



4 - Reporting Wages & Contributions

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Reporting Wages & Contributions

4.00 Introduction

IMRF employers are required by law to deposit IMRF employer and member contributions with IMRF every month. This section of the manual explains how to complete the deposit reports and specifies when the deposits are due.

Paragraphs 4.20 through 4.35 explain procedures for reporting and adjusting IMRF wages and contributions.

Paragraphs 4.50 through 4.60 explain reports and procedures required by the federal and state governments.

Refer to Section 3 of this Manual for definitions of participating members and wages to be reported.

4.10 General Explanations

Following are explanations of basic concepts and terms used throughout this material. A review of them will aid your understanding of the rest of this section.

4.11 Identifying Numbers

4.11 A. Employee Social Security Number

IMRF member records are filed by Social Security number. For this reason, it is extremely important that the member's name and number reported to IMRF be identical to those that appear on his or her Social Security card. Social Security numbers are also required for federal and state tax reporting forms.

The Social Security Administration (SSA) offers two Web-based verification options employers can use to confirm that employee names and Social Security numbers match Social Security records. To use this online verification service, register with SSA Business Services Online at www.socialsecurity.gov/bso/bsowelcome.htm.

If the member does not have a card, needs a duplicate card, or has changed his or her name, the member should complete Form SS-5, "Application for Social Security Number," and take it to the nearest Social Security office with proof of identity documents.

Form SS-5 is available from the Social Security website (www.socialsecurity.gov), or the member can request one by calling Social Security at 1-800-772-1213 or visiting his or her local Social Security office.

To help protect members' identities, IMRF uses a Member ID ("MID") on IMRF correspondence. However, if the purpose of the letter requires the Social Security number, the complete number will continue to be shown.

4.11 B. IMRF Employer Identification Number

In the past, IMRF used the Social Security Administration (SSA) employer number to identify IMRF employers. This number was printed on all IMRF documents issued. The SSA used to assign every state and local governmental employer who acquired Social Security coverage a nine-digit employer number. In Illinois, this number begins "69 033," for example: 69-033xxxx. Please note that this number differs from your Federal Employer Identification Number (FEIN), which begins "36-" or "37-".

If your employer joined IMRF prior to January 9, 1993, IMRF will continue to use part of your SSA number, or the IMRF identification number.

If your employer joined IMRF on or after January 9, 1993, the employer was issued a five-digit IMRF identification number, such as 06110. IMRF will continue to assign identification numbers to all new IMRF employers. The number has no relationship to the employer's SSA number.

4.11 C. Federal Employer Identification Number (FEIN)

The IRS issues each employer a nine-digit number to be used on IRS wage and tax reports, for example: 36-xxxxxxx or 37-xxxxxxx. The State of Illinois uses the same number for state wage and tax reports. In some instances, an employer may have more than one FEIN.

4.12 IMRF Members

An employee who works in a position not excluded from IMRF coverage (such as some police, fire, and teaching positions) and whose position meets the annual hourly standard for IMRF coverage is an IMRF member.

For more on the hourly standard, see paragraphs 3.20 Participating Members - Schools and 3.65 Participating Members - other than schools.

4.13 Social Security & Medicare-Only Employees**4.13 A. Social Security Only Employees**

An employee working in a position that is not excluded from Social Security but requires less than the employer's hourly standard (600 or 1,000 hours) for IMRF coverage is covered by Social Security only. Refer to Section 9 for information on covered positions and covered wages.

4.13 B. Medicare-only Employees

An employee whose position is not covered by Social Security and who was hired after March 31, 1986, is required to make Medicare-only contributions as provided by the Federal Insurance Contribution Act (FICA). This act is administered by the Internal Revenue Service (IRS) and any questions should be directed to the IRS.

4.14 Contribution Rates

Member and employer contributions are a legal requirement for governmental units participating in IMRF. These contributions are calculated as a percentage of monthly wages. Member contributions are a condition of employment for covered employees and should be deducted at the time wages are paid. Failure to make deductions does not release the employer or member from this liability.

If you are not sure whether an employee is covered by IMRF, refer to:

- 3.10 Definition of Employee for school district positions
- 3.60 Definition of Employee for positions not in school districts, or
- "Should This Employee be Enrolled" checklist in the front of the manual.

Every year IMRF provides each employer a "Final Rate Notice" (Exhibit 4A) confirming the employer and member IMRF contribution rates for the next year. Rate Notices are available online in the Employer Document Archive of Employer Access.

4.14 A. IMRF Employer and Tax-Deferred Member Contributions

The employer and member IMRF contribution rates are applied to the member's IMRF wages as described in Paragraph 3.96 Introduction to Earnings for IMRF Purposes.

Member contributions

Currently, the member contribution rate for the Regular plan Tiers 1 and 2 is 4.50% (7.50% SLEP, 7.50% ECO Tiers 1 and 2) of all wages. Tier 2 members do not make contributions on wages over the wage cap. Also, SLEP Tier 2 members do not make contributions on overtime.

Member contributions cannot be attached, garnished, assigned, or seized by any creditor, even if the member declares bankruptcy. Members cannot borrow from their member contributions on deposit, nor can they use their member contributions as collateral for a loan.

Members with more than 40 years of service credit

IMRF members obtain the maximum Regular Tier 1 and Tier 2 retirement benefit after earning 40 years of service credit:

1-2/3%	x 15 years	= 25%
2%	x 25 years	= <u>50%</u>
Total		75% (maximum pension earned)

If a member has 40 or more years of IMRF service credit, he or she can elect to stop making IMRF contributions, even if the member's position meets the annual hourly standard. The election is irrevocable. He or she would be considered an active IMRF member. IMRF service credit would not increase, nor would the member's final rate of earnings. However, the member would have the same IMRF death and disability benefit protection as contributing members. (See Paragraph 6.20 D. Election to Cease Making IMRF Contributions)

If a member has 40 or more years of IMRF service credit and elects to stop making IMRF contributions, that member would not be eligible for an IMRF retirement benefit until he or she terminates IMRF participation.

Employer contributions

The employer IMRF contribution rate is computed separately for each employer every year. Employer contributions pay a portion of the cost of retirement pensions, surviving spouse pensions, death benefit coverage, and disability benefits.

If the employer rate times the monthly payroll is not sufficient to cover the required pay down of the employer's pension obligation, a minimum monthly employer contribution may be charged. The minimum employer contribution would be shown on the "Final Rate Notice" (Exhibit 4A) and on the Wage Report Summary.

Employers are also required to immediately pay that portion of the present value of a pension attributable to earnings increases exceeding the greater of 6% or 1.5 times the increase in the CPI-Urban as of the previous September. This applies to earnings increases paid on or after January 1, 2012, to members retiring on or after February 1, 2012. See 7.20 E. Accelerated Payment.

4.14 B. Social Security Employer and Employee Taxes

Because all IMRF employers participate in Social Security, all members in Social Security-covered positions are required to pay federal Social Security taxes on earnings up to the wage base. The wage base and the employer and employee tax rates are determined under the Federal Social Security Act.

Wage bases for each year are determined the previous November by the Social Security Administration. For details on wage base amounts, refer to Section 9, Appendix A.

4.15 Tax Levy

Governmental units with taxing powers and school districts may levy taxes to pay the employer contribution for IMRF. The IMRF levy must be separate from the Social Security levy and the two levies must be accounted for separately. The proceeds of the IMRF levy may not be used to make Social Security contributions. In April, IMRF provides each employer a Preliminary Rate Notice with the IMRF rates for the next year. With this information, the taxing body may levy sufficient taxes to make full payment of the employer contributions on the appropriate due dates.

The levies adopted should include a provision for a "working balance" that can be used to prevent a shortage of cash pending the receipt of tax collections. Non-taxing bodies in IMRF should include the necessary amounts in their budgets. Unlike certain other funds, such as a general fund where resources may be transferred to meet budgetary needs, the Illinois Pension Code specifically provides that the revenue from an employer's IMRF tax levy **can be used only for required employer IMRF contributions**. This ensures that the employer's IMRF pension liability will be adequately funded.

Monies from the IMRF levy **may not** be used to cover member contribution costs. If an employer wishes to pay for the cost of its members' contributions, the monies to cover the cost should come from the same source as the one for salaries or fringe benefits. The IMRF levy may not be used.

Monies from the IMRF tax levy may be used to pay the **employer costs** for IMRF Early Retirement Incentive (ERI). If an employer wishes to pay for a *member's* portion of an ERI, the monies to cover the cost must come from a source **other** than the IMRF levy.

An employer may not transfer monies from its IMRF tax levy even if its IMRF account is over funded. To compensate for an over-funded IMRF fund, the employer may adjust its next year's IMRF tax levy.

If an employer's IMRF account is **under funded**, it may transfer funds **into** the IMRF account from other operating funds.

4.16 Section 414(h) Tax Deferral of IMRF Member Contributions

IMRF member contributions are not subject to federal income tax until they are returned to the member or to the member's beneficiary(ies) as a separation refund, pension, or death benefit. This postponement of federal income tax is achieved by designating the 4.50% Regular (7.50% SLEP, 7.50% ECO) member contributions as "employer paid" contributions for the purpose of the Internal Revenue Code Section 414(h).

The terminology of this tax treatment often leads to confusion. Because the Internal Revenue Code refers to this tax deferral as "employer pickup," some individuals assume that the employer is paying the contributions. This assumption is incorrect. The contributions are not paid by the employer but are deducted from the member's gross salary. They are only designated "employer pickup" for federal income tax deferral.

Current Illinois income tax law follows the federal rules regarding the 414(h) tax deferral. In addition, benefits paid by IMRF are not subject to Illinois state income tax. Therefore, the 4.50% Regular (7.50% SLEP, 7.50% ECO) member contribution is exempt from Illinois income tax because no tax is required when the contributions are made or when the benefit is paid.

4.16 A. Income Tax Withholding Under the 414(h) Tax Deferral Plan

When computing federal or state income tax withholding, the 4.50% Regular (7.50% SLEP, 7.50% ECO) member contribution should be subtracted from the gross salary.

Example:

If a Regular plan member is paid \$500, withholding should be calculated on \$477.50 (\$500 - \$22.50).

4.16 B. W-2 Reporting Under the 414(h) Tax Deferral Plan

On the IRS Form W-2 issued at year-end, report gross wages as Social Security wages. Report gross wages less the 4.50% Regular (7.50% SLEP, 7.50% ECO) member contribution as federal and state taxable wages.

For additional instructions refer to Appendix B-1, B-2, and B-3 in Section 9, "Federal Taxes/Social Security Appendix."

4.16 C. IMRF and Social Security/Medicare Reporting Under the 414(h) Tax Deferral Plan

Use gross wages for reporting IMRF earnings to IMRF. The IMRF and contributions should be calculated on the gross amount. For information on reporting Social Security wages, refer to Section 9.

Example:

A member who earned \$500 in a month would have \$500 reported to IMRF as earnings with Regular plan contributions of \$22.50 (4.50% of \$500).

4.17 Current Year

For reporting purposes, “current year” refers to the present calendar year.

When correcting IMRF wages or contributions, adjustments must be received by January 20 of the year following the calendar year being adjusted in order to appear on the member’s annual Personal Statement of Benefits (aka “Member’s Statement”).

Because online transactions are more accurate, more efficient, and faster than submitting member information to IMRF via paper forms, employers with Internet access must submit wage adjustments via Employer Access. Employers without Internet access may submit wage adjustments via Form 3.20, “Employer’s Report of Adjustments to IMRF Earnings.” (Exhibit 4E).

Adjustments received after January 20 will appear on the member’s statement in the year the adjustment is processed.

4.18 Prior Year

“Prior year” refers to any year before the current year.

4.19 Reporting Media

Reporting media includes:

1. Employer Access Web Wage Reporting
Web Wage Reporting provides employers with a faster, more accurate, and Internet-based way to report member wages and contributions. Effective July 1, 2006, employers with Internet capabilities are required to submit their monthly wage reports via Web Wage Reporting. For more information refer to paragraph 4.25 A. Reporting Wages and Contribution Detail via IMRF’s Employer Access Web Wage Reporting.
2. IMRF Form 3.11 “Monthly Report of IMRF Member Wages and Contributions”
If you are reporting 25 or more members, IMRF will not accept Form 3.11. You must submit your wage and contribution report via IMRF Employer Access Web Wage Reporting.

4.20 IMRF Reporting: Overview

Employers must report IMRF wages as well as member and employer IMRF contributions on a monthly basis for each IMRF member employed. Both employer-paid member and employer IMRF contributions must be deposited with IMRF monthly. IMRF considers the failure to timely remit member contributions to be a serious offense.

4.20 A. Cash Basis

IMRF wage reporting is done on a cash basis. This means the wages are reported to IMRF for the month in which they are paid to the member. It does not matter when the wages were earned or when the obligation to pay the wages accrued.

Instructions for reporting IMRF wages and contributions follow:

4.21 Due Dates for IMRF Deposits and Reports

4.21 A. Tenth (10th) Day of Each Month for the Preceding Month:

1. Monthly Report of IMRF Member Wages and Contributions detail (submit via IMRF Employer Access Web Wage Reporting, or Form 3.11; Form 3.11 allowed only if you do not have Internet access and report fewer than 25 members)
2. IMRF Monthly Deposit Report Summary (created automatically if you submit the detail via Employer Access Web Wage Reporting, or Form 3.10 if you mail the report on Form 3.11)

3. First Data Government Solutions Electronic Funds Transfer (EFT) deposit of employer and member contributions. (All payments to IMRF must be made via First Data Government Solutions EFT pay-by-phone or pay online.) (See Paragraph 4.23C Wage Payments Must Be Submitted Electronically.)

4.21 B. Twentieth (20th) Day of Each Month:

The wage report is considered late, and interest charges begin for deposits not received.

4.21 C. Fiftieth (50th) Day Following the Due Date:

The wage report is considered delinquent. Effective September 1, 2005, a \$25 per month delinquent filing fee will be charged to an employer who submits its wage report more than 50 days after the due date.

4.22 Interest Charges on Unpaid Contributions and Adjustments

Interest is charged on unpaid contributions and adjustments as follows:

1. Interest is charged on monthly deposits of contributions from the 20th until the date payment is received.
2. Interest charges begin on adjustments 30 days after the date of the charge advice and continue until the date the payment is received.
3. Interest is charged at a rate of 1% per month.

Interest charges for Accelerated Payments begin after 90 days. After 90 days, employers will be charged interest on IMRF's current assumed rate of return. See 7.20 E. Accelerated Payment.

4.23 Monthly Employer Statement and Reporting of IMRF Deposits Summary, via Web Wage Reporting or Form 3.10

For employers that use Employer Access Web Wage Reporting, the information the employer would have entered on Form 3.10 is generated automatically by the Web Wage Reporting application.

Employers that do **not** have Internet access and cannot use Employer Access Web Wage Reporting must complete Form 3.10, "IMRF Monthly Deposit Summary," (Exhibit 4C).

This form is used to report IMRF wages and IMRF member and employer contributions for each IMRF plan the employer reports:

- RG01 Regular Tier 1
Regular plan members who first participated in IMRF or a reciprocal system (except Judges and General Assembly retirement systems) before 1/1/2011.
- RG03 Regular Tier 2
Regular plan members who first participated in IMRF on or after 1/1/2011.
- VA01 Voluntary Additional Tier 1
VA03 Voluntary Additional Tier 2
- SL01 SLEP Tier 1
SLEP members who first participated in SLEP before 1/1/2011.
- SL03 SLEP Tier 2
SLEP members who first participated in IMRF SLEP on or after 1/1/2011

IMRF's Elected County Official Plan also allows for several tiers. These appear as follows:

Original ECO:

- **ECR1 ECO**
Regular plan members who elected ECO before January 26, 2000. The member's ECO employer is responsible for additional cost of benefits payable to the member under ECO.
- **ECS1 ECO SLEP**
SLEP members (i.e., Sheriff) who elected ECO before January 26, 2000. The member's ECO employer is responsible for additional cost of benefits payable under ECO.
- **ECR2 ECO**
Regular plan members who elected ECO before January 26, 2000, under some other employer. The member's county employer is responsible for additional cost of benefits payable to the member under ECO. The member's current non-county employer is responsible for cost of benefits under the Regular plan.
- **ECS2 ECO SLEP**
SLEP members who elected ECO before January 26, 2000, under some other employer. The member's ECO county employer is responsible for additional cost of benefits payable under ECO. The member's current employer is responsible for cost of benefits payable under SLEP.

Revised ECO:

- **EPR1 Revised ECO Tier 1**
Members (except sheriffs) who participated in IMRF (in any plan) before January 1, 2011 and joined ECO after January 26, 2000.
- **EPS1 Revised ECO SLEP Tier 1**
Sheriffs who participated in IMRF SLEP before January 1, 2011 and joined ECO after January 26, 2000.

The ECO Plan is closed to new members as of August 26, 2011. See Paragraph 6.10 F. Election of Elected County Official to Participate in ECO.

4.23 A. Monthly Employer Statement (Exhibit 4B)

This monthly report is mailed separately at the beginning of every month to the Authorized Agent. This report provides a rolling three-month listing of the employer's account: previous balance, cash receipts, advices, and ending balance. Use this account balance report to verify IMRF payments. Contact IMRF if there are any discrepancies.

This report is updated monthly. On the last line, the balance in the account is reported. Employers must pay any balance due via First Data Government Solutions Electronic Funds Transfer (EFT) system, either pay by phone or pay online.

If an employer mails IMRF its wage detail on Form 3.11, you can apply any credit balances to the next month's deposit by including them in Section 2 of Form 3.10, "IMRF Monthly Deposit Summary" (Exhibit 4C)

4.23 B. Reporting IMRF Wages and Contributions Summary, via Web Wage Reporting or Form 3.10

For employers who use Employer Access Web Wage Reporting, the information the employer would have entered on Form 3.10 is generated automatically by the Web Wage Reporting application.

Employers who mail IMRF wage detail on Form 3.11, also complete Form 3.10, "IMRF Monthly Deposit Summary," to report monthly IMRF wages, contributions, and payments, as well as to identify any charge or credit advices. If an employer is reporting wages and contributions for more than three plans/tiers, it will submit a two-page Form 3.10.

All employers:

- Pay all charge advices by identifying the payment as an "Advice Payment" (Code 015) on the First Data Government Solutions Electronic Funds Transfer (EFT) pay-by-phone or pay online system.
- Take credits by reducing an EFT payment by the credit amount. Employers can view their Account Balance by selecting "Display Account Balance" from the Employer Access home page.

Information You'll Need for Reporting

Below is the information you'll need to supply when reporting IMRF wages and contribution via the Web or Form 3.10 (see Exhibit 4C).

Section 1:**Member Wages, Member Contributions**

List here for each plan shown (Regular, SLEP, ECO, or Voluntary Additional) the member wages and contributions reported on Form 3.11 (Tier 2 is subject to the wage cap). Report wages on a cash basis, i.e., wages paid during the month. Employers should report the gross amount of wages, including the member contribution.

The member rate for Regular members is 4.50% of wages. The current member rate for SLEP members is 7.50% of wages. The member rate for ECO members is 7.50% of wages. Do not include wages for employees who are not members of IMRF. See Section 3 for definitions of wages to be reported.

Back pay may or may not be allocated to prior periods. Refer to 3.96 U. Back Pay Other Than Illinois Labor Relations Acts. If back pay cannot be allocated to prior periods, report the amount in the month paid.

If back pay can be allocated, report the payments for the months they are allocated to as a wage adjustment. Employers with Internet access must submit wage adjustments via Employer Access. Employers without Internet access may submit wage adjustments on Form 3.20, "Employer's Report of Adjustments to IMRF Wages" (Exhibit 4E).

Wage Caps

Certain employees are subject to wage caps pursuant to the Pension Code and IRS regulations. For all employees who began participation on or after January 1, 1996, IMRF earnings do not include any compensation in excess of the wage cap set forth in IRS Regulation 401(a)(17). Refer to [Appendix A-2](#) of this Manual for the current wage cap information. Once an employee has reached the wage cap under 401(a)(17), employers should stop reporting the employee and making IMRF contributions for the remainder of that year.

For all Tier 2 employees, a member's wages are capped pursuant to a calculation under the Pension Code which applies to all Tier 2 employees. Refer to [Appendix A-2](#) of this Manual for the current wage cap information. Once an employee has reached the wage cap for a given year, employers should stop deducting IMRF contributions for any wages exceeding the cap. Employers should, however, continue to report all wages paid to the employee (subject to the limitations of 401(a)(17), above).

Employer Contributions

For each plan listed, compute the monthly IMRF employer contribution by multiplying the amount under "Rate" by the Member Wages. Employer contribution rates are calculated by the actuary to amortize the unfunded pension obligation over a period of years.

For most employers, the unfunded liability is amortized over a closed 29-year period reducing to 15 years, and then rolling at 15 years. Participating instrumentalities (employers without taxing authority) generally amortize their unfunded liabilities over a rolling 10-year period. (See Section 7 for more information.) The employer rate includes costs for retirement, death, disability, supplemental and early retirement incentive (if applicable).

The employer may have to pay a minimum contribution each month in order to pay down the unfunded obligation. The minimum contribution amount will be displayed on the Web Wage Reporting Validation Summary and printed on the paper Form 3.10.

Total Contributions by Plan

For each plan listed, add the IMRF member contributions and the IMRF employer contributions. Enter the sum under Total Contributions by Plan. If the employer rate times the wages is less than the minimum contribution, you must enter the minimum contribution under Total Contributions by Plan.

Total Due for this Report

Add the total contributions by plan and enter on this line.

Section 2:**Deposit Due**

All payments must be made via First Data Government Solutions pay-by-phone or pay online EFT system. If not, the employer will be subject to a \$25 processing fee.

IMRF Outstanding Advices

If reporting on paper Form 3.10, list the advice number and advice amount. If you are taking a credit, enter the advice number and indicate the credit by placing parentheses “()” around the amount. Employers can view Outstanding Advices by selecting “Display Account Balance” from the Employer Access home page.

Note: Charges or credits relating to adjustments will appear on the IMRF Monthly Employer Statement in the month they were processed. Interest charges on late contributions will appear in the month in which they are issued. Payment (First Data Government Solutions Electronic Funds Transfer) for these items must be received in the following month in order to avoid additional interest charges.

Total Deposit Due

The total deposit due should equal the Total Due for Report (Section 1) plus or minus any amounts entered under IMRF Outstanding Advices. In the online version, the total deposit due will appear on the Wage Report Summary screen in the Payment Summary box.

Remarks

Use this space to record any additional information you wish to send with this report.

Signature of Authorized Agent

The Authorized Agent should sign the report. The form will be returned if a signature is not present.

If the Authorized Agent is not available to sign the form, a person authorized by the agent to sign should affix the Authorized Agent's name and then add “by” and sign his or her own name. If an authorized agent has been replaced, please refer to Paragraph 2.40 Appointment of an Authorized Agent.

Note: The monthly wage and contribution detail and summary reports and the EFT payment should be received by IMRF by the 10th day of the month following the payroll month reported. Interest will be charged on late deposits not received by the 20th. See Paragraph 4.22 Interest Charges on Unpaid Contributions and Adjustments.

4.23 C. Wage Payments Must Be Submitted Electronically

Payments to IMRF must be made electronically to the First Data Government Solutions Electronic Funds Transfer (EFT) via either pay-by-phone or pay online. If not, the employer will be subject to a \$25 processing fee.

All IMRF employer payment types are accepted by the First Data Government Solutions EFT system. The EFT system allows you to identify the payment type, such as:

- Wage report contributions
- Advice payment
- Employer ERI cost

- Member ERI cost
- After-tax payment for member past service
- Additional funding of the employer's funding obligation.
- Accelerated Payments

You can also specify a future bank account debit date up to 40 days in the future.

For added security, a payment is initiated only after your completed call or visit into the system. Also, payments made on the IMRF First Data Government Solutions system can be sent only to IMRF.

Pay-by-phone

Available 24 hours a day. The system can be accessed from anywhere by telephone. The system guides you through the process. Access is toll-free and all charges are paid by IMRF.

Pay online

A web-based payment system, fully integrated, electronic payment solution available online 22 hours a day (with a nightly maintenance window), seven days a week.

To Enroll in First Data Government Solutions EFT

Complete IMRF Form 3.00, "EFT Enrollment Agreement," (Exhibit 4G) and return the form to IMRF.

Note: If you use multiple bank accounts to make payments to IMRF, you will need to complete a separate enrollment form for each bank account you use.

Once your account is ready for use, you will receive a confirmation letter, your EFT number (assigned by IMRF), your PIN code (assigned by First Data Government Solutions), EFT system instructions, and a set of Frequently Asked Questions.

4.24 Monthly Reporting of Member Wages and IMRF Contributions, Form 3.11, Exhibit 4D

If you are reporting 25 or more members, you must report the member wage and contribution detail:

- Over the Web via IMRF Employer Access Web Wage Reporting (Required if employer has Internet access. See paragraph 4.25A Reporting Wages and Contribution Detail via IMRF's Employer Access Web Wage Reporting)

If you report fewer than 25 employees, you may report their wage and contribution detail:

- Over the web via IMRF Employer Access Web Wage Reporting (Required if employer has Internet access. See paragraph 4.25A Reporting Wages and Contribution Detail via IMRF's Employer Access Web Wage Reporting)
- On paper Form 3.11, "Monthly Report of IMRF Member Wages and Contributions," (Exhibit 4D).

4.24 A. Member Identification

Use the member's name and Social Security number as shown on the member's Social Security card.

4.24 B. Contributions

Show the amounts of member contributions withheld for each member. These amounts should be computed using the IMRF member contribution rate times the member's gross wages.

- The member contribution rate for Regular members is 4.50% of wages. (Tier 2 is subject to the wage cap)
- The member contribution rate for SLEP members is 7.50% of wages. (Tier 2 is subject to the wage cap, also overtime earnings are not included)
- The contribution rate for ECO members is 7.50% of wages.

Tier 2 Wage Cap

For 2022, Tier 2 member wages do not include compensation in excess of \$ 119,892.41.

You will not withhold IMRF contributions, but you will continue to report earnings only for any wages that exceed this amount. IMRF will not accept contributions over this amount for Tier 2 members.

If you have a Tier 2 member who has reached the wage cap:

- When you validate your monthly wage report, you will receive a message that the member has reached the wage cap.
- IMRF will accept full wages and contributions for the member during the month he or she reaches the wage cap. (If this amount puts the member's contributions over the wage cap, IMRF will automatically adjust any over-contributions by year end.)
- In subsequent months, continue to report the member in your wage report. You will continue to report the member's wages, but you will not withhold or report IMRF member or employer contributions for the duration of the calendar year. This will ensure that the member receives service credit for all months he or she is working for an IMRF employer. Note: Employer Access wage reporting will not accept contributions for a member who has reached the wage cap beyond the month that he or she reaches the cap.

Cap Resets in January

Each January, all wage caps are reset and you must resume withholding and reporting IMRF member contributions for all members. (The wage cap period is based on the calendar year, regardless of your employer's fiscal year.)

Cap Adjusted Annually

The 2022 wage cap amount of \$ 119,892.41 will be increased annually by the lesser of 3% or one-half of the increase in the Consumer Price Index (urban) for the preceding September. IMRF will inform employers of the new wage cap amount by December 2022.

Wage Cap - Excess Contributions

If an excess of contributions are deducted and reported for a Tier 2 member, IMRF will create an adjustment to correct the excess contributions and send the funds back to the employer in a credit advice. You should use the credit advice to return the funds to the member and to correct the member's payroll record. This is critical and must be done in a timely manner to ensure that the W-2 is correct at the end of the year.

In most cases, the credit advice will include a return of member contributions only. When you report member earning through Employer Access, the amount of the calculated employer contributions will not include contributions on amounts above the Tier 2 limit.

When processing the credit advice, you should complete the following steps:

1. Give the returned member contributions to the member:

- a. Process a reversal of the IMRF deduction in the payroll system. This will make all necessary corrections for the member and for the W-2 that is issued at the end of the year
- b. If a different process is used to return the member contributions to the member, you will need to increase the member's taxable wages in the payroll system to ensure correct W-2 processing at the end of the year.

NOTE: Corrections should not change the Social Security or Medicare wages since the adjustment amount is already included in amounts previously reported. Only the taxable wages reported in box 1 (wages, tips, other compensation) on IRS Form W-2 should be changed. The change will increase the taxable wages by the amount of the credit advice.

2. Reduce a future deposit to IMRF. This will have the effect of the employer receiving the returned member contributions from IMRF.

Example

You reported \$120,000.00 in wages and \$5,400.00 in member contributions (4.5% times \$120,000.00)

The 2022 annual Tier 2 wage limit was \$119,892.41.

IMRF processes a credit advice for \$4.84 (4.5% on the \$107.59 of wages over the Tier 2 limit).

You would change your payroll system to adjust the taxable wages as follows:

Beginning taxable wage (\$120,000.00 minus \$5,400.00 IMRF)	\$114,600.00
Credit Advice to employer (to be paid to the member)	<u>+ \$4.84</u>
Taxable wage for W-2 reporting (Box 1 Wages and Box 16 state wages)	\$ 114,604.84

4.24 C. Non-Cash Earnings

See Paragraph 3.96 F. Non-Cash Earnings (Wages-In-Kind).

If non-cash compensation is reportable to IMRF (see 3.96F) it may be reported in one of two ways:

1. The value can be included on each month's report and IMRF member contributions submitted with the report. If an employer incorporates the value of the non-cash items into the payroll system, the member contributions will be automatically withheld each pay period.
2. The value can be reported on a periodic basis such as quarterly, semi-annually, or annually and the IMRF member contributions submitted with the report, including the wages. This method would fit if the employer does not withhold contributions each pay period, but only periodically.

These rules are essentially the same as those applicable to withholding of Social Security (FICA) taxes. It should be noted that FICA withholding rules permit an employer to elect to treat the value of fringe benefits for November and December as Social Security wages and taxable income for the following year. If this method is used, then the IMRF wages should be reported in the same time frame.

4.24 D. Elected Official Stipend

The state agency calculates income taxes on the net amount after the IMRF contribution is deducted rather than on the gross stipend amount. This tax treatment allows for immediate Illinois and federal income tax savings to the member and avoids the possibility of double taxation of the IMRF contribution.

Therefore, all elected official stipends will be treated as tax-deferred. You no longer need to identify them as "previously taxed" stipends when reporting them to IMRF. Report the gross stipend amount and calculate IMRF

contributions on this gross amount. Report these amounts as a part of your employer's total IMRF member wages and contributions.

Please note: Social Security and IMRF contributions will continue to be calculated on the gross amount.

4.24 E. Negative Earnings or Contributions

For monthly reporting of member wages and IMRF contribution, do not report negative wages or contributions.

If wages and/or contributions previously reported need to be corrected, submit a wage adjustment via Employer Access.

Because online transactions are more accurate, more efficient, and faster than submitting member information to IMRF via paper forms, employers with Internet access must submit wage adjustments via Employer Access.

Employers without Internet access may submit IMRF Form 3.20, "Employers Report of Adjustments."

Visit Employer Access, or refer to 4.30 Corrections of Member Wages and Contributions Previously Reported (web or Form 3.20) for instructions.

4.24 F. New Members

For monthly reporting of member wages and IMRF contribution, submit a "Notice of Participation in IMRF" via Employer Access.

Because online transactions are more accurate, more efficient, and faster than submitting member information to IMRF via paper forms, employers with Internet access must enroll new members via Employer Access.

Employers without Internet access may submit IMRF Form 6.10, "Notice of Participation in IMRF" to IMRF. A copy of the member's Social Security card should be affixed in the appropriate area on Form 6.10.

If you use Employer Access Web Wage Reporting to report members' wages, the new member will be identified as "unknown." You will be prompted to enter the wages and contributions for the new member.

If you use Form 3.11 to report members' wages (allowed only for employers without Internet access reporting fewer than 25 members), type or print the new member's data in the blank spaces following the prelisted members.

4.24 G. Termination

If a member is no longer employed by you, submit the member's termination to IMRF via the Employer Access "Terminate IMRF Participation" function. Or, send a completed Form 6.41, "Notice of Termination of IMRF Participation to IMRF. See Section 6 of the manual for a sample completed form.

Because online transactions are more accurate, more efficient, and faster than submitting member information to IMRF via paper forms, employers with Internet access must terminate members via Employer Access.

The terminated member will not be removed from Employer Access Web Wage Reporting or from the preprinted paper Form 3.11 until IMRF receives the Web termination or Form 6.41 Termination of IMRF Participation.

4.24 H. Member with No Wages

If a member has no wages because of seasonal leave, disability leave, military leave, or other authorized leave but he or she has not terminated employment, you should insert blanks, dashes, or zeros in the wages and contributions columns on the Form 3.11 (allowed only for employers without Internet access reporting fewer than 25 members) for monthly reporting of member wages and IMRF contribution.

If you use Employer Access Web Wage Reporting to report members' wages, you will be prompted to confirm zero wages for the member. See **6.40 Past Service Credits/Member Account Corrections** for an explanation of service credit that can be granted when no wages have been paid.

4.24 I. Employer-Paid Member Contributions

Normally, IMRF member contributions are deducted from a member's salary before taxes are deducted. Some employers pay all or a part of all of the member's IMRF contribution. In that case, those "employer-paid member contributions" are considered a salary increase, or a raise, to the member. This raise is considered income for all payroll tax purposes, i.e. IMRF and Social Security.

If an employer chooses to pay all or part of the member contribution, the employer cannot use funds from the IMRF tax levy. This limitation is stated in the Illinois Pension Code [40 ILCS 5/7-171(h), 173.2(b)].

To determine a member's IMRF earnings if the employer pays all of the member's IMRF contribution, divide the base salary (the member's salary before the employer-paid contributions are added to it) by a factor:

Regular Plan Factor	100% less 4.50% contribution = 95.5%
SLEP Plan Factor	100% less 7.50% contribution = 92.5%
ECO Plan Factor	100% less 7.50% contribution = 92.5%
Base Salary	Member's salary before employer pays contributions
IMRF Earnings	Base salary plus employer paid member contributions
Taxable Earnings	Earnings reported on IRS Form W-2
	(see Appendix B-1 and B-2 for information on completing W-2)

The following example assumes the member participates in the Regular plan.

	Member pays member contribution	Cafeteria Plan reported as IMRF earnings and Employer pays member contribution	No Cafeteria Plan or Cafeteria Plan NOT reported as IMRF earnings and Employer pays member contribution
Base Salary	\$10,000.00	\$10,000.00	\$10,000.00
Less Cafeteria Plan contribution	N/A	N/A	\$1,000.00
Divide by Factor	N/A	÷ 0.955	÷ 0.955
IMRF Earnings	\$10,000.00	\$10,471.20	\$9,424.08
<i>Multiply by member rate</i>	x .045	x .045	x .045
Contribution Reported to IMRF	\$450.00	\$471.20	\$424.08
IMRF Earnings	\$10,000.00	\$10,471.20	\$9,424.08
Less contributions reported	<u>450.00</u>	<u>471.20</u>	<u>424.08</u>
Taxable Earnings	\$9,550.00	\$10,000.00	\$9,000.00

Alternatively, in order to calculate the member's reportable earnings resulting from an employer's payment of member contributions, employers can multiply the member's wages by a factor of 1.04712. As used in the above example, an employer who pays contributions for a member's wages of \$10,000 would calculate $\$10,000 \times 1.04712 = \$10,471.20$, which equals the member's IMRF reportable earnings.

The next example below assumes the member participates in the Regular plan with an employer who does not have the Section 125 cafeteria resolution on file. The employer is paying the member contributions on a \$500 bonus, but is not paying the member contributions on the member's regular wages of \$1000. The member has \$100 in Section 125 deductions.

	Employer pays member contributions on portion of wages
Base Salary	\$1,000.00
Bonus Wages	\$500/ .955 = \$523.56
<i>Less Cafeteria Plan contribution</i>	\$100.00
IMRF Earnings	\$1,423.56
<i>Multiply by member rate</i>	x .045
Contribution Reported to IMRF	\$64.06
IMRF Earnings	\$1,423.56
<i>Less contributions reported</i>	<u>64.06</u>
Taxable Earnings	\$1,359.50

4.25 Methods of Reporting Monthly IMRF Wages and Contributions: Specific Guidelines

Any one of the following methods of monthly reporting of IMRF wages and contributions is acceptable:

1. IMRF Employer Access Web Wage Reporting (see paragraph 4.25A)
2. IMRF Form 3.11 (for employers reporting fewer than 25 employees) (see paragraph 4.25B)

Following are specific requirements based upon the method of reporting selected:

4.25 A. Reporting Wages and Contribution Detail via IMRF's Employer Access Web Wage Reporting

IMRF Employer Access Web Wage Reporting provides IMRF employers with a faster, more accurate, and Internet-based way to report member wages and contributions to IMRF. Effective July 1, 2006, IMRF employers with Internet capabilities are required to submit their monthly wage reports via Web Wage Reporting. After July 1, 2006, if an employer has Internet capability but does not submit monthly wage reports via Web Wage Reporting, it will be charged a \$25 monthly processing fee. If an employer does not have Internet access, it can avoid the \$25 monthly processing fee by submitting a "Certificate of Lack of Internet Access" form (Exhibit 4H).

IMRF Employer Access Web Wage Reporting is a step-by-step process that lets you:

1. Import wage information as a Microsoft Excel worksheet (see Paragraph 4.25C. Record Format for Web Wage Reporting)
2. Display, modify and report detailed wage information for employees

3. Validate a monthly wage report to ensure accuracy and completeness
4. Send a completed wage report to IMRF
5. View already-sent Web Wage Reports

IMRF Employer Access Web Wage Reporting eliminates the requirement to send a separate IMRF form 3.10 each month. The information you previously entered on IMRF form 3.10 is generated automatically when you send a web wage report to IMRF.

Web Wage Reporting also reduces the amount of correspondence you receive regarding missing members, unknown members, and incorrect contribution amounts.

Don't Report the Same Member Twice Under the Same Plan

If a member is reported by more than one department but is reported under the same plan, e.g. the Regular plan, do not report the member twice. Instead, combine the member's wages and contributions and report the member once under his or her plan.

If you do not have Internet access but obtain it in the future

If you currently report wages and contributions on Form 3.11 because you do not have Internet access but you obtain access to the Internet, you must use IMRF Employer Access Web Wage Reporting. All you need is an Employer Access account User ID and password.

To apply for a User ID and password, complete the online registration form on the Employer Access Login page at www.imrf.org.

4.25 B. Reporting Wages and Contribution Detail on IMRF Form 3.11

Enter wages paid this month under "Current Month Wages." See Paragraph 4.24 H. Members with No Wages for reporting procedures for members with no wages.

Total wages reported on each page at the bottom of the page in the space provided. Enter the IMRF member contributions under "Current Member Contributions." Total the contributions reported on each page at the bottom of the page in the space provided. See Exhibit 4D.

4.25 C. Record Format for Web Wage Reporting

Files can be submitted as Excel worksheets.

If you do not have Microsoft Excel, you can use Open Office Calc to prepare the Excel Worksheet. Open Office Calc is part of the free Open Office software suite. You can download the free Open Office software at <http://download.openoffice.org/index.html>.

Excel worksheet format

You can download a sample Microsoft Excel Template from the Employer Access area of the IMRF website. Please note: the wage data must be on the first sheet.

Column Description	Requirement Description
employer_nbr	Employer number (text): 5-digits. Use last four digits of the nine-digit Employer SSA Number, preceded by a zero; otherwise, if the employer joined IMRF on or after January 9, 1993, use the five-digit identification number issued by IMRF, including the leading zero.
report_month	Wage Report Month (text) 2-digit month of wage report period
report_year	Wage Report Year (text) 4-digit year of wage report period
member_ssn	Member Social Security Number (text) 9-digit Social Security Number without dashes
member_name	Member Name (text) The member name should be entered delimited by a space or comma. Enter the member name as 'lastname[space or comma]firstname' (e.g., 'JACKSON JOHN' or 'JACKSON,JOHN'). Enter two-part names without spaces or punctuation (e.g., 'Van Horn' should be entered as 'VANHORN' and 'O'Brien' should be entered as 'OBRIEN').
member_gender	Member gender (text) 1-character. Gender: Use "F" for female, "M" for male, or leave blank (space).
plan_code	IMRF Member Plan Code Tier 1 (text) 4-characters (use a zero '0.' Not the alphabet 'O') <ul style="list-style-type: none"> • If the plan is Regular, use RG01 • If the plan is SLEP, use SL01 • If the plan is Voluntary Additional, use VA01 • If the plan is ECO use: <ul style="list-style-type: none"> ECR1 ECR2 ECS1 ECS2 EPR1 ERS1 <p>See Paragraph 4.23 for an explanation of ECO codes.</p> <p>Tier 2</p> <ul style="list-style-type: none"> • If the plan is Regular, use RG03 • If the plan is SLEP, use SL03 • If the plan is Voluntary Additional, use VA03
current_wages	Current Member Wages (number) Cannot be a number greater than 99999.99 May contain up to two decimals.

current_contributions	Current Member Contributions Cannot be a number greater than 99999.99 May contain up to two decimals
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4.25 D. Reporting Excess Contributions for a Tier 2 Member

When a Tier 2 member has reached the wage cap, you will stop withholding IMRF contributions but continue reporting the wages until the end of the calendar year.

At the start of the new year, be sure to begin withholding the member's IMRF contributions, and reporting IMRF contributions and wages. If the employee reaches the cap once again, continue reporting wages but stop withholding and reporting IMRF contributions up to the end of the calendar year.

4.27 Paying Early Retirement Incentive Costs

If you want to submit a payment toward your employer's Early Retirement Incentive (ERI) costs, submit the payment via First Data Government Solutions EFT pay-by-phone or pay online. The EFT system will allow you identify the payment as a payment toward your employer ERI cost.

Please note: an employer cannot adopt later ERI programs until the cost of the previous ERI is paid in full. For more information on ERI, refer to Paragraph 5.20 C. IMRF Early Retirement Incentive (ERI).

4.28 Paying Accelerated Payment Costs

Employers are required to immediately pay that portion of the present value of a pension attributable to earnings increases exceeding the greater of 6% or 1.5 times the increase in the CPI-Urban as of the previous September. This applies to earnings increases paid on or after January 1, 2012, to members retiring on or after February 1, 2012.

After receiving the Accelerated Payment invoice from IMRF, employers may dispute the increase by providing documentation of any exemption within 30 days or pay the amount due without interest within 90 days. After 90 days, employers will be charged interest based on IMRF's assumed rate of return. The full amount must be paid within three years. When paying with First Data, employers must use the code 025 for Accelerated Payments.

See 7.20 E. Accelerated Payment

4.30 Corrections of Member Wages and Contributions Previously Reported (Web or Form 3.20)

If you need to correct IMRF earnings and/or contributions for an individual member, use IMRF Employer Access "Report Wage Adjustments" function.

Because online transactions are more accurate, more efficient, and faster than submitting wage adjustments to IMRF via paper forms, employers with Internet access must submit wage adjustments via Employer Access. Employers without Internet access may submit Form 3.20, "Employer's Report of Adjustments to IMRF Earnings" (Exhibit 4E).

Adjustments to previously reported earnings are allowed only in certain situations. Because IMRF is on a cash basis reporting method, changes to earnings actually paid and reported can be processed only for reasons allowed by law. Adjustments may be processed for the following reasons:

1. Typographical error on the payroll report (numbers transposed, digits omitted, etc.)
2. Compensation not reportable under the IMRF definition of earnings was reported.
3. Compensation reportable under the IMRF definition of earnings and actually paid to the member was not included on the payroll report.
4. Earnings were reportable to another retirement system.

5. Member awarded back pay which must be allocated to prior months/years. (See 3.96 U. Back Pay Other Than Illinois Labor Relations Acts for the rules regarding back pay.)

Adjustments are not allowed when compensation actually paid to an employee is returned voluntarily.

To submit a wage adjustment via Employer Access:

1. Login to Employer Access
2. Select Report Wage Adjustment from the Employer Access homepage.
3. You will be guided through the wage adjustment process.

To complete Form 3.20:

1. In the designated columns, identify the report and member for whom the correction is being made.
2. In the columns entitled "Previously Reported," enter the amounts that appear on your file copy of Form 3.11. The amount entered on Form 3.20 must agree with the amount previously reported for the month. If nothing was reported, enter "NONE" in the appropriate space.
3. In the columns entitled "Correct Amount," enter the revised earnings and contributions for the month from your payroll records.
4. Place an "x" in the appropriate column to indicate whether the corrected earnings were reported on the employee's W-2 for the adjusted year. This will ensure proper tax treatment (either tax deferred or previously taxed) of the member's contributions by IMRF.
 - If you check "yes," this indicates that any additional earnings were treated as tax deferred on the W-2, that is, the earnings were reduced by the Regular 4.50% (6.50% SLEP before June 1, 2006 and 7.50% on and after June 1, 2006, 7.50% ECO) member contributions. IMRF will treat the member contributions as tax deferred, that is, subject to federal income tax when they are returned as a refund, pension or death benefit.
 - If you check "no," this indicates that any additional earnings were not treated as tax deferred on the W-2. The earnings were not reduced by Regular 4.50% (6.50% SLEP before June 1, 2006 and 7.50% on and after June 1, 2006, 7.50% ECO) member contributions. IMRF will treat the member contributions as previously taxed, that is, not subject to federal income tax when they are returned as a refund, pension, or death benefit.

If the correction involves any other situation than the two described above, contact IMRF to determine the appropriate tax treatment of the member's earnings and/or contributions.

5. Give a detailed explanation. "Payroll error" is not a sufficient explanation.
6. Sign (only the authorized agent may sign), date, and mail the form to IMRF. Do not include any payment or take any credit until notified by IMRF. IMRF will send you a charge or credit advice for contributions over or underpaid. An explanation must always be provided for any adjustment.
7. It is important to file adjustments promptly, especially when a member has terminated. IMRF cannot adjust a member's IMRF earnings or contributions after payment of a refund to the member.

4.35 IMRF Tax-Deferred Payroll Deduction Program for the Purchase of Past or ERI Service (closed effective December 31, 2012)

IMRF members were allowed to enter into a contract to purchase optional service credit, on a tax-deferred basis, through payroll deductions prior to February 1, 2008. Because of IRS rulings, the Tax-deferred Payroll Deduction Program (TPDP) was closed.

4.50 Federal and State Reports: Overview

IMRF employers are required to report wage and tax information to state and federal governments. Some of the most commonly required forms are described in this section.

Download IRS Forms

If you need to order IRS forms, you can download them at www.irs.gov or call the IRS 24-hour forms line at 1-800-TAX-FORM (1-800-829-3676).

Forms for Other States

Reports required by state governments other than Illinois are not included. If you employ individuals who are not residents of Illinois, you should contact the appropriate governments for instructions.

Employers of non-Illinois residents should also refer to Paragraph 4.50 J. Illinois Form IL-W-5-NR: Employee's Statement of Non-Residence In Illinois.

4.50 A. IRS Form 941: Employer's Quarterly Federal Tax Return

All IMRF governmental units must report:

- Withheld federal income taxes
- Social Security wages
- Medicare-only wages

by filing IRS Form 941 each quarter of the calendar year.

Instructions for filing appear on the form. This form must be filed for each Federal Employer ID number (FEIN); thus an IMRF employer may be required to complete more than one Form 941.

To correct information reported on Form 941, use IRS Form 941C.

Form 941C is included in Publication 393, "Federal Employment Tax Forms," which is available at <http://www.irs.gov/formspubs/index.html>. Instructions for Form 941C may be found on the form and on Form 941.

4.50 B. IRS Form 8109: Federal Tax Deposit Coupons or EFTPS

If the federal income taxes, member and employer Social Security taxes, and member and employer Medicare-only taxes are withheld, you will need to report the amount and make the necessary payments. See "Depositing Taxes" in IRS Pub 15, "(circular E), Employer's Tax Guide."

4.50 C. IRS Form W-2: Wage and Tax Statement

Each employer must distribute:

- Three copies (Copies 2, B, and C) of the IRS Form W-2 to each member no later than January 31 of the year following the taxable year.
- One copy to the Social Security Administration. Depending on the number of forms you are filing, you may file either paper copies, or electronically.

The employer should also retain one copy of each W-2 for its records.

Form W-2 Instructions

Requirements for completing IRS Forms W-2 may change from year to year. To ensure that W-2s are completed correctly, IRS instructions for W-2s should be reviewed each year.

The instructions are contained in IRS Publication 393, "Federal Employment Tax Forms," which is available at the IRS website at www.irs.gov or by calling 1-800-TAX-FORM.

4.50 D. IRS Form W-3: Transmittal of Wage and Tax Statements

IRS Publication 393 will help you determine how to send the W-2 information to the Social Security Administration (SSA).

If you are sending paper forms, follow the W-3 instructions in the Publication 393.

For employers filing using magnetic media or filing electronically, you will find the file specifications and instructions in SSA publication MMREF-1.

You can obtain this publication either at the SSA magnetic media reporting specifications for form website (www.ssa.gov/employer) or by calling 1-800-772-6270.

Generally, this reporting is due by the last day in February.

4.50 E. IRS Form W-4 or W-4A: Employee's Withholding Allowance Certificate

Each member should complete an IRS Form W-4 or W-4A upon beginning employment.

On the W-4 or W-4A a member can claim allowances for federal income tax withholding.

If a member claims more than ten (10) allowances, you must send a copy of the W-4 or W-4A to the IRS with the first quarterly Form 941 with which you report his or her wages.

Instructions for completing the form are on the form.

4.50 F. IRS Form W-5: Earned Income Advance Payment Certificate

As of December 31, 2010, members eligible for earned income tax credit (EIC) can only receive it on their tax returns. Advance payments are no longer made during the year.

Further employer information about Earned Income Credit is available from the IRS.

4.50 G. Illinois Form IL-941: Employer's Quarterly Illinois Withholding Tax Return

Employers must file Form IL-941 to report Illinois income tax withheld each calendar quarter. This form applies only to Illinois income tax withholding and is due by the last day of the month following the calendar quarter.

Instructions for completing the IL-941 appear on the form. Payment of any undeposited taxes (normally each quarter) is due with the form.

4.50 H. Illinois Form IL-501: Monthly State Income Tax Payment Form

Form IL-501 is used to deposit Illinois income tax withheld.

If the amount due is:

- **Less than \$500 a quarter** - the employer may report and pay the tax using the IL-941 described in the preceding paragraph.

- **\$500 or more a quarter** - the employer must deposit the taxes with the Illinois Department of Revenue using Form IL-501 to transmit the deposit.

The amount of withheld Illinois income tax determines the frequency of deposit. Instructions for the IL-501 are contained in "Withholding Tax Guide and Withholding Tables," published by the State of Illinois.

4.50 I. Illinois Form IL-W-4: Illinois Withholding Exemption Certificate

Every member who resides in Illinois must complete Form IL-W-4 to state the number of withholding allowances being claimed for computation of Illinois withholding taxes.

Non-Illinois residents must complete Form IL-W-5-NR. See the paragraph below.

4.50 J. Illinois Form IL-W-5-NR: Employee's Statement of Non-Residence In Illinois

A member who is a resident of Iowa, Kentucky, Michigan, or Wisconsin may claim exemption from Illinois income tax under the reciprocal withholding agreements by completing Form IL-W-5-NR. A copy of this form must be on file with the employer.

Members who are residents of Indiana or Missouri are not entitled to this exemption.

If you have non-Illinois resident members, contact the Department of Revenue of the particular state for instructions on withholding taxes and reporting wages.

4.50 K. Illinois Form UC-3/40: Employer's Contribution and Wage Report

Illinois Form UC-3/40 is used to report wages and unemployment taxes due for the quarter and is filed with the Illinois Department of Employment Security. (Wages are not reduced by the IMRF contribution.)

The form and payment are due no later than the last day of the month following the end of the quarter.

4.50 L. Illinois Form BEN 118R: Benefit Wage Charge

Illinois Form BEN 118R is sent to the employers who elect to reimburse the state for the actual amounts of any unemployment benefits paid to former employees.

Reimbursement is due only after the unemployment benefits have been paid. Billing is made on a quarterly basis.

4.50 M. IRS Form 940: Federal Unemployment (FUTA) Tax Return

IRS Form 940 is used to report Federal unemployment taxes.

Governmental entities are exempt from Federal unemployment taxes and do not need to file this form.

4.60 Payroll Records: Access, Preservation, Period of Retention

All primary records of governmental entities which relate to the identification of employees to whom wages have been paid and which form the basis to establish the amount of compensation reported for Social Security purposes are subject to the following controls, as a condition of the coverage agreement:

4.60 A. Accessible for Inspection

Payroll records will be kept at the designated business address of the entity and held accessible and open to inspection by authorized representatives of the State Agency, the Internal Revenue Service and the Social Security Administration.

4.60 B. Preservation

Payroll records will be stored under conditions that will prevent their deterioration, loss or destruction, and generally be handled and treated as other vital and permanent records of the entity.

4.60 C. Period of Retention

Because the old three-year, three-month, 15-day statute of limitations for correcting Forms W-2 and W-2P has been eliminated, we recommend that you retain such payroll records indefinitely.

4.60 D. Specific Records Under These Regulations

In addition to the original payroll records of the entity, these regulations also apply to the following records required of covered entities for Social Security purposes:

1. “State’s Report of Adjustments” (Form SSA-3964)
2. “Federal Determination of Error in State’s Reported Wages” (Form SSA4500)
3. “Annual Wage and Tax Statements” (IRS Form W-2)
4. Any memoranda of tax debits, tax credits, tax refunds, or interest penalty assessments issued to the governmental unit by the state agency or IRS.