

## *IPERS Employer Bulletin 2016-2*

DATE: April 25, 2016  
TO: Reporting Officials  
FROM: Donna M. Mueller, CEO  
SUBJECT: Notice of Section 125 Plans and IPERS Coverage

### **NEW REQUIREMENT TO CERTIFY SECTION 125 PLANS ANNUALLY**

Many employers offer *elective employer* contributions to Section 125 plans in which some of the contributions can be received by their employees as cash. If certain conditions are met, employer contributions to fringe benefit programs that qualify under IRC Section 125 may be treated as IPERS-covered wages. In the past, IPERS did not require employers to certify that their Section 125 plan complied with Internal Revenue Code (IRC) rules. Effective January 1, 2017, employers offering employer contributions to a fringe benefit plan must certify that their Section 125 plan meets all IRC requirements. Employer contributions to fringe benefit plans that have not been certified will be excluded from IPERS coverage.

- A Section 125 plan is an employer-sponsored fringe benefit plan that is subject to Section 125 of the federal Internal Revenue Code. Some of the common names for this type of plan are cafeteria plan, flexible benefits plan, flex plan, and flexible spending arrangement.
- Employer contributions that are considered IPERS-covered wages are those contributions made to a Section 125 plan that can be received in cash or used to purchase benefits.
  - The employer contributions must be uniformly available. Iowa Code section 97B.1A(26)(a)(1)(b) states that elective employer contributions shall be treated as covered wages only if made uniformly available and not limited to highly compensated employees.
  - See the [Employer Handbook](#), Section 4 (IPERS-Covered Wages and Compensation), for a full discussion of coverage rules related to Section 125 plans.
- Employer contributions that *must* be used to purchase benefits under a Section 125 plan (e.g., where the employee has no choice to take in cash) cannot be IPERS-covered wages.

### **ANNUAL CERTIFICATION FORM DUE BY DECEMBER 31**

The certification form is available on the IPERS website. Return your completed form to IPERS by December 31, 2016, if you are going to continue coverage of these employer contributions as IPERS-covered wages. Employer contributions to fringe benefit plans that are not certified cannot be considered IPERS-covered wages. Annual certification is required by December 31.

### **INQUIRIES**

For further information, contact the Employer Relations Bureau at 1-877-473-7799. Please refer to IPERS Employer Bulletin 2016-2.