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## ERCE Fall 2023 Newsletter

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## Legislative Updates

House Bill 506 changes the required break in service before a retiree may return to work with a participating employer and continue to receive their retirement allowance. Currently, in almost all reemployment situations, a three (3) calendar month break in service from the retired member's retirement date is required before returning to employment with a participating employer or their retirement benefit will be voided.

Under House Bill 506, the break in service is reduced to only one (1) month for retirees in most all reemployment situations. Prearranged agreements to return to employment with a participating employer made prior to a member's retirement date continue to be prohibited by law for all members. Additionally, all required forms must be completed if a retired member reemploys with a participating employer within twelve (12) months of their effective retirement date.

These changes take effect for retirement dates January 1, 2024 and after.

To access a summary of this and other 2023 legislative changes impacting KPPA, please click [here](#).

## New Hires

Please instruct your newly hired employee(s) to use their social security number on the Form 2035, Beneficiary Designation, if they have not yet received their KPPA member ID. New Employees may also call KPPA with their PIN number and receive their member ID if they have been set up in the system.

KPPA requires an email address for members. Forms 2001, Membership Information and Form 2035, Beneficiary Designation both require the member to enter their email address. Please instruct employees to utilize their personal email address when completing the forms.

## Employer Reporting Manual

The Division of Employer Reporting, Compliance and Education provides the Employer Reporting Manual for our participating employers, which includes comprehensive information about the monthly reporting process and requirements. This manual is the first source of reference in answering your questions and an excellent resource for all your reporting needs.

Access the Employer Reporting Manual [here](#).

## CREDITABLE COMPENSATION

Creditable compensation is used to calculate retirement benefits and must be reported for every employee each month.

### What's Included

Creditable compensation consists of all salary, wages, tips, fees, and payments for compensatory time, paid as a result of services performed for the employer, or for time when the member is on paid leave which are includable on the member's Federal Form W-2, Wage and Tax statement, under the heading "Wages, Tips, and Other Compensation".

Lump sum bonuses, severance payments or employer-provided payments for purchasing service credit are also included in creditable compensation for reporting. These types of payments must be reported separately from regular wages on the monthly detail report.

If an employee's compensation package includes non-monetary items, such as provided vehicles or housing, KPPA will facilitate the determination of the value of these items for purposes of reporting contributions.

### What's Not Included

**Living allowances, expense reimbursements, and lump-sum payments for accrued unused vacation time** are not considered creditable compensation and **should not be reported to KPPA**. Lump sum payments for unused sick leave when an employee terminates may only be reported to KPPA if the agency participates in the CERS Alternate Sick Leave Program under [Kentucky Revised Statute 78.616\(5\)](#).

Lump sum payments for unused sick leave at any time other than termination, lump sum compensatory time payments for employees who began participating on or after September 1, 2008 and nominal fees for volunteers with a participation date on or after August 1, 2016 are not reportable. There are also specific retired reemployed exemptions explained in [Chapter 2-Employee Reporting](#) of the KPPA Employer Reporting Manual.

## Verification of Payment Outside of Regular Wages

An employer who is going to pay a bonus, severance pay, or another other type of payment outside of regular wages must submit a completed Form 7250, Verification of Payments Outside Regular Wages.

For KPPA reporting purposes, a bonus is a sum of money granted or given to an employee in addition to regular pay, usually in appreciation for work completed, length of service, etc. Severance pay is an additional pay given to an employee when his or her employment ends. For severance payments, employers must submit a copy of the severance agreement to KPPA for our legal team to review and make a determination on how the severance payment should be reported. Lump sum bonuses, severance payments, and employer-provided payments for service credit purchases must be reported separately from regular wages on the monthly detail report. If these types of payments exceed \$1,000 for the fiscal year, then the combined payments will be averaged over the employee's total service with the system in which they are reported. These types of payments **should not** be reported as regular pay or regular pay with additional creditable compensation.

Upon review of the completed Form 7250, KPPA will send a correspondence advising the employer how to properly report the payment. Once a specific payment has been determined by KPPA, the agency will not need to submit another 7250 for that same type of payment. For example, if a determination has been made that an Incentive Payment is considered a bonus in calendar year 2022, the agency will not need to submit a Form 7250 for that same type of payment in 2023. However, if it is a different type of payment outside of regular wages, another Form 7250 would need to be submitted.

## QUICK GUIDE TO COMPLETING FORM 6487

Form 6487, Request for Member Pension Spiking Exemption Amounts should be returned to KPPA within 60 days of receipt.

The Quick Guide to Completing Form 6487 has been updated to provide further guidance on when to mark the Exemptions box, and how Exemptions should be calculated. Click [here](#) to access the Quick Guide.

### QUESTIONS?

If you have questions on how to complete the Form 6487, please call the Employer Hotline at 1-888-696-8810.

## Invoices Reminder

Invoices are KPPA's method of billing and/or refunding via electronic transactions. KRS 61.675 and KRS 78.625 require participating employers to submit employee information and contributions, employer contributions, and health insurance contributions (when applicable) through the Monthly Reporting process to KPPA. Invoices from this process have a 30-day due date from issuance and are considered current.

Please click this link [Chapter 4 - Monthly Reporting](#) to review the KPPA Employer Reporting Manual for additional information on how to pay your invoices.

If you have questions about an invoice, please contact your ERCE representative.

## Adjustment Reminder

There may be circumstances when an adjustment to a previous record is required.

Some examples are a prior period adjustments, retroactive payments and first and last months of employment.

The actual begin date should always be reported to KPPA.

Example: An employee was hired 8/30/2023. The employer should report two (2) records in the month of September 2023. The begin date should not be reported as 9/1/2023. Please refer to page 17, Chapter 4 of the KPPA Employer Reporting Manual for this specific scenario. The process for Employers reporting monthly detail information by the Enter Report Details in ESS should always follow the instructions in [Chapter 4 - Monthly Reporting](#) of the KPPA Employer Reporting Manual.

## School Board Information- Important Dates

### November 15th Due Date

The End of Year (EOY) reports were included in your July 2023 monthly packet. These reports are generated using the information your agency submitted on the EOY file and identify employees who may need corrections or adjustments to their records.

You may receive up to four EOY reports:

1. Exception Report
2. Non-Participating Employees Report
3. Error Listing Report
4. Multiple Enrollment Report

Corrections or adjustments identified in the Exception, Error Listing, Multiple Enrollment and/or Non-Participating Employees Report are due by November 15th. If you have not already done so, please submit the necessary information as soon as possible to allow sufficient time for our staff to assist you with any issues you may encounter. If the appropriate corrections are not received by KRS by November 15th, any contributions associated with the identified employee accounts will be refunded to the employer and no service credit will be awarded to these members. Click [here](#) for a quick guide to School Board End of the Year Reports.

### **New for the EOY School Board Exception Report**

KPPA has added a Status Column to this report that shows the current system status for the employees listed. This change is for our internal purposes only, and there is nothing you need to do with this information on the report. Instead, please remember to add any corrections to the Corrected Actual Days Worked column that you deem necessary. If there are no changes that need to be made, please be sure to write this on the report before returning it to our office for processing.

[Please contact KPPA if you have questions.](#)

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