



# NEWS TO USE

A newsletter for PERSI employers

December 2010

- W-2 Forms
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## COMPLETING W-2 FORMS

Each year about this time, employers start preparing W-2 forms for their employees. PERSI often receives calls from payroll personnel who are new to this responsibility. To help, PERSI is providing general information on how to report PERSI contributions as well as other tax-deferred contributions [401(k), 457, and 403(b)] to the Internal Revenue Service (IRS). (The source of information for this article was the 2010 Instructions for Forms W-2 and W-3 from the IRS.)

*Employers are advised to consult with their own tax advisors for clarification on W-2 forms and other tax issues.*

### Boxes on the W-2 Form

#### Box 1 Wages, Tips and Other Compensation

This is generally gross compensation less:

- Mandatory employee contributions to the PERSI Base Plan
- Voluntary employee contributions (elective deferrals) to a 401(k), 403(b), or 457 plan

#### Box 3 Social Security Wages

Total wages paid (before payroll deductions) subject to Social Security tax. The total of boxes 3 and 7 cannot exceed \$106,800 in 2010.

Continued on back

22222	a Employee's social security number	OMB No. 1545-0008				
b Employer identification number (EIN)		1 Wages, tips, other compensation <b>1</b>		2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages <b>3</b>		4 Social security tax withheld		
		5 Medicare wages and tips <b>5</b>		6 Medicare tax withheld		
		7 Social security tips		8 Allocated tips		
d Control number		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial      Last name      Suff.		11 Nonqualified plans <b>11</b>		12a <b>12</b>		
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/> <b>13</b>		12b		
		14 Other <b>14</b>		12c		
f Employee's address and ZIP code				12d		
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

**2010**

Department of the Treasury—Internal Revenue Service

### Box 5 Medicare Wages

The same wages as those subject to Social Security tax (Box 3), except there is no wage base limit.

### Box 11 Nonqualified Plans

To show distributions to an employee from a nonqualified or nongovernmental section 457(b) plan.

### Box 12 Codes

List a separate code and amount for each type of elective deferral. For example, if an employee made elective deferrals to both the PERSI Choice 401(k) Plan and a 403(b) plan, you would enter Code "D" and the amount contributed to the 401(k) in box 12a; the amount contributed to the 403(b) would go in box 12b and you would indicate Code E. (Code G is used for 457(b) plans.)

### Box 13 Check Boxes

Check the *Retirement Plan* box if an employee is an active participant in a defined benefit plan [the Base Plan] or a defined contribution plan [the Choice 401(k) or other 401(k) plan, or a 403(a) or (b) plan].

### Box 14 Other

You may but are not required to use this box to provide additional information to your employee. Although there are several reasons you might use Box 14, the ones relating to pension plan contributions are:

- a) Nonelective employer contributions to a pension plan on behalf of an employee
- b) Voluntary after-tax contributions (but not designated Roth contributions) that are deducted from an employee's pay
- c) Required employee contributions
- d) Employer matching contributions

For more detailed information and full instructions on completing the W-2 form, visit the IRS Web site at <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>. You can also reach the IRS Monday-Friday, 8:30 a.m. to 4:30 p.m. Eastern time, by calling 1-866-455-7438 for answers to your questions.

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## REGULAR INTEREST RATE FOR 2011

PERSI members are paid interest on their pension (Base Plan) account balances at a rate determined annually. As of July 1, 2008, regular interest for each calendar year became the greater of 90% of the rate of return on the PERSI fund net of all expenses for the fiscal year ending immediately prior to the calendar year as reported in the actuary's annual valuation report or 1%.

Starting January 1, 2011, the regular interest rate paid to members on their Base Plan account will be 10.7% for the upcoming calendar year. This is an increase over the 2008 and 2009 regular interest rate of 1%.

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## EDUCATIONAL VIDEO FOR STATE LAWMAKERS

PERSI is producing a video for State Legislators. It is a tool designed to educate lawmakers about PERSI. The video covers the system's history and purpose, the built-in safeguards that protect the fund, PERSI's investment philosophy, and an update on the current funding status. Producing a video was a cost-effective way to reach all legislators versus traveling throughout the state to visit them before the 2011 session begins. PERSI expects to post the video to its Web site by year-end. Feedback about the video can be provided to PERSI via the **Communications** link under "Contact Us" on the home page of the PERSI Web site at [www.persi.idaho.gov](http://www.persi.idaho.gov).