



AG-385 Form: Answers to FAQs

This document provides answers to frequently asked questions surrounding the AG-385 Form. Topics include:

- certification eligibility requirements,
- drop program,
- employee contributions,
- military leave,
- new vs. existing plan,
- probationary status, and
- wages/compensation.

Certification Eligibility Requirements

What date to use when employee goes part time to full time?

Use the full-time date, since only full-time employment counts towards 6-month requirement.

Does an employee have to work at least 35 hours per week every week or can that be on average 35 hours per week?

In general, it needs to be at least 35 hours per week, but there will be instances when it would have to be an average. An example that would not be acceptable would be an employee who might be part-time, but they work a high amount of hours at certain times of the year (snow removal, summer maintenance) that might bring their average up to 35 hours per week, but as part-time or seasonal employee, they are not eligible.

If an employee is a plan member and meets the 6-month criteria, but was not a plan member for 6 months, should that employee be certified?

Yes, an employee does not have to be a plan member for 6 months. Act 205 requires the participant to be a member of the plan by December 31 to meet the participation requirement of the plan.

Do we include an employee who has worked for more than 6 months, but less than one year, if the employee does not become a member of the pension plan until they have worked for a period of one continuous year under the terms of the employee policies?

No, because at the end of the year, they are still not a plan member. They must become a plan member at some point during the year. They do not have to be a plan member for 6 months. The municipality may prescribe more stringent participatory requirements beyond those prescribed by Act 205 which may impact when the individual is eligible for consideration for state aid purposes.

Drop Program

Should employees participating in a Deferred Retirement Option Program (DROP) be certified?

Section 402(e)(2) of Act 205 states, “For the purpose of computing and reporting the applicable number of units, a DROP participant shall not be reported to the AG as an active employee.” For AG-385 certification purposes, a member is considered to be retired when they enter the DROP. So, if someone enters a DROP on 4/1/25, they could not be certified because they are considered to be retired on 4/1/25 and were not an active employee for at least 6 months in 2025. If someone enters a DROP on 8/1/25, they could be certified because they were an active employee for more than 6 months in 2025 before entering the DROP. Reverse DROPs are not permitted nor are they eligible for state aid.

Employee Contributions

What are Employee Contributions and Accumulated Contributions?

The Employee Contributions column is where you will report contributions made by the employee during the roster year, and Accumulated Employee Contributions is where you will report contributions made by the employee since they started to contribute up to and including the roster year. This data is for informational purposes only in that it is very helpful to our auditors when it is time to audit the plans, but it does not factor into the municipality’s state aid allocation. Therefore, it is not a crisis if you inadvertently put the wrong figures in these columns. The auditors will otherwise verify the contributions amounts during their audit, and there is no penalty for reporting incorrect figures in the contribution columns.

Are 457 Plans eligible for state aid?

457 Plans are not eligible for state aid.

Should both voluntary and mandatory employee contributions be reported?

Yes.

Military Leave

Should an employee on military leave be certified?

Quite a few years ago, it was decided that we will permit a municipality to certify a member who was on active military duty (i.e. deployed) if the member is eligible to receive service credit (at the municipality) for such duty. So, an employee can be certified even though he/she did not work 6 months, as long as they are still considered to be an employee and receiving service credit during their deployment.

New Vs. Existing Plan

Some employees switched from a defined benefit plan to a defined contribution plan part way through the year. How should these employees be listed on the roster under “Type of Plan”?

Assuming that the new DC plan does not need to be funded for three years prior to being eligible for State aid, list the employees who are now in the DC plan as “DC” simply because

that's what they were at the end of the year. DC or DB, it will not make a difference for the purpose of calculating State aid.

Probationary Status

If a municipality has a police officer that begins employment on August 2, 20XX, on full-time probationary status, but didn't begin making contributions to the pension plan until August 2, the following year, because their plan document says they have to be full-time regular employees, should they be listed on the certification even though they didn't begin making contributions until August 2, the following year?

Yes. They can be certified on the AG 385 submitted in the current year, using the prior year data because they met the criteria of 1) full-time for at least 6 consecutive months in the filing year and 2) they became a plan member during that same year. This happens occasionally when there is a probationary period. So even though they did not become a plan member until late in the year, the fact that they worked full time for at least 6 months is key. They are not required to be a plan member for at least 6 months.

Wages/Compensation

Can Short-Term Disability Wages be certified on the AG-385?

Disability is a very gray area when it comes to certifying it on the AG-385, and it's hard to answer questions about it without a lot of supporting detail. There are instances when non-service-related disability wages could be certified. It depends on whether those wages are "pensionable", i.e. whether they would be included as wages in the pension calculation, and that depends on how the governing document is written. If the governing document allows time for non-service-related disability to be counted for service time, then they can generally certify those wages. If the governing document does not allow it, the wages generally shouldn't be certified. A municipality could contact their plan consultant, custodian, actuary, or solicitor for guidance.

If an employee is part-time and then goes full-time in the same year, do the part-time wages get included on the roster?

No. Only the full-time wages should be certified. Also, the employee must have been full-time for at least 6 consecutive months during the year to be eligible for certification.

Can deferred compensation (457 plan), Term Life Insurance, Aflac, cafeteria plans and/or health insurance premiums be included in compensation to be certified on the AG-385 Form if included or not included on W-2?

In general, yes, as long as the following apply:

- If members contribute to the pension plan, they must contribute on the referenced compensation; and
- The referenced compensation must be included in the pension calculations and MMO determinations.
- Heart & Lung payments may be certified even if they are not on the W-2.

Note: The municipality should also refer to their plan document for the definition of compensation for each pension plan.

Do you include Supervisor's pay in the wages reported?

No, do not include. Only wages from full-time positions are eligible for certification.

What wages are certified if the employee does not have the 1 year in a plan, do they certify only the wages that are eligible, i.e. the months they are in plan?

The individual's entire annual, full-time wages are eligible to be certified, even though the individual was not eligible to enter the plan until late in the year.

What date do you use for hire date if they were part time previously?

Use the full-time date as the date of hire.