

Employer UPDATE

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Post-Retirement Employment — 49% Contracts

As you already know, a retired member who returns to work with an ASRS employer does not resume active membership if the new employment does not meet the ASRS 20 week/20 hour membership requirement. Employers often will rehire retired members on a “49%” contract so the employee may avoid resuming active membership and thereby continue to receive his/her monthly retirement benefit.

However, if you use this practice, you must take care that the employee’s schedule does not meet the membership requirements. ASRS membership is based on time worked, **not the dollars paid for the work**. Therefore, that an employee receives only 49% of full-time *compensation* does not on its own assure the member will not meet the membership qualification. **The actual work performed** must not meet the 20 week/20 hour criteria. If an employee is paid 49% of full-time, but works more than twenty hours a week for twenty weeks, the employee becomes an active member.

Moreover, the criteria is stated in **hours and weeks worked**. A percentage of work is meaningful only in relation to the actual hours and weeks worked. If an employee works 49% of full-time, but full time is more than 40 hours, again, the member may achieve active member status.

By the same token, if an employee works at 50% of full-time, the employee does not become an ASRS member if full-time requirement is less than 40 hours a week.

The bottom line is that however the question about membership qualification is asked or the terminology used to describe the work schedule, the answer is always: “If the employee works twenty weeks/twenty hours, the employee becomes an active ASRS member. If the employee was retired, the ASRS must suspend the retirement benefit.”

Terminating Payroll Deduction Agreements

The ASRS permits members to pay for a service credit purchase by installment payments through tax-deferred payroll deduction. The payroll deduction is governed by salary reduction agreement provisions of Internal Revenue Code. Under these provisions, a payroll deduction agreement is irrevocable and the employee can have no control over the dollars once entering into the agreement. It also means, however, that deductions may be made **only** from compensation counting toward ASRS retirement. If an employee changes status or reduces his/her work schedule such that the employee is no longer an active ASRS member, **you must stop the payroll deduction**, even if the individual remains a paid employee. This situation may occur when an employee changes to a position covered by another retirement program (for example, a university optional plan or one of the other state plans) or reduces work hours such that the employee no longer meets the 20 week/20 hour work requirement for ASRS membership. Refer to Section 13 of the *ASRS Employer Manual* for more information.

ASRS Contribution Rates for Fiscal Year 2000-2001

Just a reminder that the retirement contribution rate remains at 2.17% of pay for both employees and employers for fiscal year 2000-2001. The rates for members subject to the old System money purchase plan remain 7% of pay.

Contribution rates to the long term disability program *likely* will remain 0.49% of pay for employees and employers. There is a small possibility that the LTD rates may change effective July 1, 2000. The LTD rates inadvertently were not converted to biennial rates when the retirement contribution rates were changed to a biennial rate. Legislative action has been introduced to correct the oversight. If the rate is changed, there would be a small increase of two or three basis points (0.02 or 0.03 percent). The ASRS will advise if the rate does not remain at the 0.49 % rate. **Continue to use the 0.49% rate unless notified by the ASRS to change the rate.**

The ASRS continues to receive inquiries from employer payroll/accounting departments asking about the contribution rates for next fiscal year. It is apparent that human resource personnel receiving the *Employer UPDATE* may not be sharing the newsletter with their payroll counterparts. **It is essential that you forward the UPDATE to your payroll staff so that they become aware of changes that affect payroll.** If necessary, you may request separate copies of the *UPDATE* be distributed to each department.

PROPOSED 2000 LEGISLATION

The 2000 Legislative session is drawing to a close. At the writing of this newsletter, the final outcome of bills had not been determined. However, the following bills that might have broad impact on ASRS members are still alive in the process:

- SB 1128 – would permit members to choose a partial lump sum benefit at retirement with a reduced monthly benefit thereafter.
- SB 1320 and HB 2238 – these are identical bills that would remove the age 55 eligibility requirement for eligibility for the excess earnings permanent benefit increase (COLA).
- SB 1463 – would permit teachers to return to work full-time after 12 months of retirement without a loss of retirement benefits. At the time of this writing, the possibility of extending the provision to all ASRS members was being considered.
- HB 2011 – originally would have changed the retirement benefit multiplier from 2.1% to 2.2% effective July 1, 2001. It now has been amended to provide a graded multiplier in the benefit formula based on years of service credit, ranging from 2.1% up to 2.3% with 35 or more years of ASRS service credit.
- HB 2531 – would increase the amount payable for the health insurance premium benefit and extend the payment to retired members not currently eligible for the premium benefit.

Any increase in the contribution rate associated with passage of new provisions would be reflected in the rates that become effective July 1, 2001. Follow the ASRS Legislative Report or ALIS on line to keep abreast of progress of these and other bills.

