

# Descriptive Transcript for *Salary Eligibility*

Descriptive transcript for *Salary Eligibility* is below.

Audio	Visual
<p>Greetings. My name is Desi. I'm an Outreach and Education Specialist here at PERA, and I'll be walking through our program, <i>Salary Eligibility</i>.</p> <p>And in today's program, we will be focusing on how to determine which earnings your employee receives are PERA eligible. And PERA eligible earnings are salary that we can use to determine if an employee meets the salary threshold for PERA and that we can withhold PERA contributions from.</p>	<p>Welcome slide with a header that says "Salary Eligibility", and a note saying "PERA prohibits recording and distribution of this presentation".</p>
<p>Today's presentation is going to run about 30 minutes, and this is the agenda.</p> <p>First, we will discuss types of salary that are always PERA-eligible, then we will discuss types of salary that are not PERA-eligible.</p> <p>We will discuss various other types of salary that are more ambiguous and can be harder to determine, such as bonus pay, PTO, and settlement pay.</p>	
<p>Before we get started, I want to quickly cover the basics of membership eligibility.</p> <p>Membership in a PERA pension plan is mandatory if these three criteria are met.</p> <p>The individual is a Minnesota public employee; who does not meet any exclusions; and whose monthly pay from a single employer exceeds or is regularly expected to exceed the monthly salary threshold of \$425.</p> <p>For more information on exclusions from PERA membership, you can refer to Chapter three in the Employer Manual. You can also</p>	

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<p>watch the on-demand <i>Membership Eligibility</i> webinar that includes information on exclusions or refer to the accompanying <i>Membership Eligibility Overview</i> document.</p>	
<p>Onto our first section, eligible salary.</p> <p>All the salary listed in this section can be used to determine if an employee has surpassed the monthly salary threshold and PERA contributions must be deducted from these wages.</p>	
<p>Let's start with, what is PERA-eligible salary?</p> <p>PERA-eligible salary is gross pre-tax salary that a) can be used to determine if an employee exceeds the salary threshold for PERA pension membership. So this is salary that can be used to determine if an employee surpasses the \$425 monthly salary threshold, which would qualify that employee for PERA membership when no other exclusions apply.</p> <p>And b), PERA-eligible salary is pay that PERA contributions must be deducted from for eligible employees.</p> <p>So these earnings must be reported each pay period on the salary deduction report, also known as the SDR.</p>	
<p>Now, what types of salary are considered PERA-eligible?</p> <p>The basic answer would be gross pre-tax salary earned by your employee.</p> <p>So the wages, salary, or periodic compensation that is paid by the employer to an employee who performs services in an eligible position and is paid during the coverage period being reported.</p> <p>This includes overtime, cash tips received by an employee and treated as wages by an</p>	

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<p>employer, and salary paid to district court reporters.</p>	
<p>Eligible salary also includes holiday pay.</p> <p>For example, an employee doesn't have to work on a holiday such as New Year's Day, but is still paid the regular wage for the day.</p> <p>Lump-sum payments for accrued holidays that are available to a group of employees, as well as additional pay for working on a scheduled holiday. An example of that would be a police officer who works on July 4<sup>th</sup> and has the choice between taking a different day off without pay or receiving an extra day's pay. If the employee takes the extra day of pay, the payment is viewed similarly to overtime pay and it is PERA-eligible salary.</p>	
<p>Additionally, eligible salary includes retroactive pay or back pay, so payments for work that was performed during a period prior to the current pay period.</p> <p>This also includes accrued or banked overtime hours when the amount can be attached to an earnings period. For example, if an employer pays a lump sum amount to all employees that have accumulated unused overtime hours at the end of each calendar year.</p> <p>Also, unused holiday pay that's paid out to the employee either on an annual basis or when the employee terminates employment.</p>	
<p>A couple other examples of eligible pay include court appearance pay that's awarded by an employer to current police officer employees, jury duty leave paid by employers, as well as salary paid from a grant unless the grant specifically prohibits retirement contributions.</p>	
<p>In our next section, we will cover various types of salary that are not eligible for PERA.</p>	

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<p>All the salary types in this section cannot be used to determine an employee's eligibility and no PERA contributions should be deducted from them.</p>	
<p>To start, allowance payments and expense reimbursements are not PERA-eligible salary. For example, reimbursements for expenses including parking, mileage, meals, and more.</p> <p>Per diem payments and stipends for items such as wellness programs, meals, cell phone plans, and uniforms. And payments for these benefits are ineligible whether the employee uses the entire allowance for that purpose or not. For example, an employee is allocated \$30 for a new uniform, but the employee only ends up spending \$20. In that case, the entire amount of \$30 is still ineligible.</p>	
<p>Employer-paid fringe benefits are also not eligible for PERA. Some examples would include membership dues or fees for use of a fitness or recreational facility, any amount paid by the employer as a supplement to salary, either as a lump-sum amount or a fixed amount paid on a recurring basis, and amounts an employer pays for or in lieu of insurance coverage.</p>	
<p>Additionally, third-party payments are not eligible for PERA. This would include workers' comp payments, Minnesota paid leave payments, disability insurance payments, as well as jury duty compensation that is paid by the court.</p>	
<p>Also ineligible is salary that exceeds limits set by the Internal Revenue Service, aka the IRS. The IRS has set compensation limits to defined benefit plans. These limits are defined in section four and five of the Internal Revenue Code, and they are adjusted annually.</p> <p>This chart here shows the limits for 2025. The annual limit is \$350,000 for members who</p>	<p>New slide with a chart appears. The chart is labeled "2025 Eligible Salary Limits" and lists the pay period down one column, and the earnings limit down the corresponding column. The annual earnings limit is \$350,000; monthly is \$29,166.67; semi-monthly is \$14,583.33; and bi-weekly is \$13,461.54.</p>

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<p>are first enrolled in a defined benefit plan after July 1st of 1995. So any salary beyond that number is ineligible. And for members initially enrolled in a defined benefit plan before July 1st of 1995, the 2025 limit is \$520,000 per year. As you can imagine, this applies to a very small percentage of PERA numbers.</p> <p>And be aware that different pay period limits do apply, which you can also see in this chart. So it's important that employers monitor their employees' earnings and implement the compensation limits for each pay period.</p> <p>If PERA finds that an employer has reported compensation in excess of these limits, we will contact you to coordinate an adjustment or refund.</p> <p>And you can find more information on compensation and contribution limits in Chapter seven of the Employer Manual.</p>	
<p>Some other types of ineligible salary include court appearance pay that's awarded to a former police officer employee. So, pay for a court date appearance that occurs after the employee's termination date.</p> <p>Also ineligible is PTO hours that an employee has donated to another employee. In that case, the hours are only eligible for the employee who the hours were donated to.</p> <p>Also ineligible is payment for unused PTO with the exception of holiday pay. So that would include sick, vacation, or unused ESST.</p>	
<p>In the next several sections, we're going to discuss different types of pay that are sometimes eligible for PERA and are sometimes ineligible for PERA, and how to determine which. In this first section, we will discuss bonus pay.</p>	

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<p>Let's start with bonus pay that is eligible. If the bonus pay is performance or merit-based, then that pay is considered eligible. So if the bonus is paid to an employee for attaining performance goals, duties, or other measures over a specific earnings period,</p> <p>Hazard pay or other arrangements that increase a member's future or retroactive hourly rate of pay are eligible.</p> <p>Also eligible is longevity or stability pay that's paid to the employee as routine wages on a periodic basis of at least annually or more frequently.</p> <p>Additionally, a requirement for each of these types of bonus pay to be eligible is that the payments are attached to a specific earnings period.</p>	
<p>Some examples of bonus pay that is not PERA-eligible would be any bonus that is not performance-based, including referral or signing bonuses, service awards that are made on a one-time basis, as well as longevity or retention pay that's made on a one-time basis, compensation given as an incentive or recognition, such as sick leave preservation or vaccination status, and any form of retirement or severance incentive payments.</p>	
<p>In this next section, we will discuss salary earned by an employee who's on a leave of absence.</p>	
<p>When your employees take a leave of absence that results in decreased pay, PERA needs you to report those employees' missed hours and wages on the <i>Annual Leave Report</i>.</p> <p>PERA then uses that report to calculate cost estimates for the employees to purchase the service credits and salary that were missed</p>	

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<p>during the leave, which could increase their future monthly benefit amount.</p> <p>All leave salary calculations are determined on a pay period by pay period basis, and the salary is based on the employee's average gross earnings during the six months of employment immediately prior to the leave period.</p>	
<p>Let's start with what salary is eligible.</p> <p>If an employee is exhausting their PTO for a pay period, then it is eligible, even if it doesn't fully cover their average regular salary.</p> <p>Alternatively, if the employee is using their PTO at a reduced rate compared to what they have in their PTO bank, the rules differ. If an employee uses PTO to fully cover 100% of their average salary per pay period during a non-medical leave, then the salary is eligible for PERA.</p> <p>If the employee is on a medical leave, the employee only needs to use enough PTO to cover at least 50% of the regular salary per pay period in order for the pay to be eligible.</p> <p>Now, let's say the employee is on a Workers' Comp leave. Workers' Comp generally covers two-thirds of an employee's salary, but the payments that the employee receives from workers' comp are not eligible, and no contributions should be deducted from those payments.</p> <p>On the other hand, PTO that is paid in addition to Workers' Comp can be eligible, but only when it covers up to the remaining one-third of the employee's average salary from the previous six months. So if the PTO brings the employee's pay period salary up to</p>	

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<p>100 percent of their average salary from the previous six months, then that PTO is eligible and contributions should be deducted from it.</p>	
<p>On the flip side, PTO is ineligible when all available PTO is not used in a pay period and it's one, not a worker's comp leave, and two, the PTO covers less than 100% of the employee's average salary for a non-medical leave or less than 50% for a medical leave.</p> <p>In these situations, the salary is ineligible for contribution reporting, and so it should be included as missed wages and hours on your unit's <i>Annual Leave Report</i>.</p>	
<p>Some other types of ineligible salary would include disability insurance payments.</p> <p>And as previously mentioned, also ineligible are workers' comp payments and Minnesota paid leave payments that are from the state or from a private vendor.</p> <p>Again, these types of salary are ineligible for contribution reporting, and so they should be included as missed wages and hours on your <i>Annual Leave Report</i>.</p>	
<p>In these next few slides, we're going to go over some examples of how to determine if an employee's PTO is eligible salary or not.</p> <p>And just to clarify, in these examples, our fictional employee Sam is not exhausting her PTO, and instead is using her PTO at a reduced rate compared to what she has available in her PTO bank.</p> <p>So for our first example, our employee Sam is taking an eight week medical leave, meaning she'll be missing four pay periods. She normally earns \$15 per hour and works 60</p>	

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<p>hours per pay period for an average salary of \$900 each pay period.</p> <p>Sam has 80 hours in her PTO bank and she decides to use 20 hours of PTO to cover each pay period, meaning she's missing 40 hours of pay each pay period and is only earning \$300 per pay period. Since \$300 is less than 50% of \$900, the pay is ineligible for the first three pay periods of Sam's leave.</p>	
<p>Therefore, when reporting Sam's leave on the <i>Annual Leave Report</i>, you would report the first three pay periods as missed hours for a total of 180 hours.</p>	<p>Three pay periods multiplied by 60 missed hours equals 180 missed hours.</p>
<p>Now, on the fourth pay period, Sam uses her last 20 hours of PTO. Since Sam is exhausting her PTO on this pay period, the pay is eligible. And so you will need to report contributions on the fourth pay period salary.</p> <p>Additionally, on the <i>Annual Leave Report</i>, you will report 40 unpaid hours for the fourth pay period.</p>	
<p>Now let's say Sam goes on an eight-week medical leave but she has 160 hours in her PTO bank, so she uses 40 hours of PTO each pay period. This would result in her being paid \$600 each pay period instead of her usual 900, as she has 20 unpaid hours each pay period.</p>	<p>New slide. In this new example, Sam again earns \$15 per hour and works 60 hours per pay period, for a total of \$900 per pay period.</p>
<p>Since \$600 is more than 50% of Sam's average salary of 900, this means pay for the 40 hours of PTO each pay period is eligible. So Sam's \$600 salary for those eight weeks would have PERA contributions deducted from it, and he would only report the 80 unpaid hours on the <i>Annual Leave Report</i>.</p>	<p>Four pay periods multiplied by 20 unpaid hours equals 80 unpaid hours.</p>
<p>Now, let's say instead of a medical leave, Sam had taken an eight-week non-medical leave, meaning she'll be missing four paid periods.</p> <p>Reminder that for non-medical leaves, if the employee is not exhausting their PTO, the</p>	

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<p>PTO must cover 100% of the employee's average salary in order to be eligible. If PTO covers less than 100% of a non-medical leave, then the pay is ineligible for PERA purposes and it should not be reported as part of the employee's normal salary deduction reporting.</p> <p>In this example, Sam is again earning \$15 per hour and works 60 hours each pay period for a total of \$900 each pay period.</p> <p>Let's say Sam has 160 hours in her PTO bank, and she used 40 hours of PTO each pay period, resulting in her being paid \$600 instead of her usual \$900. That means Sam has 20 unpaid hours each pay period. Since \$600 is less than 100% of \$900, and it's not fully covering her missed hours, the pay is ineligible.</p>	
<p>So, there would be no contributions to report, and in this case, you would report the entire period of 180 hours as missed hours on the <i>Annual Leave Report</i>.</p>	<p>Three pay periods multiplied by 60 missed hours equals 180 missed hours.</p>
<p>Then, on Sam's fourth pay period, she uses her last 40 hours of PTO. Again, since Sam is exhausting her PTO on this pay period, the pay is eligible. And so, you will need to report contributions on the salary for this fourth pay period.</p> <p>Additionally, on the <i>Annual Leave Report</i>, you will report 20 unpaid hours for the fourth pay period.</p>	
<p>While employees may often spread their PTO out so that they still receive a check each week while they're on leave, some employees may decide to use up all their PTO at the beginning.</p> <p>For example, let's say Sam, who has 160 hours in her PTO bank, takes a six-week personal leave, meaning she'll be missing</p>	<p>New slide. In this new example, Sam again earns \$15 per hour and works 60 hours per pay period, for a total of \$900 per pay period.</p>

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<p>three pay periods. She decides to use all of her available PTO and uses 120 hours to fully cover the first two pay periods.</p> <p>For the first two pay periods, you will report contributions on 100% of the pay, and you will not report anything on the <i>Annual Leave Report</i>.</p> <p>Now for the third pay period, Sam exhausts her remaining PTO and uses her final 40 hours of PTO, meaning she has 20 unpaid hours. In this case, the pay for that third paycheck is PERA-eligible. Once again, Sam is exhausting her PTO.</p> <p>And so you will report contributions for the 40 hours of pay. And on the <i>Annual Leave Report</i>, you will report the 20 missed hours in pay from that third paycheck.</p>	
<p>As we've established, Sam's normal salary is \$900 each pay period.</p> <p>So in this example, let's say Sam is injured on the job and goes on a Workers' Comp leave. And during that leave, Workers' Comp covers two-thirds of her salary every pay period. So Worker's Comp covers \$600 out of \$900 each pay period.</p> <p>If Sam uses PTO to cover the remaining \$300, then that \$300 of PTO is PERA-eligible, and you will need to take deductions from that amount. You will then report the two-thirds of missed hours and pay, which was covered by the Workers' Comp payment, on the <i>Annual Leave Report</i>.</p>	
<p>And reminder, when completing the <i>Annual Leave Report</i>, we don't want you to report eligible earnings or hours that were fully paid with sick, vacation, or other PTO. Instead, we want you to report leaves that resulted in unpaid hours and ineligible pay.</p>	

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<p>In this next section, we're going to discuss settlements.</p>	
<p>When an employee is awarded pay through a settlement, grievance proceeding, or court order, the pay may be PERA-eligible if it a), represents payment for lost wages during a period of suspension or involuntary termination, and b), it is not a wrongful discharge under Minnesota statute 356.50.</p> <p>This type of settlement is PERA-eligible if it meets the following criteria: It is attached to a specific earnings period in which the member's regular salary was paid due to the suspension or termination; and the awarded amount is equal to the average regular earnings the person had been receiving during the six months of PERA-covered employment immediately prior to the suspension or termination.</p> <p>In this situation, the employer doesn't need to get an eligibility determination in advance from PERA, so you should automatically report the eligible back pay compensation on the SDR under the pay type "grievance", and you will report settlements separately from any regular pay using the coverage dates from when it would have been earned.</p>	
<p>When an employee receives a settlement for wages lost due to a wrongful discharge, the salary is PERA eligible only if the employer obtains advanced determination from PERA staff. In this situation, the employee has the option to purchase the applicable period by making a voluntary payment to PERA in order to restore the service credits and salary. So you'll need to contact us first to get that determination. And if the employee chooses to make this purchase, we will invoice your unit to collect the required employer contributions and interest.</p>	

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<p>You can find more information on wrongful discharges in chapter seven of the Employer Manual.</p> <p>If it's determined that the pay is PERA-eligible, you will report the salary on the SDR under the pay type of "grievance". And again, always report earnings from the current pay period, separate from any pay that is not earned in a different pay period.</p>	
<p>In our final section, I'll be sharing some helpful resources regarding what we've learned today about eligible earnings.</p>	
<p>One of our greatest resources is our website for employers, which can be found at <a href="http://mnpera.org/employers">mnpera.org/employers</a>.</p>	<p>The home page of PERA's employer website appears. At the top of the website are various drop-down menus, including menus labeled "Eligibility", "Reporting", and "Resources".</p>
<p>Under the resources section, you can find the Employer Manual at the bottom of the list. Much of the information I went over today can be found in the Employer Manual, particularly in chapters five and seven.</p>	<p>The "Resources" drop-down menu is selected, displaying various options including employer education, employer videos, and the Employer Manual. An arrow points to "Employer Manual".</p>
<p>If you ever want to register for another webinar, you can find them under employer education.</p>	<p>An arrow points to "Employer Education" on the drop-down menu.</p>
<p>Another great resource is our eligibility team. If you have questions on salary eligibility, please email us at <a href="mailto:eligibility@mnpera.org">eligibility@mnpera.org</a>.</p> <p>And in the email include details such as the name of the employee in question, the paid date and coverage dates, the gross pay amount, and describe the reason for the pay. We will help you to determine whether the salary reported was eligible or not.</p>	
<p>Now we just went over a lot of information, so let's recap.</p> <p>First off, eligible salary is gross pre-tax salary earned by your employees, including overtime, cash tips, retroactive pay, holiday pay, and more.</p>	

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<p>These types of pay can be used to determine eligibility, and contributions must be taken from them.</p> <p>Conversely, ineligible salary cannot be used to determine if an employee has surpassed the monthly salary threshold, and no contributions should be deducted from ineligible salary.</p> <p>And some examples of ineligible salary include allowance payments, reimbursements, employer paid benefits, and third-party payments.</p> <p>And lastly, again, feel free to contact us with any questions that you have.</p>	
<p>And that is the end of our presentation.</p> <p>Reminder that PERA is governed by statutes and here they are if you're looking for some extra reading.</p>	<p>New slide appears, listing Minnesota Statutes 11A, 353, and 356.</p>
<p>Just a disclaimer that our programs are intended to provide general information. And if there's a discrepancy between the information in this presentation and what is written into law, just know that whatever is written into law will always take precedence.</p>	
<p>And that is it. Once again, this is our employer website, <a href="http://mnpara.org/employers">mnpara.org/employers</a>.</p> <p>And if you ever have any questions, feel free to email us at <a href="mailto:eligibility@mnpera.org">eligibility@mnpera.org</a>.</p> <p>You can also call us. Our local number is 651-296-3636. And our toll-free number is 1-888-892-7372.</p> <p>Thank you, everybody. I hope this presentation was helpful, and have a great day.</p>	

