

BRIEFLY

News Briefs for Business Managers from the ND Retirement and Investment Office
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ARE YOU RECEIVING YOUR REPORTS?

By the end of each month, TFFR will mail out an Employer Summary Report that lists all members reported by the employer to date, and the total fiscal year-to-date information. Also at this time, we mail out the Employer's Report of Assessments and Contributions (ERAC) to paper reporters for the next month.



If you do not receive these reports by the fifth working day of the month, please notify the administrative office so we can re-mail these reports to you.

WHAT ABOUT TEACHER/LEGISLATORS?

Keep in mind the employer reporting requirements for teachers who are also legislators. If the employer and teacher/legislator have entered into an agreement by which payment for lost service credit is made as though the teacher was not on a legislative leave of absence, report the teacher/legislator as you normally would.

However, if no agreement has been made, and the teacher/legislator is considered to be on a legislative leave of absence, do not report the teacher to TFFR during that time. You should

have the teacher complete a Member Action Form indicating a leave of absence. The teacher/legislator may purchase lost service credit for legislative service by contacting the administrative office.

LATE REPORTING

TFFR payments and reports/diskettes must be postmarked by the 15th day of each month following the month in which the members' salaries are paid. If the 15th falls on a weekend or holiday, the payment and report/diskette are due on the next business day.



The TFFR Board is bound by law to take action if any employer fails to remit the monthly payments and/or file any of the required reports by the due date. Employers that do not meet the established deadlines will be assessed a civil penalty of \$250 and interest of 1 percent per month on the amount due. We are required to notify the Department of Public Instruction to withhold state foundation payments until all TFFR reports are received, including payments, penalties and interest.

Please avoid this problem by ensuring that your TFFR reports and payments are postmarked no later than the due date.





A FEW REMINDERS

(1) If you submit last date taught for an individual that will not be working for the rest of the fiscal year, you must also submit the total number of hours worked.

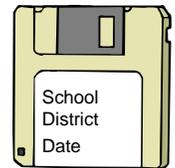
(2) On occasion, diskettes that go through the mail will lose the information saved to them. Please save the information to a backup diskette, so in the event this happens to your diskette, you can send a new diskette upon request. In addition, please verify there is information on the diskette before sending it on to TFFR. (See the article titled "How to Ensure There is Data on Your Diskette".)

(3) Our computer system can only read High Density diskettes. Please send us the information on diskettes labeled HD.

(4) If you hire a new teacher, please be sure to accurately designate the member's gender in the gender field.

HOW TO ENSURE THERE IS DATA ON YOUR DISKETTE

Have you ever had one of those days where your computer isn't working like it should? You think you saved your TFFR information on your diskette but would like to double check to make sure your information is there? Now you can check by following these steps:



Locate a program called "Edit"

For Windows 95 and Windows 98 try this:

- 1) On the bottom tool bar select the "Start" Button
- 2) Select the "Run" Function
- 3) Type in the word "Edit" and click OK
- 4) Click on "File"
- 5) Select "Open"
- 6) Type in "*. *" on the File Name and click OK
- 7) Under the Directories Column select the drive that you have your diskette in (it is usually the [-A-] drive) and Select "OK"
- 8) Then find the file called "TI6620RI.001" and select "OK"

For Windows version prior to Windows 95 try this:

- 1) Select Program Manager
- 2) Select "File"
- 3) Select "Run"
- 4) Type in the word "Edit" and click OK
- 5) You may have to press "Esc" key
- 6) Click on "File" (If no mouse use Alt F to activate menu)
- 7) Select "Open"
- 8) Type in "*. *" Where it indicates File Name and click OK
- 9) Under the Directories Column select the drive that you have your diskette in (it is usually the [-A-] drive) and Select "OK"
- 10) Then find the file called "TI6620RI.001" and select "OK"

If you have a DOS operating system just type in the word "Edit" after the C: prompt and follow steps 5 - 10 above.

When the file is open, you should see a header line that starts with ** followed by a row of numbers. Below that line you should have a column of social security numbers. Some systems will have social security numbers plus the individual's last name, first name, etc. Arrow down the column and verify that the number of teachers on the diskette is the same as the number of teachers that should be reported to TFFR. If everything looks correct, go to File Close then back to File Exit to close the program.

If you have any questions, please feel free to contact the administrative office.

FICA TAX ISSUE UPDATE

As reported in the May 2000 "Briefly" newsletter, a participating school district has been undergoing an Internal Revenue Service (IRS) audit relating to its tax deferred retirement programs. As part of the audit, the IRS reviewed the method the employer uses to pick-up employee contributions to TFFR. This employer elected to pay the employee contribution to TFFR in lieu of a future salary increase. According to information TFFR received from its technical consultant in the 1980s, the amount of employee contribution paid by the employer as part of the pick-up should not be subject to FICA taxes. However, the IRS auditor conducting the audit has been suggesting that this type of pick-up is subject to FICA taxes for both the employer and the employee.

To respond to this issue, TFFR and the Public Employees Retirement System (PERS) retained an attorney in Washington D.C. who specializes in employee benefits and taxation issues. Numerous discussions have been held with the school district, the district IRS office, the national IRS office, the Attorney General's Office, special tax counsel, and technical consultants.

In addition, the TFFR Board has filed state legislation to address this situation. This legislation would change the TFFR plan to allow participating employers the option of adopting either a "contributory" or "noncontributory" plan. The end result would be the same for most employers and employees.

The contributory approach provides for employer contributions and employee contributions at the current levels. For example, a school district following this approach would pay the employer contribution (7.75%) and the teacher would pay the employee contribution (7.75%) under a salary reduction method. The employer contribution would not be subject to either Federal Income Tax (FIT) or FICA tax. The employee contribution would not be subject to FIT, but would be subject to FICA tax.

The noncontributory approach provides that the employer would pay the entire retirement contribution (15.5%). There would not be an employee contribution under this plan. For employers who select this method, the normal application of federal IRC rules will result in the employer contribution not being subject to FIT or FICA taxes. Since there is no employee contribution, there is no FIT or FICA tax.

On December 1, 2000, our office was notified that the IRS is no longer pursuing the FICA issue with the school district and will not make the district pay Social Security taxes on the part of the employee retirement contributions that the district "picks-up." As a result, the TFFR Board will be reviewing with its legal counsel and technical consultants whether to move forward with proposed legislation. We will keep you updated on the Board's actions.

