PERSI

NEWS TO USE

A newsletter for PERSI employers

April 2011

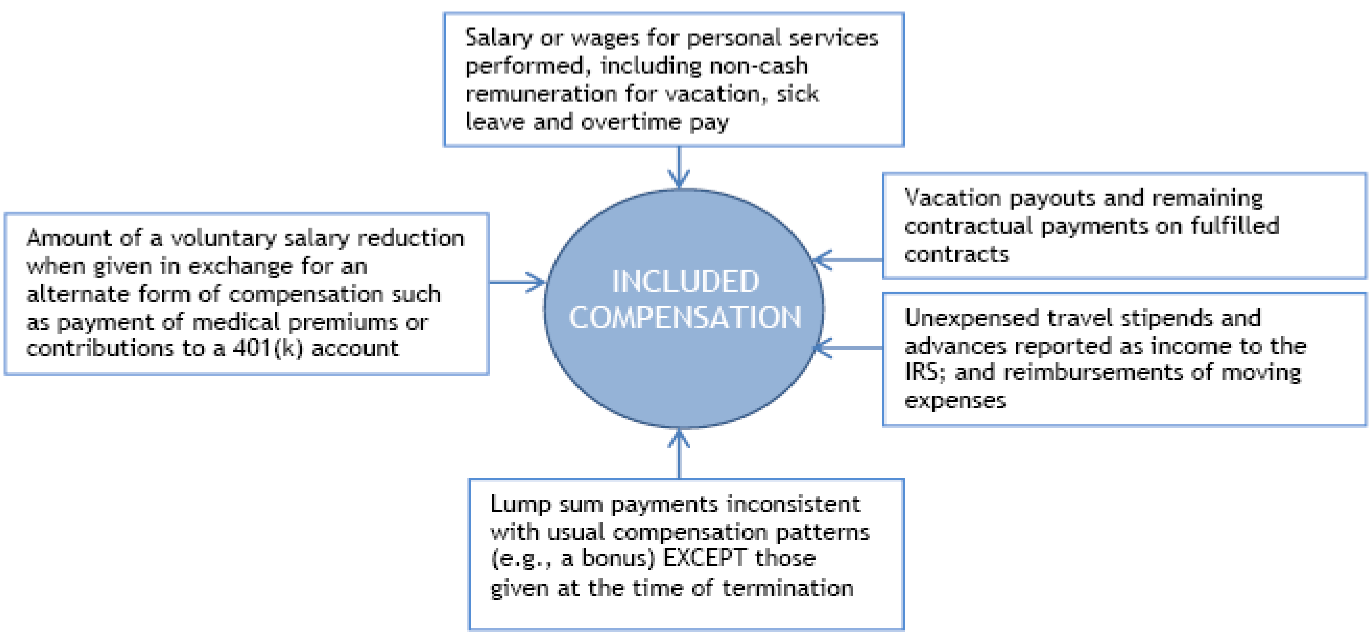
- Compensation Reporting
- Rule 104 Repeal

COMPENSATION: WHAT GETS REPORTED?

Based on early feedback from employer visits, especially comments from new payroll personnel, it has become clear PERSI needs to explain what compensation should be included in a transmittal report and what compensation is excluded. The two charts that follow may help you understand what to report and what not to report.

What is Salary?

For PERSI purposes, an employee's salary includes all wages required to be reported on an employee's W-2 form, including the cash value of non-cash compensation and any alternate form of payment made in lieu of salary, such as contributions to a 401(k) account.



Salary ***does not include*** contributions by employers to employee-held medical savings accounts (as defined by Section 63-3022K of Idaho Code); ***nor does it include*** lump sum payments made by the employer to the employee that are inconsistent with usual compensation patterns and made only upon termination from service, including but not limited to vacation or sick leave payoffs, early retirement incentive payments (ERIP) or bonuses.

Payoffs tied to termination are not subject to PERSI contributions, and should not be included on a transmittal report of employee deductions. These payoffs include vacation, sick leave, and/or contract payoffs, overtime and longevity pay.

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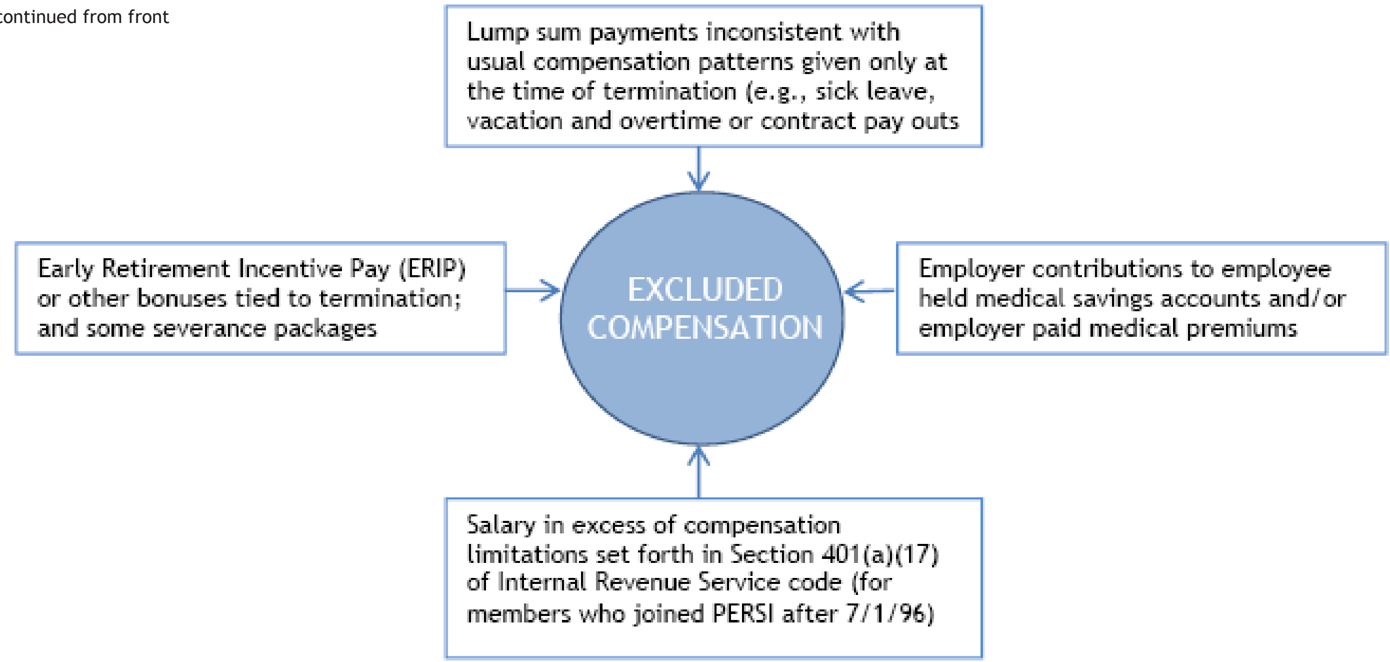

Teacher Contract Payoffs

School districts generally utilize annual contracts when they employ teachers. The one-year contracts typically begin on September 1st and end August 31st. The contracted salary is usually an annual amount divided into monthly payments, which are then paid out over the course of a 12-month period (although many teachers work a schedule that begins in September and ends the following May or early June). Occasionally, especially if the contract is not being renewed for the following year, teachers are paid the June, July, and August salary in a single payment in the June paycheck. Under this situation, the teacher is finished working and is receiving final compensation in June under his/her current contract.

When a contracted employee is paid off early, as with the teacher example above, contributions are not required on the amount of the payoff, and service credit is granted only for the month of June since the employee would not meet eligibility requirements for July and August.

Employer Manual Online

As a reminder, an employer training manual is available on the employer portal on the PERSI website at www.persi.idaho.gov. It is a good resource for employers. Any questions about compensation or other reporting topics should be directed to the Employer Service Center toll-free at 1-866-887-9525 or at 287-9525 from the Boise area.

REPEAL OF PERSI RULE 104

At the end of the current legislative session, PERSI Rule 104 will be repealed. This eliminates the option for members to repay account withdrawals (i.e., separation benefits) using an irrevocable pre-tax payroll deduction. This does not affect rollovers of pre-tax funds to repay account withdrawals. Tax-deferred irrevocable payments to PERSI by members who authorized a payroll deduction prior to the repeal will be allowed to continue those payments. This repeal only affects future repayment arrangements. Employers were sent an email notification on March 21,2011 about this change. That email contained details about the repeal and future tax-deferred payments.

If you have questions, please call the Employer Service Center toll-free at 1-866-887-9525 or 287-9525 from the Boise area.