

## *IPERS Employer Bulletin 2009-1*

DATE: May 19, 2009  
TO: Employer Reporting Officials  
FROM: Donna M. Mueller, CEO  
SUBJECT: Employer-Mandated Reduction in Work Hours (Furlough) Procedures

The Iowa Legislature recently passed House File 414, which allows furloughed employees to minimize the negative impact on their IPERS benefit by making additional contributions to IPERS.

The information below includes the facts and procedures for IPERS members and their employers. All forms referenced are available on the *Members* section of IPERS' Web site ([www.ipers.org](http://www.ipers.org)) or by contacting IPERS at 515-281-0020 or 1-800-622-3849 (Monday-Friday, 7:30 a.m.-5 p.m.).

### **Eligible furloughs**

IPERS members may elect to make voluntary contributions for work hours that are reduced because of a furlough between January 1, 2009, and June 30, 2010. IPERS considers a furlough to be a temporary reduction in an employee's work hours required by their employer. The individual remains an employee during a furlough with the expectation that he or she will return to normal work hours after the furlough ends. The furlough may be for a few hours or a few days, which may be sequential or spread out over several months. Furloughs may also be known by other names, such as temporary layoff.

IPERS does not define reduced overtime, lower wages because of a job reassignment, or a reduction in base pay as equivalent to a furlough. Seasonal and permanent layoffs are not considered furloughs either.

### **Employees who will benefit from making up furlough contributions**

Your employees will find this beneficial only if their wages earned in calendar year 2009 and/or 2010 are used in their final average salary, which is used to calculate their IPERS retirement benefits. Once IPERS receives the application to make up additional contributions, members may not revoke their decision. Members will not be reimbursed for the additional contributions, even if the added contributions do not increase their IPERS benefit. Before applying to make up contributions, members should get benefit estimates to determine the effect this action may have on their IPERS benefits. Members may get benefit estimates by completing the *Request for Benefit Estimate for Employees Affected by a Furlough* form available on IPERS' Web site ([www.ipers.org](http://www.ipers.org)) or by contacting IPERS.

We encourage you to notify your furloughed employees that this option is available to them. IPERS is making information available through newsletters, seminars, and information on our website. However, as an employer, you often have direct contact with employees, and this

opportunity may benefit your employees by reducing the negative impact the furlough has on their retirement benefits.

### **The cost of making up contributions**

Members who elect to make up furlough contributions must pay the amount of IPERS contributions they *and* their employer would have paid if not for the reduced work hours. Those who make the election must make up contributions for ALL reduced hours occurring between January 1, 2009, and June 30, 2010. IPERS will calculate the exact cost for each of your employees using the wage information you submit on the employer wage certification (page 2 of the *Application to Submit Contributions for Furlough*).

### **Completing the *Application to Submit Contributions for Furlough***

Members who elect to make up furlough contributions must read, complete, and sign the bottom portion of the *Application to Submit Contributions for Furlough* and then provide the entire application to you. You should complete the wage certification on the second page of the application, indicating the amount your employee's wages were reduced because of the furlough, and then submit both pages of the completed application to IPERS. **Do not send money to IPERS with the form.**

IPERS will process the application, increasing your employee's previously reported wages based on the information you provided on the wage certification. Contributions and corresponding wages will be allocated to the time period in which the employee was paid reduced IPERS-covered wages. Your organization's next Employer Monthly Statement will include the amount of contributions the employee owes. Contributions not paid by the statement's due date are subject to interest and/or late fee charges to your organization.

Because furlough plans and schedules often change, you should **not** complete the application's wage certification until *after* a furlough has occurred. In addition, the wage report for the time period of the furlough must be submitted to IPERS before we can increase the wages.

A member who elects to make up furlough contributions must do so for all furloughs that occur between January 1, 2009, and June 30, 2010. Therefore, if additional furloughs occur after the wage certification has been submitted and before June 30, 2010, you must submit additional wage certifications to IPERS for all subsequent furloughs. However, members are required to provide this application to their employer only once. It is your organization's responsibility to submit additional wage certifications to IPERS.

Please calculate the furloughed wages carefully. If incorrect information is submitted on the wage certification, the member's benefits can be affected. IPERS retains the right to make corrections to erroneously reported wages and incorrect benefit payments made as a result of misreported wages. IPERS has no liability for benefit calculations that are based on incorrect information that we receive.

### **Withholding and submitting additional contributions**

To comply with IRS laws, you must withhold make-up contributions from an employee's wages on a pretax basis for state and federal income tax purposes. The employee's signature on the *Application to Submit Contributions for Furlough* authorizes you to deduct the necessary

contributions from the wages. You may forward the contributions to IPERS by mailing a check or using EFT (electronic funds transfer) through I-Que.

Wage certifications must be submitted to IPERS and all necessary amounts withheld from your employee's wages by July 31, 2010, or by the date of the employee's last paycheck, whichever is earlier. If necessary, you may deduct all of the additional contributions from one paycheck to meet this deadline. You may also estimate and withhold all or a portion of the contributions due before submitting this application to IPERS to ensure all deadlines are met. However, the final amount due is determined by IPERS. Submit applications as early as possible to avoid missing due dates, and work with your employee to arrange a withholding schedule. IPERS has no liability for applications filed too late to be processed by the deadline.

### **INQUIRIES**

For further information, contact the Employer Relations Bureau at 1-800-622-3849. Please refer to IPERS Employer Bulletin 2009-1.