



NASRA

**Results of Survey on Retirement Systems’
Policies & Practices Governing Contribution Shortfalls from Retired Participants**
Conducted February 4 to 12, 2004

41 systems responded.

1. During the process of calculating retirement benefits, does your system forgive or write off any amount of shortfall in either employee or employer contributions that is considered to be immaterial?

Yes: 14 No: 27

2. For those responding “yes” to question 1: What is the threshold--in dollars or percentage--used to forgive a shortfall?

- \$5 for employee contributions; \$25 for employer contributions
- If the effect of the out of balance account on the monthly retirement benefit is less than \$10, no adjustment is made to the benefit and no contribution correction is sought.
- \$20.00
- \$5.00 for pre-July 1, 1981 shortages, the member has the opportunity to pay this shortage; otherwise service credit is prorated. All shortages after June 30, 1981 including interest are the responsibility of the employer unit.
- That for which the effort to collect exceeds the amount owed.
- \$25.00.
- If the amount is under \$25 we do not attempt to collect it.
- \$5 per year for the entire employer not per person.
- Unless there are special circumstances, if the shortfall is less than \$25 we consider it immaterial.
- \$10.00
- \$25
- Since this rarely happens, we look at each case individually, but usually these are very small amounts
- \$5.00 or less
- If member contributions are over or under \$50.00. If interest of pre-tax contributions are over or under \$100.00.
- An existing receivable from a shortfall of employer or member contributions that falls below \$5.00 is written off. A contribution shortfall that is discovered before or after retirement is not billed (forgiven) if it is less than \$10.00.

3. For those responding “yes” to question 1: Is the practice of forgiving immaterial contribution shortfalls defined in a written policy or is it an informal practice?

Informal Practice: 6 Written Policy: 7 State Statute: 1

4. If your system's policy or practice is to collect the full amount of required contributions how are those contributions collected; for example, direct billing, deducting benefit payments, etc.?

- Can be collected as payroll deductions for active pay check; check sent directly to the system or plan to plan transfer. Any remaining indebtedness at the time of retirement that affects retirement eligibility is taken as a lifetime reduction to the retirement benefit.
- Our plan is non-contributory for employees. If we have an employer shortfall, we bill them for the exact amount plus any accrued interest. If they refuse to pay, we hit their treasury account through the dept. of finance. State law is very specific about our rights/obligations in this area.
- We contact the employer to have them correct the reporting including contributions due.
- Plan retirees are treated as inactive members when we determine that required contributions were not paid. Plan employers are billed for unpaid employer contributions. Within 90 days after the plan notifies the employer of unpaid contributions, retirees are notified of their right to pay employee contributions. Retirees may pay all (or a portion of) unpaid employee contributions in installment payments or in a lump sum payment, but unpaid employee contributions **cannot** be deducted from the retiree's monthly benefit.
- We waive anything below \$50. For amounts above \$50 we direct bill and if there is no response we will make a deduction from their benefit
- direct billing
- Deducting payments from members.
- We direct bill the employer who made the error for both the employee and employer contributions. It is their responsibility to collect the employee contribution.
- Direct billing to the employer.
- We are capable of doing both. In the case of the system, if there is a shortfall for the system because of appropriated amounts included in the enacted budget then there is no remedy for that system. If the shortfall—employer or employee—is due to the particular agency not reporting and contributing same, in error, etc., then the retirement system has an obligation under error of record to recover. This is done by communication and agreement but the system may resort to a levy process that captures any revenues flowing to the agency.
- The monthly retirement benefit is reduced by the amount owed until it is paid in full.
- As of 9/2004, both direct billing and deducting benefit payments
- We will debit the employer's monthly payroll report for the shortage
- If the contributions are due from the retiree we will deduct from benefit payments the amount due. We will spread this over as many benefit payments as necessary as to not create a hardship on the retiree.
- If an employer has not contributed all that is required due to under-reporting the System requires all contributions and interest from the first date due.
- It is the employer's responsibility to pay any unremitted contributions. They can then go after the employee to collect their portion if they choose.
- Payroll deductions for employee or employee direct payments. At retirement if the amount has not been paid we reduce the member's benefit.
- Contributions are always collected from the employer.
- Any arrangement acceptable to both parties
- The member can pay the contribution deficiency anytime prior to retirement (interest included) or the monthly benefit is actuarially reduced by the amount of the deficiency.
- As our benefit is directly tied to contributions, the amount of benefit payment will be reduced until the contribution is received. Once the contribution is received, the benefit payment is increased to include that contribution. All contributions are made via the employer. Missing contributions are usually due to the employer not sending in a payroll report; the employer must pay penalties if the report is not both timely and complete. We do not collect contributions from the retiree.
- Employing agency will submit a correction form. The agency will be charged for the employee contribution employer contribution and interest. It is the agencies' responsibility to collect from the member.

- By law employee contributions are deducted from employee paychecks. By law, the employer sends the employee and employer contributions to the system by the 10th of each month. Late contributions (employer) are penalized 5.5% each month they are late. Infrequently the penalty has been waived, but the contributions are due in full.
- Direct billing to employer
- Direct billing or personal payment
- Direct monthly billing

4. For those responding “no” to question 1: Does your system observe any time or monetary restrictions for collecting shortfalls in contributions following a member's retirement? If so, please explain.

- No: 11

Following are responses with additional explanation:

- No. All contributions must either be paid in full or taken as a lifetime reduction to the benefit at the time of retirement.
- Retirees who elect to pay all or portion of unpaid employee contributions must notify the systems within 1 year after the employer has paid the employer contributions. Retirees are allowed to pay all (or a portion of) the unpaid employee contributions over a max. 60 month period in installment payments or a period that equals the service credit that would have been earned if contributions had been paid if this period is shorter. The first installment payment (or a lump sum payment) must be made by retirees no later than the first full month following 1 year after the employer has paid the unpaid employer contributions. Colorado PERA's web site www.copera.org contains the Colorado PERA Law and Rules: 1) See Colorado PERA Law 24-51-402 "Unpaid Contributions for Any Member"; (3) and (4). 2) See Colorado PERA Rules 4.15 "Payment of Unpaid Contributions"; (A) and (C).
- we must collect within 3 years
- Collected when discovered.
- The error of records statute provides upon discovery. Therefore, any statute of limitations runs only after discovery.
- In those cases in which the reduction of the benefit would create an undue hardship on the retiree, we may reduce the monthly benefit by only a portion of the amount owed, effectively extending payment over a longer period of time.
- No; we must pursue any contributions owed regardless of timeframe.
- At retirement the employer provides confirmation of the retirees final 3 payroll periods and amounts. If we receive anything other than what was verified (+/-) we contact the employer to re-confirm the amounts for these last 3 pay periods. We currently allow an employer up to 6 months to remit final contributions. We calculate an interim retirement benefit based on the actual contributions we have at the time of retirement. Once all contributions are received then we finalize the benefit amount. If after 6 months the employer fails to submit the final contribution amounts or any portion thereof, we use only the amounts on file to finalize the benefit.
- All monies owed must be paid prior to ones retirement. We do not post monthly wages unless the amount of compensation and the contributions are reconciled
- There is a time restriction- The full amount of the deficiency must be paid up to the date of retirement. (Only a member may pay the contribution deficiency. Membership ends with retirement.) If the contribution deficiency is not paid by retirement, the member's monthly lifetime benefit is actuarially reduced by the amount of the deficiency.
- We don't put any time restriction on collecting contributions - they are due until paid. Missing employer contributions for a particular month are required no later than the next monthly payroll report. If the amount is substantial then a penalty will apply. If the amount is small, the penalty usually does not apply. Small is relative as we work with over 500 employers ranging in size from 1 to 15,000 employees.
- Member cannot retire until all contributions have been made.