



## EARLY RETIREMENT INCENTIVE PROGRAMS - deferring ERIP money to the Choice Plan 401(k) -

The Early Retirement Incentive Plan (ERIP) was established by law (Idaho Statute 33-1004G) to allow certified school employees to accept a one-time, lump-sum payment in exchange for agreeing not to come back to work for an Idaho public school district in an eligible position. The payment is taxable income for federal and state purposes; however, it is not considered salary by PERSI so it is not subject to contributions.

ERIP money is typically paid toward the end of an employee's contract year, which would be in the August or September time frame. Many members want to defer their ERIP money to the Choice Plan 401(k); but payments are rejected if they are deferred too late.

This article may help employers understand how and when to process ERIP payments so deferrals will be accepted.

### Must Meet Certain Conditions

PERSI members can defer ERIP money (usually a cash bonus) into their Choice Plan 401(k) as long as the following conditions are met:

- The ERIP must be reported through the employer's payroll system on a regular transmittal to PERSI while the member is still active, or on the first transmittal that occurs after the termination date. It must be reported in the same pay period as other salary. It cannot be paid and reported in a pay period occurring after the last actual salary (non-ERIP) is paid. At that point, an employee is considered terminated and can only defer pay which is allowable post-severance pay. The ERIP can be included with the employer's regular payment as long as it is received by the time the final regular salary is paid.
- The salary must be reported to the Internal Revenue Service (IRS) as W-2 wages.

- The member may not exceed the IRS annual contribution limit. If contributing to both a 401(k) and a 403(b), a member may contribute a combined total of \$15,500 each year (\$20,500 if age 50 or older) between both plans.
- To avoid any possible rejection of contributions to the Choice Plan 401(k), report ERIP income with the member's payroll on a regular transmittal to PERSI while the member is still active.

So to be clear: Only post-severance payments that are either regular compensation for services or leave cash payouts (e.g., unused sick leave) can be deferred within the allowable window after termination. Deferrals cannot be made on severance pay such as ERIP programs. The ERIP is not regular compensation for services, nor is it a leave payout; it is only being paid because of the early retirement. Therefore, if an employee wishes to defer ERIP payments into the PERSI Choice Plan 401(k), the deferral **must be made prior to termination of employment and/or be included with the employee's last regular paycheck from the employer**. ERIP deferrals cannot be accepted after the member's final paycheck.

### Complete a Deferral Form

To defer ERIP money to the PERSI Choice Plan 401(k), a member must complete a Choice Plan 401(k) Deferral Election form (available on the PERSI Web site at [www.persi.idaho.gov](http://www.persi.idaho.gov)), indicating either a fixed dollar or a percentage contribution amount (depends on the employer's payroll system). The amount can be as much as the member wants to defer, as long as the annual limits or the amount of the ERIP (after FICA and Medicare taxes) aren't exceeded.

If you have questions about deferring ERIP money, contact Employer Service Center Manager Diane Kaiser at 208-287-9256 in Boise or toll-free 1-866-887-9525 from elsewhere in the state.

# ONLINE VERIFICATION OF SOCIAL SECURITY NUMBERS

In last month's newsletter, the problems surrounding inaccurate Social Security Numbers (SSN) were addressed. This month, PERSI is sharing information about an online tool for verifying SSNs. While the service is available to all employers, it **can only be used to verify current or former employees** and only for wage reporting purposes.

The online tool allows employers to match their record of employee names and SSNs against Social Security Administration (SSA) records before preparing and submitting W-2 forms.

**CAUTION:** Using the SSN verification tool for potential new-hires is illegal. It is only for use with workers you've already hired.

Employers who are interested in using the SSN online verification tool, should go the SSA Web site at <http://www.ssa.gov/employer> and click on "Verify SSNs Online."

## Registration and Login

Registration is required to use the online SSN verification tool. You only need to register once using your organization's name. Complete the registration form and select your own password. SSA will verify your identity against its records and display a user identification (ID). Make note of your user ID, password, and expiration date.

Next, you will need to request access and an activation code. First log in to the Business Online Services (BOS) page using your user ID and password; then select "Request Access and Activation Code."

An activation code will be mailed to your employer. Your employer should then give you the activation code that allows you to access the SSN verification tool.

To start using the service, go to the BOS page, select "Login," input your user ID, password, and activation code. It's that simple.

## Two Options for Verifying SSNs

There are two Internet verification options available to verify that employee names and SSNs match SSA records. You can:

- Verify up to 10 names and SSNs (per screen) online and receive immediate results. This option is ideal to verify new hires.
- Upload overnight files of up to 250,000 names and SSNs and usually receive results the next government business day. This option is ideal if you want to verify an entire payroll database or if you hire a large number of workers at the same time.

SSA recommends that the use of the verification tool be applied consistently to all workers. So for example, if you are verifying the SSN of a newly hired worker, you should subsequently verify the SSNs of all new-hires.

If a name and SSN don't match, confirm you entered the correct number. You can also ask to see your employee's Social Security card. If the error is not resolved at that point, ask your employee to contact the local SSA office. Questions about SSN verification can be directed to the Social Security Employer Reporting Service Center at 1-800-772-6270.

## Notes

Every three years at the invitation of PERSI Investment Officer [Bob Maynard](#), investment managers from across the country and around the world convene in Boise to discuss a wide range of economic and capital market topics. The two-day conference was held at the Boise Depot on June 17<sup>th</sup> and 18<sup>th</sup>. On the first day, Bob and two investment managers were the guest speakers at a Boise City Club luncheon, which was broadcast on public radio throughout southwest Idaho. The cost of the conference was covered by the investment managers, not by PERSI.

Executive Director [Alan Winkle](#) attended the National Council on Teacher Retirement (NCTR) annual System's Director meeting in Carmel, California. Discussions centered on serving inactive members, technology, recent and upcoming legislation, risk management, and recruitment and retention issues.