

# APERS EMPLOYERS

NEWSLETTER

SUMMER 2015

## 90th Legislative Session: Electronic Reporting to Become Mandatory in Fiscal 2017

The 90th General Assembly passed legislation that will affect many of APERS' participating employers. Act 91 of 2015 requires that, beginning on July 1, 2017, employers must report all contributions electronically through a web-based portal as well as remit all contribution payments by electronic transfer. APERS is currently involved in the development of a new pension administration system called COMPASS that will include an employer portal.

The majority of our state employers already comply with both requirements. Most state agencies rely on the state's AASIS payroll system to handle their reporting and remittance electronically. Many other participating employers also currently file their reports online through our existing web portal. But a sizable number continue to submit paper reports, and all non-AASIS employers must currently mail paper checks or warrants.



During 2016, APERS will be providing instructions and training on the web-based portal that non-AASIS employers will use. Employers who are unable to fully convert to electronic payment and reporting methods in time to meet the deadline can submit a request to the APERS Board of Trustees for a temporary waiver. All requests must be received prior to the July 1, 2017 deadline, and they must also include the employer's timeline for complying with the new requirements.

In addition, Act 91 also states that employers are solely responsible for ensuring the accuracy of their contribution reports, payments, and any other information they provide to APERS. COMPASS will allow employers the capability to manage all APERS related information and activity through the employer portal.

**“During 2016, APERS will be providing instructions and training on the web-based portal that non-AASIS employers will use.”**

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### FY2016 Employer Rates As of July 1, 2015

#### APERS

Your current employer rate will change to **14.50%**

#### Wildlife Officers

Your current employer rate will change to **26.50%**

#### Military Department Civilian Fire Fighters

Your current employer rate will change to **26.50%**

Please contact the Administrative Services Reporting Unit at (501) 682-7818 with any questions.

## Termination Refunds: Proceed with Caution

As you probably know, members who have made employee contributions to their retirement accounts (contributory members and those who have purchased service) can take a refund of those contributions if they terminate covered employment. So when contributory employees who are submitting their notice ask if they can get their money back, the correct answer may technically be “yes,” but it probably needs to be followed by a “but have you considered...”



Terminating members should consider postponing a termination refund if there is any chance they might someday return to covered employment, especially if they are already vested in the system. If they do return to covered employment, they will retain all their contributions and service credit, and they can pick up their progress towards benefit eligibility right where they left off.

On the other hand, if terminating members take a refund of their contributions, they not only remove the funds from their retirement accounts, but they also lose the contributory service they earned while making those contributions (they always retain any non-contributory service they earn).

If they return to covered employment, the loss of that service credit may affect them in ways they have not considered. For example,

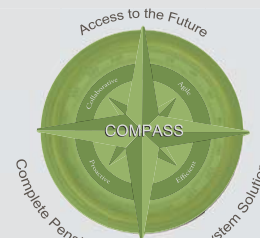
- A. They may no longer be vested and will therefore have to reacquire all or part of the necessary five years of service to become eligible for a future benefit.
- B. They may have to work additional years to meet the service requirements for retirement.
- C. Their benefit amount may be lower because they will have fewer years of service credit when they reach retirement age.

**“Terminating members should consider postponing a termination refund if there is any chance they might someday return to covered employment...”**

Employees who end covered employment need to understand that leaving contributions in the system is not abandoning them. The money remains on deposit, earning 4% interest (better than most savings accounts), and the employee can request that it be refunded anytime in the future. But once it's withdrawn, it's not easily put back. Arkansas retirement law allows for returning members to repay their refunds and get the service back, but the employee must also pay the interest the money would have earned while in the retirement fund.

So a refund is an option for terminating contributory members, but their money is safe if they leave it in the system. On the other hand, the service credit they could lose by withdrawing the money may have more value to them in the future than their contributions do today.

## COMPASS NEWS



APERS is developing a computerized pension administration system, COMPASS. Recently, development of the web-based self-service portal for employers has begun. Through this new secure portal, employers will be able to electronically enroll members, report earnings and service, and remit contributions. Training for employers on the employer self-service portal will be conducted in the fall of 2016. Look for additional communications from APERS with more details on the exciting new COMPASS system!

## Correct Reporting of Elected Officials

The requirements surrounding reporting and required contributions of elected officials are complex. The information here provides clarification on those unique provisions.

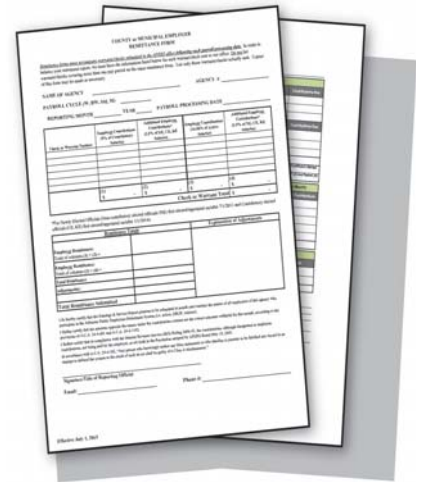
To be eligible to receive service at two (2) times the regular rate for crediting purposes, **Act 563 of 2011** requires that non-contributory elected officials **first covered in an APERS elected position on or after 7/1/2011**, shall be required to contribute 2.5% of their gross payroll to the System. In addition, their employer shall contribute an additional 2.5% of the gross payroll of said employee. When included on the Earnings and Service Report, these members will be added with a plan code of **"NE."**

Those non-contributory elected officials that have served in an elected position covered by APERS prior to July 1, 2011, shall be credited as service at two (2) times the regular rating for crediting service and neither the employee or their employer is required to pay the additional 2.5%.

To be eligible to receive service at two (2) times the regular rate for crediting purposes, **Act 288 of 2013** requires that

contributory elected officials **first covered in an APERS elected position on or after 1/1/2014** shall be required to contribute an additional 2.5% of their gross payroll to the System. In addition, their employer shall contribute an additional 2.5% of the gross payroll of said employee. When included on the Earnings and Service Report, these members will be added with a plan code of **"KE."**

Those contributory elected officials that have served in an elected position covered by APERS prior to January 1, 2014 shall be credited as service at two (2) times the regular rating for crediting service and neither the employee or their employer is required to pay the additional 2.5%.



## Governmental Accounting Standards Board No. 68 Accounting & Financial Reporting for Pensions

GASB Statement No. 68 becomes effective for fiscal years beginning after June 15, 2014 and significantly changes pension accounting and financial reporting for governmental employers who participate in a pension plan, such as APERS, and who prepare published financial statements on an accrual basis using generally accepted accounting principles. Contribution rates and funding requirements are not impacted by GASB 68, and employers will continue to pay the contribution rates as determined each year by the APERS Board of Directors.

If employers produce GAAP financial statements, they will have to report their proportionate share of APERS's unfunded liability now called a net pension liability as a long-term liability. APERS will calculate the net pension liability based on an actuarial valuation as of the end of each fiscal year (June 30). An actuarial valuation of future benefits payable to current active and inactive employees for past periods of service will be discounted using a discount rate. The difference between the actuarial valuation of future benefits and APERS' fiduciary net position (net assets) will be the net pension liability. After APERS receives its net pension liability calculation, each employer's proportionate share will be calculated based upon employer contributions

for the same fiscal year.

APERS is committed to providing employers and their auditors with all of their information needed to understand the technical concepts of GASB 68 and to successfully implement the new pension financial reporting requirements. Additional information, including links to GASB 68 information and a frequently asked questions section can be found at [www.apers.org/gasb68](http://www.apers.org/gasb68). APERS will also publish the net pension liability allocation, schedule of pension amounts, required disclosures, and the independent auditor's opinion on the same site when that information is available.

In order to ensure that information is received by the appropriate staff, APERS recently sent a survey to all employers (with the exception of state agencies) to confirm the financial reporting contacts. If you completed this survey, you are on the distribution list to receive future updates. If you did not complete the survey please visit [www.apers.org/gasb68](http://www.apers.org/gasb68) and follow the link to update your financial employer contact information.

[www.apers.org/gasb68](http://www.apers.org/gasb68)

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## Employer Reporting Penalties

There are two different types of penalties associated with employer reporting to APERS. The first penalty is for late remittance of contributions. In accordance with Act 299 of 1997 and APERS Board Regulation 64 adopted on May 21, 1997 employers are required to remit both employer and employee contributions to APERS after each payroll processing date. These remittances are to be in our office by the 10th calendar day after the payroll processing date. Remittances postmarked within nine (9) calendar days after the payroll processing date shall not be considered delinquent. Interest at 7.75% will be charged on any delinquent monies from the date due until the date received.

The other penalty is assessed for failure to report earnings and service by the due date each month. In accordance with ACA 24-4-202 (f)(1), if any participating public employer fails to submit the earnings and service report by the tenth calendar day of the month for which it is due, the



system shall impose a penalty of one hundred fifty dollars (\$150). Reports postmarked by the 9th calendar day of the month shall not be considered delinquent.

The late remittance of contributions will be invoiced to employers on a quarterly basis, while the late report penalty is invoiced monthly. The penalties should be paid to APERS with a separate check and within 30 days of the invoice.