



PERSI MEMBERSHIP ELIGIBILITY

Several new employers joined PERSI during the past year, and many long-time employers had an influx of new payroll staff, so this refresher on the eligibility requirements for PERSI membership is being provided.

Membership in PERSI is mandatory for all persons who meet the statutory definition of an "employee" in Section 59-1302(14), Idaho Code. *Enrollment in PERSI is required.*

Defining Employees

Employee, as defined in Idaho Code, includes:

- Any person who normally works 20 hours or more per week for an employer
- A school teacher who works 50 percent contract or more for an employer and who receives salary for services rendered for such employer
- Elected or appointed officials of an employer who receive a salary
- A person who is separated from service with less than 5 consecutive months of employment and who is re-employed or reinstated by the same employer within 30 days

Other Situations

- Anyone who works 20 hours per week or more for more than half the weeks in any 5 month

period is considered to be an employee.

- Seasonal or casual city or county employees whose employment depends on *both* weather and growing seasons and who work fewer than 8 months may not be eligible for PERSI. Few positions qualify for this exception. An RS 130 Certification of City or County 8-Month Seasonal Status form is required for these employees. The form also provides more details about the requirements.

- New hires at Boise State University, Idaho State University, Lewis-Clark State College, University of Idaho, Eastern Idaho Technical College, community colleges, or the office of the State Board of Education should check with their human resources office about membership in PERSI or the Optional Retirement Program.

Employers are responsible for making the initial determination as to which of their employees meet the requirements of eligibility for PERSI membership, and for withholding the required member contributions from their pay.

Transmittal Codes

Sometimes employers are unsure what codes to use when transmitting the status for an employee who is off work due to a medical or disability leave. If the

employee is being paid (vacation or sick leave), they are reported as usual. If the employee is not being paid by the employer, the "LWOP" reason code would be used in conjunction with an "eligibility end date". If the employee is on workers' compensation, an additional field is available to designate that status.

On occasion, an employer will designate an "eligibility end date" and use the "MEDL" reason code. That code is used by PERSI to designate an employee who is on approved PERSI disability retirement status. When used inappropriately, the member goes into "inactive" status and may withdraw their PERSI account when they are not eligible to do so. If this should happen, they will be obliged to repay the withdrawal plus interest when they return from their leave. In the future, the MEDL code will not be an option for employers to use.

Eligibility questions should be directed to the Employer Service Center at 208-287-9525 in the Boise area or toll-free at 1-866-887-9525 from outside the Treasure Valley. The employer pages on the PERSI Web site at www.persi.idaho.gov provide more useful information, and the secure employer portal includes an Employer Online Guide, which is a knowledge base specifically for employers.

EARLY RETIREMENT INCENTIVE PROGRAMS

- guidance for school employers-

Idaho Statute 33-1004G created an early retirement incentive program (ERIP) for certificated employees of Idaho public school districts. Under this law, qualified employees may elect to accept a one-time lump-sum payment for which they agree *not* to return to work for an Idaho public school in an eligible position.

If a PERSI school employer offers an employee an ERIP, it is generally in the form of a cash bonus. Such bonuses are often paid out near the end of the employee's contract, which typically occurs in August or September. Each year schools defer ERIP money into their employees' Choice 401 (k) Plans, but the deferrals are sometimes too late to be accepted by the Plan. This article will provide school employers with guidance on paying out ERIP funds.

The Internal Revenue Service (IRS) considers ERIP money as compensation; therefore it is taxable income for state and federal purposes. PERSI does not treat ERIP money as salary for retirement purposes; therefore payments are *not* subject to contributions. A member can defer ERIP funds into the Choice 401(k) Plan if the following conditions are met:

1. The ERIP must be paid to PERSI through the employer's payroll system on a regular transmittal while the member is still active, or immediately

following their termination. This generally means the ERIP must be reported in the same pay period as other salary. It cannot be paid and reported in a pay period after actual (non-ERIP) salary is paid because the employee would be considered terminated at that point and no longer eligible to defer. This also means the salary must be reported to the IRS as W-2 wages.

2. The member may not exceed the IRS limits for voluntary contributions into a defined contribution plan. The 2009 limits are \$16,500 or \$22,000 if the member is at least 50 years old. Salary deferrals to a 403(b) plan as well as the 401(k) plan are combined for purposes of the limits.

Since the Public School Finance division of the Idaho Department of Education administers the early retirement incentive program, questions concerning the program should go to them. Details about qualifying for the ERIP, along with the payment calculation formula, are provided in the statute.

Important: Employers wanting to defer an ERIP to an employee's Choice 401(k) Plan, *must* make the deferral prior to the employee's termination and/or include it with the employee's last regular paycheck. Any deferrals made after that time cannot be accepted by the Plan.

Notes

Executive Director [Don Drum](#) attended the National Council on Teacher Retirement (NCTR) System Directors' meeting where discussion focused on actuarial methodology, risk management, and staying focused in difficult times.

IT Manager [Ray Polzin](#) participated in the PRISM conference where public retirement system IT managers gather to share their knowledge and experience with their peers.

IT Program System Specialist [Carol Boylan](#) and IT Production Specialist [Tim Thuis](#) retired; no replacements have been made at this time.

Fiscal Technician [Linda Whitney](#), Retirement Specialist [Melody Hodges](#), and Senior IT Programmer Analyst [Ryan Evey](#) attended the *Preparing to Lead* workshop offered by the Professional Development Program at Boise State University.