



# Working After Retirement FOR A PERA EMPLOYER

*As an Independent Contractor or Through an Affiliated Party*

## CHANGES FOR COLORADO PERA RETIREES WORKING AS INDEPENDENT CONTRACTORS EFFECTIVE JANUARY 1, 2012

For retirees performing services for a PERA employer as an independent contractor:

- » You are not required to complete a *Disclosure of Compensation* form if, for tax purposes, the PERA employer reports compensation paid to you or your company under your Social Security number.
- » You are required to complete a *Disclosure of Compensation* form if either of the following is true:
  - For tax purposes, the PERA employer reports compensation paid to you or your company under a tax identification number different from your Social Security number.
  - You are performing services through an affiliated party.

- ▶ As a PERA retiree, you are responsible for notifying the PERA employer that you are a PERA retiree. Employer and working retiree contributions must be paid on salary or payments made to you for services rendered.

**If you perform services through an affiliated party, you must report your wages using the *Disclosure of Compensation* form. An affiliated party includes:**

- » Any person who is your named beneficiary or cobeneficiary on your PERA account.
- » Any person who is your relative by blood or adoption (includes parents, siblings, half-siblings, children, and grandchildren).

- » Any person who is your relative by marriage or civil union (includes spouse, spouse's parents, stepparents, stepchildren, stepsiblings, and spouse's siblings).
- » Any person or entity with whom you have an agreement to share or profit from the performance of services for a PERA employer in addition to your regular salary or compensation.

### ▶ Example

A PERA retiree works for Company X, which is owned and operated by the PERA retiree's spouse (an affiliated party to the retiree). A PERA employer contracts with Company X and agrees to pay \$50,000 to Company X for the work completed. The PERA retiree was not specifically hired to do the work, but does part of the work contracted for by the PERA employer.

If the PERA retiree is paid \$5,000 from Company X for work on the contract, the PERA retiree must disclose that amount to the PERA employer and to PERA. The PERA employer must then submit the appropriate employer contribution to PERA. PERA will calculate the appropriate working retiree contribution and offset the PERA retiree's benefit.

It is the retiree's responsibility to submit the *Disclosure of Compensation* form to the PERA employer and to PERA, indicating how much he or she was paid by Company X for the work on the \$50,000 contract.

*(continued on reverse)*

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## WORKING RETIREE CONTRIBUTION

All retirees working after retirement must pay a working retiree contribution equal to the member contribution rate for the employer. The contribution is applicable to all pay that is subject to employer contributions. The working retiree contribution does not accrue an additional benefit. Retirees are not eligible for a refund of these contributions.

Due to the manner in which compensation is paid to independent contractors, your employer is unable to deduct the working retiree contribution from your pay as your employer will do for employees. As a result, PERA will deduct the amount due for the working retiree contribution from your monthly retirement benefit for your work as an independent contractor, through a business you own or operate, or through an affiliated party. If the amount due exceeds the amount of your retirement benefit, you must remit the difference to PERA within 30 days after receipt of the benefit in which the offset was made.

- ▶ For a list of PERA employers, go to PERA's website at [www.copera.org](http://www.copera.org) and click on "About PERA" at the bottom of the page. Choose "Affiliated Employers" from the bar on the left.

## EMPLOYER CONTRIBUTIONS

If you provide services to a PERA employer as an independent contractor, through a business you own or operate or through an affiliated party, the PERA employer for whom you provide the service must pay employer contributions, the Amortization Equalization Disbursement (AED), and Supplemental Amortization Equalization Disbursement (SAED) on salary or payments made to you for the services rendered.

By law, it is the employer's responsibility to pay these employer contributions, and they may not be paid as a deduction from your salary or other pay. An employer may reduce the salary or other pay for rehired retirees to compensate for the employer contribution, which is allowed under the law, but may not deduct employer contributions from the agreed upon pay.

## DISCLOSING COMPENSATION

You must submit a *Disclosure of Compensation* form if you are a PERA retiree performing services for a PERA employer as an independent contractor and:

- » For tax purposes, the PERA employer reports compensation paid to you or your company under a tax identification number different than your Social Security number.
- » You are working through an affiliated party.

### Your *Disclosure of Compensation* form:

- » Must be submitted to both PERA and the PERA employer.
- » Must include salary or payments made for services rendered, not explicit reimbursements for expenses incurred, products, or goods.
- » Is not required for months when services were not performed.

If you fail to report compensation to PERA and the PERA employer, you may be required to pay the employer contribution amount and the working retiree contribution amount plus any interest.

## WORKING AFTER RETIREMENT LIMIT

As a PERA retiree working as an independent contractor through a business you own or operate, or through an affiliated party, you are not subject to the 110-day/720-hour working after retirement limit. If you are a disability retiree, you may be subject to an earnings limit and any return to work may prompt a re-evaluation of your disabling condition. See the *Colorado PERA Disability Program* booklet for more information.

For detailed information about working after retirement, please see the *Working After Retirement* booklet. You may download a copy of the booklet or request one be mailed to you from PERA's website at [www.copera.org](http://www.copera.org). You may also download the *Disclosure of Compensation* form and other forms and publications. If you have questions, you may call PERA's Customer Service at 303-832-9550 or 1-800-759-7372.

This fact sheet provides information about disclosing compensation paid to a PERA retiree by a PERA employer for services rendered. Your rights, benefits, and obligations as a PERA member are governed by Title 24, Article 51 of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association, which take precedence over any interpretations in this fact sheet.