

Employer Announcement #48

Negative Earnings/Prior Year-Invoicing

The investment climate for 2008 prompted questions about employer obligations for prior-year contributions and earnings in years with investment losses.

PERS will not invoice employers for net negative prior-year earnings on the Individual Account Program (IAP) or Tier Two member accounts. Invoices for prior-year employer contributions to the employer reserve involve no earnings, positive or negative.

Losses related to a reversal of prior-year contributions with net negative earnings would be absorbed by PERS.

Example

An individual becomes an OPSRP member October 1, 2008. Contributions totaling \$100.00 are made to the individual's IAP account for November and December 2008. The member terminates PERS employment effective December 31, 2008, and leaves his or her IAP account in inactive status.

The 2008 IAP earnings rate for 2008 is set at -26.92 percent, and this member's IAP account value becomes \$73.08. The employer is not invoiced for negative earnings.

2009 becomes a second year of negative earnings, and IAP earnings for 2009 are set at -20.00 percent. The member's 2009 inactive IAP account value now becomes \$58.46. The employer is not invoiced for negative earnings.

A 2010 eligibility study determines that 2008 was not a qualifying year for this member, and the \$100 for 2008 IAP contributions must be reversed. The losses of \$41.54 previously posted to the member's account will be reversed and absorbed by PERS. The original \$100 contributions will be returned to the employer as a credit on the employer's on-line statement.

If you have questions about prior year invoicing, please contact your Employer Service Center (ESC) account representative or e-mail: pers-employer.info.services@state.or.us.

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