MERS Defined Benefit Plan *Employer Guide - Discrepancy Codes*

MERS®
Municipal Employees' Retirement System

Definitions of discrepancy codes and how they should be used

There are two types of discrepancy codes an employer may be required to use. Discrepancy codes are manually entered after the submission of wages and contributions are saved and checked for errors.

Contribution Discrepancy:

A contribution discrepancy code is required if the contributions remitted do not align with the employee wages reported (using the employee's percentage rate in effect for the division).

- For contributory divisions, employee contributions are mandatory and must be remitted.

- Ensuring MERS always has the most up-to-date employee contribution percentage rate on record for all divisions will aid in eliminating errors when submitting your data.

- Contributions remitted are flagged as an error if the amount reported is outside the margin of error for the expected percentage adopted by employer for division (reported wages x employee percentage rate).

Wage Discrepancy:

A wage discrepancy code is required If the reported wage is flagged as an error when system validation is performed.

- A participant's reported wage is validated by comparing to a previously reported wage (within past 12 months) as long as the previous wage was reported with service credit and NO wage discrepancy code).

- If there is no valid wage for comparison, the reported wage becomes the new wage used for comparison for future reporting. The number of pay periods reported may have an effect on validation comparison.

Contribution Discrepancy

Codes	Used When	Considerations	Data Entry Format for Note Section
Employee Division Rate Change	Communicating a change in the division's employee percentage rate	Adoption paperwork needed to initiate system change; contact MERS	Rate chg. eff = Mth/Year - withholding x%
Contribution Correction	Reporting a contribution correction for a month	Participant paid more contributions for previous month(s) Participant paid less contributions for previous month(s)	More/less remitted in Mth/Year due to under/overpayment previously reported in Mth/Year
Misc Contribution Discrepancy	Reporting a one-time contribution variance due to a Leave of Absence where Service Credit = Yes; Wages = $0.00; and Employee Contributions remitted are based on formula *(SCQ x pay rate = approximate wage x employee contribution % rate = $ contributions due for Leave of Absence)*	Contributions remitted do not align with wages reported due to an employee Leave of Absence (Service Credit is awarded)	Share brief explanation for contribution variance (example: Disability Leave of Absence 07/08/21 – 07/31/21)

Wage Discrepancy

Codes	Used When	Considerations	Format for Note Section
New Pay Rate	1. Reporting a change in salary for an employee within the same division 2. A wage validation system reset is needed	When there is no wage variance, but the system requires a code; the new pay rate discrepancy code is the only code which allows the employer the ability to 'reset' the system for wage reporting	
Hours Higher/ Lower	1. Reporting a **higher wage** variance due to overtime, shift differential, on-call pay received, etc. 2. Reporting a **lower wage** variance due to a fluctuation in hours worked.	If wage variance is low due to a leave of absence, ensure you select the proper leave code to describe your employee's leave.	1. Overtime, shift differential, or on-call pay, etc. 2. Part-time eligible, less hours worked within pay period, etc.
Retro Wage Split	Reporting a ONE-time retro pay adjustment. Likely due to a contract settlement or wage adjustment issued	Payment type, amount, and period are required	Retro Wage Adjustment issued Wage adjustment paid $AMT / Period wage covers = MM/DD/YY to MM/DD/YY
One-time Payout	Reporting a ONE-time LUMP sum payment issued annually or at time of termination of employment (reported payment may be used in calculation of benefit)	Payouts can be issued during the year or at the time of termination of employment Payment type, amount, and period are required (only exception = Longevity) If payment is issued annually; alert MERS so a note can be made on file	PTO/Vacation/Holiday/Comp-time/Personal = $AMT Period covers = MM/DD/YY to MM/DD/YY / or is all attributable to FAC period Longevity = $AMT
Leaves of Absence (LOA): **Disability,** **FMLA,** **Worker's Comp,** **Misc.**	Reporting an employee's disability leave (short- or long-term), unpaid FMLA-approved leave (and/or intermittent leave), work-related worker's comp leave, or misc. leave type allowed within Adoption Agreement Addendum	No third party wages are reported Report any employer-paid wages issued to the employee, along with applicable contributions **No wages reported = No employer contributions** A wage discrepancy code is required to describe leave taken regardless if service is awarded or if system flags wage due to threshold Employer determines if service is awarded for leave of absence ° For contributory divisions – if service is allowed employee contributions are mandatory and must be reported by the employer at the time of the employee's leave (for each month of leave) ° Employer assumes initial payment responsibility for employee contributions ° Employer responsible for collecting employee contributions required upon employee's return to work. Amount collected is NOT reported to MERS; amount collected is to repay the employer for initially assuming payment responsibility on employee's behalf ° Employee contributions are calculated using a **formula (SCQ x pay rate x employee percentage rate)** for months whereby **zero (0.00) wages are reported**. No additional employee contributions are required if wages and contributions were reported due to a partial or intermittent leave	Report dates of leave taken within reporting month LOA = MM/DD/YY to MM/DD/YY; $pay rate
Military Leave	Reporting an employee's qualified deployment, weekend reserves, or National Guard leave	Report service credit as 'Yes' during Leave of absence. Calculate and report historical wages to MERS using the Military Leave discrepancy code. Compensation is the amount the employee would have earned in pension reportable compensation. The amount must factor in all raises, bonuses, and other pension reportable compensation the employee would have received during the period of military leave, and the amount must be determined based on the number of hours the employee regularly works. Report any employer-paid wages and/or lump sum payouts issued to the employee while on leave. Report employee contributions due based on historical wages reported using division's employee contribution % rate.	Report dates of leave taken within reporting month Military = MM/DD/YY to MM/DD/YY; $pay rate
Other	Reporting ONE-time misc includible wage Reporting multiple wage items Reporting awareness employee has met annual income limitation for calendar year in accordance with IRS limits	Regardless of reason, employer note required to explain +/- wage variance Payment type, amount, and period required (if applicable)	Misc. payment of 'x', Variable compensation issued, etc. = $AMT Additional wages after DOT = $AMT Layoff eff. = MM/DD/YY Annual limitation met