

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

IPERS Employer Handbook



Working Today for Your Tomorrow

About the IPERS Employer Handbook

As an Iowa Public Employees' Retirement System (IPERS) employer, it's important for you to understand your organization's role in managing and administering IPERS benefits for your employees. This IPERS Employer Handbook is designed to provide the information you need to take on this critical responsibility. The handbook includes information on:

- The IPERS organization.
- How the IPERS Plan works.
- The responsibilities and the procedures to be followed by an IPERS reporting official and other employer staff supporting the IPERS reporting function.
- The tools and resources available to help fulfill IPERS reporting responsibilities.

We significantly reorganized and revised the IPERS Employer Handbook as of July 1, 2005. In doing so, we made every effort to ensure the handbook is complete and up to date. With that said, you can expect changes to IPERS regulations and procedures from time to time. IPERS communicates changes in the law to employers through Employer Bulletins, sent to IPERS reporting officials as necessary. Employer Bulletins are available on IPERS' Web site at <www.ipers.org>, or upon request through the IPERS office.

We urge you to become familiar with this handbook. Please check here first when you have questions, and do not hesitate to contact IPERS at 515-281-0020 (or toll free at 1-800-622-3849) with your inquiries.

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Section 1: About IPERS

The purpose of Section 1 is to describe the IPERS organization and the Plan's benefits at a high level. It is also designed to point you toward the educational resources and Plan contact channels available to you when you have questions, need information about the Plan, or require assistance.

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WHO WE ARE

The Iowa Public Employees' Retirement System was established in 1953. Its principal purpose is to provide a solid retirement plan for public employees. IPERS provides retirement, disability, and survivor benefit programs to eligible members and surviving beneficiaries. As of July 1, 2005, IPERS serves over 160,000 active members, approximately 50,000 inactive members, and 80,000 retirees and their surviving beneficiaries who receive monthly benefits. IPERS currently services nearly 2,400 public employers and has assets exceeding \$19 billion.


HOW IPERS WORKS

IPERS is a "*defined benefit retirement*" plan that has a "qualified plan" status under federal Internal Revenue Code Section 401(a). It is also exempt from taxation under IRC Section 115.

What's a Defined Benefit Plan?

A *defined benefit retirement plan* provides its members the opportunity for a lifetime retirement benefit at retirement, whose value is based on a formula. The IPERS defined benefit formula currently includes the following elements:

- Age at retirement
- Years of service
- The member's average high three years of salary
- The Plan's percentage multiplier



Refer to the IPERS Member Handbook, available through the IPERS Web site at <www.ipers.org> for more information regarding the IPERS defined benefit formula.

The Iowa Legislature and Governor are the Plan's sponsors, and from time to time may change the Plan's benefits provisions. This means the benefit a member receives at retirement will reflect a combination of all the statutes and rules in effect during the member's IPERS-covered employment.

IPERS vs. Defined Contribution Plans

A defined benefit retirement plan like IPERS provides a guaranteed lifetime benefit at retirement, whose value is defined through the Plan's formula – not the level of contributions made to the Plan on the member's behalf or the member's investment decisions. Generally, if a retirement plan promises a guaranteed monthly dollar amount for life once you retire, it is a defined benefit retirement plan.

The value delivered through a defined contribution retirement plan is based on the actual account balance available to a member at retirement. This amount can vary, based on the contributions made to a member's account by the member and the member's employer, and the gains and losses of the member's personal investment decisions. (TSAs, 401[k] plans, and 457[b] plans are examples of defined contribution plans.) Generally, if a retirement plan has investment options and promises only the total of contributions made to the plan plus (or minus) any investment income (or losses), it is a defined contribution retirement plan.

Plan Funding

IPERS' **total assets** fund its **total liability** to active and inactive members, current retirees, terminating employees, and surviving beneficiaries. Here's how it works:

- As active members work, they earn IPERS benefits, which IPERS pays upon retirement (or another qualifying event).
- To fund the benefits earned by active members *and* those payable to inactive members, current retirees, surviving beneficiaries and terminating employees, employers and members contribute to the System.
- As an additional source of funding, federal and state law allows IPERS to invest its assets in various investment vehicles. These investments provide the major source of income to the Plan, which IPERS uses to pay benefits.

So, to sum it up:

The Plan's Total Assets Include...	The Plan's Total Liabilities Include...
<ul style="list-style-type: none">• Employer contributions• Member contributions• Investment earnings	<ul style="list-style-type: none">• Benefits earned by active and inactive members• Benefits paid to current retirees• Benefits paid to surviving beneficiaries

Employer and Employee Contribution Rates

Iowa state law requires participating employers and eligible members to contribute to IPERS. IPERS, working with its actuary and other advisers, recommends the contribution rates for regular classes of employees for approval by the Iowa Legislature. IPERS' actuary calculates the contribution rates for Special Service occupations each year. Section 5 of this handbook lists the current contribution rates; historical rates are available through the IPERS Web site at <www.ipers.org>.

Employer and member contributions provide an important source of funding for the benefits paid to current retirees, future retirees, and other qualified recipients under the Plan – meaning that the contributions made today help to fund the benefits paid in the future. And, while the contributions made on a member's behalf are not part of the formula used to compute the actual defined benefit paid upon retirement, they may have value to a member in other circumstances.

Here's how:

Even if a member does not retire under IPERS, the contributions the member makes to IPERS are always the member's money. In most cases, if a member leaves IPERS-covered employment, the member has the option to withdraw his or her accumulated contributions (contributions plus interest). If vested, the member may also receive a portion of the employer's accumulated contributions, prorated by years of service. Upon termination, the member may elect to roll over his or her distribution into another qualified retirement plan or take a cash payment.



The IPERS Member Handbook provides detailed information regarding the options available to members terminating their IPERS-covered employment before retirement.

Plan Investments and Investment Returns

As noted on the previous page, federal and state law allows IPERS to invest its assets in appropriate investment instruments and leverage the returns from those investments to fund benefits payable to current members, retired members, and other qualified recipients.

The IPERS Investment Board sets investment policy and determines the allocation of IPERS' Plan assets. Over the long-term, IPERS' investment returns have been strong. However, due to the economic downturn during fiscal years 2000 through 2003, weak investment returns did impact the Plan's funding status. The following table illustrates the investment returns delivered by the IPERS investments portfolio over the past ten years:

Time	Investment Returns
Past ten years	9.93%
Past five years	3.89%
Past three years	10.15%
Fiscal year 2005	11.25%

Are Contribution Rate Increases Likely?

In spite of the positive investment returns achieved in 2005, recent actuarial analysis indicates that IPERS' unfunded actuarial liability (UAL) has been increasing each year and is now over \$2 billion. (The UAL represents the System's accrued liability that exceeds current assets.) Although it is not unusual for retirement systems to have a UAL, IPERS' UAL is a concern because current contributions and investment income are not sufficient to address it.

The UAL is increasing for several reasons:

- Employer and member contributions barely cover normal (this year's) costs. In fact, the fiscal year (FY) 2004 contribution rate for regular members was only 90.9 percent of the actuarially required contribution.
- Our membership is aging and retirees are living longer, meaning more members are drawing benefits from the Plan for a longer period of time. Also, many new employees joining IPERS are older and retiring sooner. Added together, these factors have increased normal costs and the System's unfunded actuarial liability.
- IPERS' investment returns—which, over the years have provided the Plan with significant income—slumped during the bear market years. These losses are spread over several years and continue to affect IPERS' funding status. In fact, eliminating the System's UAL by investment performance alone is an unlikely remedy. The IPERS actuary has concluded that investments must generate returns of at least 11 percent every year between now and fiscal year 2014 to ensure the Plan's total assets can comfortably balance out its total liability over the long-term. Given continued economic uncertainty, returns of this level are unlikely.

To address the System's UAL, we have two options:

1. To decrease the Plan's liabilities (i.e., the benefits paid to members).
2. To increase the Plan's income.

Decreasing the Plan's liabilities through benefit Plan changes is a challenging undertaking. By Iowa state law, benefits already earned by members cannot be decreased. The liability for paying these benefits is already in place. And while future benefits for new employees can be reduced, we would not see a significant impact on underfunding for 15 to 20 years. In addition, reducing future benefits for current employees, which carries substantial legal risk, would not have an immediate positive impact on the UAL.



Visit the IPERS Web site at www.ipers.org for the latest information on Plan investment returns and funding status.

Thus, addressing the UAL on the income side—through contribution increases—is the most feasible solution, and the IPERS Benefits Advisory Committee has recommended a contribution rate increase to the Iowa Legislature for approval. Visit the IPERS Web site for the latest information.

IPERS MEMBERSHIP HAS REWARDS

Saving for retirement is important. Consider the rewards of IPERS membership to both an employer and an IPERS-eligible employee.



Security

For over a half century, IPERS has provided Iowa's public employees with retirement income. IPERS invests and safeguards over \$19 billion in assets for members' retirement, death, and termination benefits, and collects over \$500 million in contributions from members annually. The benefits paid to members are guaranteed: they are not tied to the performance of the stock market. With IPERS, members and employers alike get a dependable, solid retirement investment.

A Guaranteed Benefit

Since IPERS provides a defined benefit, members and employers don't have to worry about monitoring where their money is invested or how the stock market performs. It's easy and worry-free. Members have the option of receiving a benefit as a monthly lifetime payment – which means they can never outlive their benefits.



The amount of a member's benefit is based on a formula that factors in the member's years of service, age, and average salary. By design, IPERS takes on all the investment risk, whereas, with a defined contribution plan, the employee takes on the investment risk and must ensure a sufficient retirement savings to provide lifetime benefits.

Protection Against the Unexpected

Since we can't predict the unexpected, IPERS provides death and disability benefits.

If a member dies before beginning to receive an IPERS benefit, the member's beneficiary(ies) may be eligible for a lump-sum or monthly benefit. If the member dies after starting to receive a monthly benefit, the member's beneficiary(ies) may be eligible for a benefit depending on the type of benefit payment option selected. In most cases, a defined contribution plan provides only the balance of the member's retirement savings, if any, to beneficiaries.

Members may become eligible for an IPERS disability benefit if they meet certain requirements.



Public Accountability

The Iowa Legislature and the Governor are the IPERS Plan's sponsors. The Legislature and Governor determine benefits provided for members and oversee the administration of the Plan. These elected officials want to ensure they provide a retirement plan that meets the needs of their constituents. Members and employers have a say in who sponsors their Plan.

The Legislature controls what IPERS pays in expenses in two ways:

1. The law caps the amount IPERS can spend on investment expenses. In fiscal year 2005, IPERS spent about one-third less than what the law allows IPERS to spend on investment expenses.
2. The Legislature authorizes spending from the Trust Fund to pay other administrative expenses.

IPERS closely monitors and negotiates what it pays to investment portfolio managers, does not spend money on costly advertising campaigns, and manages itself with a lean and efficient staff. Limiting administrative and investment management expenses allows IPERS to use more of its assets to pay out benefits and ensure the long-term funding of the Plan.



Benefit Portability

Members are always 100 percent vested in their contributions. They become vested when they accrue four years of service or when they reach age 55 while making contributions to IPERS, whichever occurs first. Upon termination, vested members may receive, in addition to all of their own accumulated contributions, a portion of their employer's investment based on their years of service. If they change jobs and move to another IPERS-covered employer, they may maintain their IPERS coverage. Or, if they are employed with a non-IPERS-covered employer, they may roll over their IPERS account to another eligible retirement plan or take a refund.

Retirement Planning Resources

IPERS goes beyond providing guaranteed and secure retirement benefits. Through IPERS, members and employers have access to resources to help plan for a secure retirement. Members and employers can speak with an IPERS representative who can answer questions and address each individual's situation. In addition, online resources and periodic mailings keep members and employers informed about the Plan and their IPERS benefits. The table on the following pages describes the resources available in more detail.



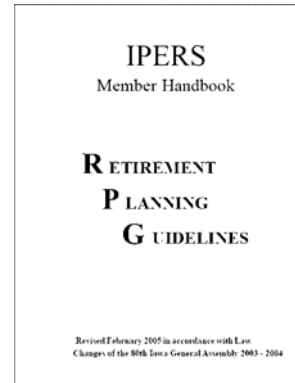
IPERS EDUCATIONAL MATERIALS

IPERS-covered employees and employers alike can take advantage of a wide range of IPERS educational resources and tools. We encourage you to familiarize yourself with the Plan's member educational materials for your own personal benefit and so that you can refer employees to these resources when questions arise. IPERS also has a number of resources available to support you in your role as an IPERS reporting official. An overview of these resources follows:

For Plan Members

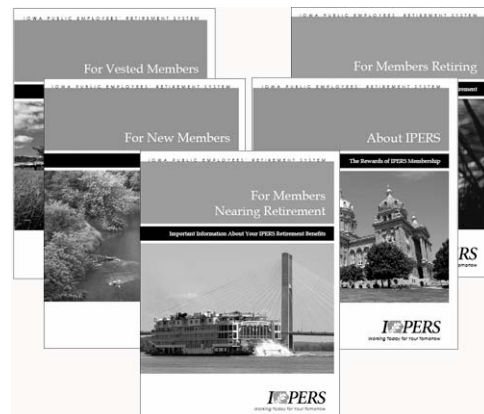
Member Handbook

This handbook provides information about all facets of the IPERS Plan.



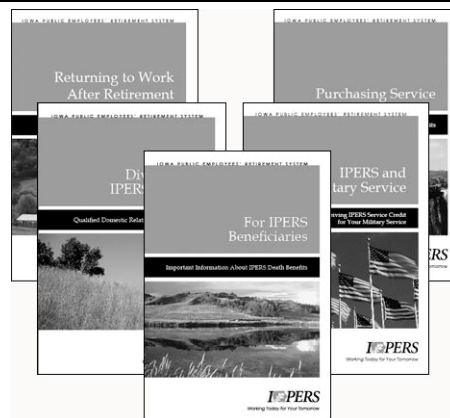
Member Brochures

IPERS provides a suite of brochures targeted to various stages of a member's life/career for new members, those newly vested, those nearing retirement, and those ready to retire.



Informational Brochures

IPERS offers several brochures for members and their beneficiaries to help them with specific topics including Purchasing Service, Military Service Credit, Returning to Work After Retirement, Divorce and IPERS Benefits (Qualified Domestic Relations Orders or QDROs), and Beneficiaries.



For Plan Members *continued*

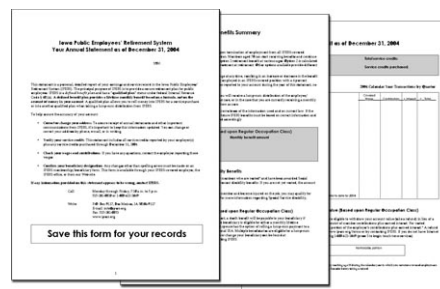
IPERS Web Site

The site provides important notices, benefits summaries, retirement planning tools, downloadable forms, and various retirement benefit calculators. IPERS is always updating the available content and tools.



Personalized Statements

IPERS offers members two different personalized statements. An annual statement provides a summary of contributions and an estimate of the IPERS benefit members may receive. An on-demand benefit estimate provides more detailed information about the benefits payable under each payment option, based on certain assumptions.



Group Counseling/Retirement Planning Sessions

Throughout the year, we hold retirement planning sessions that give members the opportunity to learn more about IPERS.



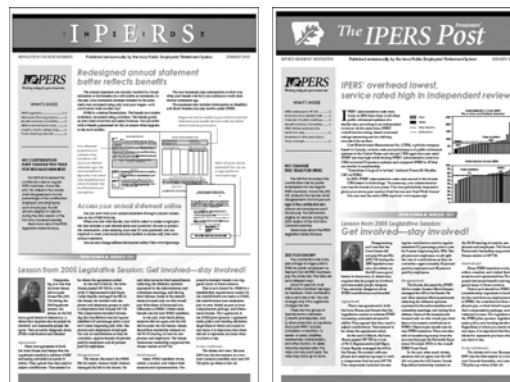
Individual Counseling/Representatives

We connect members with representatives knowledgeable about IPERS. Members can get their questions answered over the phone or they can schedule an appointment to meet with a retirement counselor face to face.



Newsletters

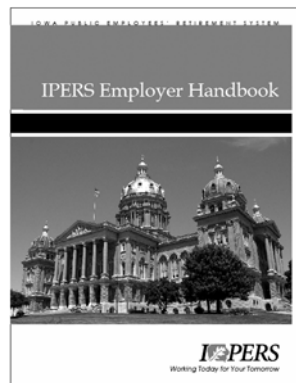
Various newsletters are available including *Inside IPERS*, a semiannual newsletter for active members, and *Pensioners' Post*, a semiannual newsletter for retired members.



For Employers

Employer Handbook

Provides information reporting officials need to know about administering the IPERS program.



The Latest Word

Quarterly newsletter for employers. IPERS distributes *The Latest Word* via regular mail and e-mail to each employer's reporting official.



IPERS Web Site

The IPERS Web site contains online versions of this handbook, newsletters, forms, and more.



ICON

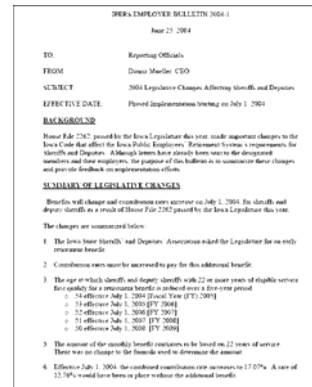
Online reporting system for reporting officials.



For Employers *continued*

Employer Bulletins

Sent as needed to notify employers of law changes that affect employer responsibilities.



Employer Presentations

Registrations for face-to-face employer training sessions are mailed or e-mailed to IPERS reporting officials. Employers may also request IPERS compliance officers to attend an association or staff meeting. Contact IPERS to schedule a speaker at one of your training events.



Employer Relations Staff

IPERS has a bureau dedicated to serving employers.



Comprehensive Annual Financial Report

A detailed review of the Plan's finances.



For Employers *continued*

Financial Summary

Easy-to-read highlights from the Comprehensive Annual Financial Report.



Employer Training

Announcements and registrations for face-to-face employer training sessions are mailed or e-mailed to IPERS reporting officials. Employers may also request IPERS compliance officers to attend an association or staff meeting. Contact IPERS to schedule a speaker at one of your training events.

IPERS CONTACT INFORMATION

When you have questions, need information, or require assistance, feel free to contact IPERS via the following channels:

**By mail**

P.O. Box 9117
Des Moines, IA 50306-9117

**In person**

7401 Register Drive
Des Moines, IA 50321
8 a.m.–4:30 p.m. Central Time
Monday–Friday

**Phone**

515-281-0020 or toll-free 1-800-622-3849
7:30 a.m.–5 p.m. Central Time
Monday–Friday

**E-mail**

info@ipers.org
employerrelations@ipers.org
ipersaccounting@ipers.org

**Web site**

www.ipers.org

**Fax**

515-281-0053 (Employer Relations)
515-281-0055 (Accounting)

If you have questions regarding specific topics, use this table to find which IPERS resource to contact:

If you have a question about...	Contact
Quarterly Wage Reporting	Accounting Bureau
Monthly or Quarterly Remittance of Contributions	Accounting Bureau
Outstanding Debit/Credit Memo Calculated Contribution Over-/Underpayment	Accounting Bureau
Interest on Late Contributions	Accounting Bureau
ICON Wage Reporting Issues	Accounting Bureau
Outstanding Debit/Credit Memo Wage Adjustment Over-/Underpayment	Employer Relations Bureau
Outstanding Debit/Credit Memo Wage Adjustment Interest Underpayment	Employer Relations Bureau
Employee IPERS Coverage Issues	Employer Relations Bureau
IPERS Connection Online User Name/Authority Form or Password	Employer Relations Bureau

Section 2: IPERS Reporting Officials

Section 2 describes the role of the IPERS “reporting official” and other staff responsible for IPERS reporting.

WHAT’S A REPORTING OFFICIAL?

Each IPERS participating employer must designate one reporting official, who serves as the organization’s IPERS contact. This person is authorized to sign IPERS documents and responsible for managing, transmitting, and reporting the organization’s active member and employer contributions, including:

- Deducting, reporting, and transmitting member retirement contributions.
- Reporting and transmitting the employer’s contributions.
- Maintaining member records.
- Managing certain member “events.”

Employers are required to provide IPERS with the name and telephone number of their organization’s reporting official, and to notify IPERS immediately if there is a change in the reporting official or a change in the reporting official’s address or contact information. Be sure to provide the telephone number where IPERS can contact the reporting official during normal working hours.

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Important!

Your organization’s reporting official should be the person who does the organization’s work related to IPERS—not necessarily the employer’s top management official.

IPERS EMPLOYER ID NUMBER

IPERS assigns each organization a unique five-digit IPERS employer identification number. Use this number on all IPERS correspondence and reporting forms.

REPORTING OFFICIALS' RESPONSIBILITIES

In addition to the duties above, reporting officials are responsible for the following tasks:

- Correct reporting of IPERS contributions on year-end wage statements.
- Distribution of *Enrollment/Beneficiary Designation* forms.
- Notifying IPERS of employment terminations.
- Verifying member leaves of absence upon request.
- Assisting with service purchase requests.
- Reporting member deaths.
- Maintaining accurate member social security numbers.
- Managing “optional” coverage employees and their election forms.



Section 6 of this handbook describes IPERS filing responsibilities and procedures in detail.

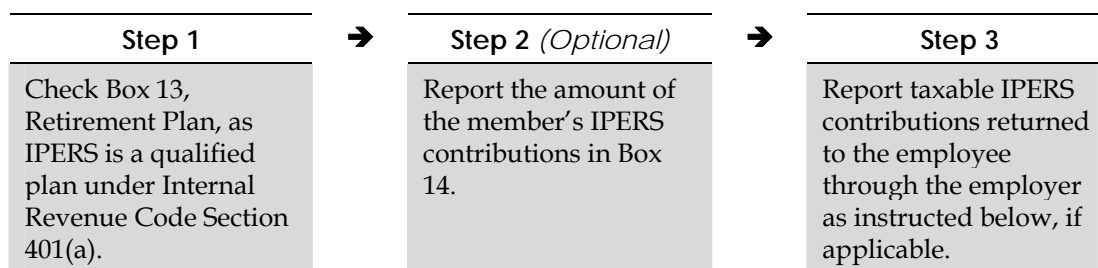
Preparation of Year-End Wage Statements

Reporting officials must furnish their organization's IPERS members with a year-end wage statement reported using the IRS *Form W-2 Wage and Tax Statement*. These forms are issued following the guidelines published by the Internal Revenue Service and the Iowa Department of Revenue. The amount of each member's IPERS contributions may be included on these forms.



IPERS contributions are currently withheld from a member's paycheck on a pretax basis for federal and state income tax purposes. Review Section 5 of this handbook for more information regarding pretax and after-tax withholding of IPERS contributions.

When completing the year-end *Form W-2 Wage and Tax Statement*, follow these procedures:



Reporting Returned Contributions on Year-End Wage Statements

When an employer returns contributions to a member, the employer should pay particular attention to the taxability of the payment. IPERS contributions are currently made on a pretax basis for federal and state income tax purposes. This means contributions returned to members may be subject to both federal and/or state taxes when paid, depending on the time period during which they were originally withheld.

See Section 5 of this handbook for more information regarding pretax and after-tax withholding of IPERS contributions.

Whenever possible, we suggest paying returned contributions through the payroll system and, at that time, applying federal and state tax. This will ensure the payment is included in a member's year-end *W-2 Wage and Tax Statement*.

When a payment is made outside the payroll system, be sure to increase the federal wages (Box 1) and state wages (Box 16) on the *Form W-2 Wage and Tax Statement* by the amount of the returned contributions. If federal or state tax is imposed, the federal and state withholding taxes and boxes must also be adjusted.



Questions?

Contact the local Internal Revenue Service office with questions concerning federal income tax adjustments. Contact the Iowa Department of Revenue with questions concerning Iowa state income tax adjustments.

Distribution of *Enrollment/Beneficiary Designation* Forms

IPERS-covered employees should submit an *Enrollment/Beneficiary Designation* form to IPERS at the beginning of their membership. IPERS uses the form to collect employee data, including name, address, social security number, and date of birth. Employees also designate the beneficiary(ies) to whom benefits may be payable upon the employee's death.

It is an employer's responsibility to distribute the *Enrollment/Beneficiary Designation* form to IPERS-covered employees upon hire and if employees request to change their beneficiary(ies).

Employers are not required to collect and return employees' *Enrollment/Beneficiary Designation* forms to IPERS. However, many employers choose to do so. Alternatively, employers may direct members to return forms to IPERS on their own, as instructed on the form.

When necessary, IPERS provides an organization's reporting official with a report of its members who do not have a beneficiary designation on file with IPERS. Be sure to inform the members on the list that IPERS does not have their beneficiary information, and that they should return a completed *Enrollment/Beneficiary Designation* form to IPERS as soon as possible. IPERS is unable to remove member names from this report. If, after repeated attempts, the employee still does not comply, please notify them that without a beneficiary on file, benefits would be payable to their estate upon death, which may not meet their individual needs.



Important!

Do not keep copies of the *Enrollment/Beneficiary Designation* form in your files. Beneficiary designations are confidential IPERS information. Also, because members may change their beneficiary information with IPERS and without notifying their employer, copies in employer files may not be accurate.

Notifying IPERS of Employee Terminations

When a member terminates IPERS-covered employment after completing six months of employment, but before retirement eligibility, complete and submit a *Notification of Terminating Employee(s)* form to IPERS. Upon receipt, IPERS will send the member an account statement and information regarding any contribution refund options.

Terminating members interested in an IPERS refund should contact IPERS directly to obtain information about the process and request an *Application for IPERS Refund* form. Employees may also obtain this form through the IPERS Web site at <www.ipers.org>.

At a terminating member's request, please complete the employer portion of the *Application for IPERS Refund* form.



Important!

When a former member takes an IPERS refund, a termination is not considered "bona fide" if the member accepts other covered employment within 30 days of termination. Returning to work too soon revokes a member's right to the refund and IPERS is required to recover the refund.

Notifying IPERS of Member Leaves of Absence

Members who take the following types of leaves of absence may receive free IPERS service credit:

- Leaves of qualifying active military service with departure from IPERS-covered employment and return to IPERS-covered employment within 12 months of discharge.
- Leaves that qualify for protection under the Family and Medical Leave Act (FMLA).
- Leaves that began prior to July 1, 1998, and were authorized in 12-month increments or less, may qualify for free service credit.

Members who take a leave of absence commencing after July 1, 1998, for reasons other than qualifying military service or those included under FMLA, may **not** receive free service credit during their leave. However, they can elect to purchase service credit for the leave of absence. Costs for service credit purchases are calculated using tables developed by IPERS' actuary. Members should contact IPERS directly for information regarding service purchases.

IPERS members who go on an unpaid leave of absence **cannot** accrue service credits through temporary employment during the time period of the leave unless the leave is covered under FMLA or USERRA. However, members may still purchase service credit for the unpaid leave period.

Military Leaves of Absence

Under federal and state law, employees have a right to get free IPERS credit for what they would have earned at their IPERS-covered job if they had not been called to active duty.

Employees that left from and return to any IPERS-covered job within 12 months of their release from active military duty are eligible. Employers are responsible for completing the *Application for Free Military Credit* form and sending it to IPERS. IPERS will determine eligibility under federal and state law and record earned credit.

Employees also have an option to pay contributions that weren't paid during active duty. Paying contributions may help if the employee:

- Takes a refund.
- Wishes to maximize death benefits.

Employees are encouraged to call IPERS to find out if paying contributions is best for them.

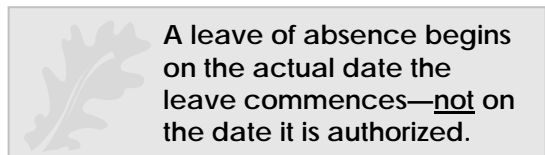
Employees have up to three times the length of their deployment, but no more than 5 years after returning to employment covered by IPERS, to apply for and make up the contributions. If an employee decides to pay contributions, the employer is also required to do the same.

If a member wishes to make up contributions missed during qualified active duty, both the employer and employee must complete the *Application for Military Leave Contributions* form and send it to IPERS.

The free credit and option to make up missed contributions applies to those reemployed in an IPERS-covered position after December 12, 1994. Repayment of contributions must be made through mandatory pretax deductions from the member's current salary.

Documenting Leaves of Absence

If a member wishes to purchase service credit for time lost during an eligible leave of absence, you must authorize the leave request in writing, for whatever reason, and submit documentation to IPERS for any quarter in which the member has no reported wages.



Prepare and submit documentation as follows:

For This Type of Leave...	Required Documentation
A leave that commenced prior to July 1, 1998 and approved annually in increments of 12 months or less	<i>Leave of Absence Affidavit</i> and supporting documentation regarding the need for and approval of the leave.
Qualified active military leave	<i>Application for Free Military Credit</i> and a copy of Form DD214 (supplied by the member), or other documentation from the military that verifies the member's military service. If the member wishes to make up contributions missed during their qualified military leave, the employer and member must complete and submit the <i>Application for Military Leave Contributions</i> .
FMLA	<i>Leave of Absence Affidavit</i> and supporting documentation regarding the need for and approval of the leave.
All other types of leaves of absence commencing on or after July 1, 1998	If the member elects to purchase service credit for a leave period, the "Leave of Absence/Workers' Compensation Buy-In" portion of the <i>Application for Service Purchase</i> , and supporting documentation regarding the need for and approval of the leave.

Leave of Absence Affidavits are available upon request from IPERS.

Important!

Employers must maintain board minutes, resolutions, personnel records, military orders, and any written correspondence relating to each member's leave of absence.

Assisting With Service Purchase Requests

IPERS members accumulate service credit for all quarters during which they are paid a covered wage, and this service credit directly impacts the benefit available to them at retirement. The Plan also provides a service credit purchase feature that allows eligible members to purchase additional service credit, which may increase their potential retirement benefit, and/or enable them to retire earlier than planned.

Depending on the type of service credit purchase requested, employers may be asked to verify past employment and wages and to complete and sign portions of the *Application for Service Purchase* form. Members are instructed to contact you directly to provide any required documentation on the application.



Several service purchase options are available—the IPERS Member Handbook lists them in detail.

Reporting Member Deaths

In the event of an active member's death, contact IPERS at 1-800-622-3849, and provide the following information:

- The member's name
- The member's social security number
- The date of the member's death
- The name, address, and phone number of a family member or other contact person

Maintaining Accurate Member Social Security Numbers

Accurate records start with accurate social security numbers. Be sure to keep a copy of each member's social security card in the member's personnel file, and as you submit data to IPERS, verify that you have only ONE social security number per person and that the number is correct.

Corrections to social security numbers must be submitted to IPERS in writing. Provide the following information in your correspondence:

- Member name
- Incorrect social security number
- Correct social security number
- The period of time during which the incorrect social security number was used
- A copy of the member's valid social security card

Important!

Instruct members to contact the nearest Social Security Administration office if they need assistance in obtaining a replacement social security card, a social security number, or require changes to their current social security information (e.g., name change due to marriage).

Managing "Optional" Coverage Employees and Their Election Forms

Employees hired into specific positions identified by State law have the right to elect out of IPERS coverage within 60 days of hire, taking office, or IPERS eligibility. Reporting officials are responsible for notifying these eligible employees and providing them with the appropriate forms to elect out of coverage, if the employee chooses to do so. A copy of the *Election for Termination of IPERS Coverage* form is found in the back pocket of this handbook.



See Section 3 for more detailed information on optional coverage positions.

Forms completed by employees who elect out of coverage should be sent to IPERS. Reporting officials are responsible for maintaining copies of all completed *Election for Termination of IPERS Coverage* forms.

“WHAT TO DO WHEN...”

The chart below provides an at-a-glance view of the factors you should consider and steps you should take to manage various member “events” as they occur. Please note that all forms listed in the table are available through the IPERS Web site. You may instruct members to download and print up-to-date forms from their own computers, as appropriate, or print the forms for them.

When...	What to Think About and Do...
You hire an IPERS-eligible employee	<p>Provide the employee with an <i>Enrollment/Beneficiary Designation</i> form and return the completed form to IPERS, or instruct the employee to return it to IPERS upon completion.</p> <p>Ask for and make a copy of the employee’s social security card, and verify you are using the employee’s correct social security number when filing IPERS reports.</p>
A member requests a beneficiary change	<p>Provide the member with an <i>Enrollment/Beneficiary Designation</i> form and instruct the member to return the revised form to IPERS upon completion.</p>
A member moves	<p>If signed up for ICON, reporting officials may update member addresses through the “Member Maintenance” feature. Otherwise, provide the member with an <i>IPERS Member Address Change</i> form and instruct the member to return it to IPERS, or instruct the member to submit the address change request through the IPERS Web site at <www.ipers.org>.</p>
A member terminates after completing six months of employment but before retirement eligibility	<p>Complete a <i>Notification of Terminating Employee(s)</i> form and submit it to IPERS, unless you know the member has been hired by another covered employer or is retiring.</p> <p>If the member requests an IPERS refund, instruct the member to complete an <i>Application for IPERS Refund</i> form. Complete the employer section of this form, as appropriate.</p> <p>Note: A member who takes an IPERS refund is not considered terminated if the member accepts other covered employment within 30 days of termination. Returning to work within this 30-day window revokes the member’s right to an IPERS refund, requiring IPERS to recover the refund.</p>
A permanent employee terminates before completing six months of employment	<p>Employers have the choice to leave the covered wages on the member’s account or remove the covered wages from the member’s account. If you choose to remove the covered wages:</p> <ul style="list-style-type: none"> • Complete and file a <i>Wage Reporting Adjustments</i> form to remove the covered wages. • Employer and member contributions will be returned to the employer on a credit memo; you return the member’s contributions to the member after you receive a credit memo from IPERS. • Remember to apply appropriate tax withholding laws, as discussed in Section 2 of this handbook. <p>Note: If you sign an <i>Application for IPERS Refund</i> form for such individuals, you forfeit your employer contributions.</p>

When...	What to Think About and Do...
A member terminates at retirement eligibility	<p>Encourage the member to write or call IPERS for retirement counseling. Avoid providing advice, as your organization could be held legally liable for any information you provide.</p> <p>At the member's request, complete the employer portion of the <i>Application for Retirement Benefits</i> form.</p> <p>Note: Current legislation states that a retiree can return to a noncovered position after receipt of one IPERS benefit check or to a covered position after receipt of four benefit checks. However, a retiree cannot enter into a written or verbal agreement to return to covered employment until after receipt of the first IPERS benefit check. Returning to work too soon revokes the member's retirement application, requiring IPERS to recover prior distributions to the member.</p>
A member who was involuntarily terminated is retroactively reinstated	<p>Notify IPERS immediately of the reinstatement.</p> <p>If IPERS refunded a member's contributions during the period between termination and reinstatement, the member has 90 days from the date of the reinstatement agreement to repay the refund plus accrued interest. If the member repays the refund, service credit will be reinstated.</p> <p>You need to provide IPERS with a signed copy of the order or agreement to return to employment. If the member does not pay back the refund plus interest within the 90-day period, the member is required to pay the actuarial cost of an IPERS buy-back to receive credit for the refunded period. The actuarial cost may be substantially greater than repaying the refund plus interest.</p> <p>If the order or agreement includes back pay to the member, the back pay may be considered IPERS-covered compensation, depending on the terms of the agreement or reinstatement. See "Back Pay and Legal Settlements" in Section 4 of this handbook for more information.</p>
A member requests to purchase IPERS service credit for a leave of absence	<p>For members on eligible military leaves, submit the <i>Application for Free Military Credit</i> and a copy of Form DD214 (supplied by the member), or other documentation from the military that verifies the member's military service. If the member wishes to make up contributions missed during their qualified military leave, the employer and member must complete and submit the <i>Application for Military Leave Contributions</i>.</p> <p>For leaves of absence due to FMLA or other leaves commenced prior to July 1, 1998, and approved annually in increments of 12 months or less, submit a completed <i>Leave of Absence Affidavit</i> and supporting documentation regarding the need for and approval of the leave.</p> <p>For all other leaves of absence commencing on or after July 1, 1998, complete and submit the "Leave of Absence/Workers' Compensation Buy-In" portion of the <i>Application for Service Purchase</i> along with supporting documentation regarding the need for and approval of the leave.</p> <p>Be sure to maintain board minutes, resolutions, personnel records, military orders, and any written correspondence relating to the leave.</p>
A member does not have a social security number	<p>Instruct the member to contact the nearest Social Security Administration office.</p>

When...	What to Think About and Do...
Wages are reported under the wrong social security number	<p>Provide IPERS with the following information:</p> <ul style="list-style-type: none"> • Member's name • Incorrect social security number • Correct social security number • Quarter(s) and year(s) reported incorrectly • Dollar amount of wages involved by quarter • A copy of the member's social security card
A member asks you to falsely report wages	<p>Refuse! You are responsible for ensuring the accuracy of wage reports. You commit fraud under Iowa Code 97B.40 when you knowingly report incorrect wages or any other false information to IPERS that impact the benefits paid to a member. Incorrect wages include, but are not limited to, funds reported in violation of the Iowa Administrative Code. See 495 IAC 6.3(97B) and Section 4 of this handbook for more information.</p>
Someone other than an IPERS representative requests to speak to your employees about IPERS	<p>Refuse and report the inquiry to IPERS. IPERS is not affiliated with any insurance firm or financial planner. No one other than IPERS staff is authorized to counsel members about IPERS.</p>
A member dies	<p>Promptly provide IPERS with the following information:</p> <ul style="list-style-type: none"> • Member's name • Member's social security number • Date of death • Name, address, and phone number of a family member or other contact person

Section 3: IPERS Membership

Section 3 describes the employers who are required to participate in IPERS, and identifies the employment positions for which IPERS participation is mandatory, optional, or excluded.

EMPLOYER PARTICIPATION

Generally speaking, most public employers in the State of Iowa are mandated by state law to participate in IPERS. This includes:

- State employers
- Counties
- Cities
- Townships
- Area agencies on aging
- Public schools
- Community colleges and universities
- Other political subdivisions

For formal consideration of an entity for IPERS coverage, complete and submit a *New Entity Status Report* form available on the IPERS Web site or by contacting IPERS.

COVERED EMPLOYMENT

Permanent Employees (Full- and Part-Time)

IPERS coverage is mandatory for permanent full- and part-time employees, regardless of the amount of wages or compensation they receive, unless they are:

- Specifically excluded from coverage by law

OR

- Allowed to elect out of IPERS coverage.

Each covered employee whose employment began after July 4, 1953, and before June 30, 1965, became a covered member upon the first of the month following the employee's hire date. Since July 1, 1965, any permanent full-time or part-time employee becomes a member upon the first day for which the employee is paid IPERS-covered wages.

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Alternative Coverage	30
Exclusions from IPERS Coverage	31
Termination of Covered Employment	33
Returning to Covered Employment as a Retiree	35

Review pages 26–30 of this handbook for information regarding positions that are excluded from or allowed to elect out of IPERS coverage.

In general, an individual is considered an **employee** if subject to substantial control by the public employer for which services for pay are performed. The term “control” refers only to employment and includes control over how, where, and when an employee performs work. The control may not need to be exercised for an employer-employee relationship to exist; the right to exercise the control is enough.

Every employee accepting employment or continuing in IPERS-covered employment is deemed to consent and agree to any deductions from compensation required by Iowa Code Chapter 97B. The employee must continue to be an active IPERS member as long as covered employment continues.

Temporary Employees

For IPERS’ purposes, a **temporary employee** is defined as an individual hired to work less than six months or on an irregular, seasonal, or on-call basis. In general, most temporary employees are excluded from IPERS coverage. However, in some cases a temporary employee may become eligible for IPERS coverage if an “ongoing relationship” with an IPERS employer is established as follows:

- When wages paid are \$300 or more in two consecutive quarters, or
- When employed for 1,040 hours or more in a calendar year.

IPERS coverage begins in the quarter **after** the ongoing relationship is established. Once established, coverage also includes those quarters in which the temporary employee makes less than \$300.

Temporary employees who may become eligible for IPERS coverage under IPERS’ temporary-employee definition include, but are not limited to:

- Seasonal employees
- On-call employees
- Substitute teachers or coaches
- Volunteer firefighters

A temporary employee who has established an ongoing relationship with one employer is not automatically eligible for IPERS coverage at every employer. Instead, temporary employees must qualify separately with each employer.

IPERS coverage for a temporary employee ceases when the employee performs no services for an employer during four consecutive calendar quarters or there is a formal termination agreement. Under these circumstances, the employee then needs to reestablish an ongoing relationship before again becoming eligible for IPERS coverage.



Permanent vs. Temporary Employee—Proceed with Caution

It's up to each employer to determine if a position is classified as "permanent" or "temporary" employment. Employees working in comparable positions should be consistently designated as permanent or temporary employees—a permanent employee cannot be treated as a temporary and vice versa. **Consistency is key.**

Rules for Volunteer Firefighters

Under Iowa state law, volunteer firefighters must be classified as temporary positions for IPERS' purposes. Therefore, volunteer firefighters who qualify for coverage under IPERS' temporary-employee rules must be covered. Their covered wages and compensation include salary, hourly pay, or per-call payments.

Rules for Substitute Teachers

Substitute teachers are classified as temporary employees, unless a school district specifically designates all substitute teachers as permanent employees. Substitute teachers must qualify for coverage with each school district separately.

Board Members

IPERS coverage varies for members of certain boards, such as utility boards or hospital boards. Board members:

- Have mandatory IPERS coverage when they are full-time, elected, and receive a set salary.
- Have mandatory IPERS coverage when they are appointed, full-time or part-time, and receive a set salary.
- Have the **option to elect out of IPERS coverage** when they are part-time, elected, and receive a set salary.
- Are **excluded from IPERS coverage** when they are appointed or elected, and are paid on a per-diem basis.

Patient Advocates

Patient advocates hired under Iowa Code Section 229.19 must be treated as employees of the counties that pay for their services. Special laws and rules apply for periods prior to July 1, 2000. If you have patient advocates working within your organization, contact the IPERS Employer Relations Bureau for more information.

OPTIONAL IPERS COVERAGE

Iowa state law classifies certain positions as IPERS-covered, unless employees in those positions “elect out” of IPERS coverage.

When an employee in an eligible position elects out of IPERS coverage, the employer and the employee are not required to make IPERS contributions, and the employee does not accumulate service credit or benefits while employed under that position.



The chart on the following page lists the positions eligible to elect out of IPERS coverage.

Eligible employees may elect out of IPERS coverage as follows:

- Eligible employees hired on or after January 1, 1999, must elect out of coverage within 60 days of hire (or eligibility).
- Eligible employees hired before January 1, 1999, must have elected out of IPERS coverage by December 31, 1999.

To elect out of coverage, eligible employees must complete and return an *Election for Termination of IPERS Coverage* form to IPERS. Employers need to complete the “Employer Verification” section of this form. This form is available through the IPERS Web site at <www.ipers.org>.



Important!

Employees eligible to elect out of IPERS coverage, who do not do so within their initial 60-day election window, default automatically to IPERS coverage. The IPERS reporting official is responsible for notifying members of their right to this election.

The positions listed in the table on the following page are currently classified as eligible to elect out of IPERS coverage; refer to the *Election for Termination of IPERS Coverage* form for the most up-to-date list of eligible positions.

Positions Eligible to Elect Out of IPERS Coverage

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Elective officials paid on a fee basis• Elective officials of townships• Elective officials of school districts• Part-time elective officials of other political subdivisions, except part-time county attorneys• Members of the General Assembly of Iowa• Temporary employees of the General Assembly of Iowa• Nonvested employees of drainage and levee districts• Magistrates• Employees of a community action program that is an instrumentality of the State or a political subdivision• Members of the ministry, rabbinate, or other religious order who have taken vows of poverty | <ul style="list-style-type: none">• Persons employed as city managers, or as city administrators performing the duties of city managers, under Iowa Code Chapter 372 or Chapter 420• Members of the Iowa Transportation Commission, the Iowa Board of Parole, and the Iowa Health Facilities Council• Part-time members of county boards of supervisors, whether paid a salary or per diem• Part-time elective members of boards and commissions (other than county boards of supervisors) who receive salaries• Persons employed by the Board of Trustees for the Iowa Municipal Fire and Police Retirement System• Employees of the Regents Institutions and community colleges• Employees of water utilities/waterworks that have Iowa Code Chapter 412 retirement systems |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
-



Important!

An employee's decision to elect out of IPERS coverage is irrevocable during employment with a specific employer. The employee may adjust this election only if the employee:

- Has an eligible break in service.
- Is elected to a position for the first time or to a different position.
- Accepts a different eligible position with a different employer.

When Wage Reporting Adjustments May Be Necessary

An employer's IPERS coverage and withholding obligations usually begin with the first check PAID to the employee in an eligible position. If you have withheld IPERS contributions during the employee's 60-day election window, but the employee elects out of coverage, you must make the appropriate wage adjustments and forward the refunded employee's IPERS contributions accordingly. Alternatively, if the employee does not elect out of IPERS coverage, and you did not withhold IPERS contributions from day one, you and the employee must make up the appropriate contributions.

You make these adjustments with the *Wage Reporting Adjustments* form. Section 6 of this handbook provides more information on initiating the wage adjustment process. If contribution refunds are necessary, IPERS will return both the employer and employee contributions via an *Outstanding Debit/Credit Memo Statement*. It is your responsibility to forward the refunded employee contributions to the employee, or to remit them to the alternative retirement plan account, as applicable.

ALTERNATIVE COVERAGE

Iowa state law provides that employees of certain employers are IPERS-covered, unless they elect to participate in an authorized alternative retirement plan sponsored by the IPERS-covered employer. Eligible employees of the following employers may make an alternative coverage election as follows:

Employer	Alternative Coverage Options
Community Colleges	Eligible employees are IPERS-covered unless they elect to participate in an eligible alternative retirement plan.
State Board of Regents	When approved by the State Board of Regents, eligible employees are IPERS-covered unless they elect to participate in a retirement system qualified by the Board that meets the criteria of Iowa Code Section 97B.2.
Water Utilities	Eligible municipal water utility employees are IPERS-covered unless they elect to participate in an alternative plan authorized under Iowa Code Chapter 412.

Employees eligible to elect participation in an alternative retirement plan must make their election within 60 days of hire (or initial eligibility, if later). If an employee does not make an election within this election window, the employee will default to IPERS coverage.

This election is irrevocable during an employee's tenure with the employer — meaning, an employee remains a member of the plan chosen until termination with that employer.

When Wage Reporting Adjustments May Be Necessary

The employer's IPERS coverage and withholding obligations usually begin with the first check PAID to the employee in an eligible position. If you have withheld IPERS contributions during the employee's 60-day election window, but the member elects to participate in an alternative retirement plan, you must make the appropriate wage adjustments and forward the refunded employee's IPERS contributions accordingly. Alternatively, if the employee does not elect out of IPERS coverage, and you did not withhold IPERS contributions, you and the employee must make up the appropriate contributions.

You make these adjustments through the *Wage Reporting Adjustments* form. Section 6 of this handbook provides more information on initiating the wage adjustment process. If contribution refunds are necessary, IPERS will return both the employer and employee contributions via an *Outstanding Debit/Credit Memo Statement*. It is your responsibility to forward the refunded employee contributions to the employee, or to remit them to the alternative retirement plan account, as applicable.

The back pocket of this handbook includes a sample *Wage Reporting Adjustments* form.

Important!

An employer defines its alternative coverage election process and requirements. However, regardless of your process, the employee must be IPERS-covered if they do not elect into another plan within 60 days from their date of hire or eligibility.

EXCLUSIONS FROM IPERS COVERAGE


Consistent with Iowa state law, certain positions are entirely excluded from eligibility for IPERS coverage. The table below lists these positions.

Positions Excluded from IPERS Coverage	
<ul style="list-style-type: none">• Election clerks• Part-time county medical examiners and part-time deputy county medical examiners under Iowa Code Section 331.801 et seq• Police officers and firefighters in towns with populations over 8,000¹• Board members paid only per diem• Judges• High school and lower grade students• Students employed part-time at the university or community college at which they are enrolled• Adjunct instructors employed without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three full quarters per calendar year• Foreign exchange teachers and visitors including alien scholars, trainees, professors, teachers, research assistants, specialists, or experts in a field of specialized knowledge or skill• Employees of credit unions without capital stock and which are organized and operated for mutual purposes without profit• Physicians, surgeons, dentists, or members of a professional group (with the exception of city attorneys and health officials) who perform part-time service for any public agency but whose income from private practices provides the major source of income• Interns and resident doctors in the employ of a state or local hospital, school, or institution• Residents or inmates of county homes• Reserve peace officers subject to Iowa Code Section 80D.14	<ul style="list-style-type: none">• Certain enrollees of senior community service employment programs• Judicial hospitalization referees (July 1, 1984)• Iowa dairy industry commission (July 1, 1984)• Iowa beef cattle producers association (July 1, 1984)• Persons who are participating in a community service program authorized under and funded by grants made pursuant to the federal National and Community Service Act of 1990• Certain employees of an interstate agency established under Iowa Code Chapter 28E²• Iowa pork producers council employees (July 1, 1984)• Iowa turkey marketing council employees (July 1, 1984)• Iowa soybean promotion board employees (July 1, 1984)• Iowa corn promotion board employees (July 1, 1984)• Iowa egg council employees (July 1, 1984)• Employees of certain area agencies on aging³• Temporary employees hired for less than six months⁴• Peace officer candidates employed by the Department of Public Safety• Persons employed through any program described in Iowa Code Section 84A, Subsection 7, and provided by the Iowa Conservation Corps• Independent contractors• Volunteers• Persons receiving rehabilitation services in a community rehabilitation program, center, sheltered workshop, or a similar organization

Notes:

- 1 Iowa law requires that the police and fire departments of towns with populations of 8,000 or more as of the 1990 federal census belong to the Municipal Fire and Police Retirement System of Iowa. As a result, these employees are not allowed to participate in IPERS. A police chief or fire chief who would not complete 25 years of service under Iowa Code Chapter 411 by the time that chief attains 55 years of age shall, upon written request to the Municipal Fire and Police Retirement System, be exempt from Iowa Code Chapter 411. Notwithstanding Section 97B.1A, a police chief or fire chief who is exempt from Chapter 411 is also exempt from IPERS. Information regarding alternative retirement for these individuals can be found in Iowa Code Section 384.6.

- 2 Effective July 1, 1980, if an interstate agency is established under Chapter 28E and similar enabling legislation in an adjoining state, and an employer had made contributions to IPERS for employees performing functions which are transferred to the interstate agency, the employees of the interstate agency who perform those functions shall be considered to be covered employees for the sole purpose of membership in IPERS, although the employer contributions for those employees are made by the interstate agency. All other employees are excluded from coverage.
- 3 Effective July 1, 1994, employees of an area agency on aging are excluded if the area agency provides for participation by all its employees in an alternative qualified plan pursuant to the requirements of the federal Internal Revenue Code.
- 4 See information regarding Temporary Employees on pages 26–27.



Important!

If you have incorrectly covered or not covered individuals in the past, be sure to submit a *Wage Reporting Adjustments* form to correct the erroneous reporting. The sooner you make corrections, the better. Contact IPERS if you have questions or need assistance.

Independent Contractors

As noted in the table on the previous page, independent contractors are not eligible for IPERS coverage, as they are not employees. Thus, you should take special care when you are considering establishing a relationship with a person you intend to hire as an independent contractor.

Use consistency when designating employees and independent contractors. Follow the guidelines in the table below.

An Individual May Be An Independent Contractor When...	An Individual May NOT Be An Independent Contractor When...
<ul style="list-style-type: none"> • The individual has an established business that offers defined services, • Offers services to multiple customers or clients, • Was hired to work for you through a normal bid process, or • Retains substantial control over how services are provided. 	<ul style="list-style-type: none"> • The individual performs work only for you, • Does not operate under a business name, • Is subject to substantial control by the employers over how services are provided, • Does not promote his/her services, • Is a teacher or superintendent, or • Is a city council member, city clerk or other public official.



Independent Contractor Determination — Proceed with Caution

If you are uncertain whether an individual is an independent contractor or an employee, we encourage you to complete and submit the *Determination of Employee/Independent Contractor Status* form available on the IPERS Web site or by contacting IPERS. If you have a written contract, be sure to submit it with the form.

Using the *Determination of Employee/Independent Contractor Status* form governs employment status for IPERS' purposes only.

TERMINATION OF COVERED EMPLOYMENT

IPERS assumes a member's ongoing employment unless specific action or documentation provides evidence of a "bona fide" termination with an employer. Documentation of a "bona fide" termination could include:

- A resignation letter.
- An employer's termination paperwork.
- Advertisement for a vacated position.
- Approval of a member's *Application for Retirement Benefits* form.
- Termination of employee benefits, vacation and sick leave accrual/banks, and seniority rights.
- An application and new employment paperwork for a new or different position, when reemployed after a period of severance.



Important!

The end of an applicable season (e.g., for snow removal, yard care, swimming pool maintenance, etc.) does not of itself indicate a severance of the relationship. In addition, an employee will not be considered terminated until the employee gives up all rights as an employee, including, in most cases, the right to receive benefits.

Termination Prior to Retirement Eligibility

When a member terminates IPERS-covered employment prior to retirement eligibility, you must complete a *Notification of Terminating Employee(s)* form and submit it to IPERS, unless you know the member has been hired by another covered employer or is retiring.



Refer to the IPERS Member Handbook for more information on a member's options at termination.


The terminating member also must take action, as follows:

- ***The member may decide to leave contributions with IPERS*** and continue to accumulate interest on the balance until a later date, until attainment of retirement eligibility, or until the account is subject to IPERS' mandatory account distribution rules. Members will receive a mandatory account distribution if they have been inactive for at least five years and their distribution amount does not exceed the maximum set by the IRS. As of January 1, 2006, this amount is \$1,000.

OR

- ***The member may request a contribution refund.*** A refund returns the member's accumulated contributions (contributions plus interest). Also, if vested, the member may be eligible to receive a portion of the employer's accumulated contributions, as consistent with IPERS regulations.

When a member requests and receives a refund, the member must stay out of covered employment for 30 days after terminating employment. Otherwise, IPERS must revoke the refund, requiring the employee to repay IPERS within 30 days of notice.


**Important!**

IPERS does **not** automatically issue a contribution refund upon a member's termination. The member must complete and return an *Application for IPERS Refund* form to IPERS to initiate the refund process. At the member's request, you will need to complete the employer section of this form.

Refer to "What to Do When..." in Section 2 of this handbook for information on the employer's role in processing a member's termination.

Termination Due to Retirement

When a member becomes eligible for retirement, benefits do not begin automatically. The member must complete and file an *Application for Retirement Benefits* form with IPERS to begin the retirement process. The application for retirement benefits is not final until reviewed and approved by IPERS. It is the member's responsibility to manage this process.

**Providing Retirees with Advice — Proceed with EXTREME Caution**

Retiring employees may ask you for advice or assistance in completing the retirement process. Although you may have answers or opinions for them, please do not answer questions specific to their situations. Avoid providing advice, as your organization may be held liable. Instead, refer them to the IPERS educational materials, Web site, or to IPERS directly. Again, your organization may be held legally liable for any advice you provide.

RETURNING TO COVERED EMPLOYMENT AS A RETIREE

Many IPERS retirees decide to return to employment with an IPERS-covered employer after retiring – and at the same time, continue to receive IPERS retirement benefits while reemployed. Iowa state law governs the circumstances under which this is allowed. It is the retiree’s responsibility to comply with the state’s retirement laws. However, as an employer, you should also be aware of the regulations associated with a retiree’s return to work. Employers who knowingly participate in the reemployment of a retiree in violation of the bona fide retirement rules, may be prosecuted for engaging in the criminal offense of fraudulent practices.

IPERS retirees returning to work are subject to the same coverage rules as other new hires. There are other restrictions as well, including:

- Meeting IPERS’ bona fide retirement requirement.
- The state’s mandated earnings limitation for IPERS retirees.

Important!

A different set of bona fide retirement rules apply to IPERS-covered employees who are part-time elected officials continuing their terms of office through retirement. See page 36 of this handbook for more information.

The sections below describe these various regulations on a retiree’s return to work in more detail.

Meeting Bona Fide Retirement Requirements

A retiree under the age of 70 must meet the state’s bona fide retirement requirement before returning to IPERS-covered employment. The bona fide retirement period starts on the first day of the first month a retiree receives a retirement check (known as the “first month of entitlement,” or “FME”) **through** the fourth month of retirement.

Here’s how it works:

Month 1: First Month of Entitlement	During the retiree’s first month of entitlement, the retiree cannot work for any IPERS-covered employer. In addition, the retiree cannot enter into a formal or informal agreement prior to termination or during the first month of entitlement, to return to employment after completion of the bona fide retirement period.
Months 2-4	The retiree may work for an IPERS-covered employer. However, the retiree CANNOT work in an IPERS-covered position.
Months 1-4	An employer cannot prepay or retroactively pay a retiree for work performed or services “volunteered” during the bona fide retirement period.

Upon completion of the bona fide retirement period, the retiree can return to IPERS-covered employment. However, retirees who violate these requirements during the bona fide retirement period may be required to repay any IPERS benefits paid to them, and then restart the bona fide retirement qualification process.

Retirees who begin benefits in the month they turn age 70 or later are not required to meet the bona fide retirement requirements, and may begin benefits without terminating employment. Refer these employees to an IPERS retirement counselor for further information about starting retirement benefits.

Retiree Reemployment Earnings Limitations

Prior to age 65, retirees who are reemployed in an IPERS-covered position are subject to an earnings limitation of \$30,000 per calendar year. If a retired reemployed individual earns \$30,000 or less in a calendar year in IPERS-covered reemployment, the individual's benefits are not affected. Retired reemployed members who earn more than \$30,000 in a calendar year will face retirement benefit reductions. They should contact an IPERS retirement benefits counselor for more information.


Retirees age 65 and older who are reemployed in an IPERS-covered position are not subject to the earnings limitation.

Requirements for Elected Officials Terminating IPERS Coverage at Retirement

Upon retirement eligibility, an elected official may stay in office and begin receiving retirement benefits provided the individual terminates IPERS coverage for the position and terminates all other IPERS-covered employment.

Initiating this process is the elected official's responsibility. The elected official must write a letter to the employer informing the organization of the intent to retire and elect out of IPERS coverage as an elected official. The elected official must submit a copy of this letter to IPERS along with a completed *Application for Retirement Benefits* form. The *Application for Retirement Benefits* form includes documentation of bona fide termination of all other IPERS-covered employment, in addition to electing out of coverage for the elected position.

An elected official does NOT submit the *Election for Termination of IPERS Coverage* form to elect out of coverage at retirement. This form is ONLY used to elect out of IPERS coverage as an active employee.

**Important!**

Encourage your working retirees to understand the rules regarding bona fide retirement; compliance is their responsibility.

Section 4: IPERS-Covered Wages and Compensation

Section 4 describes the wages and compensation that are included or excluded in the amounts reported to IPERS.

These inclusions and exclusions determine the “covered wages.” Under State of Iowa law, public employees and their employers contribute a percentage of their covered wages to IPERS.

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COVERED WAGES

Covered wages are the portion of an IPERS member’s regular wages, plus other forms of compensation paid in a calendar year, that are eligible for treatment as IPERS-covered wages. Effective January 1, 1997, the IPERS-covered wage ceiling was set at the maximum amount permitted under federal law. For 2005, the maximum covered wage is \$210,000. This amount may be adjusted in the coming years based on maximum wage limits set by the Internal Revenue Service.

For IPERS’ purposes, the components of covered wages and other compensation may vary, based on the employer and employee’s benefits, job classification and collective bargaining contract, if applicable.

For most IPERS members, covered wages include:

- Regular pay.
- Vacation pay, unless paid in a lump sum.
- Sick pay, unless paid in a lump sum.
- Overtime.
- Back pay.
- Amounts deducted from the member’s pay at the member’s discretion for tax-sheltered annuities, dependent care, and cafeteria plans.

For elected officials (other than members of the General Assembly), covered wages are defined as the salary received by an elected official, whether paid as a salary or per diem, exclusive of expense and travel allowances.

For members of the General Assembly, covered wages are defined as:

- The total compensation received, whether paid in the form of per diem or annual salary, exclusive of expense and travel allowances paid to the member except as otherwise noted in this section.

- Per diem payments paid to members of the General Assembly during interim periods between sessions.
- Daily allowances for nontravel expenses of the office during a session (for members from Polk County, this amount may not exceed the maximum established by law).

EXCLUSIONS FROM COVERED WAGES

For IPERS' purposes, covered wages do not include:

- Special lump-sum payments made as a payoff for accrued sick leave or accrued vacation, or other similar leave program.
- Payments or special bonuses made as an incentive for early retirement.
- Payments made upon dismissal or severance.
- Recruitment bonuses.
- Amounts paid pursuant to special arrangements under which an employer increases a member's compensation by the employer's share of health care costs and having the member reimburse the employer or a third-party provider for such health care costs.
- Amounts paid pursuant to special arrangements between an employer and member whereby compensation in excess of the covered wage ceiling for a particular year is deferred to one or more subsequent years. This exclusion includes, but is not limited to, deferrals to and distributions from nonqualified deferred compensation plans.
- Employer contributions to a plan, program, or arrangement whereby the amounts contributed are not included in the employee's federal taxable income (excluding member contributions to an IRC Section 403[b] tax-sheltered annuity or a Section 457[b] deferred compensation program).
- Payments made in lieu of any employer-paid group insurance coverage or payments made for the difference between the costs of single and family insurance coverage where the difference is not uniformly available to all employees.
- The amount of life insurance paid by employers for policies over \$50,000.

OTHER FORMS OF COMPENSATION

Wage Equivalents and Allowances


Wage equivalents and allowances for items such as food, lodging, transportation or clothing, are **ONLY** included in IPERS-covered wages when they are paid for the benefit of a specific member and included on *IRS Form W-2* as taxable income. If paid to a member for the employer's convenience or specific business purpose, they are not included in covered wages. Usually, wage equivalents and allowances are considered for the convenience of the employer if there is a business purpose for providing the monies **OTHER THAN** to provide additional pay or compensation to the member.

To determine whether to include a wage equivalent or allowance in a member's covered wages, apply this simple test:

Step 1	➔	Step 2 (Optional)
Was the item included in the member's federal taxable income? If no, do not cover. If yes, go to Step 2.		Is there a substantial business purpose for the wage equivalent or allowance? If yes, do not cover. If no, cover.

Examples of Wage Equivalents and Allowances

1. The lunch program of School District A employs a cook who is paid \$370 a week in salary plus meals furnished for the school's convenience. The meal value, or wage equivalent, is \$30. Because the meals are provided for the school's convenience, only the salary of \$370 is covered under IPERS.
2. In recruiting its new superintendent, School District XYZ offers her a relocation allowance. The superintendent's salary is \$6,500 a month and she receives a moving allowance of \$8,000. While federal law may require her employer to report this allowance as federally taxable income to the employee, because the allowance is provided for the employer's benefit, only her salary of \$6,500 is covered under IPERS.



Wage Equivalents and Allowances — Proceed with Caution

In many cases, wage equivalents and allowances are not included in a member's IPERS-covered wages. However, when reportable, be sure to quantify and add wage equivalents and allowances to a member's IPERS-covered wages based on the item's fair market value.

Vacation Pay or Personal Days

Vacation pay or annual leave pay is the amount paid to an employee as a continuation of pay during a vacation period. For IPERS' purposes, personal days are covered using the rules for vacation pay. This pay is:

Included in IPERS-Covered Wages When...	Excluded from IPERS-Covered Wages When...
<ul style="list-style-type: none"> • Paid as a continuation of regular pay during a member's vacation or leave. 	<ul style="list-style-type: none"> • Paid as a lump-sum cash payment or installments (but not in place of regular pay) during or after termination of employment.

Sick Pay

Sick pay is the amount paid to an employee as a continuation of pay during sick leave. This pay is:

Included in IPERS-Covered Wages When...	Excluded from IPERS-Covered Wages When...
<ul style="list-style-type: none">• Paid as a continuation of regular pay during a member's sick leave.	<ul style="list-style-type: none">• Paid as a lump-sum cash payment or installments (but not in place of regular pay) during or after termination of employment.

Back Pay and Legal Settlements

While back pay and legal settlements may constitute federal taxable income, they may or may not be included in IPERS-covered wages, depending on the situation. Employers should take care in understanding what exactly to include in IPERS-covered wages when encountering members eligible for back pay or payment from a wage-related legal settlement.

Back pay is defined as pay received in one period for wages earned in a prior period. It can include pay under federal or state laws intended to create an employment relationship (including cases where there is unlawful refusal to hire) or to protect a member's right to wages. Payments received for back pay, in some cases, may be **included** in IPERS-covered wages if paid for service that would have been IPERS-covered employment.

Legal settlements over wage-related and other issues may be reached between members and employers either in or out of court. Settlement payments may be included in IPERS-covered wages only to the extent that they are the wages that would have been paid but for the employment dispute, and can be identified with a particular quarter(s) of service. Penalties or lump-sum awards not equivalent to the wages that would have been paid resulting from legal settlements are **not included** in IPERS-covered wages.

Budgeting for and reporting your share of back pay and legal settlements can be tricky. Many times, the parties will negotiate a decrease in the settlement's gross amount, for example, due to wages received from an interim job. The parties may also increase the amount of the settlement by amounts of non-IPERS-covered items, such as medical expense reimbursements.

Here are some examples that illustrate the complexity of these situations:

Examples of Back Pay and Legal Settlements

1. Employee Jones was terminated, reinstated, and awarded \$20,000 in back pay and \$3,000 for medical expenses. Employee Jones earned \$10,000 with a private employer while he was off. The parties agreed that Jones would receive a net check of \$13,000, after deducting the interim pay and adding in the medical expenses. However, because the agreement made represents the amount of pay that Jones

would have received but for the termination, IPERS contributions must be collected on the full \$20,000 of back pay.

2. Employee Smith was terminated, sued the employer, and twelve months later agreed to accept a lump-sum payment of \$5,000 to drop the lawsuit. The \$5,000 was called “back pay” in the settlement agreement, even though Smith would have earned \$20,000 had he remained employed for the period following termination. However, because this \$5,000 payment is a lump-sum award not representative Smith’s actual pay lost, it is **not** included in Smith’s IPERS-covered wages.

When included in IPERS-covered wages, you report a legal settlement or back pay to IPERS through a *Wage Reporting Adjustments* form. To prepare this form accurately, be sure to allocate the wages to the quarter(s) during which the member would have been paid, using the contribution rates applicable to that time. **We encourage you to work directly with IPERS to ensure correct reporting of an affected member’s IPERS-covered wages.**

FOR YOUR INFORMATION

As a remedy for an employment dispute, an involuntarily terminated member may be retroactively reinstated in IPERS-covered employment and be allowed to restore IPERS service credit. If the member has taken an IPERS contribution refund and wishes to restore IPERS service credit upon reinstatement, the member must repay the amount of the refund plus accrued interest to IPERS. The member must make this payment within 90 days of the reinstatement order or agreement.

In this situation, employers are not required to take action to initiate the member’s refund repayment to IPERS. However, at the member’s request, employers must provide a copy of the employment dispute’s settlement to IPERS upon the member’s reinstatement to ensure action is taken within the 90-day repayment window.

Compensatory Time

Compensatory time is paid leave that is accrued by nonsupervisory staff in lieu of overtime pay, and may be paid to an employee as a continuation of regular pay for time taken off, or in a lump sum. This compensation is:

Included in IPERS-Covered Wages When...	Excluded from IPERS-Covered Wages When...
<ul style="list-style-type: none">• Paid in lieu of a member’s regular work hours, OR• When paid as a lump sum for up to 240 hours per member per year.	<ul style="list-style-type: none">• Paid as a lump sum for amounts over the maximum coverage level of 240 hours per member per year.

Each employer may determine whether to use the calendar year or its fiscal year (if different from the calendar year) when setting its compensatory time policy. **The wages you report to IPERS should reflect your organization’s policies.**

Banked Holiday Pay

Some employers allow employees to “bank” holiday pay when they are required to work a holiday. If the employer treats banked holiday pay as additional accrued vacation, then apply IPERS’ vacation coverage rule, and this pay is:

Included in IPERS-Covered Wages When...	Excluded from IPERS-Covered Wages When...
<ul style="list-style-type: none">• Taken by a member as paid time off.	<ul style="list-style-type: none">• Paid as a lump-sum cash payment or installments (but not in place of regular pay) during or after termination of employment.

If banked holiday time is accrued under your organization’s compensatory time policies, then apply the corresponding IPERS coverage rules. For example, if you treat banked holiday pay as compensatory time, lump-sum payments are included in IPERS-covered wages subject to the 240-hour per year maximum discussed on the previous page.

Workers’ Compensation and Disability

Workers’ compensation and short- or long-term disability payments made by an insurance company or third party (such as a trust) are **excluded** from IPERS coverage. Such payments paid from an employer’s own assets to an employee **are** IPERS-covered. Frequently, employers pay wages to an employee to supplement workers’ compensation and short- or long-term disability, in order to maintain the employee’s income at or near normal compensation. These supplemental payments are covered, if they are paid from the employer’s salary budget or general assets.

As you report wages to IPERS, you will likely need to adjust IPERS-covered wages due to workers’ compensation and/or disability payments to members. The table below describes how to handle the various situations you may encounter:

Workers’ Compensation- or Disability-Related Situation...	Impact on IPERS-Covered Wages...	Employer Action Required
A member continues to receive regular salary while a workers’ compensation or disability claim is pending.	The regular salary is included in IPERS-covered wages until the claim is approved.	Continue to report the member’s regular covered wages to IPERS.
A member is awarded workers’ compensation or long-term disability payments, and subsequently must return any regular salary payments to the employer.	The returned salary cannot be included in IPERS-covered wages.	Complete a <i>Wage Reporting Adjustments</i> form to reduce the member’s IPERS-covered wages.
The employer supplements workers’ compensation or long-term disability with additional wages to maintain a member’s income at or near normal compensation.	The supplemental pay is included in IPERS-covered wages.	Report the supplemental pay as a part of the member’s covered wages to IPERS.

Workers' Compensation- or Disability-Related Situation...	Impact on IPERS-Covered Wages...	Employer Action Required
A member on medical leave receives short-term and/or long-term disability payments from the employer's own assets.	The payments are included in IPERS-covered wages.	Report the payments as part of the member's covered wages to IPERS.
A member receives short-term and long-term disability payments from an insurance company or other third party.	The payments cannot be included in IPERS-covered wages, even when run through regular payroll.	Verify you are not reporting these payments as covered wages to IPERS.
A member placed on short-term or long-term disability terminates employment.	Disability payments received after termination cannot be included in IPERS-covered wages, regardless of the source.	Complete a <i>Notification of Terminating Employee(s)</i> form and submit it to IPERS.

Reimbursement of Employee Business Expenses

Employee business expenses are **not included** in IPERS-covered wages if they are documented reimbursement for expenses incurred by an employee in the performance of duty.

TSA's and Deferred Compensation

Monies contributed toward a tax-sheltered annuity or other deferred compensation plan are:

Included in IPERS-Covered Wages When...	Excluded from IPERS-Covered Wages When...
<ul style="list-style-type: none"> Deducted from a member's pay at the member's discretion. 	<ul style="list-style-type: none"> Made as a mandatory employer contribution on the member's behalf.

Cafeteria Plans

In some cases, employer and employee contributions to Internal Revenue Code Section 125 benefit plans are **included** in a member's IPERS-covered wages. The following general rules apply to employer and employee contributions to Section 125 plan benefits (also known as cafeteria plans):

- Employer contributions provided under a Section 125 plan **in addition to** regular salary may be **included** in IPERS-covered wages to the extent that a member and all similar employees could receive cash in lieu of the payments toward benefits, even if the member does not take the cash benefit.
- Additional amounts deducted from a member's regular salary at the member's discretion to purchase Section 125 plan benefits are **included** in IPERS-covered wages.
- Employer contributions provided under a Section 125 plan that must be used to purchase Section 125 plan benefits are **excluded** from IPERS-covered wages.

- Exclusion or inclusion of an employer's Section 125 plan contributions in IPERS-covered wages must be **uniformly applied** across an organization's employee groups.

The examples below illustrate how these rules might be applied in different situations.

Example 1

- Assume an employer provides monies **in addition to** an employee's regular salary, in the amount of \$2,500, to purchase benefits or take as cash. Employees may use this allowance to pay for any combination of benefits (including participation in flexible spending accounts). However, the employer requires all employees, at a minimum, to purchase single employee medical coverage costing \$1,000.
- Per IPERS regulations, a part of this benefit allowance provided to purchase Section 125 benefits may be **included** in IPERS-covered wages. However, the cost of the mandatory medical coverage must be **excluded**. In this example, the employer includes a total of \$1,500 in IPERS-covered wages (the \$2,500 allowance minus the mandatory medical coverage cost of \$1,000).

Example 2


- Assume an employer provides monies **in addition to** an employee's regular salary, in the amount of \$2,500, to purchase benefits or take as cash. Employees may use this allowance to pay for any combination of benefits (including participation in flexible spending accounts). However, the employer requires all employees, at a minimum, to purchase:
 - Single employee medical coverage in the amount of \$1,000, AND
 - Disability coverage, whose cost varies based on the employee's covered salary and age.
- Per IPERS regulations, a portion of the benefit allowance provided to purchase Section 125 benefits may be **included** in IPERS-covered wages. However, the cost of the mandatory medical coverage and disability coverage must be **excluded** as follows.
- In this example, to determine IPERS-covered wages, the employer must deduct the cost of the mandatory medical contribution (the same for all employees) and the cost of the mandatory disability coverage (which varies from individual to individual) from the \$2,500 benefit allowance. And, while the deduction for the disability coverage will vary by employee, the IPERS rules provide that this type of variation is permitted when consistently applied across all employees. Thus, the employer will report slightly different IPERS-covered amounts for different employees in this case.

Example 3

- Assume an employer has two major groups of employees covered under its Section 125 plan — teaching staff and support staff. The employer provides monies **in addition to** each group's employees' regular salary to purchase benefits or take as cash. The amount varies by each group's collective bargaining agreement as follows:
 - Teaching staff receives a benefit allowance of \$3,000.
 - Support staff receives a benefit allowance of \$2,500.
 - In addition, the employer **requires all** employees to purchase single employee medical coverage costing \$1,000.
 - Per IPERS regulations, a portion of the benefit allowance provided to purchase Section 125 benefits may be **included** in IPERS-covered wages. However, the cost of the mandatory medical coverage (\$1,000 for all employees) must be **excluded**.
 - In this example, to determine the IPERS-covered wages, the employer includes a total of \$2,000 in its teaching staff members' IPERS-covered wages (\$3,000 allowance less the mandatory medical coverage costing \$1,000), and a total of \$1,500 in its support staff members' IPERS-covered wages (\$2,500 allowance minus the mandatory medical coverage costing \$1,000). And, while the amount to be reported as IPERS-covered wages will vary by group, the IPERS rules provide that this type of variation is permitted when consistently applied to all of the members of each employee group. Thus, the employer will include the applicable amount (\$2,000 or \$5,000) as IPERS covered wages for the members of the two groups.
-

Example 4

- Assume an employer provides monies **in addition to** an employee's regular salary, in the amount of \$2,500, to purchase benefits or take as cash. The employer requires employees to purchase single employee medical coverage in the amount of \$1,000. However, the employer adopts a Section 125 plan provision that allows employees with proof of other medical coverage to elect out of this requirement.
 - In this example, at first glance it may appear that individuals waiving medical coverage in favor of cash will receive the full benefit allowance of \$2,500 as an addition to IPERS-covered wages (because it is an opportunity for them to receive cash in lieu of benefits). **However, this is not the case** — the employer must exclude the \$1,000 cash option because it is not uniformly available to employees who are ineligible for the cash because they do not have coverage through another source.
 - Thus, consistent with IPERS regulations, the cost of the mandatory medical coverage must be excluded (deducted) from each employee's benefit allowance, resulting in a \$1,500 addition to each employee's IPERS-covered wages (the \$2,500 allowance minus the mandatory medical coverage costing \$1,000).
-



Cafeteria Plans—Proceed with Extreme Caution

As you can see, a complex set of rules govern the inclusion and exclusion of employer contributions provided under Section 125 plan in a member's IPERS-covered wages. If you offer a cafeteria plan to employees, we strongly encourage you to submit your plan documents in writing to IPERS for review. IPERS will provide you with guidance appropriate for your plan's design.

(Note: IPERS will not provide verbal coverage determinations regarding your specific plan; you must submit plan documentation to IPERS in writing, and IPERS will provide a written response.)

IPERS WAGES AND COMPENSATION AT A GLANCE

The table below summarizes the many forms of wages and compensation discussed in this section that may or may not be included in IPERS-covered wages.

Compensation Type	IPERS Coverage
Allowance (e.g., car or clothing)	Not covered if not reportable for federal income tax purposes. Also, not covered if reportable for federal income tax purposes but provided primarily for the benefit of the employer. Covered otherwise.
Back pay	If covered, report in the quarters in which it should have been paid; not covered if it represents damages paid to avoid litigation.
Banked holiday pay	If considered vacation pay, apply vacation pay rules; if considered compensatory time, apply compensatory pay rules.
Bonus	Covered unless paid as an early retirement incentive or recruitment bonus.
Cafeteria plan contributions	Employee share: Covered if deducted from pay at employee's discretion. Employer share: Generally covered if the contribution can be received in cash uniformly at employees' election, even if the member does not choose cash. Many exceptions apply. See Iowa Code Section 97B.1A(26) for more details. For your plan's coverage determination, submit your plan documentation to IPERS in writing.
Compensatory pay	Covered. If paid as lump sum, subject to a maximum of 240 hours per member per year.
Disability	Covered if paid from the general assets of the employer. Not covered if paid by insurance or another third party.
Early retirement incentive	Not covered.
Hourly	Covered.
Legal settlements	Covered if for wages that would have been paid but for an employment dispute. Not covered if payment does not reflect actual wages that would have been paid.
Longevity pay	Covered.
Overtime	Covered.
Per diem	Not covered unless paid to an elected official in a covered position.
Reimbursement of Business Expenses	Not covered if paid for documented business expenses.
Salary	Covered.
Severance pay	Not covered. Any money paid as part of a severance package is not covered.
Sick pay	Covered when used to continue normal pay during a regular pay period. Not covered when paid out as a lump sum or in a series of installments for the lump sum.

Compensation Type	IPERS Coverage
TSA, 457, FSA plan contributions	Covered if contribution can currently be received in cash uniformly at employees' election.
Transportation expenses	Not covered if intended as reimbursement.
Vacation pay	Covered when used to continue normal pay during a regular pay period. Not covered when paid out as a lump sum or in a series of installments for the lump sum during or after termination.
Wage equivalent	Not covered if not reportable for federal income tax purposes. Also not covered if reportable for federal income tax purposes but provided primarily for the benefit of the employer. Covered otherwise.
Workers' compensation	Amounts paid by the employer to supplement the workers' compensation are covered. Monies from other sources are not covered.

Section 5: IPERS Plan Contributions

Section 5 describes the IPERS contributions required for both employers and IPERS-covered employees.

State of Iowa law mandates that participating employers and eligible members contribute to IPERS. It is these contributions and investment earnings on the contributions that fund the many different benefits paid out to IPERS members.


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HOW IPERS CONTRIBUTIONS WORK

The Iowa Legislature sets IPERS contribution rates for regular employee classes; rate changes only occur when approved by law. The IPERS actuary calculates the rates for Special Service classes each November, which are announced through *The Latest Word*, Employer Bulletins, and on the IPERS Web site at <www.ipers.org>. Those rates become effective the following July 1.

IPERS-covered employers and employees are required to pay their respective shares of IPERS contributions. Both contribute a set percentage of a member's IPERS-covered wages. The rates vary, based on the member's job classification.

It is the employer's responsibility to collect member contributions and to remit both the employer's and the members' contributions to IPERS each month. Submitting timely and accurate contributions to IPERS is critical—state law mandates the correction of errors, which may result in make-up contribution payments and/or contribution refunds, depending on the nature of the error.



Section 6 of this handbook describes the process through which you remit contributions to IPERS and request reporting corrections, when necessary.

CURRENT CONTRIBUTION RATES

The IPERS contribution rates for the period July 1, 2005–June 30, 2006, are:

Occupation Class Code	Member Contribution	Employer Contribution	Total Contribution	Maximum Wage Amount
Regular (Includes Classes 01, 04, 11, 12, 14, 17, 19)	3.7%	5.75%	9.45%	\$210,000
Protection (Includes Classes 02, 05, 06, 07, 08, 10, 13, 15, 16, 18)	6.16%	9.23%	15.39%	\$210,000
Sheriffs and Deputy Sheriffs (Class 03)	8.20%	8.20%	16.40%	\$210,000

For Your Information

A historical view of all IPERS employer and member contribution rates for all job classifications is available on the IPERS Web site at <www.ipers.org>.

SPECIAL SERVICE MEMBERS

The IPERS Plan's defined benefit formula used for certain Special Service members differs from the formula used for regular employees, as follows:

Effective July 1, 2003, the maximum multiplier for this group is 72 percent of a member's final average salary, after 30 years of service (versus 65 percent of final average salary, after 35 years of service for regular members). Because of the higher accrual rate and fewer years of service required, contribution rates for Special Service occupation employees also are higher, as noted in the table above.

This formula applies to employees engaged in certain Special Service occupations, including sheriffs, deputy sheriffs, and protection occupation members as specified in Iowa Code Chapter 97B.

During the course of an IPERS-covered employee's career, the employee may have the opportunity to work in both regular and Special Service positions. When an employee changes from a regular service position to a Special Service position, or vice versa, be sure to revise your records to report the employee under the correct occupation class code and collect the correct contributions.

See the IPERS Member Handbook for more information regarding the "hybrid" benefit formulas that may apply to Special Service employees.

You should also inform the employee about those changes to ensure the employee's understanding of the impact a position change may have on IPERS contributions and the potential benefit available upon retirement. **This notification is your responsibility as an employer.** Your notification process may begin with including the occupation class code on the notice when you post job openings.

"Special" Special Service Members

In some cases, employees may accrue benefits and contribute to IPERS under multiple occupation class code rates during the same time period. Here's an example of how this works:

- A city hires a police officer to perform regular full-time duties along with other incidental duties. In this case, the contribution rates and benefits accrued under the Protection occupation class apply only.
- However, if the individual is hired for a specific number of hours as a police officer and for a specific number of hours for non-police duties, the contribution rates and benefits accrued under the Protection occupation class and the Regular occupation class apply, based on the IPERS-covered wages paid in both areas.

Contact IPERS if you have questions about covered wages and contributions required for employees performing duties under multiple occupation class codes.

PRETAX CONTRIBUTIONS

Effective January 1, 1995, members began making contributions to IPERS on a pretax basis for federal income tax purposes; effective January 1, 1999, members also began contributing to IPERS on a pretax basis for Iowa state income tax purposes.

These tax treatment changes did not affect any IPERS or FICA reporting procedures. However, this process does lower the member's state and federal taxable income, which may in turn decrease the member's state and federal tax liability. The table below illustrates how this works:

Impact of Pretax Contributions on IPERS-Covered Wages, Federal and State Taxable Income, and FICA-Covered Wages	
For Contributions Made in 1999 and Later	
IPERS-Covered Wage	\$30,000
Member IPERS Contributions	\$1,110
Federal Taxable Wage	\$28,890
State Taxable Wage	\$28,890
FICA-Covered Wage	\$30,000

In practice this means:

- *Pretax IPERS contributions reduce a member's taxable wages for federal and Iowa state income tax purposes.* Member IPERS contributions made on or after January 1, 1995, are not included in taxable income for federal income tax purposes. In years 1999 and after, employee IPERS contributions are not included in taxable income for Iowa state income tax purposes.
- *If a member terminates IPERS-covered employment and receives a contribution refund, the funds attributable to IPERS contributions made on or after January 1, 1995, are taxable to the member for federal income tax purposes. The funds attributable to IPERS contributions made on or after January 1, 1999, are taxable to the member for Iowa state income tax purposes as well.*
- *Upon retirement, the retirement benefit will be fully taxable for federal and state income tax purposes for all contributions made on or after January 1, 1999. It will be partially taxable for federal income tax purposes if the member made contributions before January 1, 1995, and it will be partially taxable for state tax purposes if the member made contributions before January 1, 1999.*

IPERS sends *IRS Form 1099* annually to members who receive distributions and benefits from the Plan.

Section 6: IPERS Filing Requirements

Section 6 discusses the steps you should take—how and when—to file IPERS-required reports, remit employer and employee contributions, and correct errors or make adjustments when necessary.

Managing the IPERS filing process is an IPERS reporting official's most important responsibility.

CALCULATING AND REMITTING IPERS CONTRIBUTIONS

Calculating Contributions

Each pay period, you must deduct the required employee contribution, based on the employee's IPERS-covered wage, from the employee's pay. At the end of each month (or quarterly, as noted on the following page), you remit these contributions, along with your employer contributions to IPERS.

This means you must calculate the total amount of contributions due each month. To do this, simply multiply the month's total IPERS-covered wages for each occupation class code by the combined employee and employer contribution rate required under each occupation class. The table below provides an example.

Current IPERS employer and employee contribution rates are noted in Section 5 of this handbook; refer to the IPERS Web site at www.ipers.org for historical contribution rates by class code.

Example

REPORTING IPERS-COVERED WAGES

In July 2005, an IPERS-participating employer paid covered wages of \$2,435 under class code 01, and \$3,600 under class code 06. To calculate the contribution due, multiply the wages by the appropriate contribution rate for each class code, as follows:

Class Code	IPERS-Covered Wages	Contribution Rate	Contributions
01	\$2,435	9.45%	\$230.10
06	\$3,600	15.39%	\$554.04
Total			\$784.14

In this example, the employer must remit a check(s), payable to IPERS, in the amount of \$784.14.

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Remitting Contributions to IPERS

You must remit employee and employer contributions to IPERS, as follows:

Contributions Required	Payment Frequency
\$100 or more per month	Remit contribution payments monthly
Less than \$100 per month	Remit contribution payments quarterly

To remit your contribution payments, you submit a check, along with an *Employer Remittance Advice* form to IPERS. This form documents the total contributions you owe and the debits and/or credits you wish to process in the month's or quarter's payment cycle. (A discussion of debit and credit memos is included later in this section.)



The back pocket of this handbook includes a sample *Employer Remittance Advice* form.

Your contribution checks (payable to IPERS) and corresponding *Employer Remittance Advice* forms are due by the deadlines noted on the calendar on page 67.



Important!

IPERS does not support electronic funds transmission (EFT) at this time; however, we are studying its feasibility for the future.

REPORTING IPERS-COVERED WAGES

In addition to remitting your IPERS contribution payments on a monthly or quarterly basis, you must report all IPERS-covered wages, including wage equivalents and other forms of compensation, to IPERS at the end of each quarter.



Quarterly IPERS periodic wage reporting deadlines are noted in the calendar on page 67.

To report IPERS-covered wages, you complete and submit your organization's *IPERS Periodic Wage Detail* report (or its electronic equivalent, as described beginning on page 57) along with your *Employer Periodic Wage Reporting Summary* to IPERS.

IPERS Periodic Wage Detail Report

The *IPERS Periodic Wage Detail* report provides the following member information to IPERS:

- Social security number
- First, middle, and last name
- Occupation class code
- IPERS-covered wage amount
- Termination indicator

Tips on Preparing the *IPERS Periodic Wage Detail* Report

When preparing your organization's *IPERS Periodic Wage Detail* report, you must list members in alphabetical order (by last name) or by social security number order.

Also, do not report members more than once per class code. In some cases, you may pay members out of more than one fund under a given class code, and as a result, multiple records may be supplied for one individual employee under that class code. **This is incorrect—IPERS allows only one member record per class code.** Be sure to audit your reports to verify you are listing one record, reflecting an employee's total IPERS-covered wages within a class code only.

Employer Periodic Wage Reporting Summary

The *Employer Periodic Wage Reporting Summary* serves as the “cover memo” to your wage detail report. It summarizes the total IPERS-covered wages for the period and documents the method by which you are submitting your quarterly wage details. Your organization's IPERS reporting official must sign this form and return it with your quarterly *IPERS Periodic Wage Detail* report.

Reporting Wages “When Paid”

As you prepare your IPERS wage reporting forms, it is important to understand that in most cases, you must report all IPERS-covered wages, including wage equivalents and other forms of compensation, **during the calendar quarter in which they are paid**, not when they are earned. Here's an example:

Example

REPORTING COVERED WAGES DURING THE QUARTER PAID

An employee performed services in June, but is paid for those services in July. In this case, you should report the covered wages in the quarter ending September 30, not in the quarter ending June 30.

Also, you can never prorate an employee's wages for IPERS' reporting purposes – you must report the amount actually paid to an employee during the calendar quarter. Here's an example:

Example

REPORTING FULL VALUE OF WAGES PAID

An employee is appointed the clerk of a township, and is paid \$2,000 once a year on January 1. In this case, you must report the employee's full wages with the calendar year's first quarterly report (March 31).

Note: There are some exceptions – for example, back pay, for which you will report IPERS-covered wages during the quarters they would have been paid. Here's how this works:

Example

REPORTING COVERED WAGES DURING THE QUARTER EARNED

An employee receives \$5,000 of back pay in July 2004, representing wages that should have been paid from November 2003 through March 2004. In this case, you should adjust the employee's reported wages for the quarters ending December 31, 2003 and March 31, 2004.

REPORTING PROCEDURES

Employers may submit quarterly wage reporting to IPERS in one of the following formats:

- Via paper forms
- Electronically, through a magnetic tape or diskette
- Through the Internet, via IPERS Connection Online (ICON)

Regardless of the format used, you must submit wage reporting documentation to IPERS quarterly, even if you have no covered wages to report. The reporting calendar on page 67 illustrates what to send to IPERS and when.


Paper Reporting

An employer may submit IPERS wage reporting via paper, through an IPERS-generated sheet, or through the employer's generated sheet. IPERS must approve the layout of all employer-generated sheets to ensure they meet IPERS reporting requirements.

If your organization submits its IPERS wage reporting via paper, you will receive a Periodic Reporting Document packet each quarter, which contains the following reporting documents and information:

- *An Employer Periodic Wage Reporting Summary form*
- *An IPERS Periodic Wage Detail report sheet, preprinted with your organization's employee data*
- *An Employer Remittance Advice form for future months and quarters*
- *An Outstanding Debit/Credit Memo Statement if applicable*

You use these documents to report your members' IPERS-covered wages and remit IPERS employee and employer contributions. The calendar on page 67 illustrates what you need to return to IPERS and when.

**Important!**


If you do not receive your packet during the second month of a quarter, contact IPERS' Accounting Bureau as soon as possible.

Paper Reporting for the First Time

If reporting via paper, the first set of periodic reporting documents you receive will not contain any preprinted employee information. Thus, the first *IPERS Periodic Wage Detail* report you submit should include the following information for each member:

- Social security number
- Last name
- First name
- Middle initial
- Occupation class code
- IPERS-covered wage amount
- Termination indicator

Once IPERS processes this initial wage detail report, the *IPERS Periodic Wage Detail* reports provided in your quarterly Periodic Reporting Document packets will include preprinted member information. You will only have to enter the member's IPERS-covered wages, a termination code (if applicable), and any new member data.

**Important!**

Employers reporting wages for 50 or more members in a quarter must submit this information via magnetic media or ICON. Noncompliance will result in an administrative charge of \$50, issued as a debit to the employer's account for each quarter of noncompliance.

The following pages discuss the procedures you should take to report electronically or via ICON.

Electronic Reporting

As an alternative to paper reporting, an employer may report wages electronically. In fact, IPERS strongly encourages employers to do so—use of electronic media is considerably more cost-effective and efficient than paper reporting!

You may submit your electronic wage reporting files to IPERS in one of the following electronic formats:

- Floppy diskette
- Magnetic tape
- Via upload through the Internet, through IPERS Connection Online (ICON). A discussion of using ICON begins on page 62.

When preparing quarterly wage reporting, the data records in your electronic reporting file must include the following fields:

Employer ID	Your IPERS-assigned account number. Identifies an employer who is responsible for reporting to IPERS the amount of wages paid to IPERS members.
Beginning Report Date	The date of the first day of the IPERS wage reporting period.
Ending Report Date	The date of the last day of the IPERS wage reporting period.
Member Social Security Number	The social security number of each member for whom the employer is reporting wages.
Member Name	The name of the member for whom wages are being reported, including first name, last name, and middle initial (if available).
Member Address	The home address of IPERS member, including street address, city, state, and zip code.
Member Occupation Class Code	The classification code associated with a member's reported wage, which determines the rate used to calculate IPERS contributions for the member and employer.
Period Wages	The IPERS-covered wage earned by a member during the period for which the employer is reporting.
Termination Indicator	A code used to indicate IPERS membership termination.

As you prepare your electronic reporting files, you must follow the criteria specified in the table on the following page for each data field. When reviewing the table, note that:

- **"Description"** includes the type and size of the data field ("X"s for alphanumerics, "9"s for numerics, and "v"s for implied decimal points)
- **"Start/End Position"** indicates the starting and ending points of the field on the data record
- **"Position Optional/Required"** indicates if inclusion of information is required or optional (optional data fields must be blank filled if unused)


Field Name	Description	Start/End Position		Position Optional/Required
Employer-Id	PIC 9(5).	1	5	Required
Agency-Id	PIC X(20).	6	25	Optional
Beginning-Report-Date				
• Beginning-Report-Year	PIC 9(4).	26	29	Required
• Beginning-Report-Month	PIC 9(2).	30	31	Required
• Beginning-Report-Day	PIC 9(2).	32	33	Required
Ending-Report-Date				
• Ending-Report-Year	PIC 9(4).	34	37	Required
• Ending-Report-Month	PIC 9(2).	38	39	Required
• Ending-Report-Day	PIC 9(2).	40	41	Required
Member-Social-Security	PIC 9(9).	42	50	Required
Member-Name				
• Member-Last-Name	PIC X(20).	51	70	Required
• Member-First-Name	PIC X(19).	71	89	Required
• Member-Middle-Initial	PIC X(1).	90	90	Required
Member-Address				
• Street-Address	PIC X(30).	91	120	Required
• Address-Qualifier	PIC X(30).	121	150	Optional
• City	PIC X(20).	151	170	Required
• State	PIC X(2).	171	172	Required
• Zip-5	PIC 9(5).	173	177	Required
• Zip-4	PIC 9(4).	178	181	Optional
Occupation-Class	PIC X(2).	182	183	Required
Period-Wages	PIC 9(8)v99.	184	193	Required
Termination-Indicator	PIC X(1).	194	194	Required
Filler	PIC X(56).	195	250	Required

Submitting Electronic Reporting Via Floppy Diskette or Magnetic Tape

If your organization submits its IPERS wage reporting via floppy diskette or magnetic tape, you will receive a Periodic Reporting Document packet each quarter, which contains the following reporting documents and information:

- An *Employer Periodic Wage Reporting Summary* form
- A blank *IPERS Periodic Wage Detail* report sheet (you do not need to submit this report—your electronic file(s) takes its place)
- An *Employer Remittance Advice* form for future months and quarters
- An *Outstanding Debit/Credit Memo Statement* if applicable

You must return the *Employer Periodic Wage Reporting Summary* and the electronic wage report and remit your IPERS employee and employer contributions to IPERS by the deadlines noted within the calendar on page 67.



Important!

If you do not receive your packet during the second month of a quarter, contact IPERS' Accounting Bureau as soon as possible.

When submitting your wage reporting files via floppy diskette or magnetic tape to IPERS, you must format the media per the specifications noted in the tables below. IPERS will return diskettes and tapes not meeting these specifications for correction.

Floppy Diskette Specifications

- Diskettes must be 3-1/2" in diameter and recorded in standard ASCII code
- Diskettes must be MS/DOS and Windows compatible
- Diskettes must meet one of the following specifications:

Capacity	Tracks	Sides/Density
1.44 mb	96tpi	Hd
1.2 mb	96tpi	Hd
720 kb	48tpi	ds/dd
360 kb	48tpi	ds/dd
320 kb	48tpi	ds/dd
180 kb	48tpi	ds/dd
160 kb	48tpi	ds/dd

- The diskette's file name must be labeled "IPERS.DAT." When using multiple diskette files, the external label must indicate the sequence in which the diskettes are to be processed.
- Affix external labels to diskettes and indicate the following:
 - Employer Name
 - Employer ID/Agency ID
 - Return Address
 - Service Bureau (if used), contact person and telephone number
 - Operating System and Version Number
 - Processing sequence number if using multiple diskettes
- Service Bureaus submitting for multiple employers are required to submit a list of the employers whose wage reports are included on the diskette(s). This list should specify:
 - Service Bureau name
 - Name of each employer reported on the diskette
 - Name of Service Bureau contact person and telephone number

Magnetic Tape Specifications

- Magnetic tapes must be EBCDIC or ASCII coded and meet the following criteria:
 - 9 Track EBCDIC (Extended Binary Coded Decimal Interchange Code) with a density of 1600 or 6250 BPI (Bytes per Inch); or
 - 9 Track ASCII (American Standard Coded Information Interchange) with a density of 1600 or 6250 BPI.
- Magnetic tapes must have the following characteristics:
 - 0.5 inch (12.7 mm) wide, computer grade magnetic tape. Reels up to 2400 feet (731.52 m) within the following specifications:
 - Tape thickness: 1.0 or 1.5 mils; and
 - Reel diameter: 10.5 inch (26.67), 8.5 inch (21.59 cm) or 7 inch (17.78 cm).
 - 36 Track ½. Cartridge Tape.
 - Tapes should not have internal tape labels.
- Magnetic tape files should be formatted as follows:
 - 250 bytes per record; and
 - 24 records per block, if 6,000-character blocking is used, otherwise, 1 record per block.
- Affix external labels to the tape and indicate the following:
 - Employer Name
 - Employer ID/ Agency ID
 - Return Address
 - Service Bureau (if used), contact person and telephone number
 - BPI and Protocol (EBCDIC or ASCII) criteria
- Service Bureaus submitting for multiple employers will be required to submit a list of the employers whose wage reports are included on the tape(s). This list should specify:
 - Service Bureau name
 - Name of each employer reported on the tape
 - Name of Service Bureau contact person and telephone number

Note: IPERS returns magnetic tapes after processing is complete (in approximately two months).



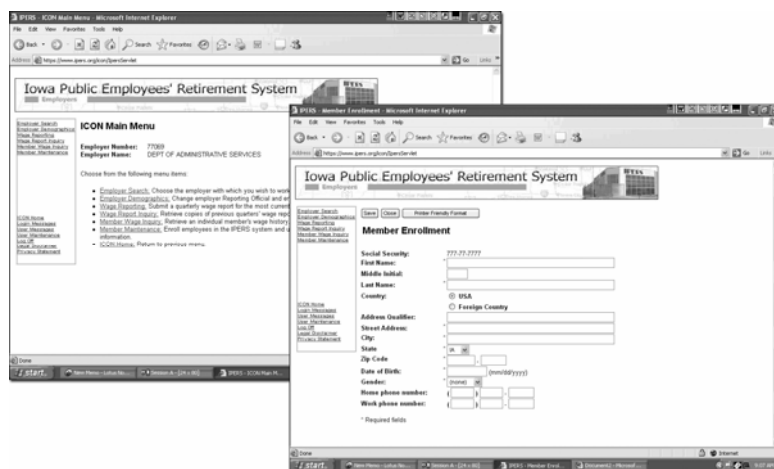
Important!

Do not hesitate to contact IPERS if you have questions or need assistance with setting up your files and formatting your media for electronic reporting.

Internet-Based Reporting (ICON)

IPERS offers employers the ability to manage IPERS-related reporting and transactions through an Internet-based interface called IPERS Connection Online, or “ICON.” ICON enables you to:

- Submit quarterly wage reporting.
- Enroll new employees as IPERS members.
- Update employees’ demographic information (e.g., their address changes).
- Review previous quarters’ reports.
- Receive report confirmation via e-mail.
- Receive important notices via e-mail.



When reporting through ICON, you receive all IPERS reporting correspondence, including your organization’s *Employer Remittance Advice* forms and *Outstanding Debit/Credit Statements* via e-mail. The ICON interface enables you to submit your quarterly wage reporting through a wage entry screen or via file upload through the Internet. Upon submitting your quarterly data through ICON, you do not need to file any other paper wage reporting documentation with IPERS.

ICON support staff is available via phone during regular business hours at 515-281-0020 or e-mail at employerrelations@ipers.org to answer your ICON-related questions.

Important!

You will need to continue to remit your employer and employee IPERS contribution checks and *Employer Remittance Advice* form via mail by the deadlines noted in the calendar on page 67. IPERS does not currently support electronic funds transmission (EFT). However, we are studying its feasibility for the future.

A comprehensive guide to using ICON is available through the employer section of the IPERS Web site at <www.ipers.org>. If you are not already an ICON user, we encourage you to consider the advantages of reporting through the ICON interface—IPERS intends to transition most employers in the future.



Making the Transition to ICON—If You Can Connect to the Internet, You Can Connect to ICON!

If you submit your quarterly wage reporting to IPERS via diskette, you can seamlessly transition your reporting to the ICON interface. Employers currently reporting via paper can also easily make the change to reporting through ICON. And, while ICON is not currently configured to support those submitting reports through magnetic tape, ICON support staff is available to assist you in making the transition to an ICON-accepted file format.

To start using ICON, complete and submit the *IPERS Connection Online (ICON) User Name/Authority* form. IPERS will contact you via mail with your user name and e-mail with your password information.

MAKING WAGE REPORTING ADJUSTMENTS


Wage reporting errors will happen, and other types of changes will be necessary as wages are reported to IPERS. Use the *Wage Reporting Adjustments* form to document and submit corrections to IPERS. Wage adjustments may be necessary to process these types of errors and adjustments:

- Wages that should not have been covered
- Wages that should have been covered, but were not
- Incorrect class codes
- Incorrect wage amounts
- Incorrect social security numbers

The form asks you to provide the following information when requesting a wage reporting correction:

- The employee's correct social security number
- The employee's full name
- The quarter and year for each adjustment being made
- The occupation class code for each adjustment being made
- Wages previously reported to IPERS
- Wages as they should have been reported to IPERS

IPERS will adjust the employee's account as necessary, and issue a debit or credit memo on your *Outstanding Debit/Credit Memo Statement*.

**Important!**


You may also use the *Wage Reporting Adjustments* form to handle refund requests for employees terminating employment with less than six months of service. Refer to "What to Do When..." in Section 2 for information on processing this "member event."

OUTSTANDING DEBIT/CREDIT MEMO STATEMENT

Each employer has an IPERS account to which debits and credits are applied as you report wage adjustments. Each quarter, you will receive an *Outstanding Debit/Credit Memo Statement* reflecting all debits payable and credits owed to your account. (Note that debit memos indicate you **owe** IPERS money. Credit memos indicate that IPERS **owes you** money.)

IPERS issues debit and credit memos for the reasons listed below:

A Debit Is Issued for...	A Credit Is Issued for...
<p>Calculated Contribution Underpayment: This occurs when contributions remitted are less than the contributions calculated and due on reported wages.</p> <p>Wage Adjustment Underpayment: This occurs when you submit a <i>Periodic Wage Reporting Adjustment</i> form to increase previously reported wages or to add wages not previously reported.</p> <p>Wage Adjustment Interest Underpayment: After a wage adjustment underpayment is added to a member's account, IPERS calculates the amount of interest the member's account would have earned up to the time when the quarter interest was last applied to all accounts and charges the interest to the employer's account.</p> <p>Current Quarter Interest: This is the amount of interest the member's account would have earned from the last quarter interest was applied to member accounts to the date the wage adjustment was processed. It does not include interest accrued in previous quarters.</p> <p>Interest on Late Contributions: This is an interest penalty charged to you for remitting contributions after the due date. Late remittances of contributions are subject to a minimum charge of \$10 per occurrence.</p> <p>Administrative Charge: Quarterly fee assessed to employers with 50 or more IPERS members on their quarterly report who submit wage reports in paper format. To avoid this charge, employers should report via magnetic media or ICON.</p>	<p>Calculated Contribution Overpayment: This occurs when contributions remitted are more than the contributions calculated and due on your reported wages.</p> <p>Wage Adjustment Overpayment: This occurs when you submit a <i>Wage Reporting Adjustments</i> form to decrease or remove a member's covered wages.</p>

 **Important!**

Debit obligations do not expire; credit memos expire one year from the date they are created. Employers are responsible for paying both the member and employer share of interest charges.

Paying Debits or Applying Credits Through Your *Employer Remittance Advice*

You may process your debits and credits through your *Employer Remittance Advice* form, along with your monthly (or quarterly) contribution payments. The table below provides an example:

Example

BALANCING DEBITS AND CREDITS THROUGH *EMPLOYER REMITTANCE ADVICE* FORM

- Assume your required employer and member contributions for January equal \$774.06. You notice you also have wage-related adjustments on the *Outstanding Debit/Credit Memo Statement* pending, as follows:
 - Your debit memos (the money you owe IPERS) are:

\$10.25
\$204.12
\$27.88
\$3.32
 - You have a credit memo (the money IPERS owes you) in the amount of: \$46.69
- To compute the total amount you must remit to IPERS you simply add your debit obligations (required monthly contributions plus debit memos) and subtract the amount IPERS owes you in the form of credits (your credit memos).
- In the example, in February you would remit to IPERS:

– Your required contributions	\$774.06
– PLUS your debit memos	\$245.57
– LESS your credit memo	<u>\$46.69</u>
- For a total of **\$972.94**

See the back pocket of this handbook for a sample *Employer Remittance Advice* form.

Statute of Limitations for Credits for Employers

Employers have up to three years to correct erroneously over-reported wages. You must make your request to IPERS (via the *Wage Reporting Adjustments* form) within three years of the contribution's payment date.

IPERS may accept requests made after three years only if we find that issuing the credit is just and equitable under the circumstances. IPERS will only issue a credit if a member has not received a refund, death benefit, or lump-sum retirement benefit.

A credit posted to an employer's account expires one year from the posted date. Credits not used within one year may be taken off an employer's account after their expiration, so be sure to use them in a timely manner!

IPERS CALENDAR—WHAT TO FILE AND WHEN

The table below outlines the deadlines by which IPERS must receive your wage reporting and contribution remittances. As you review this information, remember you **MUST** submit wage reporting to IPERS quarterly, even if you have no wages to report.

What to Submit	Deadline
• January Employer Remittance Advice and Employer/Member Contributions	February 15
• February Employer Remittance Advice and Employer/Member Contributions	March 15
• March Employer Remittance Advice and Employer/Member Contributions	April 15
• Q1 Employer Remittance Advice and Employer/Member Contributions (when paying contributions quarterly)	April 15
Q1 Wage Report	April 30
• April Employer Remittance Advice and Employer/Member Contributions	May 15
• May Employer Remittance Advice and Employer/Member Contributions	June 15
• June Employer Remittance Advice and Employer/Member Contributions	July 15
• Q2 Employer Remittance Advice and Employer/Member Contributions (when paying contributions quarterly)	July 15
Q2 Wage Report	July 31
• July Employer Remittance Advice and Employer/Member Contributions	August 15
• August Employer Remittance Advice and Employer/Member Contributions	September 15
• September Employer Remittance Advice and Employer/Member Contributions	October 15
• Q3 Employer Remittance Advice and Employer/Member Contributions (when paying contributions quarterly)	October 15
Q3 Wage Report	October 31
• October Employer Remittance Advice and Employer/Member Contributions	November 15
• November Employer Remittance Advice and Employer/Member Contributions	December 15
• December Employer Remittance Advice and Employer/Member Contributions	January 15
• Q4 Employer Remittance Advice and Employer/Member Contributions (when paying contributions quarterly)	January 15
Q4 Wage Report	January 31
When the deadline falls on a holiday or weekend, the deadline is the next business day.	

Important!

If you fail to submit your IPERS contributions by the monthly and/or quarterly deadlines, you may be subject to the penalties noted on the following page.

IPERS FILING PENALTIES

IPERS must receive your contributions and quarterly reports by the applicable deadlines. Timely and accurate reporting is critical – errors or late reports can cause:

- Incorrect or late benefit payments.
- Incorrect or late contribution refunds.
- Incorrect information reported on a member's annual statement of account.



Important!

Benefits paid to members based on erroneously reported wages must be repaid by the member.

IPERS does penalize employers for missing a monthly or quarterly contribution remittance deadline. Late remittances are subject to interest charges on the balance due, until IPERS receives the contribution payment(s). Iowa Code Section 97B.70 governs applicable interest rates; the minimum charge is \$10 per occurrence.

If you encounter unexpected problems, contact the IPERS Accounting Bureau for assistance prior to the contribution or reporting deadline in jeopardy. IPERS may grant filing extensions if warranted, e.g., if a natural disaster destroys your payroll documents.

Section 7: Inactivation of an IPERS Reporting Entity

Section 7 describes the steps an employer should take in the event of a reorganization, dissolution, or inactivation of an IPERS reporting unit.

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DISSOLUTION OR INACTIVATION OF REPORTING ENTITIES

An employer's reporting official is responsible for providing IPERS with all pertinent information on the dissolution or inactivation of reporting entities.

IPERS requires the following information:

- Complete name and address of the dissolved or inactivated entity
- Assigned identification numbers
- Last date on which wages were paid
- Date on which the entity was dissolved or became inactivated
- Reason for the dissolution or inactivation
- Whether or not the entity expects to pay wages in the future

SCHOOL REORGANIZATIONS AND DISSOLUTIONS

School district reorganizations are generally effective on July 1. Participating school districts should inform IPERS of all upcoming mergers and/or dissolutions.

Following a data review, IPERS closes the account of any school district that is dissolved or absorbed entirely by another district as a result of a merger or reorganization. A school district is required to file reports with IPERS through the last date on which it legally exists.

Example

SCHOOL DISTRICT REORGANIZATION

Effective July 1, 2004, newly created School District B absorbs School District A. School District A must file its last report for the period ending June 30, 2004. Then, as of the dissolution's effective date, School District B assumes responsibility for reporting IPERS-covered wages under its new IPERS identification number. School District B is also responsible, at that point, for correcting IPERS-covered wage reporting errors, even if the dissolved school district reported the wages previously.



Important!

IPERS determines and assigns IPERS identification numbers for newly created districts. In the past, IPERS allowed school district lunch and activity programs to report under separate numbers. IPERS no longer assigns these separate numbers. A school district must now report its IPERS-covered wages under the parent school district's IPERS identification number.

Section 8: IPERS Plan Compliance

IPERS periodically conducts compliance reviews to ensure employer compliance with IPERS regulations. Section 8 describes the responsibilities of IPERS' compliance officers and the review process.

COMPLIANCE OFFICERS

IPERS employs several compliance officers whose role is to review employer records for compliance with IPERS statutes, rules, policies, and reporting requirements.

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COMPLIANCE REVIEWS

IPERS may schedule a compliance review routinely or as questions with respect to any compliance issues arise. When subject to a review, IPERS schedules time with an employer at least one week in advance. Most often, a compliance officer performs an on-site compliance review, although occasionally asks an employer to send the necessary information to IPERS.


After the compliance review, the compliance officer provides the reporting official with a letter documenting the review's outcomes and any necessary changes. The compliance officer and reporting official then work together to ensure any necessary corrections are made.

IPERS EMPLOYER PUBLICATIONS

IPERS provides employers with two important communications pieces – *The Latest Word* and Employer Bulletins – designed to keep IPERS reporting officials and support staff up to speed on regulatory and compliance issues.

The Latest Word

The Latest Word is IPERS' quarterly newsletter for employers. This newsletter focuses on a broad range of topics – including current legislative issues and considerations, IPERS administration tools and support resources, and all the latest IPERS-related news.



Current and archived copies of *The Latest Word* and IPERS Employer Bulletins are available on the IPERS Web site at <www.ipers.org>, or upon request through the IPERS office.

Employer Bulletins

Employer Bulletins highlight changes to IPERS law and related processes. They are sent to IPERS reporting officials as necessary.

SUGGESTED RECORDKEEPING

Although each reporting unit may determine the form in which it maintains member records, you should have the documentation required to substantiate your decisions regarding the coverage or noncoverage of employees and the treatment of all IPERS-covered and noncovered wages.

IPERS recommends keeping the following information in your payroll system:

- The member's name, address, and social security number
- The dates on which the member is paid wages (including the cash value of wage equivalents)
- The total amount of the member's gross wages
- The total amount of IPERS-covered wages (including regular pay and the cash value of covered wage equivalents)
- The amount withheld from wages for the member's share of IPERS contributions



IPERS compliance officers are available to help you in any way—we encourage reporting officials to discuss your recordkeeping procedures with IPERS compliance officers on a regular basis.

We also recommend keeping the following records:

- Copies of completed *Election for Termination of IPERS Coverage* forms, if any of your members are eligible to elect out of IPERS or may elect alternative coverage
- Completed *IPERS Determination of Employee / Independent Contractor Status* forms, if you employ independent contractors
- Student status verification(s)
- Volunteer status verification(s)
- Temporary employee status verification(s)
- Documentation of your employees' leaves of absence
- Verification of bona fide retirement for the retirees you employ
- Documentation of lump-sum distributions paid (when, to whom, how covered)
- Extra cash payments



Important!

In the event of a compliance review, you will need to reconcile members' gross wages to IPERS-covered wages. IPERS recommends doing so on a quarterly basis and recording the outcome of that reconciliation along with other documentation noted in this section.

SOCIAL SECURITY ADMINISTRATION

In 1953, the State of Iowa reached an agreement — known as a Section 218 agreement — with the Social Security Administration to provide social security coverage for eligible public employees in Iowa. As a result of this agreement, most IPERS-covered employees participate in the social security program. IPERS is responsible for administering this program for governmental employers. However, IPERS has no responsibility for collecting, crediting, depositing, or reporting social security wages and withholding amounts. Those responsibilities have been delegated to the IRS.

Under the state-administered plan — as mandated by the federal government — employers and covered employees are required to contribute a percentage of an employee's covered wages (known as FICA tax), up to a maximum wage amount toward the program, which includes social security and Medicare coverage. For 2005, these amounts are:

FICA Tax Component	Employee Contribution	Employer Contribution	Total Contribution	Maximum FICA-Covered Wages
Social Security	6.20%	6.20%	12.40%	\$90,000
Medicare	1.45%	1.45%	2.90%	No limit

FICA-covered wages are generally an employee's gross annual wages, as reported on the *Form W-2 Wage and Tax Statement*. This form, along with appropriate contribution deposits, must be filed in accordance with Internal Revenue Service regulations.

For More Information

Contact IPERS for more information regarding coverage under the state's 218 agreement for local government employees.

Section 9: IPERS Forms

As with any retirement system, IPERS' administration requires a broad range of forms and other documentation. Section 9 provides an overview of the IPERS forms used by employers and members alike. Several forms are included for your reference in the back pocket of this handbook.

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SUMMARY AND PURPOSE OF FORMS

The table below lists frequently used IPERS-related forms, summarizing their purpose—why and when they are used.

Form	Why and When to Use It
Application for Service Purchase	Members use this form to request a quote for purchasing service credits, buying back previously refunded service, or to restore service credit lost during a leave or other break in service. IPERS may ask employers to verify the employment dates listed on this form.
Application for Free Military Credit	Submit this form to IPERS to provide the documentation needed to restore IPERS service and wage credit for a member returning from an eligible military leave. Only members called to active military duty from IPERS-covered employment, who return to an IPERS-covered position within 12 months of discharge, can use this form.
Application for Military Leave Contributions	If an employee returning from eligible military leave wishes to make up missed contributions for the time period of their leave, use this form to submit contributions and request restoration of IPERS service and wage credit. Only members called to active military duty from IPERS-covered employment, who return to an IPERS-covered position within 12 months of discharge, can use this form.
Determination of Employee/Independent Contractor Status	IPERS uses this form to determine whether an individual should be designated as an independent contractor or regular employee for IPERS' purposes. Employers should complete and submit this form when engaging an independent contractor's services.
Election for Termination of IPERS Coverage	Use this form to elect out of IPERS coverage, if eligible. Employees who choose to elect out of IPERS coverage (including those electing an alternative plan, with the exception of enrollees in TIAA-CREF) must return this form to IPERS within 60 days of hire (or initial eligibility). Employers must complete the employer verification section of this form.
Employer Remittance Advice	This form lists the total employer and member IPERS contributions and the debit and credit memos to be reconciled. Employers must submit this form to IPERS with your monthly (or quarterly) IPERS contribution payment.

Form	Why and When to Use It
Employer Periodic Wage Reporting Summary	This form provides IPERS with a summary of a reporting unit's quarterly total IPERS-covered wages, and to document the method by which an employer submits its quarterly wage detail report. The form must be signed by the unit's reporting official and returned to IPERS by each quarter's filing deadline. This form is not required for reports submitted via ICON.
IPERS Connection Online (ICON) User Name Authority	Use this form to apply for an ICON user name and password. If an employer has multiple authorized ICON users within its organization, each user must submit this form to IPERS.
Enrollment/Beneficiary Designation	Members use this form to provide their personal information and beneficiary designation to IPERS. Per an organization's policies and processes, employers may collect these forms from members and submit them to IPERS for processing. Do not keep copies of completed forms.
IPERS Periodic Wage Detail	Use this form to submit quarterly wage reporting detail to IPERS ONLY when submitting paper-based reporting to IPERS. Most employers submit this information electronically or through ICON.
Application for IPERS Refund	Members use this form to request a contribution refund from IPERS. An organization's reporting official must complete the employer's verification page of this form.
Leave of Absence Affidavit	Use this form to document a leave of absence due to FMLA or that commenced prior to July 1, 1998; contact IPERS for a copy of the form.
Notification of Terminating Employee(s)	IPERS uses this form to prepare an account balance statement for terminating members. Employers must complete this form for any member who terminates IPERS-covered employment prior to retirement eligibility.
Outstanding Debit/Credit Memo Statement	Use this form to reconcile debits and credits with monthly (or quarterly) contribution payments to IPERS. IPERS generates this statement quarterly to document the debits an employer owes IPERS or credits owed to the employer by IPERS as a result of wage adjustments, contribution overpayments/underpayments, late payment fees, etc.
Request for Extension of Time to Remit Contributions	Use this form to request an extension to pay a reporting unit's IPERS contributions. Employers must describe the reason for the request, and the form must be signed by the organization's reporting official.
Status Report for New Entities	New and nonparticipating organizations submit this form to IPERS to establish the organization's eligibility to participate in IPERS.
Wage Reporting Adjustments	Use this form to request corrections to wages that were unreported or erroneously reported during a previous quarter(s). An organization's reporting official must sign this form.

FINDING/REQUESTING CURRENT FORMS

Because IPERS updates its forms from time to time, we have not included all the forms with this handbook. You can download the most up-to-date forms through the IPERS Web site at <www.ipers.org>, or request copies from IPERS.

SAMPLE FORMS

To assist you in completing your IPERS forms, the following forms are available in the back pocket of this handbook:

- Employer Remittance Advice
- IPERS Periodic Wage Detail
- Employer Periodic Wage Reporting Summary
- Wage Reporting Adjustments
- Election for Termination of IPERS Coverage
- Notification of Terminating Employee(s)
- Enrollment/Beneficiary Designation
- ICON User Name/ Authority Form

Section 10: IPERS Glossary of Terms

IPERS Term	Definition
Accumulated Contributions	For a member, the member's IPERS contributions plus interest ; for employers, the employer's IPERS contributions plus interest.
Adjunct Instructors	Employees of a community college or university without a continuing contract and whose teaching load does not exceed one-half time for two full semesters or three full quarters for the calendar year.
Allowance	Compensation paid to an employee intended for the employee to use toward personal expenses of a specific item, such as a cell phone or car.
Alternative Coverage	Another qualified pension plan that the Iowa Code allows specific employers to offer their employees. Examples of employers who may offer an alternative plan are the State Board of Regents, community colleges, city managers, and municipal water utilities.
Back Pay	Compensation received at a later date than would normally have been paid in a prior period.
Banked Holiday Pay	Accrued unused holiday pay, with credit to be used at a later date.
Bona Fide Retirement Period	A period of time during which a retiree must sever all public employment, stay out of all employment with a public employer for one calendar month, plus an additional three months from all covered employment.
Cafeteria Plan	A cafeteria plan, including a flexible spending arrangement, is a plan that allows employees to choose between receiving taxable cash or benefits, such as health, dental and life insurance, instead of certain qualified benefits for which the law provides an exclusion from wages.
Calendar Quarters	Periods of three calendar months, beginning each January 1, April 1, July 1, and October 1, used for quarterly reporting of wages. Example: January, February, and March.
Calendar Year	The period of time beginning on January 1 and ending on December 31 of each numbered year.
Code of Iowa	Iowa's written laws; laws governing IPERS are located in Chapter 97B.
Compensatory Pay	Compensation for hours worked in excess of the normal workweek and banked for later use, either as paid time off or as a cash lump-sum payment.
Compliance Officer	Member of IPERS' Employer Relations Bureau who is responsible for ensuring employer compliance with IPERS' code, rules, and policies.
Contributions	The money that is contributed on behalf of employees, based upon covered wages and including employer and employee portions.
Covered Employment	Employment with a public employer that is subject to IPERS withholding and reporting.
Covered Wages	The maximum annual amount of compensation paid by a public employer to a member that is eligible for IPERS coverage.
Debit/Credit Memo	A memo sent to an employer, which shows the credits and debits owed to/by the employer.

IPERS Term	Definition
Defined Benefit Plan	A defined benefit plan is a retirement plan that uses a formula to determine a member's eventual benefits.
Employer Periodic Wage Reporting Summary	A cover sheet summarizing the quarterly wage report.
Employer Remittance Advice	Form used to accompany monthly/quarterly submission of IPERS contributions.
First Month of Entitlement	The first calendar month a member qualifies for a monthly benefit, usually the month following the month in which a member terminates employment and a completed application is received by IPERS.
Fraudulent Practice	A person is guilty of a fraudulent practice if the person makes, or causes to be made, any false statement or representation for the purpose of causing an increase in any payment authorized to be made under Iowa Code Chapter 97B, for the purpose of causing any payment to be made where no payment is authorized under Iowa Code Chapter 97B, for the purpose of obtaining confidential information from IPERS or any other unlawful purpose related to Iowa Code Chapter 97B.
ICON	"IPERS Connection Online" is IPERS' secure, password-protected area on the IPERS Web site used by employers to report wages, change information for employees, inquire as to past wages reported, update employer information, and contact specific departments with questions or comments.
Iowa Administrative Code	These are rules adopted by agencies to implement the Iowa Code. IPERS' rules are found in Chapter 495, IAC.
Independent Contractors	Self-employed persons that, for IPERS' purposes, have no employer/employee relationship with an IPERS-covered employer.
The Latest Word	Quarterly newsletter for employers.
Occupation Class Code	The two-digit code used by IPERS on quarterly reporting and member accounts to identify the employment class and withholding rates of a member.
Optional Coverage	Specific employee classifications have the option to decline IPERS coverage, when such election is completed within 60 days of employment or taking office. Examples of classifications are mayors, city council members, community action employees, elected township officials, and city managers.
Per Diem Payments	For IPERS' purposes, a per diem is generally a set amount of compensation for one specific service, such as a daily payment for attending a meeting.
Pretax Contributions	Contributions deducted from an employee's gross wages prior to the calculations of federal and/or state tax. For IPERS' purposes, pretax contributions are the employee contributions which the employer deducts from employee wages and pays to IPERS on behalf of the employee. Effective January 1, 1995, employee contributions are made on a pretax basis for federal income tax purposes. Effective January 1, 1999, employee contributions are made on a pretax basis for state income tax purposes.

IPERS Term	Definition
Protection Occupation Members	The members of this group and the terms of their coverage include airport safety officers, airport security officers, conservation peace officers, correctional officers, DOT peace officers, fire prevention inspector peace officers and marshals, police officers (including part-time police officers) and firefighters. Special occupation codes and contribution rates must be used for these employees.
Qualified Plan	A qualified plan status under the federal Internal Revenue Code conveys certain tax advantages to the members of the Plan, among them the privilege of having contributions toward retirement benefits being held and invested on a tax-deferred basis. IPERS is qualified under IRC 401(a).
Reporting Official	The individual designated by each employer who is the IPERS contact and is authorized to sign wage reporting documents, refund applications, and retirement benefit applications.
Service Credit	Membership credited to a member's record for service, maximum of four service credits per calendar year.
Severance Pay	A sum of money given to an employee upon termination.
Sheriffs' and Deputy Sheriffs' Group	The special occupation group which includes sheriffs and deputy sheriffs. Special occupation codes and contribution rates must be used for these employees.
Special Service Members	Employment groups including sheriffs, deputy sheriffs, and protection occupation members.
Spiking	A prohibited practice in which the payment/reporting of compensation is manipulated, usually to generate a higher pension benefit for an employee.
Tax-Sheltered Annuities	An investment vehicle that allows employees to defer money from being taxed until a later date, usually at retirement, and qualifying under IRC 403(b).
Temporary Employees	Temporary employees are hired for less than six months' duration or are working seasonally, on-call, or intermittently. Examples of temporaries would be summer employees, volunteer firefighters, and substitute teachers.
Vested Member	The establishment of rights to IPERS benefits: completion of at least four years of service, or the attainment of age 55 while making contributions, whichever comes first.
Wage Reporting Adjustment	Adjustment to wages submitted on a previous quarterly wage report.
Wage Equivalents	Non-cash compensation.
Wage Reports	A quarterly report submitted by all employers that lists employees and their covered wages.



Important Information Regarding This Handbook

This handbook briefly explains certain rights and benefits of IPERS membership. It is not a substitute for federal and state laws governing IPERS, which provide complete information and are subject to change. Although IPERS makes every attempt to ensure its materials are accurate and up to date, any conflict between the contents of the handbook and law must be resolved in favor of the law.

