

# BRIEFLY

News Briefs for Business Managers from the ND Retirement and Investment Office  
1930 Burnt Boat Drive, P.O. Box 7100, Bismarck, ND 58507-7100  
Phone: 701-328-9885 or 1-800-952-2970 www.state.nd.us/rio  
If you have any questions please contact Donald Heley by phone or e-mail: [dheley@state.nd.us](mailto:dheley@state.nd.us)

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## YEAR END REPORTING

It's that time of the year again - time to start closing out member records. To close the members' records, TFFR needs compensated hours and last date worked for all members. If you have not submitted this information, you will need to do so on the May or June report. The last date taught and total hours should be reported the same month you report the members' final salaries earned for that school year.



✓ Compensated hours is the total number of hours a member is employed and compensated for in a school year (not to exceed 700 hours).

**Days worked during the fiscal year X hours worked each day.**

✓ The last date worked is the last day the member was employed and compensated for during the fiscal year.

Remember, you must also report a teacher's salary when earned and not when paid. Salary earned for summer programs (including driver's education) could be reported in two fiscal years depending on when the salaries are earned.

*Example: A teacher works a summer school program that starts June 1 and ends July 31. The employer needs to report the salaries earned in June on the June report and the salaries earned in July on the July report.*

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## TOPIC OF THE QUARTER



At the spring business manager workshops a question was asked regarding whether salary earned by a licensed teacher for monitoring students while on a bus would be reportable to TFFR. State stat-

ute specifically excludes bus driver pay from reportable TFFR salary. Therefore, as long as the member is not a bus driver and the member is contracted and licensed by the Education Standards and Practices Board the salary earned for monitoring students while on a bus would be reportable to TFFR.

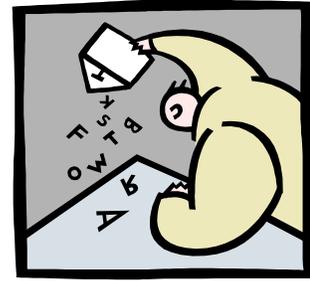
## FICA TAXABLE WAGES OR NOT?

The Internal Revenue Code (IRC) allows employers of qualified retirement plans to “pick-up” (pay) required employee contributions. These “picked-up” employee contributions can be excluded from gross income for federal income tax purposes until paid as a monthly annuity payment or a lump sum distribution/refund. Since 1983, state statutes have granted TFFR employers the option to “pick-up” required employee contributions under either a salary reduction plan or in lieu of a future salary increase. Under both federal and state regulations this is clearly allowable.

However, the impact of certain employer “pick-up” plans on FICA taxable

wages for Social Security purposes is now being questioned. It is our understanding that a North Dakota school district is currently involved in an IRS audit relating to their tax deferred programs. According to a preliminary opinion from an IRS auditor, the employer-paid member contributions to TFFR may be subject to FICA tax (Social Security) for both the employer and the member.

Employers who pay all or a portion of TFFR contributions in lieu of a salary increase (Model 2 and Model 3) may be indirectly affected in the future. Employers who withhold TFFR contributions from their employees through a salary



reduction plan (Model 1) should not be impacted.

At this time, the TFFR Board is uncertain of the final outcome. We are involved in discussions with the school district, member interest groups, consultants, and Attorney General's Office. A meeting has also been requested with the IRS and the above parties to assist in resolving this complicated issue.

Please be patient as we work through this issue. We will keep you informed of our findings.

Currently TFFR has the following information on file:

Employer name: XXXXXXXXXXXX

Employer number : XX-XXX

Model: X

## YEAR-END CLEAN UP

With year-end close comes year-end clean up. Don and Curt will run several year-end balance reports to validate the data reported to TFFR. We may call you to verify some information so the final school district reporting can be completed by August 15. Please bear with us during this time and thank you for your help and patience.



## NEXT YEAR?!

# 2000-2001

One year is ending and soon another year will be beginning, so here are some items to remember as we move forward to the 2000-2001 school year.

- ✓ If your district has negotiated or does negotiate a change in the amount of TFFR to be paid by the employer, an Employer Payment Plan form needs to be completed. The plan must be implemented at the beginning of a school year (July 1) and the form should be mailed with the first monthly report/diskette.
- ✓ If your district employs a retired teacher, please send us an Employment Notification of a Retired Member form along with a copy of the contract or agreement. This notification form must be completed each year the retired member is contracted to teach. Please remember that a retired teacher can not



return to covered employment until 60-calendar days elapse from the member's retirement date. The retired member can then return to covered employment for a maximum of 90 working days and continue to receive a retirement benefit. A working day is defined as four or more compensated hours. Members that return to teach less than four hours each day may do so without limitations.

- ✓ As your district hires new members, a Member Action Form must be completed. If this form is not returned to TFFR within 30 days from the date the member is first reported to TFFR, the employer may be assessed a \$250 penalty for late reporting in accordance with state statutes.

## A FEW REMINDERS



- ❖ If you have submitted your last date taught and total hours but need to make a change to salary, last date taught, or total hours reported, please notify us in writing. Your response must explain the changes and the reason for the changes.
- ❖ The due date for the final payment of assessments and contributions (FY ending June 30, 2000) is July 17, 2000. We hope to have the final fiscal-year-end Employer Summary Report sent out by August 15, 2000.
- ❖ If you have no assessments or contributions to report, you must notify TFFR in writing that you will not be reporting anything for that month.



## SEE YOU NEXT YEAR!

Thanks again for inviting TFFR to present information at the 2000 North Dakota Association of School Business Managers spring workshop. We enjoyed meeting you again and discussing the issues that are important to the business managers. We hope to see you next year.