



# NEWS TO USE

*A newsletter for PERSI employers*

May 2011

- 2011 Legislative Update
- Sick Leave Rate Increases Cancelled
- Retirement Applications

## LEGISLATIVE UPDATE

The following recaps the outcome of some of the PERSI-related legislation taken up during the 2011 session of the Idaho State Legislature and a rule change relating to account repayments

- **HB238 Appropriations:** *Passed.* Money was appropriated for the initial phase of a multi-year project to replace PERSI's existing pension administration system.
- **HB158 Higher Education** *Passed and Signed by Governor.* Amended law relating to the State Board of Education so the "institutional contribution for the Optional Retirement Program rate" would be equal to PERSI contribution rates.
- **SB1020 PERSI Military Service:** *Passed and Signed by Governor.* The purpose of this legislation is to provide Internal Revenue Service compliance amendments.
  1. Sections 1 and 2 of the bill implement changes required by the Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008, which provides additional tax and pension benefits to individuals who are absent from work because of military duty.
    - a. Section 1. Amends the definition of military service to make clear if a member dies while performing qualified service, he/she is treated as if he/she died during employment in the plan. This section has a retroactive effective date of January 1, 2007.
    - b. Section 2. Under the HEART Act, a person performing qualified military service who is receiving differential wage payments from his/her employer is deemed an employee under the plan. This amends the definition of employee to clarify that a person on qualified military service is an employee. (Differential wages generally refers to an employer payment to an employee called to active duty for more than 30 days, which represents all or a portion of the compensation he/she would have received if he/she were performing services for the employer.) The definition of salary was also changed to provide that while the member is on active military service, his/her differential wages are *not* considered salary and neither employer nor employee contributions are required. Section 2 has a retroactive effective date of July 1, 2009.
  2. Section 3. Implements changes required by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). USERRA requires that an employer provide employment rights to individuals on U.S. military service leave which are equal to or better than those of employees on leave for other reasons.
    - a. Under USERRA, an employee away on U.S. military service leave cannot be treated worse than an employee away on other leave. The definition of disability was amended to allow members who become disabled as a result of their military service to apply for PERSI disability. These applicants would still have to meet other eligibility requirements

and meet the disability criteria to qualify to receive benefits. Section 3 has an effective date of July 1, 2011.

- **SB1108 Education** *Passed and Signed by Governor.* Eliminated the Early Retirement Incentive Program (ERIP) for certain public school employees.
- **Repeal of PERSI Rule 104** Employers previously received an email notification regarding the repeal of Rule 104, which eliminated 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 from qualified (eligible) plans to repay account withdrawals.

Employers with questions regarding the changes made during the 2011 legislative session, should contact the Employer Service Center toll-free at 1-866-887-9525 or 287-9525 from the Boise area. Your employees with questions, should be directed to the PERSI Answer Center at 1-800-451-8228 or 334-3365 in the Treasure Valley.

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## ➔ APPLY EARLY FOR A SEPTEMBER RETIREMENT ←

Employers with employees who are planning to retire on September 1, 2011, are being asked to remind these people to submit their application on or before July 15, 2011. September is the most popular month for retirement, and applications pour into PERSI. Three times more applications are processed for September retirements than for any other month throughout the year. PERSI

cannot guarantee a retirement application will be processed in time for a September benefit if the application is received after July 15<sup>th</sup>. For retirees purchasing additional service, the first benefit payment may be delayed a month or two. For more information, please direct your employees to the PERSI Answer Center toll-free at 1-800-451-8228 or 208-334-3365 from the Treasure Valley area.

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## SICK LEAVE CONTRIBUTION RATE INCREASE CANCELLED

As specified in Rule 59.01.06.552, employer groups participating in the sick leave pool must contribute a percentage of employee-covered payroll based on the number of days of paid sick leave a certificated teacher is allowed during the contract year.

The valuation from PERSI's actuary indicated the sick leave fund (public school portion) had a 9.7 year unfunded actuarial accrued liability (UAAL) based on current sick leave contribution rates. Because the UAAL was relatively low, it was determined the two contribution rate increases slated for July 1, 2011 and July 1, 2012 were no longer necessary. The Board unanimously voted in January 2011 to rescind the current temporary rule that provided for the rate increases. A new temporary rule to maintain

the current rates was adopted, thereby cancelling the scheduled rate increases and keeping current rates in place.

**Rates:** Beginning July 1, 2006, the rates for schools giving 9-10 days was set at 1.16% and the rate for schools giving 11-14 days was set at 1.26%. These rates will be maintained. For districts giving more than 14 days, the rate is reviewed annually and is set by the Board based on current cost and actuarial data.

Questions about sick leave should be directed to the Employer Service Center toll-free at 1-866-887-9525 or 287-9525 in the Treasure Valley area.