

**2022
NPERS
EMPLOYER
REPORTING
WORKSHOP**

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Agenda

- Employer Reporting
- Legislation
- Auditing
- Website Updates & Tools
- Employer Manual Updates
- Accounting
- Reminders

Employer Reporting

Accuracy

- Ensures proper benefit calculations
- Minimizes audit points
- Decreases follow-up work
- Prevents a delay in benefit payments

Employer Reporting

Employer Reporting

Member Account Verification: Where Accuracy Matters Most!

- Salary and service in all member accounts must be verified prior to a benefit calculation
- Reporting agents have the responsibility to provide requested information
 - You may not have been the agent reporting during the time in question
 - Prior records must be researched

Employer Reporting

Legislative Update

LB 700

- Removes age requirements for attending pre-retirement seminars
- Removes requirement for both members and employers to submit the Early Retirement Inducement & Termination Certification form upon termination of employment
- Clarified eligibility for retirement plan enrollment for State Agency School Plan Employers

LB 873

- Phases out Nebraska's state income tax on Social Security income by 2025

Legislative Update

**INTERNAL AUDIT
TEAM**

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Why Audit?

- Statutorily mandated
- Review internal controls and procedures for NPERS
- Audit School Plan employers
- Respond to the APA
- Our internal audits are audited as well

Internal Audit

Proactive Approach

- Eligible employees are enrolled in the Plan
- Ineligible employees are not enrolled in the Plan
- The proper amount of contributions are withheld and reported
- Employee information is documented and accurate

Internal Audit

Components of the Audit

- Initiation email with a date for an entrance interview
- Checklist and Questionnaire
- July 1 – June 30 → March payroll
- Final audit letter with a scheduled exit interview

Internal Audit

Audit Tips

- Organization
- Protect PII
- Internal Audit Newsletter

Internal Audit

Top Audit Issues

- Rehired Members
- Determining Eligibility Upon Hire and Rehire
- Eligibility of Part-Time Employees
- Internal Controls
 - Segregation of Duties
 - Documentation
 - Applying new laws into current procedures

Internal Audit

What is LB147

- LB 147 is a bill passed by the Nebraska Legislature in 2021. Nebraska Revised State Statute 79-902(45)(b)(i)
- Among other things, it set a limit on the total number of days of intermittent unpaid voluntary and/or intermittent substitute service a School plan member may work during the 180 days following termination of employment
- Effective May 27, 2021

Internal Audit

LB 147 Key Points

- The LB 147 rules apply to ALL terminations of employment – not just retirements. Remember people under normal retirement age can still take a refund or rollover from retirement.
- Forget “Once In, Always In”. To determine what rules apply, you need to classify an employee for retirement purposes :
 - Regular
 - Substitute
 - Volunteer
 - Temporary

Internal Audit

Retirement Terms

Substitute employee:

- 1) A person hired by a public school
- 2) As a temporary employee
- 3) To assume the duties of regular employees
- 4) Due to a temporary absence of any regular employees
- 5) Substitute employee does not mean a person hired as a regular employee on an ongoing basis to assume the duties of other regular employees who are temporarily absent

Voluntary service: providing bona fide unpaid service to any employer

Internal Audit

Retirement Terms

Regular employee:

- 1) An employee hired by a public school or under contract
- 2) In a regular full-time or part-time position
- 3) Who works a full-time or part-time schedule on an ongoing basis for twenty or more hours per week.
- 4) An employee hired as described in this subdivision to provide service for less than twenty hours per week but who provides service for an average of twenty hours or more per week in each calendar month of any three calendar months of a plan year shall, beginning with the next full payroll period, commence contributions
- 5) And shall be deemed a regular employee for all future employment with the same employer

Temporary Employee:

- 1) An employee hired for a limited period of time, not to exceed one year
- 2) To accomplish a specific task or purpose
- 3) Once the task is complete, the employee terminates

Internal Audit

LB 147 Rules

- Termination must occur
- Determine the termination date:
 - In most cases it is the contract end date, which should align with the last day service was rendered
 - Exception is when a contracted member terminates service prior to the end of the contract period, but receives compensation for a full contracted amount, the member will not be deemed to have terminated services until the end of the contract period
 - Contract dates should not be manipulated

Internal Audit

LB 147 Rules

- 180-day separation period with up to 8 days per calendar month of subbing and/or volunteer service
- If a violation occurs, both member and employer must fix the violation
- Member must incur new 180-day separation period

Internal Audit

8 Days Substitute/Volunteer Service

LB 147 only changed the termination rules by defining "intermittent basis" and "day of service" – nothing else changed

Intermittent service – no more than 8 days of voluntary/substitute service in a calendar month

Day of service – any length of time within the 24 hour period

Internal Audit

Why Does 8 Days Matter?

IRS Private Letter Ruling Section 1.409A-1(h)(1)(iii) of the Regulations indicates that a termination of employment is based on whether the facts and circumstances indicate that the employer and employee reasonably anticipated no further services would be performed after a certain date or **that the level of performance would permanently decrease no more than 20%**

Internal Audit

The Questions Then Become:

1. Did they truly terminate employment?
2. Are they eligible to be in the Plan?

Internal Audit

Compliance: Employer Responsibilities

- Determine if the employee terminated all regular and ongoing service
 - What is the intent of the termination?
 - Is this just a change in job classification?
 - If the member is terminating their permanent position only to return as a substitute or volunteer, then termination of employment must occur
- Determine the termination date
- Submit a Non-Contributing Member form

Internal Audit

Compliance: Employer Responsibilities

- Educate the employee of their responsibilities:
 - Confirm if the member will be employed at any other employer covered by the School Plan, whether in a regular and ongoing status or just substitute/volunteer service
 - Notify the member they must inform your school district/ESU if they render any service at another School Plan employer
 - Member should track all of their service at all School Plan employers

Internal Audit

Compliance: Employer Responsibilities

- Member must incur at least 180 days of separation from their termination date of their regular, ongoing position with NO prearrangement to return to service:
 - Start tracking all service rendered by the employee at your school
 - Only allow substitute and/or volunteer service during the 180 days following the termination date, with no more than 8 days total

Internal Audit

Compliance: Employer Responsibilities

- If no violation occurs, substitute service can be rendered without limit.
- If a violation occurs and the employee provides substitute and/or volunteer service for more than 8 days at your school or notifies you of additional service at another school that indicates a violation:
 - 1) A new 180-day separation period must begin and
 - 2) An adjustment form must be completed for services rendered at your school to make-up compensation, contributions, and service credit from termination to the date of violation
- Once a bona fide termination has occurred, follow the steps outlined for reemployed members in the School Employer Manual

Internal Audit

Common Mistakes: Example 1

Member follows termination rules, but employer improperly reports

- Member terminated their permanent position & became a "true substitute" working only as needed to back fill for other permanent employees who were temporarily absent.
- Member rendered no more than 8 days of substitute service per calendar month during the 180 days following the alleged termination date.
- The school reported compensation, contributions, and service credit related to this substitute service.

Internal Audit

Common Mistakes: Example 1

- The member complied with the termination rules.
- The school *should not* have reported compensation, contributions, and service credit related to the substitute service to NPERS for the member after the member terminated their permanent position.
- The school's reporting agent must do an adjustment to correct the excess compensation, contributions, and service credit reported in error.

Internal Audit

Common Mistakes: Example 2

Member eventually violates the termination rules and the employer improperly reports

- Member allegedly terminated their permanent position as a teacher and became a "true substitute" working only as needed to back fill for other permanent employees who were temporarily absent.
- Member rendered no more than 8 days of substitute service per calendar month for the first 4 calendar months of the 180-day period following their termination date.
- In month 5, member rendered 9 days of substitute service.
- The school reported compensation, contributions, and service credit related to the substitute service to NPERS, even before month 5.

Internal Audit

Common Mistakes: Example 2

- Under these facts, the school should not have reported compensation, contributions, and service credit related to the substitute service to NPERS unless and until the member violated the termination rules.
- After the member violated the termination rules, the school must report the compensation, contributions, and service credit related to the member's substitute service from the date the member lost their permanent position through the current period via an adjustment.
- Member must restart the 180-day separation period to establish a termination.

Internal Audit

Common Mistakes: Example 2

If the member and the school establish a pattern of continually violating the termination rules, the school must:

Reconsider whether the member ever actually terminated the permanent employment for retirement purposes, or instead transitioned to a different form of permanent employment for retirement purposes (such as a "permanent substitute/floater" or "permanent part-time employee" from "permanent full-time employee").

Internal Audit

Common Mistakes: Example 3

Member immediately violates termination rules, and employer never reports the violation or correct compensation, contributions, and service credit

- Member allegedly terminated their regular, ongoing, permanent position as a teacher, and became a "true substitute" who only worked as needed to back fill for other permanent employees who were temporarily absent.
- However, the member always worked more than 8 days in any calendar month following the alleged termination of employment.
- Despite this, the employer filed a Non-Contributing Member Report, saying the member terminated and stopped reporting compensation, contributions, and service credit.

Internal Audit

Common Mistakes: Example 3

- Member never terminated employment.
- Thus, the school must continue reporting compensation, contributions, and service credit for the member.
- If the school and the member want the member to be a "true substitute" for retirement purposes, the member must comply with the termination rules, including working no more than 8 days in any calendar month during the 180-day period following the termination date.

Internal Audit

Auditing LB147

- Additional test on current employer audits
- Current random testing across the board

Internal Audit

Immigration Eligibility

1. Does the person have a proof of U.S. citizenship?
 - Birth certificate or Certificate of Naturalization
- Documents:
- I-551 (Permanent Resident Card)
 - I-94 (Arrival-Departure Record Card)
 - I-766 (Employment Authorization Document)
 - If using an I-766, please review the USCIS Employment Authorization Document (EAD) Code/Category Table (uscis.gov) for guidance on what the EAD Code means.
 - Court Order
 - Showing the person is an alien whose deportation is being withheld [under 8 U.S.C. 1253 or 1231(b)(3)]

Internal Audit

Immigration Eligibility

Other eligible employees:

- Lawful permanent resident
- Granted asylum [under 8 U.S.C. § 1158],
- Refugee admitted to the US [under 8 U.S.C. § 1157],
- Alien who is paroled into the US for a period of at least one (1) year [under 8 U.S.C. § 1182(d)(5)],
- Granted conditional entry to the US [under 8 U.S.C. §§ 1153(a)(7)], or
- Cuban or Haitian entrant [as defined in § 501(3) of the Refugee Education Assistance Act of 1980].

****Guidance is changing in the Manual****

Internal Audit

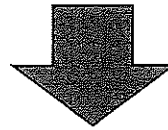
Website Updates & Tools

- **Military Service Guidebook**
- **LB147: What We've Learned & What You Need To Know video**
- **June Internal Auditing Newsletter**
- **Updated Employer Manual**

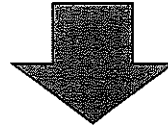
Employer Manual Updates

Employer Reporting Manual

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Employer Reports - School



School Manual for Employer Contacts

Employer Manual Updates

ACCOUNTING

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School Employer Manual

- Available on our website: npers.ne.gov
- A great resource for School Reporting Agents to assist in the following areas:
 - General information on the online reporting platform
 - Determination on eligibility of membership
 - Determination of eligible compensation
 - Preparation and filling of various forms and reports

Accounting

School Reporting Agents

- Responsible for providing employees with New Member Information Packet after enrollment into the plan
- New Member Information Packet includes:
 1. School Plan member handbook
 2. Beneficiary form
 3. Application for vesting credit (Must be submitted by the employee to NPERS within 180 days of employment)

Accounting

Member Eligibility/Enrollment

- Enrollment Eligible Employees:
 - Age 18+
 - Intended to work 20 or more hours/week on an on-going and regular basis
 - Temporary employees who work an average of 20 or more hours/week and have been in the same position for one year
 - Re-employed members coming to work for the same employer should be enrolled back into the plan regardless of numbers of hours worked
 - **EXCEPTION:** They have received benefits/refunds from NPERS or coming back as a true substitute or temporary employee

Accounting

Member Eligibility/Enrollment

- Enrollment Non-Eligible Employees
 - Employees under the age of 18
 - Temporary employees
 - True Substitutes
 - Temporary Residents of the USA who do not have a Green Card or Naturalized Certificate.
 - Intended to work less than 20/week.
 - Track hours and as soon as they work an average of 20+ hours/week in any three calendar months during the plan year (July 1-June 30), enroll them in the next pay period.

Accounting

Compensation

- What counts as compensation for retirement purposes and should be reported?
 - Gross wages/salary for services rendered
 - Overtime (cash or comp time) or extra duty
 - Back wages/salary ordered paid in legal proceedings
 - Contributions by the member to:
 - 125 – cafeteria plans
 - Retirement contributions
 - 403(b) or 457 voluntary retirement plans

Accounting

Compensation

• What **DOES NOT** count as compensation for retirement purposes and should **NOT** be reported?

- Fraudulently obtained amounts
- Unused leave converted to cash
- Insurance premiums converted to cash
- Fringe benefits including holiday bonuses, uniform, cell phone, or vehicle reimbursements, conference fees, and per diems paid for expenses
- Bonuses such as retirement incentives, cash awards, and severance pay
- Worker's Compensation or disability payments
- Payments made by the court for jury duty
- Compensation that can be manipulated by the employee

Accounting

Service Credit

State statute defines what hours should be reported for service credit.

It includes:

- Working days
- Sick days
- Vacation days/holidays
- Donated Paid Leave
- Any other leave days for which the employee is paid regular wages as part of the employee's agreement with the employer.

Note: Periods of unpaid leave do not fall under this definition and should not be reported to NPERS.

Accounting

Maternity and FMLA

- Do not report **HOURS** or **WAGES** when somebody is on an unpaid leave of absence such as **FMLA** or **Maternity** leave.
- Schools that dock future compensation and transfer a portion of the employees' future compensation to a current payroll period should not report those hours and wages while the employee is on leave. Report the hours and wages in the periods they were transferred from.

Accounting

Example of Unpaid Leave

Kelly goes on maternity leave starting March 1, ending April 30. This is unpaid leave as she does not have any sick or vacation she can use nor is this paid leave per her contract. The school has agreed to dock her future pay \$1,000 for four months in order to provide a paycheck for her time out on leave.

She normally works 160 hours at \$5,000 a month. She returns to work May 1.

This is how most schools would report it:

March	April	May	June	July	August
\$2,000	\$2,000	\$4,000	\$4,000	\$4,000	\$4,000
44 Hours	44 Hours	128 Hours	128 Hours	128 Hours	128 Hours

This is how it should be reported to NPERS:

March	April	May	June	July	August
\$0	\$0	\$5,000	\$5,000	\$5,000	\$5,000
0 Hours	0 Hours	160 Hours	160 Hours	160 Hours	160 Hours

Accounting

Adjustments

- The adjustment form can be used to report missed contributions for eligible employees who were not enrolled into the plan.
- It is also used to remove wages and hours from incorrect periods and add them to the correct periods.
- It can also be used to fix errors in data reported by the school in previous periods.
- Instructions on how to fill out the adjustment form is available in the "School Manual for Employer Contacts" 6-47 through 6-48.

Accounting

Adjustments

• Adjustments are the only way to fix/make changes to previously reported data.

1. 1st and 2nd columns are for the pay periods that are being adjusted.
2. 3rd and 4th columns are the name and SSN of the member whose account is being adjusted.

The image shows a screenshot of the NPERS Employer Reporting form. It features a table with columns for reporting periods (March, April, May, June, July, August) and rows for various data points. Below the table, there are fields for member information, including name, SSN, and other identifiers. The form is used for reporting wages and contributions, and adjustments are made by modifying the data in the reporting periods.

Accounting

Name Changes

- Always report contributions for members under their **FULL LEGAL NAME**.
- Never use nicknames (i.e. Bob for Robert or Jim for James).
- Do not change or hyphenate last names after marriage/divorce **BEFORE** the employee changes it legally with the Social Security Administration.
- Always ask for a copy of the updated SSN card before changing a last name. Keep a copy on file in case NPERS asks for it.

Accounting

Wages and Contribution Report

- Report is due on the 10th of each month.
- Not only needs to be added but confirmed by the due date as well.
- If not confirmed by the due date, a \$25 Late Penalty + .038 of 1% daily interest on payment owed + Accrued interest will be charged.
- Please reach out to Jane and let her know if the report is going to be late due to unforeseen circumstances and discuss fee waiving options.

Accounting

Report Errors/Flags

- **AFTER** validating and **BEFORE** confirming the Report, please check for errors/flags:
- After the report is uploaded and validated → click on edit and all employees with errors would show up under options 2.
- Select each employee and review their errors
- After correcting all errors make sure to re validate the report.

The image shows a screenshot of the Employer Reporting interface. It displays a table with columns for employee information and a list of errors/flags. The interface includes a search bar and a list of employees with their respective error messages. The table has columns for Name, SSN, and Error Message. The error messages are listed in a column on the right side of the table.

Accounting

Fixing Common Errors

Common Errors/Flags	How To Fix
First and Last name match exists	Review name and SSN are correct and note that in the COMMENT BOX.
Hours reported exceed defined limits. (Hours over 300 will be flagged)	Review hours are correct and provide explanation for high hours in the COMMENT BOX. (e.g. extra duty/teaching hours)
SSN exists but First and/or Last Name is new.	Provide explanation/reason for name mismatch in the COMMENT BOX. (ex. name changed due to marriage or divorce)
Hire date must be within one month of pay period begin date. (common for part time employees)	Check the hire date and change it to when the employee became eligible to be enrolled into the plan.

*If no explanation is provided in the COMMENT BOX for errors/flags, Jane or Maryam will be emailing the agent for clarification.

Accounting

Termination of Employment

Hourly employees:

The termination date would be the last day they are physically at work.

Contracted Employees:

The termination date is the day their contract ends... unless the contract is terminated or member resigns, then the termination date will be the date of resignation/termination of contract.

Note:

Only Non-contributing form submission required for all employees terminating. Early Inducement forms are no longer required.

Accounting

Non-Contributing Member Form

- Submitted when an employee/member is not going to be on the Retirement Report due to employment termination or leave of absence.
- Submission is only done online through our reporting portal.
- Each school must have at least one non-con agent registered to submit them.
- Use the Employer/Reporting Agent Contact form available on our websites under "FORMS" to update/add/remove school reporting agents.

Instruction of how to submit non-cons online are mentioned step by step in the "School Manual for Employer Contacts" Pages 8-6 though 8-10.

Accounting

Reminders

Reemployment After Retirement

Federal Tax Code

- Requires a termination to take benefits
- Benefits = pension/annuity or refund

Bona Fide Termination Per Nebraska Statute

- Minimum 180 calendar day break
- At all participating plan employers
- No service during this time including
 - Paid or Voluntary
 - Part-time/Temporary/Seasonal

Reminders

Reminders

Reemployment After Retirement

Substitute and/or Voluntary Service Exception (effective 5/27/2021)

Subbing and/or volunteering allowed during the 180 days if...

- Service is "intermittent basis" and not more than 8 "days of service" in a calendar month
- A "day of service" is any length of time (5 minutes or 8 hours)

Some things you CAN'T DO:

- Combine 8 subbing days and 8 volunteering days – that's 16 days
- 8 days at one NE school and another 8 at a second school – that's 16 days
- Agree to train your replacement – that's a prearrangement
- Refereeing, officiating or coaching – that's considered regular employment

Reminders

Reminders

Reemployment After Retirement

- Prearranged Returns to Employment
 - Not a *bona fide termination*
 - Any written or verbal agreement made prior to or during the 180 day break
 - Members/Employers cannot agree "in advance" to resume service/employment after 180 days
 - Includes agreements to provide...
 - Paid or voluntary service
 - Part-time/Temporary/Seasonal/Coaching etc.

Reminders

Reminders

Reemployment After Retirement

- If No *Bona Fide Termination*
 - Mandatory benefit repayment
 - The full amount paid...
 - Will likely include interest
 - Potential garnishment of assets
- Reemployed *After a Bona Fide Termination*
 - Same eligibility requirements as new employee
 - Return as a new member & new account
 - Prior account benefit payments continue

Reminders

Reminders

- Actual hours need to be worked hours not estimated hours.
- LB147 needs to be considered for BOTH retiring members AND terminating members.
- Regardless of category, all employees must have their hours tracked every time they render service, at the time they render service, to document eligibility and ensure they receive the correct retirement benefit.

Reminders

NPERS.NE.GOV

NPERS.NE.GOV → Employer Reporting → SCHOOL

You don't even have to login to have access to ALL these resources available to you!

**ER Manual | Calculator Tool | Substitute Log
Extra Duty Log | ER Newsletters
Eligibility Calculator | RMD Info | Forms
Terminating Member Packets | New Member Packets**

Contact Us

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