Senate Bill (SB) 1049 Member (IAP) Redirect — Frequently Asked Questions for PERS-participating Employers

Member Redirect Reporting Questions

Question 1: *What can employers expect on July 1?*

The changes for the SB 1049 Member Redirect will be seamless for employers. Employers will continue to report subject salary to PERS with the full 6% contributions as you would have prior to July 1, 2020. PERS will be handling the redirection of Individual Account Program (IAP) dollars to Employee Pension Stability Accounts (EPSA) within the background of our programming and will not require employers to do anything differently. Read more information in the June 2020 Employer Newsletter.

Voluntary Contribution Reporting Questions

Question 2: *What are voluntary contributions?*

Members are given the choice to elect to contribute **after-tax** dollars through their employer via payroll deduction to offset the amount of contributions that are being redirected to a member's EPSA.

Question 3: *Is the after-tax voluntary contribution amount the same amount redirected to EPSA?*

Yes, **the member has no choice in how much they can voluntarily contribute** through this option. It is either 2.5% of qualifying gross salary for Tier One/Tier Two members or 0.75% of qualifying gross salary for OPSRP members.

Question 4: *When can voluntary contributions start?*

Members' IAP contributions will begin being redirected to EPSA on salary paid on or after July 1, 2020.

Voluntary contributions can also be effective July 1, 2020, but due to programing requirements in PERS Online Member Services (OMS), PERS will not be able to accept voluntary contribution elections until late September 2020. There will be a **limited, one-time** retroactive election option, available until **October 31, 2020**, for members to elect to make voluntary contributions back to July 1, 2020.

We will alert members once this functionality is available via GovDelivery and through updates on our website. Members **must** be signed up for the "Senate Bill 1049 Information" topic to receive an alert via email or text.

Please refer to the *Member Redirect Voluntary Contributions Process Map: Employer View* and questions 7 and 8 for more details.

Question 5: *Is there an EDX file format change with this effort?*

No. Please see more details in Question 6.

Question 6: *To enact these changes, will there be a redesign to EDX and if so, would it just be changes to the DTL2 structure itself or will there be changes to the DTL1 also?*

There is no change to the redesign of EDX (no file format change) and no change to the DTL2. Please refer to the *Member Redirect Voluntary Contributions Process Map: Employer View* for more details.

Employers will be required to set up a new **after-tax** deduction in **their payroll system** to accommodate a member election for voluntary contributions. Starting fall 2020, PERS will send employers a Work Item when a member elects to start voluntary contributions, and an invoice will be created by the PERS system for any voluntary contribution which needs to be collected from a member. No changes to the way an employer reports contributions are necessary.

Question 7: *What can employers expect after the PERS deployment in late September 2020?*

Employers will begin receiving Work Items to notify them that a member who works for them has elected to make voluntary contributions. Employers can assume an employee is eligible if an election is made. Employers should begin to withhold the after tax voluntary contribution from employee paychecks as of the effective date in the Work Item.

Once the functionality is available, members will be able to make a **limited, one-time** retroactive election, only available until **October 31, 2020**, to elect to make retroactively voluntary contributions back to July 1, 2020.

Otherwise, members can elect for a set prospective date in the future. The Work Item will list the voluntary contribution effective date for the member.

A voluntary contribution employer invoice for IAP dollars will be created automatically once a member:

- elects to make voluntary contributions,
- reaches their voluntary contribution effective start date, and
- is eligible, based on being paid qualifying gross salary in excess of $2,500.00 a month, therefore having a portion of their IAP contributions redirected.

Question 8: *What if an employer wants to begin deducting voluntary contributions on July 1, 2020?*

Eligible employees must be in a PERS-qualifying position and make more than $2,500 per month.

To begin voluntary contributions on July 1, employers can ask employees to indicate if they intend to elect after-tax voluntary contributions, and employers are welcome to begin deductions. Employers who choose to do so **will be required** to make sure any members who opt into voluntary contributions go onto OMS once the new functionality is available in late September 2020 to formally "elect" retroactive voluntary contributions. Members **must** do so **no later than October 31, 2020**. This will ensure accurate invoicing.

PERS can help reconcile if needed. Please contact your Employer Service Center Representative for more information. **Do not** send member elections to PERS.

Employers will need to manually track the **after tax** voluntary contribution amounts:

- 2.5% of qualifying gross salary for Tier One/Tier Two members
- 0.75% of qualifying gross salary for OPSRP members

Employers **will not be invoiced** until **after** the deployment in September. If you wish to submit contributions to PERS prior to the deployment in September, contact your Employer Service Center Representative to discuss your options.

After the September deployment, employers will be invoiced through their statements for applicable voluntary contributions, including any retroactive voluntary contributions back to July 1, 2020.

Any agreement that an employer has with their employee to withhold from the employee's July, August, or September payroll before the election functionality is available in OMS is strictly between the employer and employee.

Question 9: *What if an employer wants to wait until the PERS deployment in late September 2020?*

Employers can wait to set up deductions if that works for their organization. Please review the *Member Redirect Voluntary Contributions Process Map: Employer View* for more details.

Question 10: *What if an employee wants to stop making voluntary contributions?*

In late September 2020, employees will be able to go onto OMS and submit a Stop Election notice.

Stopping an election works the same way as starting an election, giving the member and employer a full month to stop deductions. Please review the *Member Redirect Voluntary Contributions Process Map: Employer View* for more details.

Question 11: *Since this is an after-tax deduction, are these contributions included in any IRS limits for retirement contributions?*

Yes. Any after-tax contributions made through voluntary contributions would be subject to the same existing IRS retirement plan contribution limit for the Individual Account Program (IAP). These after-tax contributions, however, **do not** affect a contribution limit under a 457(b) plan or a 403(b) plan, which may also be offered by the employer.

Question 12: *How do I report voluntary contributions on a W-2?*

PERS does not provide tax advice. Employers should consult your own tax advisors if you need assistance.

Question 13: *Will employers have to pay earnings on the retroactive contributions?*

As with all contributions, PERS credits earnings on an annual basis, after the year is officially closed as of the end of February 2021. Earnings on voluntary contributions for the year 2020 will be credited in March 2021.

Question 14: *What if PERS receives new data that changes previously reported salary, which, in turn, changes whether the member is eligible for voluntary contributions or not?*

The system will be programmed to recognize a change in salary for a member with a voluntary contribution election and it will reevaluate whether an invoice should be created or if dollars already received should be credited back to the employer.

If a member does not make more than $2,500 a month and after-tax voluntary contributions were deducted, the employer will be responsible for refunding the member.

Contact your PERS Employer Service Center Representative for additional support if needed.

Question 15: *Can employers encourage employees to look at other options available?*

Yes. Please work with any employees you have to understand all the options available to save more for retirement. You may offer other 457(b) or 403(b) options that may not be restricted to set percentages, salary amounts, or by after-tax contributions that reduce their take-home pay.

This information is for general informational purposes only and is not intended to provide legal or financial advice. If there is any conflict between this information and federal law, Oregon law, or administrative rules, the laws and rules shall prevail.

PERS, the agency, cannot comment on pending litigation, and will continue to implement SB 1049 unless directed otherwise.

In compliance with the Americans with Disabilities Act (ADA), PERS will provide documents in an alternate format upon request. To request a document in an alternate format, call 888-320-7377 (toll free) or TTY 503-603-7766.