

THE LATEST WORD

June 2002

Official IPERS Information ▲ Retain For Your Records

Iowa Public Employees' Retirement System ▲ PO Box 9117 ▲ Des Moines IA 50306-9117
1-800-622-3849 or 515-281-0020 ▲ Benefits Fax Number 515-281-0053 ▲ Accounting Fax Number 515-281-0055
E-mail: info@ipers.state.ia.us Web site: www.state.ia.us/ipers or www.ipers.info

***** Correction*****

Part-time Elected Officials - IPERS or Social Security?

In the March 2002 issue of *The Latest Word*, IPERS addressed IPERS and Social Security (FICA) coverage problems for part-time elected officials. We defined part-time elected officials to include city council members, mayors, township clerks, and part-time county boards of supervisors. However, a review of the Iowa Code, section 97C.2, indicates that part-time members of county boards of supervisors and county attorneys are to be treated as full-time positions and subject to FICA. If you stopped deducting FICA as a result of the March 2002 article from either the members of your county board of supervisors or your county attorney, please correct this immediately. We apologize for any inconvenience this may have caused.

New Form for Wage Adjustments!

Enclosed is a new *Wage Reporting Adjustments* form. Please begin to use this new form immediately and discard old forms.

This form will no longer be sent quarterly with reporting documents, so please photocopy the form as necessary. The form can also be found on IPERS' web site at www.ipers.info or www.state.ia.us/ipers. Instructions are found on the reverse side of the form. Most of the form's content is unchanged, with more room per page for adjustments and a new field for a "Reason Code." The corresponding codes can be found with the instructions on the reverse side. Inclusion of these codes will save many phone calls between IPERS staff and reporting officials when questions arise about the cause of the adjustments. We appreciate your cooperation in implementing this new form.

Optional Coverage Employees

Specific positions which have optional coverage are IPERS covered unless the employees follow IPERS' procedures to elect out of coverage within 60 days of eligibility. However, there have been several instances where reporting officials failed to notify the employee of their right to elect out within the 60-day time period and also did not withhold IPERS from the employee's wages. In the past, IPERS required wage adjustments for these "missed" employees with coverage back to date of eligibility. IPERS has developed a new procedure that will allow a short

period of time to elect out for employees who have not been notified of their right to elect out and have not had IPERS withheld from wages. Please contact a member of the IPERS Compliance Team for further information.

New Minimum Period of Severance for Refunds

Effective July 1, 2002, IPERS will change the time period required for employees who take refunds to be out of IPERS covered employment. Employees will now be required to stay out of all IPERS covered employment for 30 days from the date of their last IPERS covered paycheck. Employees who return to covered employment before the end of this period will be required to repay the refund to IPERS.

This minimum period of service applies to all IPERS covered employment. If you are aware that a terminating employee is still employed by another IPERS covered employer, please refer that person to IPERS for more information.

County Conservation Peace Officers

Effective July 1, 2002, County Conservation Peace Officers should

be reported to IPERS under the Protection Occupation Class rates. A County Conservation Peace Officer is an employee designated by a county conservation board to have the enforcement powers of a police officer pursuant to section 350.5 of the Iowa Code. The Occupation Class code for this group of employees will be 18 on your quarterly wage details. See the rate table included with this newsletter.

Voluntary Coverage of Part-Time Elected Officials

IPERS proposed an amendment to Iowa Code Chapter 97C that was adopted, but cannot be implemented yet. Under the amendment, an employer of part-time elected officials can choose to provide both FICA and IPERS to those elected officials as employees as provided by this chapter. The amendment also provides that part-time elected officials who were covered under both FICA and IPERS prior to July 1, 2002, shall not be deemed to be in an erroneous reporting situation. Therefore, corrections for prior federal Social Security withholdings would not be required. The implementation of this amendment is subject to the approval of the federal Social Security Administration. IPERS will keep you updated as soon as we have confirmation from Social Security.

Cafeteria Plans

Many employers are currently negotiating contracts involving cafeteria plans. The Compliance

Team receives numerous telephone calls from employers and members who want to know if, based on the terms of a particular cafeteria plan configuration, the employer's share of premiums (referred to in this article as "employer contributions") are covered wages under IPERS statutes and administrative rules. The following information is a brief summary to assist you in understanding how rules are applied.

Cafeteria plans must qualify under Internal Revenue Code (IRC) Section 125. They are also known as flexible benefit plans, flexible spending arrangements, or just flex plans. Employers can use these plans to offer a benefit "package" including, but not limited to, health, dental, disability, life insurances, and dependent care assistance.

Many of these cafeteria plans include an option to receive employer contributions in cash. Most of our questions are related to these elective employer contributions. The intent behind IPERS' statutes and rules in this area is to establish an acceptable level of consistency and uniformity in covering wages. The basic rules for analyzing IPERS coverage for an employer contribution are as follows:

- Employer contributions that **can** be received in cash are covered wages, **even if** the employees choose to use the money to pay for options within the cafeteria plan.
- Employer contributions that **cannot** be received in cash by employees **are not** considered covered wages. For example, if employees are required to use a portion of the employer contributions to purchase at least a single health insurance policy, not all the money is available as cash. In such a case, the employer would subtract the cost of the required insurance from the total employer contributions being offered, to determine the covered wage amount.

Notwithstanding the foregoing principles, employer contributions that are received in cash **may** not be covered wages **if** the cash option is only made available to a select group of employees. For example, if the cash is only available to supervisors, or to those who have coverage under a spouse's plan, **no portion** of the employer contribution would be treated as covered wages.

These plans must be considered on a case-by-case basis. In each case, we ask questions to help us determine if the employer contribution is available in cash to a broad, nondiscriminatory group of participants and without restrictions. The Compliance Team will gladly review your plan's provisions to assist you in determining how much of the employer contributions, if any, should be IPERS taxable. We ask that you send us a copy of your plan's written description—usually the information you give new employees outlining the options. We will respond to you in writing.

Grants

Employee positions funded by grants are subject to IPERS coverage the same as other positions. Retiring employees will violate their bona fide retirement (BFR) period if they participate in a covered employer's grant-funded programs during their four-month BFR period. If the retiring employee completes their BFR period and then returns to employment to continue these programs, documentation should be noted that any remuneration received, after reemployment, did not cover the time during the BFR period. Retirees cannot be pre- or post-paid for time during their bona fide retirement period.

Internet Wage Reporting Project Update

The Internet Initiative Team is now finalizing the planning stage and moving into the design stage. It has been a thrill for the IPERS staff to see how the screens will appear. If all goes as planned, wage reporting via the Internet will be in the testing phase in July. Stay tuned for further updates!

Enrollment Prior to Reporting Wages

Effective September 2002, one of IPERS' new administrative rules requires employers to enroll new employees prior to reporting wages for those new employees. What this means for most of you is that you will continue to send in the form for new employees entitled, IPERS Membership Information and Beneficiary Designation, in your normal timely fashion. This new rule affects only those employers who were either not doing this at all or doing it after or at the same time they sent in their quarterly wage report. Please submit new employee information to IPERS as soon as possible after date of hire and well enough in advance of reporting wages so that these new employees will already be in our system when their wages are entered.

Referee Income

Income received for refereeing a school event is not covered wages for IPERS purposes, unless the referee is

also an employee of the hiring entity and the performance of such services is included in the employee's regular job duties. In this case, the referee duties must be included in the employee's employment contract.

For IPERS purposes, when referee work is not an extension of other duties, it generally meets the criteria for independent contractor status, and should not be covered.

Consolidating Employer Accounts

Employers who use more than one IPERS employer account number may find reporting of quarterly wages easier if reports are consolidated under a single number. Examples of employers who have two or more accounts are counties who have county auditor, assessor, and sheriff departments, and cities with a general account and a police department account.

If you are unable to consolidate accounts due to "computer woes," you are not required to consolidate. But, consolidation will save administration, time, and mail expenses for employers and IPERS. Consolidation will also make reporting via the internet a much easier task, something IPERS plans to implement soon.

To combine accounts, please send us a letter stating your desire to consolidate accounts and identify which accounts you are combining.

Integrity of the IPERS Database

To assure that all IPERS members receive accurate service credit and the benefits to which they

are entitled, it is vitally important that member information supplied by employers is accurate and timely. Overall, employers are doing an excellent job of reporting Social Security numbers (SSN), names, and wage information. However, some inaccuracies are being reported.

After quarterly wages are posted, IPERS sends new member information to the Social Security Administration to verify that the SSN and associated name, birthday, and sex code correspond. In the past year and a half, an average of 138 SSNs were reported as erroneous each quarter. The majority are SSNs for female employees where the last name does not match. Others are the result of mistyped or transposed digits in the SSN. In some cases, SSA supplies the correct SSN, but others require extensive research to find the correct SSN. In many instances, when a valid SSN cannot be found, it is necessary to contact the employer for authentication.

Please help maintain the integrity of the IPERS database by diligently reporting accurate member information. An erroneously reported SSN may result in wages being recorded in another member's account.

Also, if a member changes names, please have that person submit an updated beneficiary form so that IPERS may keep records current.

Due to your continued efforts in the past two years, we have noticed a marked improvement in the accuracy of employer reporting. And for that we thank you.

Employer-Mandated Reduction in Hours

Many covered employers have reduced (or will reduce) budgets by imposing mandatory reductions in hours of employment. For some, primarily persons who expect more than 3 years of covered employment after the reduction in hours, there may be no impact on retirements. However, a mandatory reduction in hours may lower the average wages used to compute retirement allowances, if those employees will retire with the calendar years 2002 and/or 2003 used in their average of their 3 highest years. The General Assembly amended Chapter 97B to help mitigate this problem.

For mandatory reduction in hours beginning January 1, 2002 and ending no later than June 30, 2003, employees may, but are not required to, enter into payroll deduction agreements with covered employers. The amounts deducted will be treated as pretax employee contributions, and will be used to restore affected members' final average salary. IPERS will have application and payroll authorization forms available shortly. These payroll authorization agreements are irrevocable, and must be completed while employees still have unpaid wages.

The amendment does not apply to persons who are permanently laid

off, or to terminated employees. IPERS currently plans to adopt rules terminating the program by December 31, 2003, to avoid undue administrative burdens. Employers are reminded that this program is voluntary for employees, but employers must comply if requested by eligible employees. Members are strongly encouraged to contact IPERS to determine in advance whether they would benefit from this program.

Employers who have imposed mandatory reductions in hours are asked to make reasonable efforts (check stuffers, posted notices, etc.) to inform employees about this program.

Qualified Domestic Relations Orders

We receive many requests for assistance in the preparation of Qualified Domestic Relations Orders (QDROs) for our members. The first place that members can look for assistance is our web page at www.state.ia.us/ipers or www.ipers.info. There is a section which deals specifically with QDROs. This section includes a release of information form that can be used to authorize the release of confidential information, to the parties' attorneys. For example, this form can be used to request estimates of the member's monthly retirement allowance, refund amount, and so

forth, using assumptions supplied by the parties.

There is also a Model Form for a QDRO that will help the member and attorney draft the QDRO before it is sent to us for review.

If the member is not eligible for benefits, for whatever reason, the account will also not be available to the alternate payee. A QDRO becomes effective when it is accepted by IPERS as a qualified order.

Please feel free to call our QDRO Administrator, Charlotte Schipper at 515-281-0039 or 800-622-3849, ext. 10039.

REMINDERS:

- ❖ At retirement, the employee's last day of employment is the same as the last day on duty, unless vacation, sick leave, or leave of absence is being used. Then the last day is the last day on vacation, etc..

In addition to the foregoing, retirees are permitted to retain group insurance for the remainder of the school year following completion of services without violating any IPERS bona fide laws or rules.

- ❖ It is very important that reporting officials do not give advice to members regarding their IPERS accounts. If you have employees with questions regarding their accounts, please refer them to the Counseling Team at IPERS for assistance. IPERS can counsel members by telephone or by appointment in the office.

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:	7/1/2002	5.37%	8.05%	13.42%
Protection Occupations:	7/1/2002	6.04%	9.07%	15.11%