

THE LATEST WORD

March 2002

Official IPERS Information ▲ Retain For Your Records

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Part-time Elected Officials IPERS vs Social Security

The Compliance Team conducts IPERS audits throughout Iowa and fields numerous employer questions about part-time elected officials who are active IPERS members and are also making contributions to Social Security. The following information pertains to wages paid to part-time elected officials only.

Who are part-time elected officials? Part-time elected officials include city council members and mayors, township clerks, and part-time county boards of supervisors.

What does the law say? The Section 218 Agreement between the State of Iowa and the Social Security Administration and the terms of the Social Security Act interact to exclude part-time elected officials from Social Security coverage if their wages are IPERS covered. When the law went into effect July 2, 1991, ONLY part-time elected officials not covered by IPERS should have been covered by Social Security. Prior to July 2, 1991, these part-time elected officials should not have been covered for Social Security.

What about Medicare?

Contributions for Medicare are not covered by the 218 Agreement. Generally Medicare should be withheld for those hired after March 31, 1986, regardless of IPERS coverage.

What does this mean to you?

It means that if you have part-time elected officials who are contributing to IPERS, they **cannot** contribute to Social Security. If their elected official wages have been covered for both, the Social Security withholding must stop immediately. In addition, adjustments to previously reported Social Security contributions may be necessary. Please contact the Internal Revenue Service (IRS) at 1-800-829-1040 for assistance.

Special Treatment of Wages for Retirees

Several reporting officials have stated to IPERS that retiring employees frequently request special payment arrangements beyond what is offered to all other employees, or request reporting officials to report inaccurate dates on their retirement application to increase their retirement benefit.

Reporting officials are obligated to report wages in a consistent and accurate manner. Special payment arrangements should NOT be processed that would result in an increase to retirees' benefits.

Reporting officials and employees who willingly engage in manipulation to increase IPERS retirement benefits are subject to prosecution under Iowa Code section 97B.40 for engaging in a fraudulent practice. We ask for your cooperation and honesty to ensure that IPERS' Trust Fund money is paid fairly to all our members.

Employers with More Than 50 Employees

Beginning with wages reported for the quarter ending March 31, 2002, employers reporting 50 or more employees will be assessed a \$50 administrative charge each time a quarterly wage report is submitted on paper.

Formatting information for electronic reporting (diskette, cartridge, tape) is available in the Employers' Handbook. IPERS staff is available to answer any questions you may have.

Internet Initiative Surveys

Thanks to all who completed our Internet Initiative Survey! We are now busy compiling the results and determining how to build an Internet web site that reflects your desires and technical needs. At this point we have identified six opportunities, in addition to the wage reporting function, that are being considered for incorporation into the IPERS Employers' web site: member enrollment and changes in enrollment information, employer communications, updating employer information, debit memo and credit memo look up, employer training, and viewing previously reported wage data.

We welcome and encourage your input at any time.

Important Change For Public School Retirees

Public school employers should note an amendment to IPERS' administrative rules which will be filed and effective in February 2002, but will have an retroactive effective date of January 1, 2001. This change relates to public school (K-12) contract employees who can choose the number of months in which to receive their annual salary. Previously, if such an employee retired with, e.g. a June first month of entitlement (FME), the receipt of monthly wages in July and August would revoke the retirement, and cause an overpayment situation. Under the amended rule, such employees may retire and still receive the remaining installments of their contract wages through the end of the contract year without revocation of their retirement and

the associated overpayment problems.

REMINDERS:

- ❖ As indicated in the last issue of The Latest Word, there have been substantial changes in the federal tax laws affecting public employee retirement vehicles. Employers are reminded to consult their tax advisers about the favorable changes affecting IRC section 457 plans and 403(b) tax-sheltered annuities.
- ❖ Employees who terminate employment and ask for a refund must terminate ALL covered employment for four months (under current law). Failure to terminate ALL covered employment with ALL covered employers revokes the refund, and IPERS is required to recover the refund with interest.
- ❖ This is an IPERS year in the Iowa General Assembly. Legislation affecting IPERS, and any other legislation of interest, may be found at www.legis.state.us. Watch for further information about this year's IPERS changes in the next issues of Inside IPERS and the Pensioners' Post.

SPECIAL CLASS RATES

<u>Special service group:</u>	<u>Effective:</u>	<u>Member:</u>	<u>Employer:</u>	<u>Total:</u>
Sheriffs, Deputies, and Airport Firefighters:	7/1/2001 7/1/2002	5.50% 5.37%	8.25% 8.05%	13.75% 13.42%
Protection Occupations:	7/1/2001 7/1/2002	6.20% 6.04%	9.29% 9.07%	15.49% 15.11%*

*Note: The 15.11% includes the recommendation that approximately 165 county conservation peace officers, spread throughout some 65 counties, be included in the protection occupation group effective July 1, 2002. *If the Legislature rejects this recommendation, the protection occupation rate will drop to 15.00%.*