



State of Arizona Accounting Manual

Topic 55 Payroll and Personnel
Section 45 **Alternate Retirement Contributions for
Reemployed, Leased and Contracted Retirees**

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INTRODUCTION

Agencies participating in any of the State's retirement plans--the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Corrections Officer Retirement Plan (CORP), or the Elected Officials Retirement Plan (EORP), for any and/or all of which the term the Plan shall be used--must make alternate contributions to the Plan on behalf of retired members who return to work in a position for which retirement contributions to Plan the would otherwise be paid. These contributions are to be computed and paid using an Alternate Contribution Rate (ACR) that might differ from Plan to Plan and is likely to differ from the contribution rate otherwise applied to active employees and their agencies.

While the obligation to pay the alternate contribution applies to all agencies and universities of the State, the procedures outlined below may not apply in the case of the universities or agencies that use accounting systems other than AFIS or payroll systems other than HRIS.

This Section of SAAM contains a number of very specific and specialized terms. To prevent errors in computing the alternative contribution, one should refer to the Glossary for definitions of specified position, subject amount, reemployed retiree, leased staff, independent contractor, contracted retiree, as well as any other term with which the reader may be unfamiliar. Generally, the term "contracted retiree" includes leased staff and independent contractors; when the distinction is necessary, the more specific term will be used.

A Supplement has been attached demonstrating the calculations to be made for the type of retired member under consideration as well as giving examples of situations in which the ACR does and does not apply.

POLICIES

1. Whenever a retired member fills a specified position, the hiring agency must contribute to the Plan at the ACR for any subject amounts paid.
 - 1.1. The alternate contribution is due whether the retired member is a reemployed retiree or a contracted retiree.
 - 1.2. The alternate contribution is due for all reemployed and contracted retirees, irrespective of their retirement dates.

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- 1.3. The alternate contribution is due whether the retired member previously worked for the State of Arizona or for some other employer participating in the Plan.
- 1.4. An alternate contribution is due for any subject amount, no matter how small the amount or how few the hours worked.
2. The alternate contribution is to be paid entirely by the agency at the rate annually specified by the Plan.
 - 2.1. Agencies should contact the relevant Plan to ascertain the ACR in effect for any given period.
 - 2.2. The ACR payment is to be made to the Plan covering employees at the agency from which the reemployed or contracted retiree is currently receiving compensation (e.g., if, before retirement, an employee worked at Department of Corrections and contributed to CORP, but now is a contracted retiree providing service to and compensated by the Department of Administration, ACR payments would be due to ASRS, not CORP).
3. Alternate contributions are to be calculated and remitted for each pay period a payment is made.
4. Payments of alternate contributions must be made so as to be received by the Plan on a timely basis.
 - 4.1. Alternate contributions for contracted retirees are to be calculated using the appropriate version (depending upon the Plan) of the Form GAO-ACR (Form GAO-ACR-ASRS or Form GAO-ACR-PSPRS) located on the GAO Website at Form GAO-ACR.
 - 4.1.1. The Form GAO-ACR is to be completed by the agency and attached to the IETAT document in AFIS not later than 5:00 p.m. on the pay period end date of the pay period in which an agency made a payment to a contracted retiree.
 - 4.1.2. The Form GAO-ACR is to include the alternate contribution data for all payments made to contracted retirees by 5:00 p.m. of the pay period end date for the pay period in which an agency made a payment to a contracted retiree.
 - 4.1.3. Agencies must retain a copy (electronic or paper) of all Forms GAO-ACR for a period consistent with the retention schedules published by LAPR.
 - 4.1.4. If an agency has no alternate contributions due for the pay period under consideration, it need not file a Form GAO-ACR.
 - 4.2. Untimely payment will result in an interest assessment as provided by the relevant sections of the Arizona Revised Statutes.

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5. Computation of the subject amount differs depending upon the type of retired member under consideration. In the case of:
 - 5.1. A reemployed retiree, the subject amount is the reemployed retiree's gross wages.
 - 5.2. Leased staff, the subject amount is the gross wages the leased staff receives from the leasing company by which he is employed.
 - 5.2.1. Agency management is responsible for determining this amount.
 - 5.2.2. This amount is generally disclosed in the governing contract with the State.
 - 5.2.3. If the amount is not disclosed in the government contract with the State, agency management must acquire it from the leasing company; authority to do so is contained in the Uniform Terms and Conditions of the leasing company's contract with the State.
 - 5.3. A contracted retiree, the contract fee paid.
6. If an agency has access to AFIS, payment of the alternate contribution related to contracted retirees is to be made to the GAO by way of an Internal Exchange – Automated Transfer Document (IETAT).
 - 6.1. The IETAT is to be completed as follows:
 - 6.1.1. The Initiator should be set to "Provider/Seller."
 - 6.1.2. The Event Type should be set to "INZ3."
 - 6.1.3. The Amount of the ACR should be entered.
 - 6.1.4. The Accounting Template to be used is ACRCNTR.
 - 6.1.5. The Second Party Accounting component should minimally contain the Department and Function
 - 6.1.6. The expenditure should be recorded using Object 6157.
 - 6.1.7. Any other information, such as amount, etc., required by AFIS to complete the transfer.
 - 6.2. The IETAT is to be entered, validated and submitted in AFIS not later than 5:00 p.m. of the pay period end date for the pay period in which an agency made a payment to a contracted retiree.
 - 6.2.1. The IETAT document will be handled through workflow, pending the action of the Department Approver.

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- 6.2.2. The IETAT document will then be routed to GAO for review and approval.
- 6.2.3. The agency must attach the appropriate Form GAO-ACR to the IETAT document.
- 6.3. The amount to be transferred to the GAO, must match the total on the Form GAO-ACR for the period under consideration.
 - 6.3.1. If the amount of the automated transfer equals or is greater than the total shown on the Form GAO-ACR:
 - 6.3.1.1. The amount as shown on the Form GAO-ACR will be remitted to the Plan.
 - 6.3.1.2. The excess will be retained by the GAO until the proper disposition of the funds can be determined.
 - 6.3.2. If the amount of the automated transfer is less than the total shown on the Form GAO-ACR, nothing will be remitted to the Plan until the amounts are reconciled.
 - 6.3.2.1. In such cases, the remittance to Plan will not be made until the next period end date and the alternate contribution will be late.
 - 6.3.2.2. A late payment of the alternate contribution will expose the agency to being assessed interest charges.
 - 6.3.2.3. To avoid errors and possible interest charges, it is recommended that agencies begin the process of completing the Form GAO-ACR as early as possible before it becomes due. The Form GAO-ACR must be prepared before the automated transfer is entered and approved in AFIS, so that any discrepancies can be discovered and corrected before the automated transfer is made.
- 6.4. Additional questions regarding automated transfers for alternate contributions should be directed to the agency's GAO liaison.
7. There are, essentially, seven (7) processes involved in managing alternate contributions:
 - 7.1. Identifying reemployed and contracted retirees hired or engaged to fill a specified position.
 - 7.2. Establishing a record for a reemployed or contracted retiree; this includes collecting fairly permanent data, such as the reemployed or contracted retiree's name.

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- 7.3. Calculating the amount of the alternate contribution. This includes collecting changeable data, such as the amount paid to a reemployed or contracted retiree each pay period.
- 7.4. Transmitting, in the case of contracted retirees, the required data to Central Payroll.
- 7.5. Reporting the required data to the Plan.
- 7.6. Paying the cost of alternate contributions to the Plan.
- 7.7. Remitting alternate contributions to the Plan.
8. Responsibility for the seven processes involved in the management of alternate contributions varies depending upon the type of retiree—reemployed retiree or contracted retiree—hired or engaged to fill a specified position. A table of responsibilities is shown below:

	Reemployed Retiree	Contracted Retiree
Identifying	Agency	Agency
Establishing	Agency	Agency
Calculating	Central Payroll	Agency
Transmitting	N/A	Agency
Reporting	Central Payroll	Central Payroll
Paying	Agency	Agency
Remitting	Central Payroll	Central Payroll

9. As part of onboarding, it will be determined whether a newly hired employee is a retired member filling a specified position. If so, the fact will be noted and recorded in the employee's record in the payroll system. (In HRIS, alternate contributions should be established on screen PR14; Employee Identification Number, the applicable Deduction Code, and Begin Date are the only elements that must be entered.) The gross pay to such reemployed retirees, when paid, is the subject amount upon which the alternate contribution is to be based.
 - 9.1. If the applicable payroll system is HRIS, then Central Payroll will calculate, report and remit the alternate contribution to the Plan.
 - 9.2. Alternate contributions will be computed during payroll processing and the appropriate amount will be charged to the employing agency using the applicable deduction code and appropriate expenditure object (ASRS 6158; PSPRS 6153; EORP 6151; CORP 6152).
 - 9.3. While Central Payroll may assist an agency to identify and establish reemployed retirees, it is the employing agency's responsibility to ascertain the status of its employees.

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- 9.4. It is possible that a reemployed retiree's status is not determined and the appropriate alternate contribution is not computed, collected from the agency or remitted to the Plan for the first one or several pay periods. In such cases, during the pay period following discovery, the total amount of the alternate contribution then owed will be charged, without additional notice, to the agency. Any penalties resulting from such situations will be the responsibility of the agency.
- 9.5. If the applicable payroll system is other than HRIS, then the agency is to take such actions as may be necessary to effect accurate and timely computation and payment of alternate contributions.
10. As part of the process of engaging a leased staff or independent contractor to fill a specified position, the agency must determine whether he is a contracted retiree and, if so, calculate for each payment to the independent contractor or the leasing company, the subject amount and the alternate contribution. The agency must also take all of the necessary steps to appropriately report and remit to the GAO.
11. While part of the process of onboarding an employee or engaging an independent contractor or leased staff to fill a specified position should involve asking whether he is a retired member, an agency's responsibility does not end there. Those responsible for identifying a retired member must, in all cases, ascertain whether the employee, leased staff or independent contractor is a retired member. Contact the appropriate Plan to determine how this is best accomplished. Evidence of the determination is to be retained by the agency for a period coinciding with the retention guidelines published by LAPR.
12. As with other ordinary and necessary expenses of conducting State business, an agency's cost of alternate contributions may, as appropriate, be charged against grants.
13. Currently employed or engaged personnel are not exempt from the requirement for alternate contributions.
 - 13.1. Central Payroll might provide some assistance to agencies in identifying employees paid through HRIS who are retired members.
 - 13.2. Agencies are responsible for determining the status of all employees not paid through HRIS as well as all leased staff or independent contractors.
14. In the case of leased staff, it is not unusual for the leasing company, as circumstances might require, to change the individual performing the duties governed by the lease. Agencies must determine the status of all new individuals as they are assigned.
15. There are at times organizational or budgetary changes that would find a reemployed or contracted retiree no longer filling a specified position. Agencies

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should evaluate such changes to determine whether the payment of the alternate contribution should be discontinued.

16. Agency management should pay close attention to and seriously consider the status of independent contractors or temporary workers for whom an alternate contribution is made. Since such “independent contractors” or “temporary workers” are performing services that would normally be performed by an employee, it is likely they should, under common law, be treated as such. Agency management should consult SAAM Sections 9050, 9051 and 9052 to assure compliance with Federal and State law.
17. Agency management should take the effect of alternate contributions into account when evaluating remaining cash and spending authority for allotment periods and fiscal years.
18. Inquiries should be directed by email to Central Payroll at central.payroll@azdoa.gov.
19. Computational and situational examples of how and when the ACR should be calculated are contained on the following pages.

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Alternate Contributions – Reemployed and Contracted Retirees A Computational Supplement and Exemplar

Computational Examples

Example 1: Reemployed Employee

In this case, the Subject Amount is equal to the Gross Pay for the period under consideration.

Gross Pay / Subject Amount	\$1,000.00
Time the ASRS ACR in effect for the Fiscal Year Beginning July 1, 2018	10.53%
Alternate Contribution Due	\$105.30

Example 2: Independent Contractor

In this case, the Subject Amount is equal to the amount actually paid to the Independent Contractor for the period under consideration, less a 10% administrative fee. It is assumed that the Independent Contractor is performing the duties related to a Specified Position.

Total Contract Payments	\$1,000.00
Less a 10% Administrative Fee	\$100.00
Subject Amount	\$900.00
Time the CORP ACR in effect for the Fiscal Year Beginning July 1, 2018	20.66%
Alternate Contribution Due	\$185.94

Example 3: Leased Staff

In this case, the Subject Amount is equal to the amount actually paid to the Leased Staff by the Leasing Company for the period under consideration. It is assumed that the Leased Staff is performing the duties related to a Specified Position.

Total Payments to the Leasing Company	\$1,000.00
Less 30% Gross Margin Retained by the Leasing Company	\$300.00
Amount Paid to Leased Staff / Subject Amount	\$700.00
Time the PSPRS ACR in effect for the Fiscal Year Beginning July 1, 2018	75.32%
Alternate Contribution Due	\$527.24

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Situational Examples

Example 4: Contracted Retiree

If a Contracted Retiree is engaged to perform services not relating to a Specified Position, then no Alternate Contribution is due. Assume that a Retired Member works for a public accounting firm that is engaged by an agency to perform an audit of a subcontractor working on the highway system or of payments made to the agency under a participation lease. No employee position has been authorized or funded by the Legislature to perform such services. No Alternate Contribution is due.

Example 5: Contracted Retiree

It is the end of the fiscal year. Several accounting positions in the agency have been left unfilled. Agency management engages a leasing company to provide Leased Staff to help with the year-end accounting duties. In this case, an employee would normally have performed the work under consideration and an employee position to perform the work has been authorized and funded. An Alternate Contribution is due.

Example 6: Reemployed Retiree

Since the retired member has been hired as an employee, he or she is filling an employee position that has been authorized and funded. An Alternate Contribution is due.