PMRS Corrections of Plan Member Data Records

Employer Financial Responsibility and Liability

Previous PMRS Practice on Corrections

Prior to 2017, PMRS policy on correcting employer submitted Member data records was to:

- Notify the employer of what PMRS has determined to be an "error of the Member record"
- If the correction of the Member record related to one of the three data elements that may impact the Member's ultimate retirement benefit which are: (1) Member salary; (2) Member contributions and (3) Credited Service, it would be determined if there is any financial impact to the Member or the employer and the amount of any direct and immediate financial impact to the respective parties.
- If a determination was made that the employer will incur an immediate and direct financial obligation in the form of a cash payment to PMRS, the employer would be notified and a PMRS invoice would be created. Failure to pay this obligation could result in a transfer from the employer's account to the applicable account resulting in a reduction in employer plan assets and a corresponding increase in unfunded liability.
- If a determination was made that the employee may or will incur an immediate and direct financial obligation in the form of a cash payment to PMRS, the Member would be notified, and a payment would be requested or, if applicable, the Member would have the opportunity to pay the obligation over a limited period of time through payroll deduction. Failure to pay this obligation would likely result in a reduction of the recorded amount of Credited Service or the prohibition of recording an additional amount of Credited Service that would have been allowed if the payment had been made.

In summary, the previous policy often apportioned financial liability to both the employer and the Member depending on what data elements were being corrected.

Current PMRS Practice on Corrections

In 2017, PMRS implemented the practice of apportioning financial liability to Members and employers based on which party had the obligation to provide accurate Member data (or which party voluntarily accepted a specific financial obligation).

Impact on Employers

1. Employers will retain their previous financial and operational obligations involving Member information/data errors submitted to PMRS. The most frequent examples have been:
    - Incorrect Member dates such as hire date, plan entry date (after any eligibility period), employment status change dates, and employment termination dates
    - Incorrect Member salaries and Employer contribution amounts submitted on both the quarterly reports and the Member Retirement Application Form and the Member Return of Contribution Form.

For these existing obligations, an employer will retain their obligation to:

- Correct the data through the applicable correction of data process;
- Assume any financial impact from adjusted plan liability resulting from changes in Credited Service; and
- Immediately make payments to PMRS for any required increases due to changes in Employer contributions.

2. Employers will assume the financial obligations related for failure to collect required and/or optional Member contributions in a timely manner. For these expanded obligations, an employer will assume the financial impact resulting from having the obligation to "make the member whole". Some examples are:
   - Incorrect employer reporting of Member Plan Entry dates that results in an over or under collection of Member required and/or optional contributions.
   - Incorrect reporting of Member required and/or optional contribution amounts that results in an over or under collection of Member contributions
   - Failure to begin Member contributions at the appropriate time that result in an over or under collection of Member contributions

<u>Impact on Employees</u>

1. Employees will assume financial obligations involving elective Member activities over which they control or in which the employer has operational control and the employee has not successfully fulfilled their obligation for which they agreed to perform. The most frequent examples are:
   - Employees failing to make contributions or payment for their elective obligation to purchase prior Plan service. This could result in the employee not being allocated the prior service they had expected.
   - Employees failing to submit retirement and/or contribution applications in a timely manner. This could result in a permanent loss of some benefit payments or at least a delay receiving the initial benefit payment.

Rationale for current practice

The PMRS current approach is consistent with IRS guidance relating to fixing errors through employer self-correction. For example, the plan sponsor/employer retains the sole responsibility for plan design and plan administration. While the plan sponsor may engage consultants and other specialists to assist in these two activities and may even have agreements to share or transfer some or all fiduciary obligations, the plan sponsor/employer retains the obligation to ensure that the plan is properly designed to adhere to all relevant IRS requirements and retains the obligation for the plan to be administered in accordance with the plan document. Therefore, errors that are the result of not adhering to the provisions of the plan document will be the financial liability of the plan sponsor/employer. Because Plan Members have no authority to design an employer retirement plan nor control the administration of it, errors in the plan's administration will generally be an employer obligation to correct the error along with any applicable financial transactions or penalties.