



Employer Announcement #91

OPSRP Membership and Account Contributions

Background

An issue about the differences between Tier One/Tier Two and OPSRP membership has affected member account contributions for pay periods on or immediately following the OPSRP member’s Contribution Start Date (CSD). The problem, intensified by the use of work periods by some employers, poses financial implications and needs to be resolved.

This issue was identified in an internal audit report in January 2014 which highlighted the inconsistent reporting of contributions among employers on the first payroll on or following an OPSRP member’s contribution start date, noting that some employers were correctly paying OPSRP Pension Program and IAP contributions while other employers were not. The internal audit report identified this issue as a “High” risk and recommended that the agency clarify and enforce the statutory requirements.

It appears that the issue was further complicated when PERS began capturing “earned when earned” salary information for Final Average Salary (FAS) purposes due to the passage of HB 3262 (2005). PERS added programming in EDX to allow local governments to report work periods but that programming is also preventing some local government employers from correctly paying contributions for new OPSRP members in accordance with the statute if work period dates are used.

The purpose of this announcement is to resolve the inconsistent reporting. With this announcement, PERS is clarifying that all employers must report OPSRP IAP contributions on the first pay date on or after the contribution start date. **PERS is expecting employers to update their reporting practices as of July 1, 2015, if needed.** A plan for retroactive corrections is being formulated.

References

General Definitions		
	PERS Chapter 238 (Tier One/Tier Two)	PERS Chapter 238A (OPSRP Pension Program)
Salary	“...the remuneration paid an employee in cash out of the funds of a public employer in return for services to the employer, plus the monetary value, as determined by the Public Employees Retirement Board, of whatever living quarters, board, lodging, fuel, laundry and other advantages the employer	“... the remuneration paid to an active member in return for services to the participating public employer, including remuneration in the form of living quarters, board or other items of value, to the extent the remuneration is includable in the employee’s taxable income under

	furnishes the employee in return for services.” ORS 238.005 (26)(a)	Oregon law.” ORS 238A.005 (17)(a)
Membership	“No person may become a member of the system unless that person is in the service of a public employer and has completed six months’ service uninterrupted by more than 30 consecutive working days during the six months’ period. Every employee of a participating employer shall become a member of the system at the beginning of the first full pay period of the employee following the six months’ period.” ORS 238.015 (1)	“...an eligible employee...becomes a member of the pension program on the first day of the month after the employee completes six full calendar months of employment. The six-month requirement may not be interrupted by more than 30 consecutive working days.” ORS 238A.100

How PERS determines Contribution Start Date for New Members		
	PERS Chapter 238 Pension Program (Tier One/Tier Two), including Chapter 238 Member Account (Pre-2004)	PERS Chapter 238A (OPSRP Pension Program)
Pension Program	“Contributions for new members shall first be made for those wages that are attributable to services performed by the employee during the first full pay period following the six months’ period, without regard to when those wages are considered earned for other purposes under this chapter.” ORS 238.015(1)	“... becomes a member of the pension program on the first day of the month after the employee completes six full calendar months of employment.” ORS 238A.100(1)
Individual Account Program	“A member of the individual account program must make employee contributions to the individual account program of six percent of the member’s salary.” ORS 238A.330(1)	
<p>PERS recognizes a statutory distinction between the contribution start date for PERS Chapter 238 Pension Program members and OPSRP Pension and OPSRP IAP Programs. For PERS Chapter 238 Pension Program members, contributions start on salary earned by a member, regardless of when the salary was paid. However, for the OPSRP pension and OPSRP IAP programs the required contribution is based upon salary paid to a member, regardless of when the salary was earned.</p>		

HB 3262 Section 33 (2005). The definition of FAS for Tier Two and OPSRP Pension Program members who are not employed by a local government employer was changed to salary “earned when **paid**” rather than “earned when **earned**.” This was retroactive to November 4, 2005 and impacted retirements as of December 1, 2005. This was updated in statute in ORS 238.435(2)(a) for non-local government employers and ORS 238.435(4)(a) for local government employers.

Definitions:

Local government employers – ORS 174.116 defines local governments as all cities, counties and local service districts located in this state, and all administrative subdivisions of those cities, counties and local service districts. Local governments have PERS employer numbers in the 2000 actuarial group, excluding 2880 and 2900s.

Non-local government employers – All other employers: State agencies, schools and school districts, community colleges and universities.

FAQ

Question 1: Which employers are affected by this issue?

Answer: Any employer that has been using Work Period Begin and End Dates (WPBED) in the month on or after the contribution start date to report when salary is earned. In addition, other employers who did not remit contributions on salary paid once an employee established OPSRP membership are affected by this issue.

Local government employers were directed by PERS to use WPBED beginning April 11, 2006 to report when salary is earned for FAS purposes.

Question 2: How does this issue relate to “earned when earned?”

Answer: “Earned when earned” provisions do not apply to contributions. “Earned when earned” provisions determine FAS for local government employees, as specifically provided in ORS 238A.130(3)(a) and ORS 238.435(4)(a).

Question 3: How does this affect employers?

- Answer:
- Transactions that are missing OPSRP Pension and IAP contributions from the first pay date on or after membership is established will need to be corrected. Contributions will need to be reported and remitted. This will create a financial impact for current and prior years.
 - **Changes to reporting processes are required and expected by July 1, 2015, if needed, for future reporting.** This may result in a workload increase and/or a need for programming modifications.
 - If you need assistance with reporting, please contact your Employer Services Account Representative.

Question 4: What reporting methods/processes will change for Local Government Employers?

Answer: In order for the system to properly charge OPSRP Pension and IAP contributions for the first pay date on or after the establishment of membership, local government employers should use the following guidelines. NOTE: Except as described below or otherwise directed by PERS, local government employers should continue to use WPBED.

However, for the first pay period once the individual establishes membership, if work is performed prior to the membership start date and the pay date is on or after the membership start date, WPBED should not be used so that contributions may be properly determined.

For this pay period, fill out all the fields in the DTL2 record except for the WPBED fields, which should be left blank. If your system automatically fills in this field, please remove WPBED before submitting to PERS, if possible. If the record is submitted and posts with WPBED, it will need to be backed out by submitting a negative adjustment and re-input without WPBED.

Example 1: A “local government” employer has a two-week pay period beginning October 27, 2014, ending November 7, 2014, with a pay date of November 14, 2014. The individual reported in this pay period establishes OPSRP IAP membership effective November 1, 2014. Normally, two DTL2 records would be used to report this individual, one with WPBEDs of October 27, 2014 and October 31, 2014, and a second DTL2 with WPBEDs of November 1, 2014 and November 7, 2014. Contributions are due on or after November 1, 2014 for this example. For this pay date only, and for both DTL2 records, WPBEDs should not be used and contributions should be added. An alternative method would be to combine the two DTL2’s into one with no WPBEDs and with contributions.

Example 2: A “local government” employer has a pay period beginning January 1, 2014 and ending January 31, 2014 with a pay date of February 1, 2014. The individual reported in this pay period establishes OPSRP membership effective February 1, 2014. Normally, one DTL2 record would be used to report this individual with WPBEDs January 1, 2014 and ending January 31, 2014. EDX would incorrectly disallow contributions reported on this record. Because the WPBEDs are prior to the membership start date and the pay date is on or after the CSD, to allow contributions on this pay date WPBEDs should not be used on this record and contributions should be added.

Example 3: A “local government” employer has an employee whose CSD would be October 1, 2014. This employee’s employment was terminated on September 29, 2014. The final pay date reported was on October 16, 2014 with WPBEDs of September 11, 2014 to September 25, 2014. Contributions are not due for this employee. This record will post correctly without removing the WPBEDs or adding contributions. The system will remove the CSD upon the termination record posting.

Question 5: Do any reporting methods/processes need to be changed for Non-Local Government Employers?

Answer: Employers who are reporting contributions based on eligibility and pay date will not need to change any reporting methods. For employees with hire dates on or

after 8/29/03 and contribution start dates or membership dates on or after 1/1/04, contributions are based on a member's salary and are due when the salary is paid.

Example 1: An employee was hired on 1/1/14 and had a CSD of 7/1/14 (six full calendar months of service). For OPSRP Pension Program members, OPSRP Pension and IAP contributions are due for salary paid on or after 7/1/14, even though all or part of the work may have been performed in June.

Example 2: For employers whose pay dates are only on Monday through Friday, in a month where the CSD falls in a weekend, such as June 2014, the pay date was 5/30/14, not 6/1/14. If an employee's CSD was 6/1/14, no contributions would have been paid for the 5/30/14 pay date since it is before the CSD of 6/1/14. Each month needs to be considered separately when determining when contributions are due.

Question 6: Is it ever appropriate to use non-subject salary to change the date contributions are first due?

Answer: No.

Question 7: Does this affect transactions impacted by qualifying year determinations (Q/NQ)?

Answer: No, there is no change to current practice for qualifying year determinations and reporting.

Question 8: Will PERS correct the EDX system issue involving WPBED?

Answer: Yes, PERS has initiated the process to correct the EDX system issue. It is unknown at this point when this will be completed. PERS will communicate when and how the correction will be implemented.

Question 9: Who will be responsible for prior year contributions and earnings?

Answer: PERS is continuing intensive efforts to determine the best way to allocate outstanding contributions and earnings for prior years from 2004 through 2014. We will be working with the Employer Advisory Group to review all options.

In compliance with the Americans with Disabilities Act, PERS will provide this document in an alternate format upon request. To request this, contact PERS at 888-320-7377 or TTY 503-603-7766.