

## IPERS Employer Bulletin 2018-1

DATE: May 23, 2018  
TO: Reporting Officials  
FROM: Donna M. Mueller, CEO  
SUBJECT: Independent Contracting Prohibited During Bona Fide Retirement Period

### NEW REQUIREMENT FOR BONA FIDE RETIREMENT

A new administrative rule, effective July 1, 2018, prohibits IPERS-covered employers from allowing a former employee to perform services as an independent contractor during the bona fide retirement period (the first four months the member receives an IPERS retirement benefit payment). Also, a verbal or written arrangement to perform services as an independent contractor cannot be made until after the member has received at least one benefit payment from IPERS.

Iowa Administrative Code 495-11.5(1) states:

*A member will not have a bona fide retirement if the member enters into a verbal or written arrangement to perform duties for the member's former employer(s) as an independent contractor prior to or during the member's first month of entitlement or performs any duty for the member's former employer(s) as an independent contractor prior to receiving four months of retirement benefits.*

In most cases, in order to start receiving retirement benefits, a member must separate from all service with their current public employer(s) by severing the relationship with that employer. The IRS may not consider the employment relationship to have been severed if the member becomes an independent contractor with a former employer. It is clear from IRS guidance that a prearranged agreement for re-employment by the same employer will not be considered a termination of employment.

This administrative rule change helps IPERS maintain the tax qualification of our plan with the IRS.

### INQUIRIES

If you have any questions regarding the rehiring of a retiree, please call us at 1-877-473-7799, and reference IPERS Employer Bulletin 2018-1.