

## UNDERSTANDING MEMBER ELIGIBILITY, SALARY & PAYING CONTRIBUTIONS, AND CREDITABLE MONTHS OF SERVICE

A number of employers have expressed confusion regarding member eligibility, salary and paying contributions, and creditable months of service. Hopefully, this article will help clarify matters for everyone. Several references to Idaho Code are included for follow-up purposes.

### Member Eligibility

An individual is eligible for PERSI membership when

- they go to work in an eligible position with a PERSI employer; and
- they are employed for 5 or more consecutive months; and
- they normally work 20 hours or more per week (or are a teacher who works a half-time contract or more); or
- they are an elected or appointed official who receives a salary for 5 or more months.

### Salary and Paying Contributions

Salary is defined by law as the total wages paid to an individual "who meets the definition of employee by an employer for personal services performed and reported by the employer for income tax purposes, including the cash value of all remuneration in any medium other than cash." [Reference: §59-1302 (31) (A) (a)]

An employee is defined as "any person who normally works 20 hours or more per week, a teacher half-time or more, elected or appointed officials who receive a salary, or a person who is separated from service with less than 5 consecutive months of employment and who is reemployed or reinstated by the same employer within 30 days." [Reference: §59-1302 (14) (A) (a) (b) (c)]

It is the responsibility of each employer to determine which employees meet the requirements of eligibility for PERSI membership, and to withhold the required

contributions from the salary they are paid. [Reference: Rule 59.01.02.112]

### Creditable vs. Non-Creditable Months of Service

Creditable months of service are those months that are counted towards retirement. One month of service is accrued for each calendar month worked. A calendar month is one where the member works 15 days or more. An individual begins building credited service when they become a PERSI member by going to work in an eligible position with a PERSI employer. Non-creditable months of service are those months not counted towards retirement.

Once a member establishes PERSI membership, he/she begins paying contributions on all salary. However, simply because a member makes contributions during a month, it doesn't necessarily mean the month was a creditable month of service. For example, if a member who normally works a 40-hour, 5-day work week suddenly works less than 15 days during a month for several months, the months that included less than full-time work (15 days) are not considered creditable months of service; HOWEVER, the pay is considered salary and is subject to contributions.

There are also situations where a member's hours may drop to less than 20 hours per week on a one-time or occasional basis. For example, seasonal workers may work a variable work week...sometimes working more than 20 hours and sometimes working less. The employer should continue the contributions, even though the member may not receive service credit.

### Leaves of Absence

The only exception to paying contributions is when a member is on a documented leave of absence and is being paid for less than one-half time or is not reportable for PERSI purposes because their work schedule has fallen below

half-time. Under these circumstances, contributions are not due. When an employer reports that an employee is on a leave of absence (using an RS109 or through their transmittal), the employee does not have to pay contributions. If the employer fails to submit this information to PERSI, the member is assumed to be an active member and contributions will be required although service is not credited if the member is working less than 20 hours per week. Simply put, PERSI considers the member to be eligible until the employer reports otherwise.

The law states that a member is an "inactive member ineligible to contribute and receive membership service credit while on a leave of absence without pay or while on a leave of absence with less than one-half pay UNLESS the absence has been caused by a workers' compensation claim that was approved by a surety. (For more details about workers' compensation contact ESC.) An active member separated from employment under conditions where both the member and the employer plan a later return to employment, should be placed on a leave of absence without pay during the planned period of absence." [Reference: Rule 59.01.02.122]

### Refunds Not Allowed

Too often employers fail to document that an employee is on a leave of absence. Then months or even years later, PERSI is asked to change the records to reflect the leave and refund the contributions paid in error. In the past, PERSI has tried to accommodate such requests; however, that is no longer the case. In clarifying the law, PERSI is

giving notice that contributions made on non-creditable months of service will no longer be refunded unless the employer had documented their employee was on a leave of absence without pay or less than half pay and had simply forgotten to stop contributions.

It's important to understand that leave without pay was never intended to be a day-by-day status to be turned off and on at will. Leave without pay is a temporary change in job status with an expected return-to-work date established when the leave begins.

An employer who documents a leave of absence and later finds an error may submit an amended RS109 form or make a change to their original transmittal to ensure accurate information has been provided.

So remember, as an employer you need to document leaves of absence for your employees in a timely fashion and halt contributions during the leave. The original transmittal or RS109 may be amended if an error is found. If a leave of absence is not documented and contributions continue in error, PERSI will no longer issue a refund. When the employer handbook is updated to reflect these points, an official notice will go to all employers.

For more information about member eligibility, salary and contributions, or creditable months of service, contact ESC toll-free at 866-887-9525 or from the Boise area at 287-9525.

### Notes

Executive Director [Alan Winkle](#) attended the National Council on Teacher Retirement (NCTR) conference where the discussions centered on the future of public pensions, investments, global portfolios, and the future of defined benefit plans. The conference also included legislative sessions and an update on legal issues affecting public pension plans.

PERSI's management team met with the management teams from the Montana, Washington, Oregon, and Nevada public pension systems to discuss issues and share information on topics such as customer service, technology, disaster recovery, record retention and imaging, online services, and retiree reemployment.

After 10 years of service to PERSI, legal counsel [Brad Goodsell](#) is leaving to take a position with the Dallas Police and Fire Retirement Fund.

PERSI is holding a number of focus groups in November to learn more about member and employer awareness of the Choice Plan 401 (k) program. PERSI expects these invitation-only events to provide valuable insight on the strengths and weaknesses of the communications efforts relating to the program.