PSERS Employer Bulletin

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Inside...

Public School Employees' Retirement System

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New Employer Purchase of Service Payments via ACH

We are pleased to announce that employers will soon electronically pay for employer-share lump-sum purchase of service (POS) bills through the PNC Cash Concentration system starting in March 2022. Paper checks are no longer needed to pay these bills! For your convenience, paper checks will still be accepted for a short time after implementation, but all payments should be submitted through ACH payments. Additional information will be shared once the implementation date is confirmed.

Employer Contribution Rate for FY 2022-23 is Lower than Projected!

The employer contribution rate for fiscal year 2022-2023 will be 35.26%, a 0.92% increase from the current rate. The rate applies to salary and wages earned from July 1, 2022 through June 30, 2023.

The rate was determined by PSERS' actuary and certified by the PSERS Board of Trustees at its meeting on December 17, 2021.

The certification marks the seventh consecutive year the employer contribution rate will provide the full actuarially required contributions necessary to pay down the System's long-term pension debt. That debt payment makes up more than 80% of the newly certified employer contribution rate. The debt was the result of years of suppressed employer contributions, unfunded benefit enhancements, and two major market downturns since 2000.

The smaller than expected increase was the result of PSERS' strong net investment return of nearly 25% that added $14.8 billion in net investment income to the Fund for FY 2021, which ended June 30, 2021. Such strong return helped push the System's actuarial funded status up slightly from 59.2% to 59.6% (PSERS recognizes investment returns over 10 years for actuarial funding purposes). The Fund's market value funded status also increased but at a higher rate of 54.4% to 63.9% because the strong returns in FY 2021 were finally fully recognized in FY 2021.

A link to the FY 2022-2023 Employer Contribution Rate Fact Sheet can be found here: Pension Rate Fact Sheet

Whitelisting Voya Financial Emails

To ensure that you receive important communications from Voya in a timely manner, and not blocked by security firewalls, please ask your IT staff to “whitelist” the following Voya IP ranges and server domains. Below is the complete list of IP addresses that are used to send single emails to employees.

1. **Server Domain:**
mail.voya.dmpemail1.com
dmp-voyamail.com
mail.voyageneral.dmpemail1.com
mail.voyaadmin.dmpemail1.com

2. **Sender IP Addresses:**
208.82.211.28
208.82.211.27
208.82.211.68
208.82.211.69

If your IT department has questions, please reach out to the Employer Service Center.

Life Expectancy Assumption Changes

Every five years, the PSERS actuary reviews our member experience within PSERS.

During the most recent review, our actuaries recommended an adjustment to the actuarial tables and the life expectancy assumptions used in benefit calculations . This change will take effect on July 1, 2022, and will only affect members retiring on or after that date. Current retirees will not be impacted.

The impact on members’ pension benefits resulting from the change to the life expectancy assumptions will depend on their age at the time of retirement, if they retire before normal retirement eligibility, and whether they choose a retirement option other than the Maximum Single Life Annuity (MSLA). Additionally, if an employee chooses a survivor annuitant, the survivor annuitant’s life expectancy will also impact the benefit calculation, but the impact will be minimal.

Have employees thinking of retiring around the end of the 2022 school year?
If your employees are considering retirement around June or July of 2022, then they should log into their MSS account any time after March to create their own comparative estimates. They will be able to enter different retirement dates to see the impact, if any, these changes may have by retiring before or after the changes go into effect. After March, members may also request a comparative PSERS-prepared estimate showing how these changes in actuarial factors may affect their benefit.

Training Materials and Resources on the PSERS Website

Recorded presentations of the revamped Employer Self-Service (ESS) Portal are available under *Employers>Employer Self-Service*. The Employer dropdown on the PSERS website is also home to other resources to help you successfully navigate the ESS Portal and better understand reporting to PSERS. The chart below identifies the resources available and the tab where you can find it in the Employer section of PSERS website.

We are here to help! If you have any suggestions for future trainings, please contact your Employer Service Center representative. Your feedback is important to us.

Reporting Resources	Employer Bulletin Archive Employer Forms Employer News Employer Reference Manual Employer Service Center Contact Info New Employee Resources Planning Calendar Return to Service Exceptions
Employer Self Service	Videos on how to use ESS PowerPoint presentations on common tasks ESS Terms and Conditions
DC Plan/Voya Resources:	Video on Payroll upload Voya Presentations Voya FAQ's/403b information Voya Data Gateway Link
Employer Accounting	GASB information Maximum earnings subject to contributions info PNC Cash Con instructions/FAQ Contribution Rate Info
Prior Spring Workshops	All workshop presentations for the last 5 years

Enrolling Part-Time Employees

Posting Mid-Year Service Makes Year-End Reconciliation Easier!
Like full-time employees, member demographic and contract information for part-time employees must be entered into the system as close to their start date as possible. We have noticed that some part-time employees are not being enrolled in the system until they are paid, such as coaches who receive a one-time payment at the end of their season. Because PSERS qualification is based on the start date of the contract, reporting must be aligned with when the employee actually begins working, not when they are paid.

Example: Joe was hired as the football coach with a start date of August 4, 2021. His employer did not enter the member demographic and contract information until November 8, 2021, when his stipend payment was processed. By not reporting to PSERS the enrollment information for Joe until November:

- Joe will not receive his new PSERS member documents and statutory notices until November, far after when the Retirement Code requires them to be provided, i.e. August. (Welcome Packet, Class Election letter, etc.)
- His participant account cannot be timely created at Voya for the DC plan to receive the reporting, which may delay the receipt and investing of his contributions.
- If Joe is working for another employer, then his qualification date may be earlier, which will require additional adjustments and funding to his PSERS account if the information is not timely submitted to PSERS.

Additionally, enter termination contract records only when the employee is no longer expected to provide services. For example, if a coach is expected to return the next season, then no contract changes or termination contract record are required. When entering the termination contract record, be sure to add the correct Balance of Contract flags to indicate the month in which his the final payment will be reported. Reporting the service credit with the final work report may help with accuracy. Often, coaching service is missed being reported at the end of the year because the system only prompts for service days for the June work report.

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Reporting Payments Made from Arbitration Awards, Court Orders, or Settlement Agreements

Generally, an employee must actually work and receive compensation to earn service credit with PSERS. Sometimes, an employer may be required to pay an employee pursuant to a labor dispute, like an adverse employment action. In limited circumstances, PSERS will recognize such payments as retirement-covered compensation and grant service credit.

When would such a payment qualify as retirement-covered compensation (RCC)?
The payment awarded to an employee through an arbitration award, court order, or settlement agreement is RCC if:

- The payment represents full back pay of the salary the employee would have received. The salary paid must be based on the standard salary schedule or pay scale that the employee would have or should have received had the adverse employment action not occurred.
- Each school year in which the payment would have been earned and credited is clearly identified.
- Both the employee and the employer remit the required contributions to PSERS on the full amount of the backpay. The employee contributions must be deducted and remitted to PSERS by the employer.

Any additional payments the employee may receive (e.g., court fees, attorney fees, accrued interest, damage awards) are non-retirement-covered compensation (NRCC).

Contact your ESC representative when reporting such payments.

Remember the following when reporting:

1. PSERS must review and accept the court award/order before any adjustment is made to the employees account.
2. Once accepted by PSERS, report the full amount of the back pay only, and not any additional payments, such as interest or punitive damages.
3. The backpay must match the correct standard salary schedule or pay scale. If employment continues, the salary schedule or pay scale used for the backpay payment must match the employee's subsequent salary schedule or pay scale, e.g. backpay should not be greater than future salary.
4. Interest payments received as part of the award are NOT subject to retirement deductions. If you need to report interest payments, use the NRCC field on the employee's Work Report Adjustment Record to separate the interest from the backpay.
5. Calculate retirement contributions on the gross amount of the backpay. The amount the employer is required to pay to the employee may be offset to reflect any monies the employee may have received from other sources, such as unemployment compensation, workers' compensation, or alternative employment. Regardless of an offset, the employer MUST report and remit to PSERS both member and employer contributions calculated using the <u>full amount of back pay</u> that corresponds to the service credited, not the amount the employee may actually receive from the employer.
   Example:
   - Employee is terminated in January 2021 (90 days into the school year) having been paid $25,000 of a $50,000 FY salary.
   - Employee secures employment at Dan's Auto Body and earns $15,000 during the second half of FY 2021.
   - Employee files a lawsuit.
   - Settlement is reached in July 2021 and the employee is reinstated with full salary and benefits.
   - To qualify as RCC and receive additional service credit with PSERS for FY 2021, the employer must:
     - Ensure the agreement contains the required information noted above.
     - Report 90 days of school service for the second half of the year.
     - Report backpay of $25,000.
     - Pay full employee and employer contributions on $25,000, even if the employer is entitled to an offset and pays the employee $10,000.
     - Confirm that the employee's account after the adjustment is made reflects a full year of service (180 days) and the full contracted salary of $50,000.

Reporting Payments Made from Arbitration Awards, Court Orders, or Settlement Agreements *(continued)*

6. If an employee was employed by one or more PSERS employers during the time covered by the backpay, then the other employer(s) must report the service and salary the employee earned.

   If the service and salary reported by the other employer(s) are **less than** the service and backpay due from the original employer, the original employer will report the difference in service and salary and pay full contributions on the difference to make the employee's account "whole" with PSERS.
   Example:
   - Employee is terminated in January 2021 (90 days into the school year) having been paid $35,000 of a $70,000 teacher's salary.
   - Employee works as a substitute teacher for three different PSERS employers for a total of 70 days during the remainder of FY 2021 and earns a total of $7,000. The three employers report 70 days of service, salary of $7,000 and pay full contributions on $7,000.
   - Employee files a lawsuit.
   - Settlement is reached in July 2021 and employee is reinstated with the original employer with full salary and benefits.
   - To make the employee "whole" with PSERS the first employer must:
     - Report 20 days of service.
     - Report backpay of $28,000
     - Pay full contributions on the $28,000.
   - If the service and salary reported by other employers are **greater than or equal to** the service and backpay due from the original employer, the original employer is not to report any additional service or salary or pay any additional contributions to PSERS.
     Example:
     - Employee is terminated in January 2021 (90 days into the school year) having been paid $35,000 of a $70,000 administrator's salary.
     - Employee works for another PSERS employer for the remaining 90 days of the school year at an annual administrator's salary of $100,000. The second employer reports 90 days of service, salary of $50,000 and pays full contributions on $50,000.
     - Employee files a lawsuit.
     - Settlement is reached in July 2021 and employee is reinstated with full salary and benefits with the original employer.
     - Original employer is not to report any additional service or salary or pay additional contributions to PSERS for FY 2021 because the employee has already received full service and a salary in excess of the first employer's contracted salary from the second employer.

7. Report the total amount of the backpay, the salary breakdown by year, and the days or hours of service to be credited in a Work History Adjustment Record using the court award identifier.
   - If the backpay spans multiple fiscal years and/or contribution periods, you must submit a Work History Adjustment Record for each fiscal year and/or contribution period with the corresponding salary and service reported in each.
   - Regardless of the Wage Indicator value, the employee and employer contribution rates are based on the fiscal year in the adjustment record, which should correspond to the court award settlement fiscal year.

PSERS in the News

PSERS Chief Investment Officer Announces Retirement
On November 18, 2021, the PSERS Board accepted the future retirement of its Chief Investment Officer, Jim Grossman.

Mr. Grossman has been an integral part of the PSERS Investment Office for more than 24 years, including service as PSERS' Chief Investment Officer since 2013. During his tenure as CIO, the Fund's total net assets have grown from $49 billion to $72 billion. Mr. Grossman's guidance and leadership have been important over the last several years as the Fund has continued to recover from the Great Financial Crisis (2007-2008) and improve its funding status. He has been responsible for managing and administering the investment program, advising the Board in the development of an asset allocation policy, and leading the investment office. He also has overseen PSERS' external investment advisors, developed key fund performance indicators, and met with outside constituencies on investment matters, including the Pennsylvania General Assembly.

Mr. Grossman transitioned to the position of Senior Advisor on December 9, 2021, and will assist in the transition to a new Chief Investment Officer until May 1, 2022, when his retirement will be effective. The PSERS Board has commenced a search for the Chief Investment Officer position.

PSERS Executive Director Announces Retirement
On November 18, 2021, the PSERS Board accepted the future retirement of its Executive Director, Glen Grell, who celebrated his 65th birthday at the end of December 2021.

Mr. Grell has served as PSERS Executive Director since 2015, after having served on the Board as a Trustee during his time in the Pennsylvania House of Representatives. Mr. Grell has always been a fierce advocate for fully funding PSERS. One of his many accomplishments has been successfully working with members of the General Assembly and the Governor's Office to secure 100% of the annual required contribution each year since 2016. He led the implementation of a new defined contribution plan as required under legislation passed in 2017, as well as substantial technical upgrades to the pension administration system. Under Mr. Grell's leadership, the Member Self-Service Portal continues to advance in design to become more user friendly.

Mr. Grell also shepherded the agency through an unprecedented global pandemic. This included swiftly and efficiently transitioning staff to a remote work platform without missing a single monthly payment to any of its 243,000 annuitants.

Mr. Grell transitioned to the position of Senior Advisor on January 1, 2022, and will assist in the transition to a new Executive Director until February 28, 2022, when his retirement will be effective.

PSERS Board of Trustees Names Acting Chief Investment Officer
On December 9, 2021, PSERS Board of Trustees named Bob Devine as Acting Chief Investment Officer.

The Board selected Mr. Devine, a 23-year PSERS employee, to temporarily lead the agency's investment office while the Board conducts a nationwide search to find a permanent Chief Investment Officer. As Acting CIO, Mr. Devine, formerly the Fixed Income Managing Director, will report directly to the Board. Mr. Devine succeeds Chief Investment Officer Jim Grossman, who transitioned to a Senior Advisor position and will retire on May 1, 2022.

Mr. Devine, 48, is a life-long Pennsylvanian. He grew up in Centralia, Schuylkill County, and graduated from Villanova University with a bachelor's degree in political science in 1994. Two years later, he earned a master's degree in business administration from Bloomsburg University. In 2004, Mr. Devine earned a Chartered Financial Analyst designation.

Mr. Devine joined PSERS in 1998 as an investment analyst in the Private Equity division. In 2000, he moved to PSERS' Fixed Income unit, where he held several positions until becoming the managing director of the four-member team that manages $19 billion in assets.