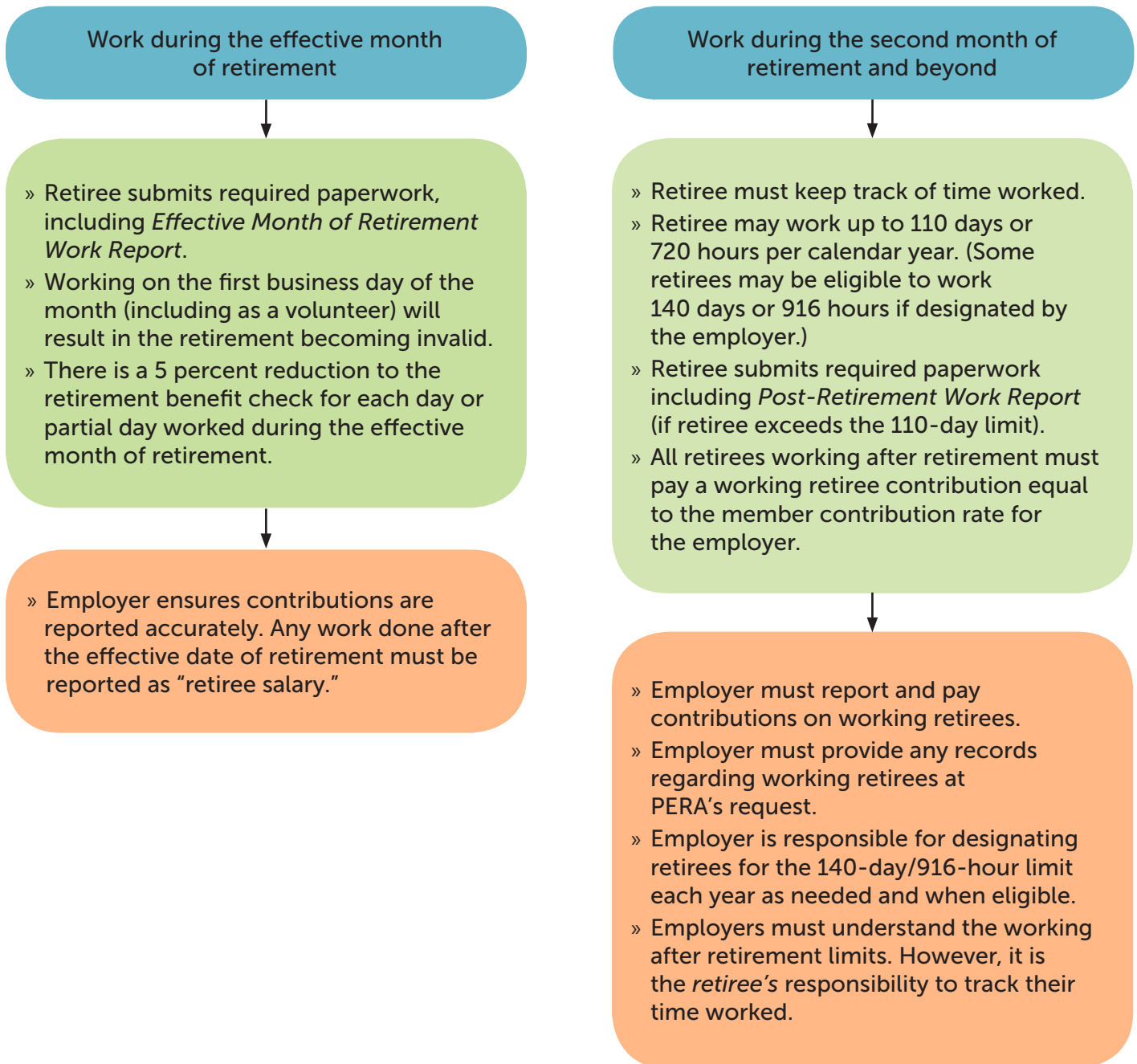
# WORKING AFTER RETIREMENT

## (RE)HIRING A PERA RETIREE

Confirm if the potential employee is a PERA retiree by using SSN verification. See page 5.

### EMPLOYER AND RETIREE RESPONSIBILITIES

PERA will provide the tools and resources to assist both retirees and employers with the working after retirement process. Direct retirees to the *Working After Retirement* booklet for more information, including required forms.



If a PERA member is a contract employee receiving a contract payout, all work performed after the termination date is considered post-retirement work. During a contract payout period, Contribution Reports may reflect both "active" and "retiree" salaries. When running "SSN Verification," the employee will continue to appear as a "member" until their retirement has been processed.

## SSN VERIFICATION PROCESS

To submit SSNs to STARS, use a document in the .txt format. (Notepad is commonly used.)

Once you have saved your .txt file with the list of SSNs you want to verify, log into STARS and choose "SSN Verification" from the "Inquiry" drop-down menu.

The screenshot shows the STARS login interface. At the top left is the Colorado PERA logo. Below it are fields for 'User Name:' and 'Business Name:'. A 'Welcome To STARS' message is displayed. To the right, a navigation menu is open under the 'Inquiry' dropdown, listing options like 'GASB - Employer Support', 'Meeting Request', 'Member Contributions', 'PERACare Register', 'Recently Submitted Documents', and 'SSN Verification', which is circled in red.

On the "SSN Verification File Upload" page, click "Browse" to find the file you wish to upload. Choose if you would like to view the report in Excel or as a PDF then click "Upload."

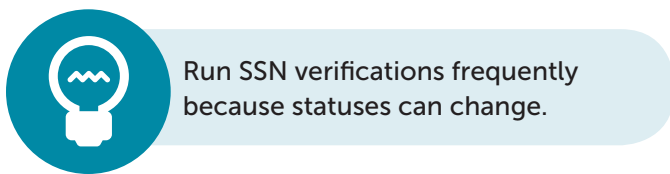
Click "OK" to verify you have read the Directions and Disclaimer and to submit the file.

The screenshot shows the 'SSN Verification File Upload' page. It includes a header with the PERA logo and navigation links. Below the header are fields for 'User Name:' and 'Business Name:'. The main heading is 'SSN Verification File Upload'. A note states: 'File upload allows you to upload a file to Colorado PERA. First, browse for the file you wish to upload. Then, click the Upload button. Note: The uploaded file cannot exceed 4 MB in size.' There is a text input field for 'Uploaded File Name' with a 'Browse...' button circled in red. Below that, 'Generated Report Type' has radio buttons for 'PDF' (selected) and 'Excel'. At the bottom left, an 'UPLOAD' button is circled in red.

In the "Result" column, you may see the following:

- » Unknown—Employee is a new member.
- » Member—Employee is a past or present PERA member.
- » Retiree—Employee is a PERA retiree.
- » Suspended Retiree—Employee is a retiree who chose to suspend their monthly benefit to return to work for a PERA employer.
- » Refunded Member—Employee is a former PERA member who refunded their previous account. This is also considered a new member.

SSN	Result	Last Deposit Mo/Yr
6043	Member	01/2016
1272	Member	01/2016
8367	Member	01/2016
2482	Retiree - 5/2009	
1840	Member	01/2016
2856	Member	03/2013
7172	Member	01/2016
2795	Retiree - 5/2015	
0574	Member	01/2016
6379	Member	01/2016
9117	Refunded Member	03/2008
9419	Member	01/2016
7681	Member	02/2012
0626	Member	01/2016
9544	Member	01/2016
9990	Member	01/2016
7763	Member	01/2016
6634	Member	01/2016
8785	Member	01/2016
2232	Retiree - 6/2015	
9637	Member	01/2016
4105	Member	01/2016
0904	Member	01/2016
0181	Member	01/2016
2624	Member	01/2016
7552	Member	07/2010



## EFFECTIVE MONTH OF RETIREMENT

### Working During the Effective Month of Retirement

- » Working on the first business day of the effective month of retirement will result in the retirement becoming invalid.
- » One month's benefit will be reduced by 5 percent for each day or partial day worked during the effective month of retirement. See the example below.
  - The benefit reduction will occur within one or two months of receipt of employer contributions. If the amount due exceeds the benefit amount, the reduction will continue on future months' benefits until the total penalty is collected.
  - The retiree must submit a *Report of Work During the Effective Month of Retirement* by the 10th day of the following month.

#### ▶ Example:

A retirement is effective July 1 and the retiree works four days in July.

One month's benefit will be reduced by 5 percent for each day worked for a total reduction of 20 percent.

If the retiree normally receives a \$1,000 per month benefit check, he/she would only receive \$800 for one future month's benefit:

$$5\% \times 4 \text{ days} = 20\% \text{ reduction}$$

$$\$1,000 - 20\% = \$800$$

### Volunteering During the Effective Month of Retirement

- » Volunteering on the first business day of the effective month of retirement will result in the retirement becoming invalid.
- » There is no benefit reduction for volunteering during the effective month of retirement, provided that:
  - The volunteering does not take place on the first business day of the effective month of retirement.
  - The volunteer work is not compensated at a later date.

## WORKING AFTER RETIREMENT LIMITS

- » A retiree may work for a PERA employer for up to 110 days or 720 hours per calendar year (unless designated as a 140-day/916-hour employee by the employer).
  - The employer and employee must complete the *Retiree Working for a PERA-Covered Employer* form.
  - If the retiree is performing services as a contractor using a tax identification number (TIN) other than their own SSN, the retiree must complete and submit a *Disclosure of Compensation* form to PERA and their employer.
  - If the limit is exceeded, the retiree must submit the *Post-Retirement Work Report* to PERA by March 31 of the following year.
- » Employers in the School Division, Denver Public Schools (DPS) Division, or at institutions of higher education can designate up to 10 retirees each calendar year who are allowed to work 140 days or 916 hours per calendar year.
  - The employer must complete and submit the *Designation of Retirees Working for a PERA-Covered Employer Under the 140-day/916-hour Limit* form by December 31 each year.

- ▶ Charter schools of a public school district, including DPS, must coordinate the designation of any retirees allowed to work under the 140-day/916-hour limit with the school district. Charter schools are not considered a separate employer for the purpose of designating 140-day/916-hour retirees.



## 110-Day/720-Hour or 140-Day/916-Hour Work Limit

All retirees performing services as an employee for a PERA employer are subject to the 110-day/720-hour or 140-day/916-hour limit UNLESS the retiree:

- » Is working as an independent contractor as defined by the IRS. (See Revenue Ruling 87-41 and IRS Publication 963.)
- » Is working as a Senior Judge.
- » Is serving as a state legislator in the Colorado General Assembly (does not include statewide elected officials).
- » Joined an Optional Retirement Plan (ORP), terminated PERA membership prior to June 3, 1994, and has been continuously employed at the same ORP position/employer since the election.
- » Is working for a company owned or operated by an affiliated party that is performing services for a PERA employer.
- » Is working in a position that has been temporarily vacated by an employee who has been called into active U.S. military duty.
- » Is providing a product and not a service to a PERA employer.

## 110-Day/720-Hour or 140-Day/916-Hour Calculations

The limit is NOT 110 days or 720 hours. It's a combination of both. It is NOT a choice by the retiree. All hours are eventually converted to days and totaled for comparison to the limit.

There are two different buckets into which the time the retiree worked will be placed: a "day" bucket and an "hour" bucket. See Example 1 below.

- » When a retiree works more than four hours in one day, one day goes in the "days" bucket (daily work).
- » When a retiree works four hours or less in one day, those hours go into the "hours" bucket (hourly work).
- » At the end of the calendar year, the "hours" bucket gets converted into days and added to the "days" bucket.
  - Hours are converted to days by totaling the hourly work and dividing by 6.5454. The resulting number is now days.
- » The converted hours are added to the "days" bucket, and if the total is over 110 days (or 140 days if applicable), then the retiree has exceeded the limit.

An understanding of these details can be very important for the retiree who comes back to work in a function that generally is not for a full day. See Examples 2 and 3 on page 8.

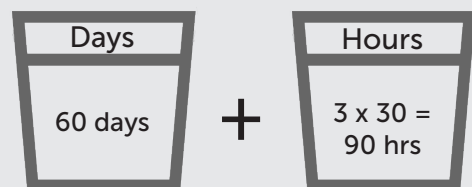
Understanding this calculation and keeping track of days worked is the retiree's responsibility.

- ▶ A retiree working for multiple PERA employers must be designated as a 140-day retiree by their employer(s) if he/she works over the 110-day limit. If he/she is designated by multiple employers, the designations are not cumulative. The retiree must adhere to the 140-day annual limit for total hours worked to avoid a penalty, even if designated by multiple employers.

Additionally, once the accumulative 110-day limit is reached, the retiree can only work penalty-free for 30 more days at the employer(s) where he/she was designated as a 140-day retiree. The 140-day designation applies only to the employer(s) who submitted the designation to PERA.

### ▶ Example 1:

- » Janet is a PERA retiree who worked 6 hours per day for 60 days in 2015; 60 days are added to the "days" bucket.
- » Janet also worked 3 hours per day for 30 days in 2015. Because she worked less than four hours a day, these hours go in the "hours" bucket.
- » Janet is under the 110-day/720-hour limit.  
 $60 \text{ days} + (90 \text{ hours} \div 6.5454) = 74 \text{ total days.}$



▶ **Example 2:**

- » Bob is a PERA retiree who works part-time as a bus driver for 4.25 hours per day, 160 days a year.
- » Bob has incorrectly been keeping track of his time as hours and believes he is under the limit since he calculated the hours and not the days worked ( $4.25 \times 160 = 680$  hours).
- » Since he works more than 4 hours per day, he should have been counting his time as full days, which means he is over the limit at 160 days worked.

▶ **Example 3:**

Mr. Mitchell is a teacher who retired in June 2015, then continued to work in the 2015–16 school year. In the spring of 2016, Mr. Mitchell works 93 days teaching between January 1 and May 6 and also coaches track. In the fall of 2016, he coaches football but does not teach. All of Mr. Mitchell's time worked in 2016 accrues toward the 110-day limit.

- » Mr. Mitchell works 93 days teaching during the spring of 2016.
- » Mr. Mitchell works an additional 13 days coaching track at Saturday meets that last longer than four hours during the spring of 2016. This brings him to a total of 106 full days in spring 2016.
- » Mr. Mitchell works 3 hours a day, four days a week, for 14 weeks coaching football in fall 2016 totaling 168 hours.
- » Mr. Mitchell's total time worked in 2016 is 106 days +  $(168 \text{ hours} \div 6.5454) = 132$  days.
- » Mr. Mitchell has exceeded the 110-day limit.

*Note:* In the example above, when Mr. Mitchell coaches practice after school, these hours are added to the hours he already worked during the teaching day and can turn a day that was less than 4 hours into a full day. In addition, coaching on weekends and during non-school days (including spring and summer breaks) are all counted in the 110-day calculation. In short, any days or hours when work is performed counts toward the limit.

## INDEPENDENT CONTRACTORS AND AFFILIATED PARTIES

Compensation paid to a PERA retiree who is an independent contractor or working for a company owned or operated by an affiliated party is subject to employer contributions, including Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED), and working retiree contributions.

- » It is the employer's responsibility to pay contributions, AED, and SAED within 30 days of receiving the form.
- » Working retiree contributions will be due and taken as a benefit reduction.

An independent contractor must be correctly classified as such by the employer, and must meet the IRS definition:

- » PERA cannot determine if a person is an independent contractor. This is strictly between the retiree and the employer.
- » It is the employer's responsibility to correctly classify a worker.
- » Misclassifying a worker as an independent contractor may have serious IRS and PERA consequences.

A retiree who is working as an independent contractor is not subject to the working after retirement limit.

A *Disclosure of Compensation* form is required under the following circumstances:

- » If, for tax purposes, the PERA employer reports compensation paid to a retiree or retiree's company under a TIN different from the retiree's SSN; OR
- » The retiree is performing services through an affiliated party.

**It is the retiree's responsibility to complete and submit the form under the conditions noted above.**

*Note:* If a PERA retiree performing services for a PERA employer does not disclose their compensation on a monthly basis, PERA Rule 11.12D allows that, in certain situations, the retiree may become responsible for paying the employer contributions on those wages.



For more information, you can view videos about working after retirement on the "Working After Retirement" page in the "Retirees" section of PERA's website at [www.copera.org](http://www.copera.org).

An affiliated party includes:

- » Any person or entity with whom the retiree has an agreement to share or profit from the performance of services for a PERA employer in addition to the retiree's regular salary or compensation.
- » A person who is the named beneficiary or cobeneficiary on the PERA account of the retiree.
- » Any person who is a relative of the retiree by marriage or civil union (includes spouse, spouse's parents, stepparents, stepchildren, stepsiblings, and spouse's siblings).
- » Any person who is a relative by blood or adoption (includes parents, siblings, half-siblings, children, and grandchildren).

▶ Contribution-eligible compensation for retirees differs from the definition of PERA-includable salary. These contributions are due on all compensation associated with the services provided by the retiree. When reporting contributions for retirees, you will need to include all compensation associated with the services provided and exclude any reimbursable expenses such as travel or materials.

## Independent Contractor Working After Retirement Responsibilities

### Retiree

- » Disclose retiree status to PERA employer.
- » Complete and submit *Retiree Working for a PERA Employer* form.\*
- » Negotiate contract and disclose expenses. (Employee contributions CANNOT be reported as an expense.)
- » Submit invoice to employer.

\* If performing services under a company name/TIN, the employee must also complete a *Disclosure of Compensation form*.

### Employer

- » Ask for the contractor's name and SSN (even if they are being paid under a TIN) and verify status using "SSN Verification" in STARS.
- » While negotiating the contract, obtain information about mileage, materials reimbursement, and other non-includable expenses.
- » Determine if contributions are due.
- » Submit *Retiree Working for a PERA Employer* form to PERA after receiving it from retiree and completing the second section.

- » Finalize payment structure PRIOR to reporting to PERA. Contributions cannot be paid as a deduction from the retiree's salary.
- » Complete page 2 of the *Disclosure of Compensation* form and submit to PERA. See "Independent Contractors and Affiliated Parties" for information on when this form is required.
- » Report independent contractors earnings by using one of the following:
  - "Contribution Reporting Maintenance" in STARS.
  - Excel.
  - Payroll software generated data. (This approach can be problematic because independent contractors are paid as "Accounts Payable" rather than "Payroll.")

▶ An employer who has knowledge of retiree status or has the retiree's SSN must report the salary to PERA and remit contributions.

## PERA

- » After receiving the completed Contribution Report from the employer, PERA begins the process to bill the contractor for the working retiree contributions. (Working retiree contributions will be withheld from the retiree's next monthly benefit.)
  - If a *Disclosure of Compensation* form has been submitted, PERA's Compliance Team will review the form and the retiree salary reported to ensure that all salary is reported and all employer contributions are paid.
- » PERA's Payroll Team will set up a deduction from the retiree's benefit to pay the 8 percent working retiree contribution based on the amount reported by the employer. The deduction may not take place until the month following the receipt of the salary report.
- » Once the review process is complete, PERA will send a letter to the retiree advising them of the upcoming benefit reduction.

## CONTRIBUTIONS EXAMPLES

The following examples can help you understand when contributions are due. Detailed answers are on page 12.

### Example 1:

- » ABC company hires a PERA retiree. ABC is not an affiliated party to the PERA retiree.
- » ABC receives a \$10,000 contract with Clear Creek School District, a PERA employer, to replace tile in all of the school locker rooms in the district.
- » ABC sends the PERA retiree to complete the work.
- » The work is completed in two weeks and ABC receives payment.

1. What amount, if any, must be reported to PERA?
2. What contributions are due, if any?
3. Is a *Disclosure of Compensation* form required?

### Example 2:

- » XYZ company is owned by a PERA retiree.
- » Swink School District, a PERA employer, hires XYZ to work on landscaping for the summer for a \$5,000 contract.
- » XYZ sends three employees, who are not PERA retirees, to complete the work.
- » XYZ claims \$1,000 in mileage and other expenses.

1. What amount, if any, must be reported to PERA?
2. What contributions are due, if any?
3. Is a *Disclosure of Compensation* form required?

### Example 3:

- » QRS company operates under a TIN that is not a SSN and is owned by the spouse of a PERA retiree.
- » QRS enters into an agreement with Westminster Public Schools, a PERA employer, to provide \$5,000 in consulting services.
- » A PERA retiree, and spouse of the owner, provides the consulting services.

1. What amount, if any, must be reported to PERA?
2. What contributions are due, if any?
3. Is a *Disclosure of Compensation* form required?

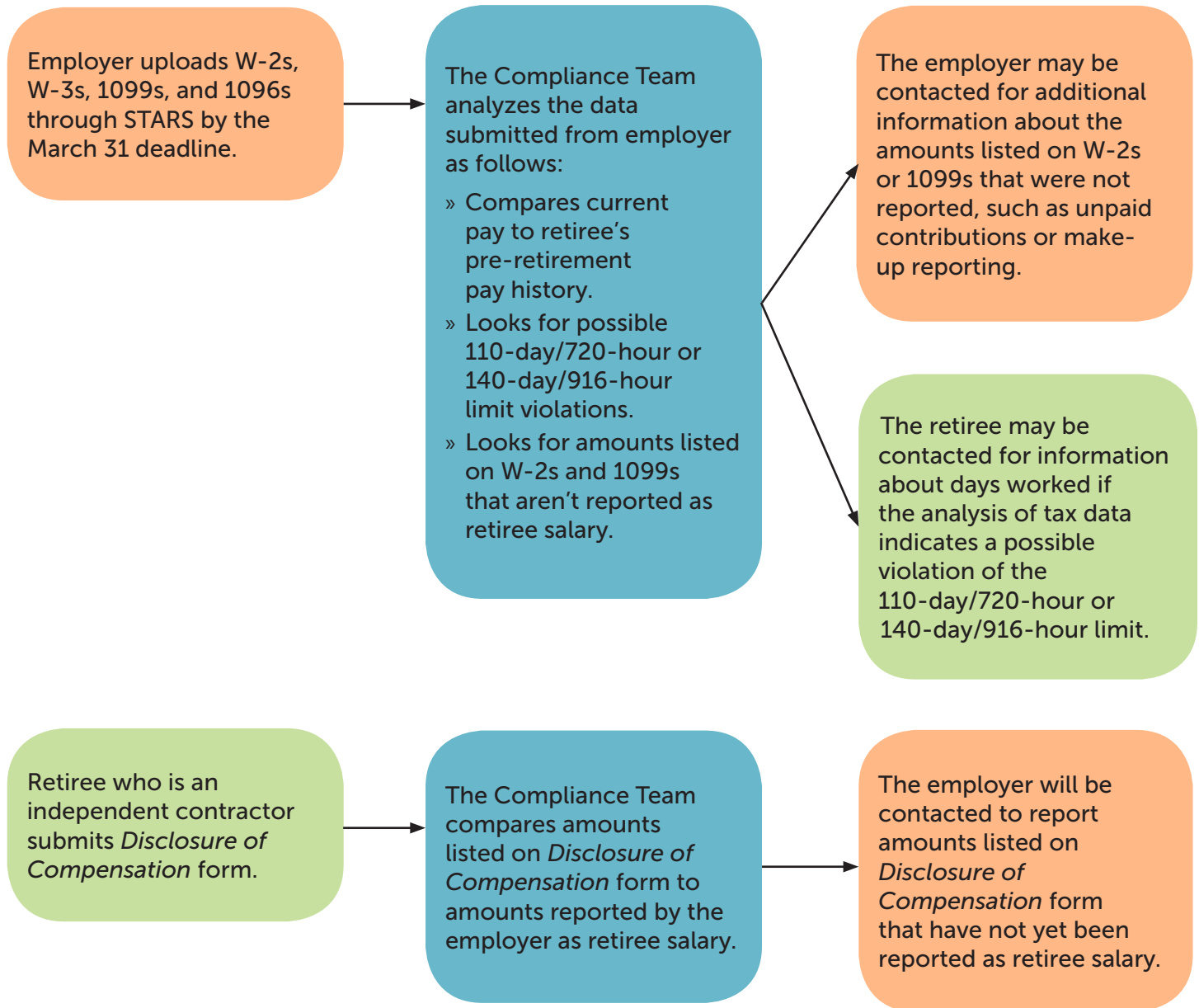
### Example 4:

- » LMNO Inc. is a consulting firm, which is owned and operated by a PERA retiree as a sole proprietorship. (For purposes of this example, it does not matter if the retiree is paid under his/her SSN or if they are organized under a more formal tax structure [such as an LLC or S Corp] and have an employer identification number [EIN].)
- » LMNO enters into an agreement with Cherry Creek Schools, a PERA employer, to provide \$3,000 in consulting services.
- » Over the course of the project, LMNO incurs \$500 in job-related expenses including mileage.
- » Cherry Creek Schools receives an invoice from LMNO for \$3,000 for services and includes \$500 of expenses incurred.

1. What amount, if any, must be reported to PERA?
2. What contributions are due, if any?
3. Is a *Disclosure of Compensation* form required?

## COMPLIANCE SAFEGUARDS

Regular analysis of data by PERA's Compliance Team protects the retiree, the employer, and PERA, by identifying potential inaccuracies before they become issues that might increase the employer's cost to fix them in the future. If the contributions due on a retiree's salary are not reported correctly, the following analysis of data will occur:



The Compliance Team also reviews the *Designation of Retirees Working for a PERA Employer Under the 140-Day/916-Hour Limit* forms. They will respond in writing (usually within three weeks) approving the designations or communicating any issues that may prevent PERA from approving them.



## ANSWER KEY FOR CONTRIBUTION EXAMPLES

### Example 1:

1. What amount, if any, must be reported to PERA?  
\$0
2. What contributions are due, if any?  
None. There is no affiliated party relationship between the retiree and the owner of the company that was contracted to provide the services. With that degree of separation, no contributions are due to PERA.
3. Is a *Disclosure of Compensation* form required?  
No.

### Example 2:

1. What amount, if any, must be reported to PERA?  
\$0
2. What contributions are due, if any?  
None. Even though the retiree owns the company, he/she did not perform the services for the PERA employer. The employees of the company did. Therefore, no contributions are due to PERA.
3. Is a *Disclosure of Compensation* form required?  
No.

### Example 3:

1. What amount, if any, must be reported to PERA?  
\$5,000
2. What contributions are due, if any?  
Employer and working retiree contributions are due on the \$5,000 reported. The employer should report the employer contributions on their next Contribution Report. PERA will then collect the working retiree contribution as a benefit reduction from one of the retiree's future benefit checks. Contributions are due because the retiree performed the services resulting in an affiliated party relationship between the retiree and the owner of the company. The retiree will be billed for any amount over their benefit amount.
3. Is a *Disclosure of Compensation* form required? Yes.  
The retiree who performed services must disclose the amount he/she earned on the *Disclosure of Compensation* form. If the retiree fails to do so, and if the PERA employer did not know that a PERA retiree was performing the services and did not have the PERA retiree's SSN, the retiree could become liable for the payment of the employer contributions as well as the working retiree contribution. This is because even after the employer exercised due diligence, the employer may have had no way of reasonably knowing that the individual rendering services was a PERA retiree.

### Example 4:

1. What amount, if any, must be reported to PERA?  
\$2,500—The \$3,000 paid to the retiree less the \$500 in expenses. Since expenses, such as mileage, are not considered PERA-includable salary, they should not be reported here either.
2. What contributions are due, if any?  
Employer and working retiree contributions are due on the \$2,500. The employer should report the employer contributions on their next Contribution Report. The retiree will be billed for any amount over their benefit amount. PERA will then collect the working retiree contribution as a benefit reduction from one of the retiree's future benefit checks.
3. Is a *Disclosure of Compensation* form required?  
It depends.

When a retiree is the sole proprietor of an entity that is providing services to a PERA employer, a *Disclosure of Compensation* form is not required if the retiree is operating the sole proprietorship under his or her own name and SSN. Since the employer has the SSN, it is the employer's responsibility to conduct due diligence on these amounts paid, and determine whether or not the contractor is a PERA retiree.

If the retiree is paid under a company name/EIN, he/she must disclose the amount he/she earned for performing services on the *Disclosure of Compensation* form. If the retiree fails to do so, and if the PERA employer did not know that a PERA retiree was performing the services, the retiree could become liable for the payment of the employer contributions as well as the working retiree contribution. This is because even after the employer exercised due diligence, the employer may have had no way of reasonably knowing that the individual rendering services was a PERA retiree.



## Contact PERA



Visit PERA's website at  
[www.copera.org](http://www.copera.org).



Call PERA's Employer Relations  
team at 1-800-759-7372 ext.3724.



Visit the PERA offices at  
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