



TOP 10 Pension Fund Errors in Calculations and Reporting

Presented By:

Allison Barrett, Principal

Barb Utterback, Principal



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1. Disability Pensions > 65%

- Duty Disability / Occupational Disease Disability is granted at **the greater of**
 - 65% **OR**
 - **The eligible retirement pension %**

- Fire: 5/4-110- effective 08/06/99
- Police: 5/3-114.1(a) – effective 02/01/01



1. Disability Pensions > 65% (cont.)

- Taxability of this benefit:
 - First 65% is tax-free
 - Similar to a Workers Comp benefit
 - **Benefit over 65% IS TAXABLE**
 - “Retirement” portion (subtract 65% calc from actual calc)
 - **Requires a 1099R**



2. Disability Pensions – Fire Dependents

- For Article 4 Fire
 - Duty Disability / Occupational Disease Disability
- Additional monthly benefit for eligible dependents
 - Birth / adopted / unwed
 - Under age 18 or legally disabled
- Initial Benefit \$20 month
 - Annual 3% compounded increase immediately, every January
- Paid directly to pensioner
- Reported separately (under child's name) on DOI report



3. HELPS

- **HELPS** (“**H**ealthcare **E**nhancement for **L**ocal **P**ublic **S**afety”)

- Effective January 2007
- Reduce taxable earnings by \$3,000/year
- Insurance premiums
 - Withheld directly from government plan
 - Remitted directly to insurance provider

- Do not withhold pre-tax!

- DO NOT REFLECT ON 1099R FORM!**



4. 1099MISC Forms

- **Annual filing**

- Payee – Jan 31st
- IRS – Jan 31st (← new!)

- **Vendors**

- All legal services over \$600
- All medical services over \$600
- Any non-incorporated vendor to whom you paid at least \$600 for services

- **\$ → Box 7**

- **IRS penalty per form**



5. Member Contributions - Calculation

- Withhold only on **Pensionable Salary**
 - Varies by employer
 - DOI can verify

- **Deductions should be consistent by member**
 - Police 9.91% (since 01/01/01)
 - Fire 9.455% (since 07/01/04)
 - Plus 1% if doing reciprocity



6. Member Contributions - Banking

- **Does the total withheld from payroll match the bank deposit???**
 - Payroll adjustment / void & reissue



7. Agenda

- Agenda
 - Post within guidelines of Open Meeting Act
 - Public Comment
 - You cannot take action on non-agenda items!



8. Minutes

■ Minutes

- How much detail?
 - New members (dates, Tier)
 - New benefits (dates, salary, type of pension)
- Voice vote vs. roll call (roll call all disbursements and contracts!)
- Document what was done, not what was said



9. Participant Files

■ Active Members

- Application – Tier I or II?
- Certificates (birth, marriage, divorce)
- QILDRO (Parts 1 & 2: QILDRO Order, QILDRO Consent)
- Service Transfers



9. Participant Files (continued)

■ Pensioners

- Approved pension application
 - Last day worked / Effective date of pension
 - Type of pension
 - Salary for pension purposes, including salary components
- QILDRO (Part 3: QILDRO Calculation Order)
- W-4P
- Direct Deposit

Note – survivor/beneficiary for pension benefit is dictated by statute



10. Elections

■ Trustee Elections:

□ Three Year Term - Fire

- Surviving Spouses are NOT eligible to vote or hold office
- If No retiree wishes to be on the Board, an Active Firefighter can be elected
- Annually Elect a President and Secretary

□ Two Year Term – Police

- Surviving Spouse are eligible to vote & hold office
- Annual Elect a President, VP, Secretary and Assistant Secretary

□ Use the Australian Ballot System (secret ballot)

- Election Held the 3rd Monday in April

□ What if Election Results in a Tie?

- Fire: determine by lot
- Police: statute is silent, Board can choose by lot or a run-off, depending on Pension Fund Rules



Contact Information

Lauterbach & Amen, LLP
27W457 Warrenville Road
Warrenville, IL 60555
630.393.1483 Phone
630.393.2516 Fax
www.lauterbachamen.com

Allison Barrett, Principal
abarrett@lauterbachamen.com

Barb Utterback, Principal
butterback@lauterbachamen.com

