

Section 3: IPERS Membership

Section 3 describes the employers who are required to participate in IPERS, and identifies the employment positions for which IPERS participation is mandatory, optional, or excluded.

EMPLOYER PARTICIPATION

Most public employers in the State of Iowa are mandated by state law to participate in IPERS. Participating employers include:

- State employers.
- Counties.
- Cities.
- Townships.
- Other political subdivisions.
- Area agencies on aging.
- Public schools.
- Community colleges and universities.

For formal consideration of an entity for IPERS coverage, complete and submit an *Employer Enrollment Application*, which is available at www.ipers.org or by contacting IPERS.

COVERED EMPLOYMENT

Permanent Employees (Full- and Part-Time)

IPERS coverage is mandatory for permanent full- and part-time employees, regardless of the amount of wages or compensation they receive, unless they are:

- Specifically excluded from coverage by law,
OR
- Allowed to elect out of IPERS coverage.



This section lists the positions that are excluded from or allowed to elect out of IPERS coverage.

Each covered employee whose employment began after July 4, 1953, and before June 30, 1965, became a covered member on the first of the month following the employee's hire date. Since July 1, 1965, each permanent full-time or part-time employee becomes a member on the first day for which the employee is paid IPERS-covered wages.

In general, a person is considered an **employee** if he or she is subject to substantial control by the public employer for which services for pay are performed. The term “control” refers only to employment and includes control over how, where, and when an employee performs work. The control may not need to be exercised for an employer-employee relationship to exist; the right to exercise the control is enough.

Every employee accepting employment or continuing in IPERS-covered employment is deemed to consent and agree to the deductions from compensation required by Iowa Code chapter 97B. The employee must continue to be an active IPERS member as long as covered employment continues.

Temporary Employees

For IPERS’ purposes, a **temporary employee** is a person hired to work less than six months, or on an irregular or on-call basis. Most temporary employees are excluded from IPERS coverage. However, in some cases a temporary employee may become eligible for IPERS coverage if an “ongoing relationship” with a participating employer is established as follows:

- When wages paid are \$1,000 or more in two consecutive quarters, or
- When employed for 1,040 hours or more in a calendar year.

IPERS coverage begins in the quarter **after** the ongoing relationship is established. Once established, coverage also includes quarters in which the temporary employee makes less than \$1,000.

Some examples of temporary employees who may become eligible for IPERS coverage under IPERS’ temporary-employee definition include, but are not limited to:

- On-call employees.
- Substitute teachers or coaches.
- Volunteer firefighters.

A temporary employee who has established an ongoing relationship with one employer is not automatically eligible for IPERS coverage for employment with another employer. Instead, temporary employees must qualify separately with each employer.

IPERS coverage for a temporary employee ceases when the employee performs no services for an employer during four consecutive calendar quarters or there is a formal termination agreement. Under these circumstances, if the employee returns to temporary employment, he or she then needs to reestablish an ongoing relationship before again becoming eligible for IPERS coverage.



Permanent vs. Temporary Employee—Proceed With Caution

It's up to your organization to decide which positions are classified as "permanent" and which are classified as "temporary" employment. Employees working in comparable positions should be consistently designated as permanent or temporary employees – two employees doing similar jobs should not be treated differently. **Consistency is key.**

Rules for Volunteer Firefighters

Under Iowa state law, volunteer firefighters must be classified as temporary positions for IPERS' purposes. Therefore, volunteer firefighters who qualify for coverage under IPERS' temporary-employee rules must be covered. Their covered wages and compensation include salary, hourly pay, and per-call payments.

Rules for Substitute Teachers

Substitute teachers are classified as temporary employees, unless a school district specifically designates all substitute teachers as permanent employees. Substitute teachers must qualify for coverage with each school district separately.

Rules for Citizen Coaches

The term citizen coach is used by many K-12 school districts to describe coaches who perform no other work for the employing school. Sports team coaches and drama coaches are examples of positions often filled by people hired as citizen coaches.

In determining temporary or permanent status, employers must establish the parties' intent when the citizen coach is hired. If the appointment is intended to last only one season, and will not exceed six months, the position is temporary and the citizen coach is excluded from IPERS coverage. However, if the citizen coach is paid \$1,000 in two consecutive quarters, IPERS' administrative rules require that IPERS coverage begin the following quarter. There must be a final termination at the end of one season, and a reapplication for the position at the beginning of the next season to avoid this result.

If the appointment is ongoing from year to year with no true termination of the relationship between seasons, and the parties expect the citizen coach to return each year, then the position is permanent and subject to mandatory IPERS coverage.

Board Members

IPERS coverage varies for members of certain boards, such as utility boards or hospital boards. Board members:

- Have mandatory IPERS coverage when they are elected, are full-time, and receive a set salary.

- Have mandatory IPERS coverage when they are appointed, are full-time or part-time, and receive a set salary.
- Have the **option to elect out of IPERS coverage** when they are elected, are part-time, and receive a set salary.
- Are **excluded from IPERS coverage** when they are appointed or elected and are paid only on a per-diem basis.

Patient Advocates

Patient advocates hired under Iowa Code section 229.19 must be treated as employees of the counties that pay for their services. Special laws and rules apply for periods before July 1, 2000. If you have patient advocates working within your organization, contact the IPERS Employer Relations Bureau for more information.

OPTIONAL IPERS COVERAGE

Iowa state law classifies certain positions as IPERS-covered, unless employees in those positions elect out of IPERS coverage. This is referred to as optional IPERS coverage. In contrast, other positions may elect out of IPERS coverage **only if** they can elect into an alternative retirement plan. See below for more information on positions with alternative retirement plan coverage.

When an employee in an eligible position elects out of IPERS coverage, neither your organization nor the employee makes IPERS contributions, and the employee does not accumulate service credit or benefits while employed in that position.

The table on the following page lists the positions eligible to elect out of IPERS coverage.

Eligible employees may elect out of IPERS coverage as follows:

- Those hired on or after January 1, 1999, must elect out of coverage within 60 days of hire (or of becoming eligible, if later).
- Those hired before January 1, 1999, must have elected out of IPERS coverage by December 31, 1999.

The employer's reporting official is responsible for notifying eligible employees of their right to elect out of coverage and of the steps necessary to do so. To elect out of coverage, an eligible employee must complete and return an *Election for Termination of IPERS Coverage* form to IPERS. You must complete the "Employer Verification" section of this form. This form is available through www.ipers.org.

Important!

If an employee who is eligible to elect out of IPERS coverage does not elect out within the initial 60-day election window, the employee will default automatically to IPERS coverage. You (the IPERS reporting official) are responsible for telling employees of their right to this important election.

Employees in the positions listed in the table below are eligible to elect out of IPERS coverage. Eligible positions may change from time to time, so refer to the *Election for Termination of IPERS Coverage* form for the most up-to-date list.

Positions Eligible to Elect Out of IPERS Coverage

- Elective officials paid on a fee basis.
- Elective officials of townships.
- Elective officials of school districts.
- Part-time elective officials of other political subdivisions, except part-time county attorneys.
- Members of the Iowa General Assembly.
- Temporary employees of the Iowa General Assembly.
- Nonvested employees of drainage and levee districts.
- Magistrates.
- Employees of a community action program that is an instrumentality of the State or a political subdivision.
- Members of the ministry, rabbinate, or other religious order who have taken vows of poverty.
- Members of the Iowa Transportation Commission, the Iowa Board of Parole, and the Iowa Health Facilities Council.
- People employed as city managers, or as city administrators performing the duties of city managers, under Iowa Code Chapter 372 or 420.
- Part-time members of county boards of supervisors, whether paid a salary or per diem.
- Part-time elective members of boards and commissions (other than county boards of supervisors) who receive salaries.
- People employed by the Board of Trustees for the Municipal Fire and Police Retirement System of Iowa.
- Employees of the Regents Institutions and community colleges who elect into an alternate system offered by the university or college.
- Employees of water utilities/waterworks that have Iowa Code Chapter 412 retirement systems.

Important!

An employee's decision to elect out of IPERS coverage is irrevocable during employment with a specific employer. The employee may adjust this election only if he or she:

- Has an eligible break in service, such as a bona fide termination of employment and returning at a later date. The reemployment cannot be prearranged.
- Is elected to a different position with the same covered employer.
- Accepts a different eligible position with a different covered employer.

Elected Officials and Social Security Coverage

If a part-time elected official's wages are IPERS-covered, then that person's wages cannot also be covered under Social Security. This exclusion is part of (1) the Social Security Act, and (2) the Section 218 Agreement between the State of Iowa and the Social Security Administration. This means if you have part-time elected officials who are contributing to IPERS, they cannot also contribute to Social Security.

If an elected official's wages have been covered for both, the Social Security withholding must stop immediately. In addition, adjustments to previously reported Social Security contributions may be necessary. Contact the IRS at 1-800-829-1040 for assistance.

When Wage Reporting Adjustments May Be Necessary

Your organization's IPERS coverage and withholding obligations usually begin with the first check paid to an employee in an eligible position. If you have withheld IPERS contributions during the employee's 60-day election window, and the employee does elect out of coverage, you must make the appropriate wage adjustments and return the employee's IPERS contributions accordingly. Alternatively, if the employee does not elect out of IPERS coverage, and you did not withhold IPERS contributions from day one, you and the employee must make up the appropriate contributions.

Section 6 provides more information on initiating the wage adjustment process. If contribution refunds are necessary, IPERS will credit both the employer and employee contributions to your organization's IPERS account (the credit will appear in I-Que or on an Employer Monthly Statement). You must send the refunded employee contributions to the employee, or to the other retirement plan account, as applicable.

ALTERNATIVE RETIREMENT PLAN COVERAGE

Iowa state law provides that employees of certain employers are IPERS-covered, unless they decide to participate in an authorized alternative retirement plan sponsored by the IPERS-covered employer.

The IPERS opt-out form is not collected from these people. Eligible employees of the following employers may make an alternative retirement plan election as follows:

Employer	Alternative Coverage Options
Community Colleges	Eligible employees are IPERS-covered unless they elect to participate in an eligible alternative retirement plan.
State Board of Regents	State Board of Regents eligible employees are IPERS-covered unless they elect to participate in a retirement system qualified by the Board that meets the criteria of Iowa Code section 97B.2. Many positions at the Regents institutions are not immediately eligible for the alternative plan coverage.
Water Utilities	Eligible municipal water utility employees are IPERS-covered unless they elect to participate in an alternative retirement plan authorized under Iowa Code chapter 412.

Employees eligible to elect participation in an alternative retirement plan must make their election within 60 days of hire (or initial eligibility, if later). If an employee does not make an election within this election window, the employee will default to IPERS coverage.

This election is irrevocable during an employee's tenure with the employer – meaning, an employee remains a member of the plan chosen until the employee stops working for that employer.

When Wage Reporting Adjustments May Be Necessary

Your organization's IPERS coverage and withholding obligations usually begin with the first check paid to an employee. If you have withheld IPERS contributions during the employee's 60-day opt-out window, but the employee decides to participate in an alternative retirement plan, you must make the appropriate wage adjustments and return the employee's IPERS contributions accordingly. Alternatively, if the employee does not elect out of IPERS coverage within 60 days, and you did not withhold IPERS contributions, you and the employee must make up the appropriate contributions.

 See Section 6 for details on the wage adjustment process.

Section 6 gives more information on the wage adjustment process. If contribution refunds are necessary, IPERS will credit both the employer and employee contributions to your organization's IPERS account (the credit will appear on I-Que or an Employer Monthly Statement). It is your responsibility to forward the refunded employee contributions to the employee, or to the alternative retirement plan account, as applicable.

 **Important!**

Each participating employer defines their own alternative retirement plan election process and requirements. However, regardless of your organization's process, the employee must be IPERS-covered if he or she does not elect into another plan within 60 days from the date of hire (or initial eligibility, if later).

EXCLUSIONS FROM IPERS COVERAGE

Certain positions are entirely excluded from eligibility for IPERS coverage, as set forth in Iowa law.

Positions Excluded From IPERS Coverage

- Election clerks.
- Part-time county medical examiners and part-time deputy county medical examiners under Iowa Code section 331.801 et seq.
- Police officers and firefighters in towns with populations over 8,000¹.
- Board members paid only per diem.
- Judges.
- High school students and those in lower grades.
- Students employed part-time at the university or community college at which they are enrolled.
- Adjunct instructors employed without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three full quarters in a calendar year.
- Foreign exchange teachers and visitors including alien scholars, trainees, professors, teachers, research assistants, specialists, and experts in a field of specialized knowledge or skill.
- Employees of credit unions that do not have capital stock and are organized and operated for mutual purposes without profit.
- Intern and resident doctors working at a state or local hospital, school, or institution.
- Physicians, surgeons, dentists, or members of a professional group (with the exception of city attorneys and health officials) who perform part-time service for any public agency but whose income from private practices provides their major source of income.
- Residents or inmates of county homes.
- Certain enrollees of senior community service employment programs.
- Judicial hospitalization referees.
- Iowa dairy industry commission.
- Iowa beef cattle producers association.
- People participating in a community service program authorized under and funded by grants as set out in the federal National and Community Service Act of 1990.
- Certain employees of an interstate agency established under Iowa Code chapter 28E².
- Iowa pork producers council employees.
- Iowa turkey marketing council employees.
- Iowa soybean promotion board employees.
- Iowa corn promotion board employees.
- Iowa egg council employees.
- Employees of certain area agencies on aging³.
- Temporary employees hired for less than six months⁴.
- Peace officer candidates employed by the Department of Public Safety.
- People employed through any program described in Iowa Code section 84A, and provided by the Iowa Conservation Corps.
- Independent contractors.
- Volunteers.
- People receiving rehabilitation services in a community rehabilitation program, center, sheltered workshop, or similar organization.
- Reserve peace officers subject to Iowa Code section 80D.14.

Notes:

- 1 Police and fire departments of towns with populations of 8,000 or more as of the 1990 federal census belong to the Municipal Fire and Police Retirement System of Iowa (MFPRSI). As a result, these employees cannot participate in IPERS. A police chief or fire chief who does not have 25 years of service under Iowa Code chapter 411 by age 55 will be exempt from Iowa Code chapter 411, if the person makes a written request to the MFPRSI. A police chief or fire chief who is exempt from Chapter 411 is also exempt from IPERS. Information on alternative retirement for these people is in Iowa Code section 384.6.

- 2 Effective July 1, 1980, if an interstate agency is established under chapter 28E and similar enabling legislation in a neighboring state, and an employer previously made IPERS contributions for employees doing jobs that are transferred to the interstate agency, the employees in those jobs will be covered by IPERS, and the interstate agency will continue making IPERS contributions for them. All other employees are excluded from coverage.
- 3 Effective July 1, 1994, employees of an area agency on aging are excluded if the area agency provides for participation by all its employees in an alternative qualified plan in compliance with the federal Internal Revenue Code.
- 4 See information on temporary employees on pages 19–20.

Important!

If you have incorrectly covered or not covered individuals in the past, be sure to submit wage adjustments to correct the erroneous reporting. The sooner you make corrections, the better. You may submit wage adjustments online or on a *Wage Reporting Adjustments* form. Contact IPERS if you have questions.

Independent Contractors

As noted in the table on the previous page, independent contractors are not eligible for IPERS coverage, as they are not employees.

Occasionally IPERS may question an employer’s decision to designate a worker as an employee or an independent contractor. This may come up during a compliance review or at the request of the worker, IPERS, or another person or group. In this situation, IPERS will ask you and the worker to complete a *Worker Status Determination* form and supply supporting documentation of the relationship. The *Worker Status Determination* form helps determine employment status for IPERS’ purposes only.

Be consistent when deciding who is an employee and who is an independent contractor. Follow the guidelines in the table below.

Someone May Be An Independent Contractor When He or She...	The Person May Not Be An Independent Contractor When He or She...
<ul style="list-style-type: none"> • Has an established business that offers defined services, • Offers services to multiple customers or clients, • Was hired to work for you through a normal bid process, or • Has substantial control over how services are provided. 	<ul style="list-style-type: none"> • Performs work only for you, • Does not operate under a business name, • Is subject to substantial control by your organization over how services are provided, • Does not promote his/her services, • Is a teacher or superintendent, or • Is a city council member, city clerk, or other public official.



Independent Contractor Determination—Proceed With Caution

If you are not sure whether someone is an independent contractor or an employee, we encourage you to complete and submit the *Worker Status Determination* form (available at www.ipers.org or by contacting IPERS). We strongly encourage you to have a written independent contractor agreement and to submit it with the form.

The *Worker Status Determination* form helps determine employment status for IPERS' purposes only.

TERMINATION OF COVERED EMPLOYMENT

IPERS assumes a member is employed continuously unless specific action or documentation shows a bona fide termination with an employer. Documentation of a bona fide termination could include:

- The member's resignation letter.
- Your organization's termination paperwork.
- Your organization's advertisement for a vacated position.
- The verification of termination page of the member's *Application for Retirement Benefits, Application for IPERS Refund, or Application for Actuarial Equivalent* form, filled out by you or someone else at your organization.
- Termination of employee benefits, vacation and sick leave accrual/banks, and seniority rights.
- The member's application and paperwork for a new or different position, if the person goes back to work after a period of severance.



Important!

The end of an applicable season (for snow removal, yard care, swimming pool maintenance, etc.) does not by itself indicate a severance of the relationship. In addition, an employee will not be considered terminated until the employee gives up all rights as an employee, including, in most cases, the right to receive all employment benefits.

Leaving Employment Before Becoming Eligible for Retirement Benefits

When a member leaves IPERS-covered employment before becoming eligible for retirement benefits, submit the member's last date of employment and last IPERS-covered check date to IPERS online or on a *Member Employment Information Update* form.



See the *Member Handbook* for more information on the choices members have after leaving employment.

These members have different choices in what to do with their account, based on their own personal circumstances. Please advise your employees to contact IPERS directly to discuss their options.

If a member decides to take a refund, it is the member's responsibility to initiate that process, including asking you to complete a portion of the application. Members who request and receive a refund must stay out of covered employment for at least 30 days.

 **Important!**

IPERS does **not** automatically issue a refund when a member stops working. If a member wants a refund, the member must complete and return an *Application for IPERS Refund* to IPERS. At the member's request, you must complete the employer section of this form.

Refer to "What to Do When..." in Section 2 to see how to process a member's termination.

Leaving Employment to Begin Receiving Retirement Benefits

When a member becomes eligible for retirement benefits, the member must complete and file an *Application for Retirement Benefits* with IPERS to begin the application process. The application is not final until IPERS has reviewed and approved it. It is the member's responsibility to manage this process.

 **Providing Retirees With Advice—Proceed With *Extreme* Caution**

Retiring employees may ask you for advice or help in applying for IPERS benefits. Although you may have answers or opinions for them, please do not answer questions specific to their situations. Avoid providing advice, as your organization may be held liable. Instead, refer them to IPERS' educational materials, website, or to IPERS directly. Again, your organization may be held legally liable for any advice you provide.

WHEN A MEMBER RETURNS TO COVERED EMPLOYMENT AS A RETIREE

Many IPERS retirees go back to work with an IPERS-covered employer after retiring—and continue to receive IPERS retirement benefits at the same time. Iowa law governs the circumstances under which this is allowed. It is the retiree's responsibility to comply with the state's retirement laws. However, as a reporting official, you should know the regulations associated with a retiree's return to work. Organizations that knowingly reemploy a retiree in violation of the bona fide retirement rules may be criminally prosecuted for engaging in a fraudulent practice.

IPERS retirees who return to IPERS-covered employment ("reemployed retirees") are subject to the same coverage rules as other new hires. They must also:

- Have a bona fide retirement.
- Observe the earnings limit provided for IPERS retirees.



Important!

The following retiree classifications are exceptions to the general bona fide retirement rules: (1) part-time elected officials continuing their terms of office through retirement, (2) licensed health care professionals, and (3) members of the National Guard called to active state duty. See the Member Handbook for details.

Meeting Bona Fide Retirement Requirements

A retiree under age 70 must have a bona fide retirement before returning to IPERS-covered employment. The bona fide retirement period goes from the beginning of the month a retiree receives the first retirement check (known as the “first month of entitlement”) to the end of the month the retiree receives the fourth retirement check.

Here’s how it works:

Month 1 (First Month of Entitlement)	The retiree cannot work for any IPERS-covered employer. In addition, the retiree cannot enter into a formal or informal agreement about future employment anytime before the end of the first month of entitlement.
Months 2-4	The retiree may work for an IPERS-covered employer. However, the retiree <i>cannot</i> work in an IPERS-covered position.
Months 1-4	An employer cannot prepay or retroactively pay a retiree for work performed or services “volunteered” during the bona fide retirement period.

After the bona fide retirement period, retirees can return to IPERS-covered employment. However, retirees who violate these requirements may be required to pay back the IPERS benefits paid to them, and then complete a new bona fide retirement. As stated above, there are certain exceptions to the bona fide retirement rules.

Retirees who start receiving benefits at age 70 or later are exempt from the bona fide retirement rules, and may begin receiving IPERS benefits without leaving employment. Refer these employees to an IPERS retirement counselor for more information about starting retirement benefits.



Retirees Returning as Volunteers—Proceed With Caution

IPERS is frequently asked if retirees can volunteer with an IPERS-covered employer during their bona fide retirement period.

Retirees are not prohibited from volunteering with their former employer. However, IPERS does not recognize agreements to treat positions that are normally compensated as volunteer positions in order for the retiree to remain in the position during or following the bona fide retirement period, and then resume paid duties.

Earnings Limit

Before age 65, retirees who go back to work in an IPERS-covered position are subject to an earnings limit of \$30,000 a calendar year. If a retiree earns \$30,000 or less in a calendar year in an IPERS-covered position, the retiree’s benefits are not affected.

Retirees who earn more than \$30,000 in a calendar year will face retirement benefit reductions. These members should contact an IPERS retirement counselor for more information.

All taxable and most nontaxable compensation paid by an IPERS-covered employer to a reemployed retiree counts toward the \$30,000 earnings limit, no matter whether the compensation is IPERS-covered or excluded from coverage, *except* for the following:

- Employer contributions to employee health insurance plans
- Reimbursements for the actual cost of work-related expenses required by the job

Therefore, with the exceptions listed above, non-IPERS-covered compensation (such as, but not limited to, bonuses, allowances, and employer contributions to retirement and deferred compensation plans) **will** count toward a retiree's earnings limit. Do not include noncovered compensation on regular IPERS wage reports. Instead, IPERS will ask you to provide details on all compensation your organization pays to reemployed retirees after the end of each calendar year.

Retirees 65 and older who are reemployed in an IPERS-covered position are not subject to the earnings limit.

Requirements for Elected Officials Who End IPERS Coverage at Retirement

Elected officials may stay in office and begin receiving retirement benefits if they: (1) end IPERS coverage for the elected position, and (2) leave all other IPERS-covered employment.

It is the elected official's responsibility to write a letter to the employer informing the organization of the intent to retire and end IPERS coverage as an elected official. The elected official must submit a copy of this letter to IPERS along with a completed *Application for Retirement Benefits*. If the member holds elected office through your organization and is starting retirement benefits without terminating the elected position, you do not need to complete a termination verification page for the member; the letter takes the place of that page for your organization. (If your organization employed the member in a non-elected position, IPERS will still request a termination verification page from your organization as part of the member's benefit application.)

An elected official should *not* submit the *Election for Termination of IPERS Coverage* form to elect out of coverage at retirement. This form is used *only* to elect out of IPERS coverage as an active employee.



Important!

Encourage your working retirees to understand the rules on bona fide retirement; compliance is their responsibility.