E M P L O Y E R
b u l l e t i n

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Retirement Season Reminder

We are quickly approaching retirement season. The vast majority of PSERS retirements occur at or near the end of the school year. To achieve our mission of paying accurate and timely benefits, PSERS relies heavily on timely and accurate information reported from all employers.

Without your assistance, your employees face delays resulting in undue and unnecessary financial hardship. Here's how you can help:

- **Termination Record** - A termination record is vital to the payment of PSERS benefits. If PSERS receives a retirement or refund application from a member and there is no termination contract on record, PSERS will immediately send a letter to the employer requesting that a termination contract be submitted. A letter will continue to be system generated monthly until PSERS receives a termination record. The start date of the termination contract is the last day of paid service or the last day of an unpaid leave.

- **Balance of Contract** - If additional salary and/or service will be reported after the month of termination, set the **BOC/SVC** (Balance of Contract/ Service) flags to "**Yes**". Enter the month and year this will be reported. The BOC date should not be more than two months beyond the termination date.

- **Final Reporting** - Be sure to include final salary and service with your final work report. Without this information, we cannot process the benefit promptly.

- **Timely Information** - PSERS relies on timely submission of your final reports so that retirees can be paid as soon as possible. PSERS staff may contact you to clarify information. Timely and correct information in the member's account is absolutely key to the payment of benefits. Your timely response makes both of our jobs easier.

Last year, we received 13,039 retirement applications and 10,732 purchase of service applications. We processed over 4,600 retirement applications in the month of August alone. Without you, we couldn't do it.

We count on you to make the retirement process for school employees a success. Some day that retiring member will be you!

Retirement Incentives

In the past, PSERS has provided information concerning how retirement incentives affect the calculation of retirement benefits. Even though school districts can offer any retirement incentive they wish, there are some things to keep in mind when negotiating such incentives.

Retirement Covered Compensations (RCC) are qualified earnings such as: regular salary and wages, overtime, extracurricular activities, paid sick and personal leave. All other earnings, such as lump-sum payouts for sick, vacation, or personal leave, severance payments, underwritten insurance costs, and any inducement to retire from an employer are Non Retirement Covered Compensation (NRCC) or unqualified earnings. NRCC will not be used in calculating final average salary for retirement benefits.

The following is an example of what may occur when retirement incentives do not count as qualified earnings:

The school district and school board negotiate a retirement incentive plan. This plan states that although the teacher's union agrees to a pay freeze for the current fiscal year, employees who submit intent to retire documents by January 1st **will receive a pay increase**. A number of employees decide to take advantage of this incentive thinking it will increase their final average salary. The district is satisfied, the union is in agreement, and of course the employees are happy for the additional pay. It seems that everyone wins in this scenario. Unfortunately, this is not the case.

Because the incentive is only available to retiring employees it is viewed as severance pay. Severance payments are not considered when calculating final average salary because they are unqualified earnings. The outcome is unfortunate for everyone because employees may have made the decision to retire based on the hope of obtaining a higher final average salary and pension payment. The employer will have additional work removing the salary increase from employee's base wages, and relationships between the union, the employees, and the district may become strained.

For this reason PSERS urges all employers to please consider consulting PSERS for an opinion before entering into any agreement for additional monies, incentives, bonuses, or payouts.

New Location for Southcentral Regional Office

The PSERS Southcentral regional office was moved from the Mechanicsburg location to the PSERS headquarters building at 5 N. 5th Street in Harrisburg. The Southcentral office serves PSERS members who currently work or worked for employers in Adams, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, and York Counties.

Contact information for all PSERS regional offices is found on the PSERS website under Regional Offices.

Commonwealth Retirement Subsidy Reimbursement Reconciliation Process (Act 29)

As promised in the last issue of the *Employer Bulletin*, below are the details on the changes in the Retirement Subsidy Reimbursement process. This new process creates a more efficient way for PSERS to extract the reported salary data from the employer files. The process also automates most of the calculations in determining the amount of retirement subsidy reimbursements each employer is entitled to receive from the Commonwealth.

PSERS will continue to perform the reconciliation process in May and November each year for the June and December Commonwealth Retirement Subsidy Reimbursement payments. Here are the changes to this process of which you should be aware:

- You will no longer receive your documents through the United States Postal system. All documents will now be created and posted to the Employer Web. This posting will give you access to the documents allowing you to view or print these documents whenever you need them. If there is a need for any reconciliation documents that were produced prior to May 2012, you must contact Dominic Pugliese at 717-720-4630 for assistance.

- The way the member enrollment date is recognized in determining the recalculation of prior reimbursements will change. Although PSERS has in the past performed a “look back” to reconcile reported salary adjustments and changes to the Existing and New Salaries due to enrollment date changes, PSERS will no longer recalculate the shift in salaries from Existing and New. Any past change in the member enrollment date created a recalculation of Existing and New salaries for prior reimbursements for all reported salaries. Under the new process, all prior calculations will remain as originally calculated. An updated member enrollment date will be used prospectively when determining the reimbursement rate on all reported salaries from the date of change of the enrollment date in the V3 system. **All reported salary adjustments for previous fiscal years will require PSERS to recalculate reimbursements for prior years.**

- Any POS calculated that has an employer cost will continue to be reflected on the Purchase of Service (POS) Reimbursement report with the corresponding Commonwealth reimbursement. If previously reimbursed, any POS that has been cancelled or voided will reflect the corresponding amount as a negative and will be deducted from your current reimbursement.

  A new addition to the POS Reimbursement report will be information for all members who were deemed as non-qualified and for which members were refunded for their share of member retirement contributions. Because employers had originally been given Commonwealth reimbursements based on these salaries, PSERS will deduct those prior reimbursements and display these as negative amounts on this report.

- The documents themselves have a different look. This change was necessary to allow the system to generate the documents. The information displayed on the documents is the same, just in a different format.

If you have any questions on this new process or on the documentation, please contact Dominic Pugliese or your Employer Service Center representative.