



Memo 2023 -3

To: Participating School Districts

From: NDPERS

Date: May 22, 2023

HOW TO REPORT SUMMER WAGES TO NDPERS PER SALARY ARRANGEMENTS

SEASONAL EMPLOYEES WITH SALARY AGREEMENTS

Do you have any seasonal employees?

Seasonal employees – *those working nine, ten, or eleven months, and receiving salary payments over a period greater than the employee’s actual physical time at work* – must have a salary arrangement with their employer.



Your organization must pay special attention when reporting salary agreement wages to NDPERS.

This will avoid additional work for your payroll department and incorrect information being provided to employees regarding benefits.

EXAMPLE OF SEASONAL EMPLOYEE

An eligible employee working ten months for a school and receiving monthly wages for twelve months. The eligible employee physically performs the job duties for ten months (August – May). The employer and the employee establish a salary or written agreement, also known as a contract payout, and spread the ten-month wages over 12 months.

TWO WAYS TO REPORT SALARY AGREEMENT WAGES TO NDPERS

OPTION 1. Report wages monthly for each non-worked month in the summer

1. Employer reports wages and remits payment for each month from August – July.
2. Employer must review the payroll report and confirm status is “posted” before remitting payment to NDPERS.
3. Employee receives 12 months of service credit when employer remits monthly contributions according to their regular payroll cycle.

OPTION 2. Report a lump sum payout for each non-worked month in the summer

1. Employer pays wages remits payment for each month from August – May.
2. Employer pays out remainder of salary agreement in May as lump sum to employee.
3. Employer is required to **specify in each member’s comment box a breakout of monthly wages for each summer month**. Without the commentary, NDPERS is unable to process the report.
4. NDPERS will spread the lumpsum payout in May to June and July to give the employee 12 months of service credit according to the employer’s regular payroll cycle.
5. Employer is required to review the payroll adjustment report and **confirm report status is “posted” and remit payment to NDPERS for each individual month**.



NOTE

The practice of NDPERS spreading lumpsum payouts on behalf of employers under this option is currently under view and subject to change.

HOW DOES INCORRECT REPORTING AFFECT EMPLOYEES?

An employee termination date entered must be consistent with (the same as) your reporting method and monthly payroll cycle.

Failure to report lumpsum payout wages accurately will result in a **change to your employee’s termination date** on file at NDPERS.

- a. An employee may receive incorrect information from NDPERS if a lumpsum payout is incorrectly posted to their account.

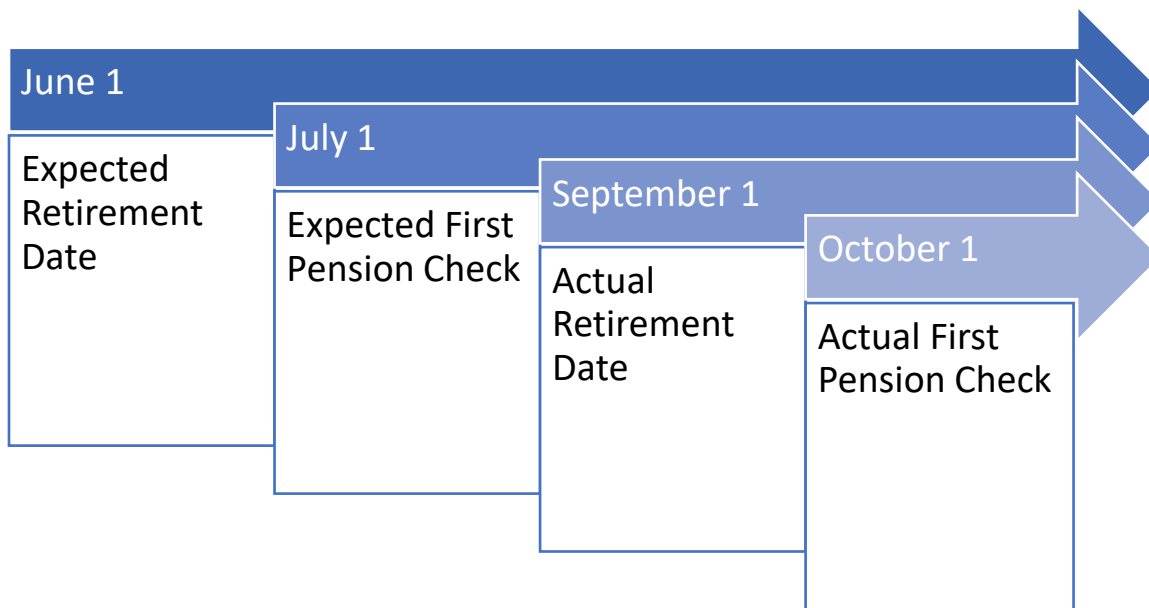
- b. An employee waiting for a refund payment, or a retirement check, will experience a **delay in payment** due to compliance with the salary arrangement.

LET'S EXAMINE TWO REAL-LIFE EXAMPLES

- Seasonal employee (working 9-10 months) has agreement to be paid over 12 months.
 - Employee submits application to NDPERS prior to last day worked on May 31.
 - In June, employer submits remaining salary payout for June, July, and August.
- I. RETIRING EMPLOYEE WILL EXPERIENCE A THREE-MONTH DELAY COLLECTING THEIR FIRST PENSION CHECK.

June 1 is expected Retirement date with July 1 issued first pension check.

September 1 is now the new Retirement date with October 1 issued 1st pension check, which is delayed an additional 3 months from the expected retirement date.



- II. APPLICATIONS FOR REFUND/ROLLOVER ARE IMPACTED BY A DELAY.

- **August 1** is expected refund / rollover of account balance.
- **November 1** is new Refund/Rollover of account balance to member. It is delayed an additional 3 months.



- c. Additional work efforts will be required to correct wages reported incorrectly, and this can be **extremely time consuming for your payroll department**, if this affects multiple years of employment.
- Read through [Appendix B of the Employer Guide](#) and the [Payroll Reporting - Avoid Common Mistakes that can affect your Employees Retirement](#)

RULES SUMMARY: REPORTING SUMMER WAGES TO NDPERS

- All salaries cannot be paid out at the end of fiscal year.
- Salaries must be applied to each summer month.
- NDPERS must receive contributions for each of the summer months that wages are spread (generally crossing over the employer's fiscal year end).
- If salaries are paid out at the end of the fiscal year, contributions may not be reported to NDPERS prior to regular monthly reporting cycle.
- Employer must wait for each monthly report to post before payment can be remitted.

