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# THE LATEST WORD

FOR IPERS EMPLOYERS

*Iowa Public Employees' Retirement System | Fall 2012*



**I<sup>OWA</sup>PERS<sup>®</sup>**



Donna M. Mueller  
CHIEF EXECUTIVE OFFICER

From Donna M. Mueller, CEO

## Let's Talk Numbers

It's harvest time in Iowa and, in a sense, at IPERS too. It's the time of the year when we examine all of our data from the previous fiscal year and find out how we performed.

Wilshire Associates, IPERS' investment consultant, has already provided our return on investments. The IPERS Trust Fund investments yielded 3.73 percent for FY2012. Compared to last year's return, this is disappointing news and much lower than our 7.50 percent benchmark. However, keep in mind that this is just a one-year period. It's the investment performance over the long term that affects how financially fit IPERS is.

The actuary is working now to determine IPERS' funding status and amortization period for the fiscal year—both key measurements for pension systems. Contribution rates for FY2013 will also be determined by the actuarial valuation. You'll recall that IPERS can now change contribution rates up or down by no more than 1.0 percentage point. Check our website for the latest update on rates.

Please take time to read the update on GASB Statement 68 requirements in this issue. It is very important for your organization's accounting staff to fully understand the dramatic change in reporting pension plan liabilities on the balance sheet. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014.

As you have the opportunity, I encourage you to communicate with your employees about IPERS' online system called My Account. All members, even those receiving benefits, can sign up for My Account to see individualized information about their IPERS benefits.

**My**  
**Account**

Donna M. Mueller, CEO

### IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

7401 Register Drive P.O. Box 9117  
Des Moines, IA 50306-9117

TELEPHONE  
515-281-0020

TOLL-FREE  
1-800-622-3849

BENEFITS FAX  
515-281-0053

LEGAL & INVESTMENTS  
MANAGEMENT FAX  
515-281-0045

OPERATIONS FAX  
515-281-0055

E-MAIL  
info@ipers.org

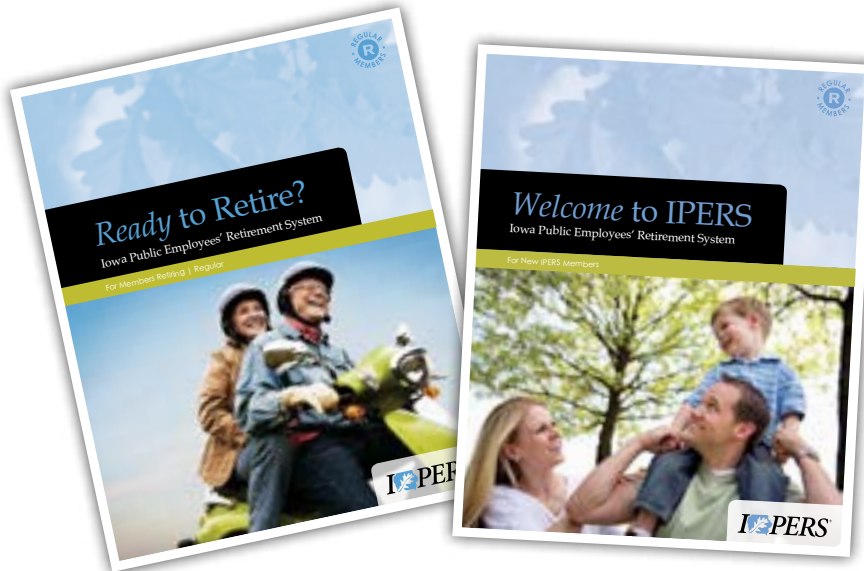
WEB SITE  
www.ipers.org

# Help Your Employees Learn About IPERS Benefits

The contribution rates and wage ceiling are always available on the IPERS website.

New rates for July 2013 will be posted in November.

Publications explaining IPERS benefits to members are available at [www.ipers.org](http://www.ipers.org) on the [Benefit Information](#) page. You may look at the publications online or you may order some for free to have available for your employees.



You probably face a variety of situations in your role as a reporting official. Stick with us and we'll help you through them all! Call or email the Employer HelpDesk if you have a question or would like to talk through a situation you are unsure about.

## Employer HelpDesk

8 a.m.–4:30 p.m., Monday–Friday

1-877-IPERS-99

[employerrelations@ipers.org](mailto:employerrelations@ipers.org)

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# IPERS Training: Help Is Here!



*Were you just recently tasked with handling your organization's IPERS reporting duties? Do you have a lot of questions about how to report information to IPERS? Then this training session is for you! Take half a day in November and join us for some training. We'll review answers to the most common questions reporting officials have. It'll be fun and informative – and it's free.*

**I-Que**

## Training for New Reporting Officials

These sessions are open to all reporting officials, but recommended for our new reporting officials. Essential information will be provided to make your reporting easier. You will learn in an interactive and fun environment.

Attend just one 3-hour session. Sessions are free, but registration is required. Each session is limited to 25 participants, so register early!

Sessions will be at the IPERS office in Des Moines.

- Wednesday, November 7  
9 a.m.–noon
- Wednesday, November 7  
1 p.m.–4 p.m.
- Thursday, November 8  
9 a.m.–noon



[CLICK HERE](#) to download  
the registration form.

# Election Day Is Around the Corner



November elections are coming up. Remember that newly elected part-time elected officials have 60 days from the date of taking office to make the optional coverage choice and return the form, *Election for Termination of IPERS Coverage*, to opt out of IPERS coverage.



DOWNLOAD THE *ELECTION FOR  
TERMINATION OF IPERS COVERAGE FORM*.

## IS YOUR ORGANIZATION HIRING?

*Enrollment/Beneficiary Designation* forms are available on the [Member Forms](#) page of the IPERS website. Ask your new employees to fill one out and send it to IPERS. The information in these forms should be kept between the employee and IPERS. Do not keep copies of this form in your files.



DOWNLOAD THE *ENROLLMENT/  
BENEFICIARY DESIGNATION FORM*.

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# GASB Update

## New Accounting Approach Approved



*On June 25, 2012, the Governmental Accounting Standards Board (GASB) voted to approve two new standards of reporting of public employee pensions by state and local governments.*

### Who should read this notice

Everyone responsible for compiling your organization's Comprehensive Annual Financial Report (CAFR) should read it.

### Why this matters

Your organization must comply with the new standards if you prepare financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in order to receive clean opinions from auditors on your financial statements.

### What's changing?

**GASB Statement 68** requires governmental employers using GASB statements to report your share of the costs and obligations for providing IPERS as an employee benefit. This change will immediately increase the amount you report as pension expense as compared to the past. The new amount will be known as your "net pension liability."

Your net pension liability equals the difference between your organization's total pension liability and the value of assets IPERS has to pay in benefits to your organization's employees. The net pension liability will incorporate annual service cost and interest on your pension liability, plus the effect of any changes in IPERS' benefit terms.

Statement 68 replaces the requirements of GASB Statements No. 27 and 50. This statement is effective for fiscal years beginning after June 15, 2014. You or someone else from your organization may want to consult an independent auditor for help.

**GASB Statement 67** primarily affects IPERS directly. It changes the method IPERS will use to calculate and report our costs and obligations. This new statement replaces the requirements of Statements No. 25 and 50. This statement is effective for financial statements for periods beginning after June 15, 2013.

These changes affect only the accounting standards. They do not change IPERS' funding-related guidelines or practices. The changes reflect the view that pension costs and obligations should be recorded as employees earn them, rather than when your organization contributes to IPERS or when a retiree receives a benefit payment from IPERS.

### **What you should do**

Please review the published standards and prepare to include the required information in your financial documents. Keep current with new information posted on the GASB website.

## **ABOUT GASB**

GASB establishes standards to be used by governmental entities in their accounting practices and preparing financial statements. It is the official source of Generally Accepted Accounting Principles (GAAP) for state and local governments.

[www.gasb.org](http://www.gasb.org)



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## COMPLIANCE TIPS

# Can You Identify an Independent Contractor?

Your organization works with a lot of people. Some are employees and some are independent contractors. Sometimes it's hard to tell the difference between the two. The employees should be IPERS-covered, and the independent contractors should not. (Your organization may have some employees who are not covered. See the Employer Handbook for more information.)

The IRS touches the same issue and it has its own form to help people determine their classification for tax purposes. Although IPERS and the IRS do not use the same form, both forms seek similar facts. The facts fall into three main categories: behavioral control, financial control, and the perceived relationship of the parties. It's essential to consider all the facts because, in most cases, no single fact provides the answer.

### Behavioral control

*Behavioral control factors* refer to a right to direct or control how the worker does the work. Instruction is an example of behavioral control. Instruction includes, but is not limited to, telling the person:

- How, when, or where to do the work.
- What tools or equipment to use.
- Which assistants to hire to help with the work.
- Where to purchase supplies or services.

Training is another example of behavioral control. It relates to required procedures and methods. It indicates that your organization

requires the work to be done in a certain way. The more instruction and training the employer provides to the worker, the more likely it is that the worker is an employee.

### Financial control

*Financial control factors* indicate control over the business part of the work. If the employer reimburses the worker for some or all expenses incurred in doing the work, that indicates the worker is likely an employee. On the other hand, the opportunity for profit or loss suggests that the worker is an independent contractor.

### Relationship of the parties

*"Relationship of the parties" factors* illustrate how the business and worker perceive their relationship. Written contracts stating what both parties intend as a relationship may be very significant if it is difficult to determine the worker's status as either independent contractor or employee.

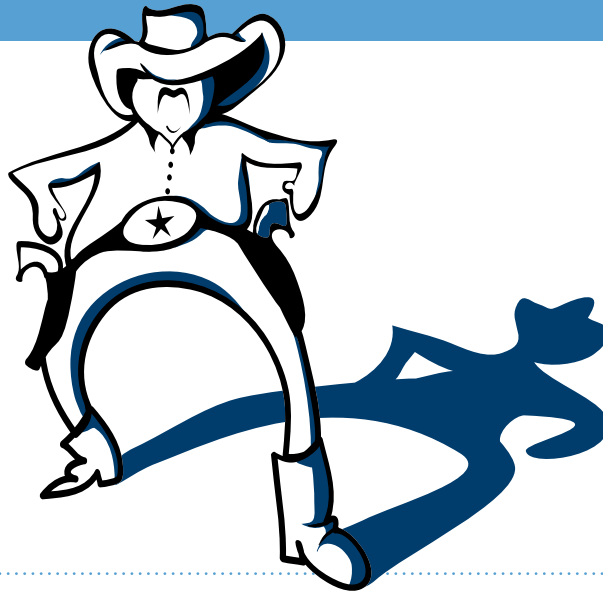
If you need help determining whether someone is an independent contractor, use the *Worker Status Determination* form.



**CLICK HERE** to download the *Worker Status Determination* form.

# Your Guide to Bounty Payments

Bounties. No, we aren't talking about bringing in bad guys dead or alive and collecting a reward, or asking trappers to harvest unwanted animals and getting a small sum of money for their pelts or ears.



## What is a bounty?

When IPERS refers to “bounties,” we mean cash provided to an employee as a substitute for benefits. For example, let’s say your organization offers a Section 125 plan with employer contributions and a bounty option. A bounty is the amount of cash your employee would receive if they choose not to participate in the Section 125 plan.

Bounties can be attached to other types of benefits too; they aren’t limited to Section 125 plans. The amount of the bounty *must be less* than the amount your organization would otherwise put toward the benefit.

## When are bounties covered?

Until July 1, 2010, bounties were not considered IPERS-covered wages. As of July 1, 2010, bounties are included in covered wages as long as they are uniformly available to the group of employees involved. If the bounty is not available to the entire group, then the bounty should not be covered. If your organization has not been covering bounties properly, correct it by filing a wage adjustment.

**Looking for the official word on coverage of bounties?** See [Iowa Administrative Rule 495, subrule 6.5\(4\)](#).

## Want a second opinion?

If your organization has a benefit program that offers bounties, we recommend that you have one of the IPERS employer relations team members review the program. You’ll receive a written response on whether the money you provide in place of benefits should or should not be IPERS-covered.

## COMPLIANCE TIPS

# Compensation Rules for Reemployed Retirees

If your organization employs anyone in an IPERS-covered job who receives a retirement benefit from IPERS every month and is under age 65, take some time to learn about the earnings limit for them. There are certain rules that you and the employee should know about—preferably before they have an effect on the employee's IPERS benefits.

While your organization is free to pay these employees as you would any other employee, these employees are subject to an earnings limit of \$30,000 a calendar year (January–December). That means that when these employees earn more than \$30,000 in one year, they will be required to pay back a portion of the IPERS benefits they have received.

What counts toward the \$30,000? More than you may first think. Of course the usual wages that your organization pays the employee count toward the earnings limit, but other forms of compensation that are not subject to IPERS withholding also count. These types of compensation include employer contributions to defined contribution and deferred compensation retirement plans. Allowances your organization pays on behalf of the employee, for things such as a car, a cell phone, or housing, also count. Bonuses are included

as well when IPERS figures the amount an employee has received as compensation.

Amounts paid to health insurance, dental insurance, or HSAs do not count toward the earnings limit, except when there is a uniformly available cash option available to all employees.



### **Get the official word from the Iowa Administrative Code.**

Download the PDF of 495.6.3, then scroll to the bottom to see Paragraph 15, *Employer contributions as remuneration counted against the reemployment earnings limit.*

# Rules for Schools: Citizen Coaches



If you work at a school, you may need to know the coverage rules for citizen coaches. A citizen coach is a coach who performs no other work for the employing school. Sports team coaches and drama coaches are positions often filled by citizen coaches.

To determine whether a citizen coach should be IPERS-covered, look at whether the coach is a temporary or permanent employee. Consider the parties' intent when the citizen coach is hired. If the coach's employment is first intended to last less than six months, the position is temporary and the citizen coach is excluded from IPERS coverage.

However, sometimes positions that are first considered temporary positions morph into permanent positions. This happens when a coach is paid at least \$1,000 in two consecutive quarters. (In that case, the coach should be covered beginning in the next quarter he or she earns wages.) It also happens if the employment is ongoing from year to year with no true termination of the relationship between seasons. In both of these cases, the position becomes permanent and the person has become IPERS-covered.

Even if the citizen coach is paid in only one quarter each year (avoiding the provision of receiving \$1,000 in two consecutive quarters), the coach becomes a permanent employee as soon as the expectation is established that the coach will come back the next year, or as soon as the coach returns to employment without completing an application. If your school does not advertise the position to allow others to apply for the job, that also indicates the coach has become a permanent employee.

There must be a formal termination at the end of one season, an advertisement seeking applicants for the position, and a reapplication for the position at the beginning of the next season, for the coach to remain a temporary employee.