Make Whole Agreements

Larry Davis and Erika Burkhouse

Make whole vs. lump sum – what's the difference, and what deductions are required

All deductions associated with the eligible salary are required

Alaska Division of Retirement and Benefits

Lump Sum Agreements

A single lump sum payment

Taxable income under IRS rules

Social Security and SBS-AP contributions required

Make Whole Agreements

Recompenses the employee as if the causative event did not happen

Taxable Income under IRS rules

Social Security and SBS-AP contributions required

PERS/TRS eligible compensation

Alaska Division of Retirement and Benefits

DRB review of agreement/arbitrator's award mandatory

Forward the draft agreement or final arbitrator's award to the division for review, approval and reporting instructions

Implementation for active/deferred members – effects on service and salaries

Generally, make whole agreements will increase a member's service and salaries. Care must be taken when reporting salary and contributions to DRB.

Reporting requirements (no pension spiking!)

If the full amount of the make whole agreement is reported in single year, it would artificially increase that year's PERS/TRS compensation.

This results in an inflated annual salary that could spike a member's pension benefit – Not Allowed!

Reporting requirements (no pension spiking!)

Instead, the compensation and contributions need to be reported in the actual payroll periods for which they would have been paid.

Work with your DRB Payroll Contact to ensure proper reporting is made.

Alaska Division of Retirement and Benefits

Implementation for retired members

A make whole reinstatement to employment will change the member's eligibility for retirement. They may be required to repay retirement benefits received during the period of reinstatement.

Our retirement processing team will treat this as a return to work overpayment of benefits.

Implementation for retired members

The member's retirement benefit will be recalculated once the make whole salaries and service are reported. They will be notified of the amount of overpaid benefits.

Salaries must be reported in the actual payroll periods, so work with your DRB Payroll Contact

Implementation for former members - posting of service and contributions and subsequent refund to former member

Again, these must be reported in the actual payroll periods, so work with your DRB Payroll Contact

Implementation for former members

Under statutes, if a member had applied for and/or received a refund of their account subsequent contributions must be refunded.

The member cannot choose to allow the funds to remain in their former account or use the make whole payment to reinstate their tier

Reporting the Make Whole

Reach out to your payroll contact

Use the adjustment tab in eReporting

Enter in the salary, pay period end date that employee should have been paid

Click calculate-eReporting will calculate all contributions associated with the salary

Employer eReporting

Control | New Employee | Personnel Change | Events | Payroll | Adjustments | Trueups | Additional Amounts

Group Update | Banking | Reports | User Maintenance | User Profile | Logout

Employer: 101-P-STATE OF ALASKA Payr 5542: S: 09/30/2016

SSN: Search Records per Page: 20 Filter by Plan: --ALL--

#	SSN / Name	OCC / PreTax	Status / PostTax	Plan / Vol/Sup	Gross / RMP	PT Hrs / PPE	Pay Type / HRA	EE Contrib / ODD	ER Match / DBUL	
1	[redacted]	A - ALL OT	FULL TIME	DB	3,000.00	0.00	ADJUSTM	202.50	660.00	Delete
	BURKHOUSE,ERIKA D	0.00	0.00	0.00	0.00	7/15/2016	0.00	0.00	0.00	trueup

Employer eReporting

Control | New Employee | Personnel Change | Events | Payroll | Adjustments | Trueups | Additional Amounts

Group Update | Banking | Reports | User Maintenance | User Profile | Logout

Employer: 101-P-STATE OF ALASKA Payroll: 295542: S: 09/30/2016 Records: 4

SSN: [ ] Search Records per Page: 20 Filter by Plan: --ALL--

#	SSN / Name	OCC / PreTax	Status / PostTax	Plan / Vol/Sup	Gross / RMP	rs / E	Pay Type / HRA	EE Contrib / ODD	ER Match / DBUL	
1	[redacted]	A - ALL OT	FULL TIME	DB	3,000.00	0.00	ADJUSTM	202.50	660.00	Delete
	BURKHOUSE,ERIKA D	0.00	0.00	0.00	0.00	07/31/2016	0.00	0.00	0.00	trueup
2	[redacted]	A - ALL OT	FULL TIME	DB	3,000.00	0.00	ADJUSTM	202.50	660.00	Delete
	BURKHOUSE,ERIKA D	0.00	0.00	0.00	0.00	08/15/2016	0.00	0.00	0.00	trueup
3	[redacted]	A - ALL OT	FULL TIME	DB	3,000.00	0.00	ADJUSTM	202.50	660.00	Delete
	BURKHOUSE,ERIKA D	0.00	0.00	0.00	0.00	08/31/2016	0.00	0.00	0.00	trueup
4	[redacted]	A - ALL OT	FULL TIME	DB	3,000.00	0.00	ADJUSTM	202.50	660.00	Delete
	BURKHOUSE,ERIKA D	0.00	0.00	0.00	0.00	09/15/2016	0.00	0.00	0.00	trueup

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http://doa.alaska.gov/drb/employer/ereporting/employer-ereporting-contacts.html

Thank You!

If you have questions please contact:

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