

IPERS Employer Bulletin 2017-1

DATE: March 10, 2017
TO: Reporting Officials of IPERS-Covered Hospitals
FROM: Donna M. Mueller, CEO
SUBJECT: Alternative Compensation Arrangements

IPERS has been asked to provide coverage guidance on an “alternate compensation strategy” offered to IPERS-covered hospitals by an organization called LifeSolutionz. LifeSolutionz has provided the following information summarizing how this strategy works.

- Participant agrees to accept less cash compensation in exchange for an overfunded life insurance policy. The amount of compensation received through this alternative compensation arrangement is called a compensation adjustment.
- Hospital makes premium payments into the life insurance policy.
- The life insurance policy is owned by the participant who will enjoy all the benefits of policy ownership.
- The alternative compensation (compensation adjustment) is deemed to be a loan from hospital to the Participant. Loan interest is imputed to the participant annually as additional compensation. It is important to note that the loan will and must be repaid to the hospital.
- The loan will be repaid upon the death of the participant via the life insurance proceeds. The participant has full utilization of their account values during their working and retirement years.

The question posed to IPERS was: Is the amount of the “alternative compensation” an IPERS-covered wage?

Yes. Iowa code requires IPERS contributions on all “remuneration” an employee receives. The strategy outlined above utilizes compensation that is clearly owed to the employee; therefore, it is covered for IPERS purposes. While the Code of Iowa exempts some forms of “remuneration” such as bonuses and employer-paid benefits from IPERS coverage, this strategy does not meet any of the exclusions.

If your organization has been utilizing this strategy and not covering the amount of the “alternative compensation” as IPERS-covered wages, contact the Employer Relations Bureau at 1-877-473-7799 (8a.m.-4:30p.m., Monday – Friday) or employerrelations@ipers.org

INQUIRIES

For further information, contact the Employer Relations Bureau at 1-877-473-7799. Please refer to IPERS Employer Bulletin 2017-1.

If your employees have questions about how this change will affect their IPERS benefits, please ask them to call 1-800-622-3849 to speak with an IPERS representative.