



MEMORANDUM
2016 – 1

TO: Payroll Personnel & Authorized Agents

FROM: NDPERS

Date: February 5, 2016

Subject: Payroll Reporting - **Avoid Common Mistakes that can affect your Employees Retirement**

NDPERS has received inconsistent reported wages from NDPERS agencies, and this could affect payment of retirement benefits to your employees. Please note the recommendations and accurate payroll reporting practices listed below.

Payroll must be reported for all employees according to the employer’s regular pay period schedule. This includes the last paycheck for an employee who is retiring or separating from employment. **Final wages can not be paid and reported early outside of the regular pay cycle** but should be paid and reported to NDPERS when the regular paycheck would have occurred.

If wages are paid early by the employer, it will cause an increase in the final month of wages for an employee which is an inaccurate payroll reporting practice to PERS. These “early” wages will be moved to the appropriate month by PERS according to the regular pay cycle. This adjustment has several implications. First, the employee will be adversely affected by waiting one month for retirement payment and health insurance benefits. Second, this adjustment will correct the month(s) of service credit for the employee.

How can you help employees with the retirement planning process?

1. Identify the month you will report wages for last date of service (also known as last date worked).

There are two ways to report wages to NDPERS: Pay Period Ending Dates and Paycheck Date Reporting. *Please review the following examples of each method.*

Example 1: Pay Period End Date Reporting

Pay Period Start	Pay Period End	Paycheck Date	Reporting Month
Sept 13	Sept 26	Oct 9	September

Pay period ends September 26th. You will submit wages for the pay period ending date (September 26th) to PERS and it will be recorded in the **Payroll Reporting Month of September**. If you practice Pay Period End Date Reporting, *your employee will not experience any delays in retirement benefits.*

Example 2: Paycheck Date Reporting or Delayed Reporting

Pay Period Start	Pay Period End	Paycheck Date	Reporting Month
Sept 13	Sept 26	Oct 9	October

Paycheck was paid October 9th. You will submit wages for the paycheck date (October 9th) to PERS and it will be recorded in the **Payroll Reporting Month of October**. If you practice Paycheck Date Reporting, *your employee may experience delays in retirement benefits if the next step is not followed.*

2. **Ensure the last date of service and the last paycheck date for each employee choosing to retire are within the same calendar month.** Then, the last month worked and the last month of reportable wages to PERS are consistent and do not require any adjustments, recalculations, or delays in member benefits.

Example 1:

Sandy is planning to retire and her *last date of service will be September 26th*. Since the employer reports wages to NDPERS based upon "Paycheck Dates" (delayed), she will have reported wages paid on *October 9th (last paycheck date)*. October will be the last reported month of wages to PERS. Sandy will have a **one month delay** in retirement benefits and retiree insurance coverage through PERS.

Example 2:

Sandy is planning to retire and her *last date of service will be September 12th*. Since the employer reports wages to NDPERS based upon "Paycheck Dates" (delayed), she will have reported wages paid on *September 25th (last paycheck date)*. September will be the last reported month of wages to PERS. Sandy will have **no delay** in retirement benefits and retiree insurance coverage through PERS.

How is an employee retirement benefits adversely impacted when wages are misreported?

- Loss of service credit
- Inflated pension benefit estimates prior to retirement
- Delayed pension benefits, if adjustments are required
- Miscalculation and correction of Final Average Salary (FAS) and monthly pension benefits
- Delays in eligibility to begin NDPERS retiree insurance coverage or lapse of coverage for retirees
- Future correction of pension benefits or retiree account balances, resulting in over/under payment and potential changes to insurance effective dates

Other payroll reminders:

1. **Lump sum sick or annual leave payouts are not reportable.** The Last Regular Paycheck is the last check for regular hours (no overtime). If the last check paid to an employee is for a lump sum payout of sick leave or annual/personal leave, this is not considered their Last Regular Paycheck for actual hours worked. If the lump sum payment of sick leave and/or annual/personal leave is included on the Last Regular Paycheck, along with wages for hours worked, the lump sum payout is not to be included in reported wages for retirement.
2. **NDPERS regulations supersede individual organization board policies or motions.**
3. **Overtime is not reportable.** Overtime includes any overtime hours paid as Straight Time (anything over 40 hours) due to holiday within the same week.