Frequently Asked Questions (FAQs)
Management Fund

Table of Contents

Early Retirement

Question: Can the district offer early retirement incentives to employees?
Answer: Yes. Iowa Code section 279.46 gives the district authority to implement an early retirement incentives program for employees by local board policy.

Question: Is the district required to provide early retirement incentives to employees who meet the qualifications of the law and want to participate in an incentive program?
Answer: No. Iowa Code section 279.46 specifically grants to the board the discretion to determine if it will provide an early retirement incentive program.

Question: What are the requirements that must be met for early retirement?
Answer: The employee MUST:

- Be the age specified in local board policy.
- Notify the board prior to April 1.
- Retire no later than the start of the following school calendar.

Question: Can an employee retire at some time other than after the school calendar ends and before the next school calendar begins?
Answer: Yes. An employee can notify the board anytime in the fiscal year in which the employee will retire, as long as that notification is before April 1 of that same school year. In other words, the notification can be any day on or after July

1 but before April 1. The date of the employee's retirement can be any day after the notification to the board, as long as it is no earlier than July 1 of the fiscal year in which the notification is made and no later than the first day of the following school calendar. In other words, the retirement can be any day on or after July 1 of the fiscal year but no later than the day before the teaching contracts begin for the next school year. This provides a retirement window of approximately 14 months.

Question: What if the board's current policy specifies employees must be at least age 59, but the board wants to change the minimum age to age 55? Can employees apply before the policy is changed?
Answer: Yes. The employee could preface the request for retirement "pending adoption of a district policy allowing the incentive." The board, however, must amend its current board policy and have it in effect on or before the employee's retirement date.

Question: May a district have a retirement plan that allows individuals to retire younger than age 55?
Answer: Yes.

Question: If an individual retired younger than age 55, may the costs of the incentive be paid from the Management Fund?
Answer: No. The incentive costs for that individual would be paid from the General Fund.

Question: May the employee take early retirement from one district and go to another to work?
Answer: Iowa Public Employees' Retirement System (IPERS) regulations would apply to the ability to continue working in another IPERS-covered setting.

Question: If the district currently offers an early retirement incentive program to employees, must it now allow employees beginning at 55 to participate if that age was not already included in the incentive program?
Answer: No. The board has discretion to determine, by policy, at what age its program will begin and end. The board must also abide by any federal laws, such as those regarding age discrimination.

Question: May the district levy in the Management Fund to pay a retirement incentive for retirees?
Answer: The district may include in the Management Fund levy an amount to pay the incentives for individuals who were age 55 or older at retirement. The payments, if initially allowed from Management Fund, may be paid from the Management Fund until the entire incentive has been paid.

Question: Must the district replace the retiring employee and must the district realize a savings on the replacement employee in order to pay retirement incentives from the Management Fund?
Answer: No. Those requirements have been struck from the law.

Question: Does the payment for continuation of health or medical insurance coverage conflict with law and Attorney General Opinions determining that health and medical insurance programs may not be expended from the Management Fund?
Answer: No. The law specifically allows continuation of health and medical insurance coverage when it is an incentive that is part of a board's early retirement incentive program adopted in compliance with Iowa Code section 279.46.

Question: The date for certifying the next year's budget is April 15. Can the Management Fund be used to pay the incentives for employees who notify after July 1 and retire early enough in the fiscal year to receive a payment before June 30?
Answer: Yes. The district cannot increase the tax levy in the Management Fund after the certification date. However, the district may amend its certified budget to increase expenditure levels. The budget can be amended after the budget year begins on July 1 and until May 31 of the budget year. The May 31 date allows time for a protest hearing and decision by June 30 should the amendment be protested. Districts may amend their budgets after May 31, but if the amendment is protested the amendment is void. An amendment may not be necessary if the total anticipated expenditures in all budgeted funds for that budget control line (instruction, support services, non-instructional programs, or total other expenditures) will not exceed the amount originally certified. The district could also pay for the incentive from the General Fund if it has sufficient budget authority.

Question: Must the district levy in the Management Fund to pay the early retirement incentives?
Answer: No. The law states the district <u>may</u> levy in the Management Fund to pay the early retirement incentives of those individuals who retire and are at least 55 years of age. The district would also be able to pay the incentive for eligible employees from existing balances that are not otherwise restricted or committed in the Management Fund or the General Fund.

Question: On which date is the age limitation measured?
Answer: Age is measured on the actual date of retirement.

Question: What does "next following school calendar" mean?
Answer: It means the individual must retire on or before the first day that teachers are required to be at school pursuant to their contracts.

Question: When an employee whose salary was accounted for in an Enterprise Fund, such as School Nutrition, takes early retirement under the district's incentive plan, is that employee's early retirement incentive required to be paid from the Enterprise Fund?
Answer: No. The early retirement plan is a district policy for the entire district, not just those employees paid out of the General Fund. Retirement incentives for Nutrition Fund employees who meet the criteria of Iowa Code section 279.46 can be paid from the Management Fund.

Inventory

Question: May a district pay the cost of a physical inventory from the Management Fund if its property?
Answer: The district may pay for the cost from its Management Fund if the physical inventory is conducted solely for the purpose of insurance to protect against property loss. If the district conducts physical inventories of its property for purposes other than insurance, such as for accounting or auditing purposes, the cost is paid from the General Fund.

Vandalism

Question: May a district pay from the Management Fund a reward for information regarding vandals?
Answer: No. For the same reasoning as the inventory response above, it would not be appropriate to use Management Fund for this purpose.

The reward might be allowable from the General Fund if the board establishes a public purpose in stopping vandalism to school property. The board is not giving away an "award," which would be prohibited. Instead, the board is purchasing a commodity(information). The district would want to work with its attorney and auditor in determining if the reward is allowable and reasonable, and if the requirements of Iowa Code section 279.30 would require the individual receiving the reward be identified.

Safety Equipment and Worker Compensation Insurance

Question: If our district participates in a Safe Schools program by providing shoes for workers in areas where worker compensation claims are high, would the cost of the shoes be an allowable cost from Management Fund?
Answer: Like the physical inventory question addressed previously, if the sole purpose of providing the shoes is a requirement of the insurance policy for worker compensation insurance, the cost could be a Management Fund cost. If the shoes are not solely related to the insurance policy requirements, the cost

would be a General Fund cost. The shoes would follow the same rules as other uniforms: If the district requires them and they are only appropriate for the purpose provided, the cost could be a district cost. However, if the shoes are usable for general wear, it would be a cost to the employee.

Deductibles

Question: May a district pay from the Management Fund the cost for repairs that was not paid by the insurance company because it was covered by the deductible?
Answer: Repairs cannot be paid from Management Fund. However, the deductible portion of an insurance agreement is a cost related to the insurance agreement. Costs that are not covered within the insurance agreement would not be costs related to an insurance agreement and would not be allowed from Management Fund. A district could not choose to pay costs from Management Fund in lieu of submitting claims.

In order to determine whether a cost is in fact related to the insurance agreement, the district would submit the claim to the insurance company. If the insurance company rejects the claim as uncovered expense, the expenditure may not come from the Management Fund. If the insurance company accepts the claim as allowable costs but does not pay because the costs are below the deductible limit, the district may do an interfund transfer from the Management Fund to the fund where the repair or replacement will occur. The amount of the interfund transfer is the lesser of the actual cost of the repair/replacement or the deductible.

Equipment Insurance

Question: Companies have approached the district saying the district can use its Management Fund for an insurance program that appears to be an equipment maintenance contract. Is this an allowable cost from Management Fund?
Answer: Declaratory Order 23 DoE 130 discusses the key elements for determining whether or not a program is an insurance program. Merely calling a program “insurance” does not make it so. Transfer of risk to another party is a necessary element to be insurance. The Declaratory Order and the Iowa Supreme Court have stated an agreement is one of insurance if one party pays consideration to a second party in return for the second party assuming some specific risk for the first party. The Governmental Accounting Standards Board (GASB) defines insurance as the transfer of risk of loss from one party to another party. An agreement is not insurance if the risk ultimately remains with the district or if the only advantage to the agreement is to spread costs over time, similar to a budget billing plan.

Judgments and Settlements

Question: How is a judgment or settlement defined for purposes of the Management Fund?
Answer: A judgment or settlement is allowed from the Management Fund if it is the cost of a final court judgment entered against the district or a settlement made (prior to the final court judgment) for a tort liability claim. A settlement payable from the Management Fund would not include the results of mediation or arbitration decisions (i.e. contract negotiations) or agreements outside of court action to encourage an employee to leave, including paying off a contract.

Levy Limits

Question: Is there a limit on the Management Fund levy?
Answer: There is not a statutory dollar limit or rate limit; however, the levy is not entirely unlimited. The Management Fund levy is an annual levy certified by the board, not a multi-year levy approved by the voters. School districts follow Iowa Code chapter 24 in regard to budgeting. Section 24.3 requires the estimated budget include the amount proposed to be expended during the fiscal year next ensuing. Section 24.5 requires that estimates be fully itemized and classified so as to show the amount required. Section 24.8 states the amount of the difference between the receipts estimated from all sources other than taxation and the estimated expenditures for all purposes shall be the estimated amount to be raised by taxation upon the assessable property within the district for the next ensuing fiscal year. Thus, if a district closely follows Iowa Code chapter 24, the levy is limited to generating the amount necessary to cover the excess of estimated actual expenditures for the budget year over the estimated revenues to be received from all other sources during the budget year (which would include carryover from the base year).

Affordable Care Act

Question: Can the fees, referred to as “research fees” or “reinsurance fees” charged by an insurance company for each member enrolled in the district’s health insurance plan, be paid from the Management Fund?
Answer: No. The costs are related to health insurance, and such costs are not allowed from the Management Fund.

Pooled Insurance Programs

Question: A pooled group insurance product (self-funded) provides the option for a local agent, but at an additional cost. The local agent would serve as the conduit between the district and the pool management, but the cost to do so is in

addition to the pool cost. Can that additional cost be paid from the Management Fund?
Answer: No. The district would have the same insurance product with or without a local agent. The fee for the local agent is not a requirement of the insurance agreement. The fee would be a General Fund cost.