

THE LATEST WORD FOR IPERS EMPLOYERS



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COMPLIANCE TIPS

Upcoming Contract Negotiations? Remember IPERS Coverage Rules on Section 125 Plans

If your organization is working on contract negotiations, the new rule related to Section 125 plans (cafeteria plans) is in effect as of January 1, 2017. Here are a few things to remember:

- Annual certification is required if you are making an employer contribution through your qualified Section 125 cafeteria plan. Complete the [Section 125 Plan Certification form](#) and submit it by December 31, 2017, to have your plan certified for calendar year 2018.
- Contract negotiations in regards to cafeteria plan benefits could impact IPERS-covered wages. Please check with IPERS as needed during negotiations.

IPERS understands that some employers were allowing the difference between premium costs to be allocated to a tax-sheltered annuity, or were allowing employees that opt out of health insurance to allocate the employer money to a tax-sheltered annuity. According to the IRS, these practices disqualify a plan from being classified as a Section 125 plan and are no longer allowed. If your organization has stopped these practices, and now makes employer contributions that can be taken as insurance or cash at the employee's discretion, these amounts may be eligible for IPERS coverage.

Need a refresher on the rule? See our [Section 125 Plan Certification webpage](#).

Coverage for New Elected Officials

Do you have new elected officials on board? If so, let them know that they can choose to opt out of IPERS coverage, but this choice must be made within the first 60 days of taking office. If an official would like to opt out of IPERS coverage, submit a completed [Election for Termination of IPERS Coverage form](#) to IPERS within the first 60 days.

Month of Termination Matters for Retiring School Employees *Special reprint from winter 2016*

Remember, it is the employer's responsibility to certify a retiring employee's final date of employment on the Employer Verification of Employment page of the Application for IPERS Retirement Benefits. Please notify IPERS if there is a change in the employee's month of termination after the retirement application is submitted. This often happens when school unexpectedly extends into June because of prior school cancellations.

If the final date of employment changes but remains in the same month, you do not need to notify IPERS.

If IPERS is not aware of a change in the month of termination, benefits may be paid before the retiree is eligible. If that happens, the new retiree is required to pay back any overpayments to IPERS.

For more information on this topic, read IPERS' [Employer Bulletin 2015-1](#) (dated May 27, 2015).

ONLINE RESOURCES

Keep Up With the Iowa Legislature

Check out our [Bill Watch page](#) on [ipers.org](#). We're tracking bills related to IPERS during the legislative session. As always, we'll contact you directly if a bill passes that affects your reporting requirements.

MEMBER BENEFITS

Becoming Vested in IPERS

The rules for vesting are different for members in the Regular membership group versus those in the Special service groups (sheriffs/deputies and members in protection occupations).

Regular members must either:

- Attain 7 years of service (28 service credits), OR
- Reach age 65 while employed in IPERS-covered employment. The month they turn 65, they must have wages reported in order to become vested under IPERS.

Special service members must either:

- Attain 4 years of service (16 service credits), OR
- Reach age 55 while employed in IPERS-covered employment. The month they turn 55, they must have Special service wages reported in order to become vested under IPERS.

Example for hybrid membership (*wages in both the Regular and Special service groups*)

Joe is a Special service employee with 3.75 years of service (15 service credits) as of June 30. If his July wages are reported as Special service wages, he becomes vested once IPERS receives the July wage report. If his July wages are instead reported as Regular class wages, then Joe is not vested until he receives a 16th wage credit in a Special service job, or he earns a total of 28 service credits in Regular class wages.

What are the benefits of vesting?

- **Disability benefits.** When vested members begin receiving Social Security disability or Railroad Retirement disability benefits, they may also be eligible for disability benefits from IPERS.
- **Increased death benefits.** IPERS provides death benefits when a member dies before beginning to receive retirement benefits. Death benefits are available to vested and nonvested members, but vested members are eligible for additional death benefits.
- **Access to employer contributions.** All IPERS members are always entitled to 100 percent of their own contributions and interest earnings. Vested members who leave covered employment and take a refund will receive a portion of the employer contributions made on their behalf, plus interest. The portion is the percentage calculated when the years of service are divided by 30 for Regular class members and 22 for Special service members.
- **Lifetime retirement benefits.** Vested members can receive lifetime monthly retirement benefits as early as age 55 (or age 50 for sheriffs and deputies with at least 22 years of qualified service). An early retirement reduction may apply.
- **Service purchase eligibility.** At retirement, vested members may purchase additional years of service in IPERS. Service purchases are done by rolling over funds from another retirement plan or using personal savings.