



## Retirement Times Employer Newsletter

August 2007  
Volume 3 Issue 3

Tips, Tricks, and News for Our Public School Employers

[Newsletter Archives](#) | [Newsletter Feedback](#) | [Contact Us](#)



[Print this newsletter](#)

### Quicklinks

- [Employer Website](#)
- [Employer Self-Service Website](#)
- [Member Website](#)

### Retirement Times Survey

This past spring, ORS introduced a new feature to help you track Final Salary Affidavits (FSAs). This feature is an online list of the FSAs that have not been returned to ORS. Did you find this new service helpful? Why or why not?

### Hints and Tips

#### **Don't Forget! Set the Wage Code to back to 01 for the 2007-08 School Year**

Remember to change the wage code for employees who were receiving summer spread wages with no hours (wage code 08) back to wage code 01 for the first pay of the new school year. Returning employees must be reported with wage code 01 (regular wages) because you must begin reporting hours attached to the wages.

## In This Issue...

- [Revised TDP Agreement Addendum](#)
- [Revised Payoff Payment Options form for Employees with Tax Deferred Payment Agreements](#)
- [TDP Deduction Code 06](#)
- [Active or Retired? Which wage and employment class codes should you use?](#)
- [Working After Retirement](#)
- [Reporting Retroactive Wages](#)
- [Reporting Pay Rates & Frequency of Pay](#)
- [Reportable Compensation Limits](#)
- [Payroll Advisory Team Update](#)
- [Members Visiting ORS](#)
- [Communication Barrier](#)
- [Who to contact for what \(Who ya gonna call?\)](#)
- [RIM Updates](#)
- [New Employees](#)
- [Final Salary Affidavits](#)

## Revised TDP Agreement Addendum

The *Tax-Deferred Payment Agreement Addendum (R625C)* form and procedure have been revised to help make the transfer of an agreement from one employer to another smoother.

The form will now include information from the previous employer regarding when the last deduction will be taken. This will help you know when to begin the first deduction as the new employer. It will also help decrease the number of suspended DTL3 records that result when two employers are taking deductions for the same TDP agreement/addendum.

The specific changes you'll find on the form are as follows:

- The employee obtains the final TDP deduction pay period end date from previous employer.
- The new employer provides the first TDP deduction pay period end date.
- The new employer's signature indicates understanding that no payment will be allowed from

the new employer until after the date of the final deduction from the previous employer.

The revised [TDP Agreement Addendum](#) is now available on the employer website at [www.michigan.gov/psru](http://www.michigan.gov/psru) and on the member website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools) under Forms and Publications.

If you have any questions, please contact the Employer Reporting Call Center at (517) 636-0166 or by email at [ORS\\_Web\\_Reporting@michigan.gov](mailto:ORS_Web_Reporting@michigan.gov).



## Revised Payoff Payment Options form for Employees with Tax Deferred Payment Agreements

The [Payoff Payment Options \(R518C\) form](#) has been revised. Employees who is terminating or retiring before their TDP balances will be paid off should request this form. It explains the various payoff options available, and steps to take if they wish to use more than one payment method.

Please remember that TDP balances can only be paid off using alternate payment methods if the employee has filed a retirement application with ORS, or has a bona fide termination within 90 days after ORS receives the payment.

Here are a few things that are important to know.

PAYMENT METHOD	IMPORTANT TO KNOW
<b>Cashier or Personal Check, or Money Order</b>	Payment will NOT be accepted after your termination date. These are post-tax monies.
<b>Qualified Plan-to-Plan Transfer (rollover)</b>	Payment will NOT be accepted after your termination date. Allow 6-8 weeks to complete your transfer. These are tax-deferred monies.
<b>One-Time Lump Sum Payroll Deduction (leave balances, sick leave payout, etc.)</b>	Final leave balances ARE accepted after your termination date. Final leave balances vary. If you need the service credit to qualify for retirement, calculate carefully!  Required deductions such as social security and Medicare taxes are withheld from any final compensation first, so have your human resource office help you figure the net amount available for your payoff.  These are tax-deferred monies.

### Permanent Supplemental Payroll Deductions

Final payroll deduction payments ARE accepted after your termination date. Once you increase your deduction, you cannot revert to a lesser amount.

Complete a Supplemental TDP Agreement (R654C) available on our website or by contacting our office.

These are tax-deferred monies.

### Combining Payment Methods

Follow the instructions on the Payoff Payment Options for a TDP Agreement (R518C) for each method.

If you or your employees have questions about paying off a TDP agreement, please contact the ORS Customer Service Center at (800) 318-5111 or by email at [ORSCustomerService@michigan.gov](mailto:ORSCustomerService@michigan.gov).



## TDP Deduction Code 06

Did you know that you can verify a TDP agreement/addendum has been paid in full? After your records show that the final TDP deduction has been reported and posted, enter a DTL3 record on your next retirement detail report using the following:

**Record Type 01**  
**Deduction Amount \$0.00**  
**TDP Deduction Reason Code 06 –**  
 Agreement Closed-Paid in Full

Let your retirement detail report run through the edits and validations and you will get one of two suspend error messages:

- **S – The payment is received for an invoice that has been completely paid.** Our system has closed the agreement because it is paid in full. You can delete the DTL3 record from your report and consider the TDP finished.
- **S – This record indicates the agreement is paid in full, yet there is still a balance remaining on the account.** This indicates that ORS still has a balance on file for this agreement. Please call the Employer Reporting Call Center at 517-636-0166 or email at [ORS\\_Web\\_Reporting@michigan.gov](mailto:ORS_Web_Reporting@michigan.gov) for more information about the agreement payment discrepancy.

**Note:** You are not required to submit a DTL3 record using the 06 deduction reason code after the final deduction, but it is a good way to make sure the agreement has

been paid in full.

---

 Top

## Active or Retired? Which wage and employment class codes should you use?

If you are reporting the remaining final wages for a newly retired or terminated employee and the end date of the report is later than the employee's termination date, use wage codes 21 or 28, as explained below.

- Wage code 21 is used to report the final paycheck for an employee who isn't receiving summer spread wages. Use an active employment class code and include do hours in the record.
- Wage code 28 is used to report those pays that are spread out over the summer that the employee continues to receive beyond the termination or retirement date. Use an active employment class code and DO NOT include hours in the record.

Be sure to use the same employment class code you used throughout the year. Otherwise, the record will suspend with an error.

---

 Top

## Working After Retirement

Some of your retired employees may decide to come back to work. If 30 days have passed since the retirement effective date, you must use a retiree class code (9003, 9004, or 9005) and wage code 07 for wages without contributions. Hours must always be reported with wage code 07.

Here are some important things to keep in mind.

Retirees who are working for your school should be included on your retirement detail reports.

Retirees who return to employment with a Michigan public school are subject to earnings limitations. For more information, see the member website under [After Retirement](#).

There are some exceptions to the earnings limitation. For more information, see the member website under [After Retirement](#).

---

 Top

## Reporting Retroactive Wages

In the February 2007 issue of this newsletter we covered the difference between retroactive wages and positive wage adjustments.

We are now nearing the time of year when contracts are being settled and you will need to report them as retroactive wages. For step-by-step instructions on reporting retroactive wages go to *Chapter 5.2.4 Other*

wages – multiple wage codes in the online [Reporting Instruction Manual](#).



## Reporting Pay Rates & Frequency of Pay

Two required fields in your Detail 2 records *Pay Rate* and *Frequency of Pay*. Sometimes there is confusion about what to report in these fields. The following information should help to clarify what these fields are for.

### Pay Rate

- For an hourly employee, report the hourly pay rate.
- For a contractual or salaried employee, report the pay rate that represents the full contract or salary amount for the entire school fiscal year even if the employee only worked part of the year.

Remember, if the pay rate is greater than \$100, you are required to report dates in the *Contract Begin Date* and *Contract End Date* fields.

### Frequency of Pay

- Whether hourly or salaried, you should report the number of pays that the employee would be paid (as if he or she worked the entire year).



## Reportable Compensation Limits

Section 401(a)(17) of the Internal Revenue code imposes an annual limit on reportable compensation for qualified retirement plans. The limit applies to those employees who became members of this retirement system after October 1, 1996.

The limit for the 2007 calendar year is \$225,000. ORS will provide updated figures each year.

Additional reportable compensation limits related to salary increases are found in retirement law [{Public Act 300 of 1980, MCL 38.1303a\(3\)\(f\)}](#), which states that compensation does not include:

"Compensation in excess of an amount over the level of compensation reported for the preceding year except increases provided by the normal salary schedule for the current job classification. In cases where the current job classification in the reporting unit has less than three members, the normal salary schedule for the most nearly identical job classification in the reporting unit or in similar reporting units shall be used."

Each reporting unit is responsible for ensuring that reported compensation is consistent with the appropriate

normal salary schedule. Reported wages are subject to audit by ORS. In the event that excess wages have been reported, the reported wages and employer/employee contributions will need to be adjusted to reflect the allowable amounts.



## Payroll Advisory Team Update

The Payroll Advisory Team, formed earlier this year, has been very busy. You may recall from the [February issue of Retirement Times](#) that the team was developed to bring ORS, school employers, and vendors together to look specifically at the retirement reporting process. The team is made up of employees from reporting unit payroll offices, payroll software vendors, a Michigan School Business Official (MSBO) representative, and Office of Retirement Services (ORS) staff.

The team's efforts have resulted in the following exciting enhancements and changes:

- Wage Code 09, formerly only used to report longevity wages, has been opened up so you can report wages that are without hours. The expanded use of wage code 09 went into effect May 1, 2007.
- Access to the employer retirement reporting website has been extended. Several weekends and the site can now be accessed beginning at 6:00 a.m. rather than 7:00 a.m.
- A new and much improved method for submitting TDP agreement and addendum information electronically using a file transfer platform is in the works. In other words, no more diskettes! ORS expects this process to be in place no later than fall of 2007. The Payroll Advisory Team is currently piloting the process.

The team will next meet in October. We will be sure to keep you informed of its progress.



## Members Visiting ORS

ORS receives many, many visitors throughout the year. Some come to pick up a retirement application, others to get answers to questions, or to fill out the forms, and many come to submit their retirement applications.

Did you know that all of the retirement application forms can be downloaded and printed from the ORS member website at [www.michigan.gov/ors](http://www.michigan.gov/ors)? Your employees can also view a short online program that explains line-by-line how to complete the retirement application forms. ORS receives many retirement applications through the regular U.S. mail service.

During the school year, your employees have the opportunity to learn more about retirement and ask questions at a Preretirement Information Meeting. These

meetings are held at various school districts throughout the state. The same information is available on our website and in our publications. Other questions can be answered by our trained, professional call center staff.

So, while we understand that retiring is a big step and a major lifestyle change, please encourage your employees to use our online offerings and to attend a preretirement information meeting. It is not necessary to make a special trip to ORS in order to retire.



## Communication Barrier

ORS has identified a major barrier in delivering email communications to you. Some email systems label ORS incoming messages as SPAM and delete us from your server. Others strip out any attachments in case there is a virus or because the attachment exceeds preset size. Some of your systems do not support html views of email.

If you are not receiving regular email communications from ORS, please speak with your technology department to request that emails with the suffix of **@michigan.gov** be allowed through. This way you will be sure to receive the information ORS is sending to assist you with retirement issues.



## Who to contact for what (Who ya gonna call?)

Although the ORS web coordinators are extremely knowledgeable about retirement reporting and compensation issues, they are not trained to handle member-specific service credit or eligibility issues. Please direct your employees and any other member inquiries to the ORS Customer Service Center at 800-381-5111 or send an email to [ORSCustomerService@michigan.gov](mailto:ORSCustomerService@michigan.gov). Complete information about the retirement plan can be found at [www.michigan.gov/ORSschools](http://www.michigan.gov/ORSschools).



## RIM Updates

Don't forget to check the employer information website for updates to the [Reporting Instruction Manual](#) at [www.michigan.gov/psru](http://www.michigan.gov/psru). The most recent updates since our last issue of Retirement Times include information on:

### **1—Welcome and General Information**

Retirement law governs over the Reporting Instruction Manual.

### **5.1—Compensation**

The definition of compensation from P.A. 300 of 1980 was added.

### **5.3.1—Increases over the normal schedule**

Further clarification made.

### **5.3.1—Types of Nonreportable Compensation**

Two types of nonreportable compensation have been added for clarification - FICA reimbursement and MIP reimbursement.

### 9.1.2—Member Investment Plan (MIP) Withholding

A note as been added to clarify that reimbursement of MIP contributions to an employee is not reportable compensation.



## New Employees

ORS will be sending you a bulk supply of the *Is There a Yacht in Your Future?* brochure for your new employees in the next few weeks. The publication introduces the Member Investment Plan (MIP) to new public school employees. It also encourages them to complete a [Beneficiary Nomination form](#) and return it to ORS. Please do your best to provide them with the brochure and the form.



If you need more, you can order the brochure in bulk by clicking on this [link to the online ordering form](#). Members can also find the [Beneficiary Nomination form](#) online at [www.michigan.gov/ORSschools](http://www.michigan.gov/ORSschools).



## Final Salary Affidavits

Thanks to your timely turnaround on Final Salary Affidavits, ORS was able to process 2,573 applications for retirement with a July 1 effective date. They all received their first pension payment in July. We, and your retirement employees, thank you!



## About the Retirement Times

The *Retirement Times* newsletter is published by:

Office of Retirement Services  
P.O. Box 30171  
Lansing, Michigan 48909



Thanks for reading!