



EMPLOYER bulletin

December 2012/January 2013

Publication #9216

Employer Contact Information

Toll-Free: (866) 353-1844
Local: (717) 787-1755
FAX: (717) 783-8760

Jayne Buchwach Supervisor

(717) 720-6325
jbuchwach@pa.gov

Carolina Baez (717) 720-6320 cbaez@pa.gov

*Adams, Chester, Cumberland,
Dauphin, Delaware, Franklin,
Fulton, Huntington, Juniata,
Lancaster, Mifflin, Montgomery,
Perry, York Counties, and PASSHE*

Rose Diehl (717) 720-6323 rosdiehl@pa.gov

*Armstrong, Beaver, Bradford,
Butler, Cameron, Centre, Clarion,
Clearfield, Clinton, Crawford, Elk,
Erie, Forest, Jefferson, Lawrence,
Lycoming, McKean, Mercer, Potter,
Sullivan, Tioga, Union, Venango,
Warren Counties and
Warrior Run SD*

Ellen Harrington (717) 720-6321 eharrinto@pa.gov

*Charter Schools, Philadelphia
County and Philadelphia
School District*

Matt Hartman (717) 720-6327 mahartman@pa.gov

*Berks, Bucks, Carbon, Columbia,
Lackawanna, Lebanon, Lehigh,
Luzerne, Monroe, Montour,
Northampton, Northumberland,
Pike, Schuylkill, Snyder,
Susquehanna, Wayne and
Wyoming Counties*

Rosie Mesich (717) 720-6324 rmesich@pa.gov

*Allegheny, Bedford, Blair, Cambria,
Fayette, Greene, Indiana,
Somerset, Washington, and
Westmoreland Counties*

Employer Contribution Rate for Fiscal Year 2013-2014

The employer contribution rate for fiscal year 2013-2014 will be 16.93%. The rate applies to salary and wages earned from July 1, 2013, through June 30, 2014. This rate was determined by PSERS' actuary and was certified by the PSERS Board of Trustees at its meeting on December 6, 2012. The rate caps included in Act 120 of 2010 will be in effect for fiscal year 2013-2014.

The employer contribution rate for fiscal year 2013-2014 consists of 16% for pension costs and .93% for premium assistance payments. The projected employer contribution rate for fiscal year 2013-2014, prior to the rate caps being established with Act 120 of 2010, was 32.32%.

PSERS Comprehensive Annual Report Now Available

The PSERS *Comprehensive Annual Financial Report* (CAFR) for fiscal year ending June 30, 2012, is available on the Publications page of the PSERS website under **Financial Reports**. As a cost saving measure, copies of the CAFR were not mailed to the business office contacts for each employer. If you need a copy of the CAFR in hard copy or CD, you can email ContactPSERS@pa.gov or call toll-free at 1-888-773-7748. The CAFR is PSERS' signature financial publication which provides readers with a variety of information concerning the financial, investment, and actuarial aspects of PSERS.

Survey For Employers

PSERS will send employers a survey in mid-January 2013 about PSERS *Foundations for Your Future* (FFYF) programs. The purpose of the survey is to determine the effectiveness of and to improve on the FFYF programs. The FFYF programs are designed to give public school employees an overview of their retirement benefits. The programs provide all active members with general information about PSERS' benefits and services. Responding to this short survey will greatly assist PSERS in providing a better service for all our members.

Employer Report Cards – January 2013

In January 2013, the Employer Service Center will send out an Employer Report Card to business managers and reporting contacts. The Employer Report Card is a monthly report that displays the percentage of records that are considered “invalid” on approved work reports the employer is attempting to process through the Employer Web. Designed to highlight system issues and training needs, the report is a tool that can be used by you and your regional representative to focus on better reporting. Exception errors will not be calculated as a percentage of errors. Invalid errors have to be corrected because an “invalid” will be dropped from the work report and subsequently from a member’s work history. Only those employers who have “invalid” records will receive an Employer Report Card.

Employer Service Center 2013 Spring Workshops

During April and May 2013, Employer Service Center (ESC) representatives will be conducting Spring Workshops in each region of the state. Official schedules will be posted on the PSERS website under **Employers**. Your ESC representative will also notify you via email with the specific dates. Workshops are open to all district administrators including business managers, superintendents, payroll operations, benefits administration and human resources. Please notify your ESC representative of any topics you would like to see covered in the workshop.

Employer Web Security

The security administrator is the person who assigns permissions to specific employees (users) to allow them access to PSERS Employer Web. In many cases, this task falls on the IT director, business manager, or Superintendent. The security administrators should update permissions given to employees when a user leaves employment with the school district or changes job positions and no longer needs access to the PSERS Employer Web. In addition, PSERS suggests a periodic review of employees who are given permission to use the Employer Web. Doing this will prevent fraudulent reporting by individuals who should no longer have access to the system.

If the security administrator is leaving employment or changing jobs and will no longer be the administrator, you must submit two (2) PSERS *Employer Security Administrator Authorization* (PSRS-1270) forms. One PSRS-1270 will indicate “Delete Employer Security Administrator.” The other PSRS-1270 form must be submitted once a new security administrator is hired or assigned to this position. PSERS will transfer the previous users under the old security administrator to the new security administrator. Do not pass along the previous administrator’s user name and password to the new administrator. For more information you can refer to Chapter 1 - Accessing the Online System of the Employer Reference Manual.

Premium Assistance and Non-Taxed Premium Payments

For the 2011 Premium Assistance verification cycle completed in the fall of 2012, PSERS specified that premium assistance cannot be used to reimburse retirees for pre-tax premium payments. While pre-tax premium payments are not generally available to retirees, it can happen if the retiree is covered as a spouse/dependent of an active employee and that employee has their salary “reduced” to pay pre-tax premiums. When this happens, PSERS cannot pay premium assistance to a retiree whose health insurance premium is paid using non-taxed dollars. There are two primary reasons why this is the case:

1. Premium assistance is a reimbursement of an eligible retiree’s out-of-pocket expense for health insurance. If a retiree is a dependent (spouse) of an active employee and the premium is paid through a pre-tax, salary deduction from the active employee, the premium payment is viewed as an employer payment by the IRS. Thus, the retiree does not have an out-of-pocket expense.
2. Premium assistance is a non-taxable reimbursement. The IRS does not permit a non-taxable reimbursement for a non-taxable insurance premium payment. The IRS only allows “one bite of the tax-free apple.”

It is understandable that a retiree may feel unduly “penalized” by these tax rules. In many cases, the \$100 premium assistance benefit is of greater value than the tax savings produced by paying health insurance premiums through a salary reduction plan. Unfortunately, there is no way to “fix” the problem. PSERS cannot pay premium assistance as taxable income to the retiree without jeopardizing the tax status of the entire program. A school employer or other employer cannot mingle pre-tax and post-tax premiums for family coverage without an elaborate administrative mechanism and multiple plans.

The best advice for retirees eligible for premium assistance is to weigh the financial consequences of participating in a health insurance plan as a dependent of an active employee and participating as a retiree.

In cases where a retiree has been receiving premium assistance during a period of time when the premiums were paid through an active employee’s salary reduction plan, PSERS must collect these overpayments. PSERS will, however, collect the debt over time without charging interest on the outstanding balance.

Report Due Date Reminder

Monthly work reports must be submitted to PSERS by the 20th of each month. Late reporting is costly to you and to your employees who are members of PSERS. Delinquent work reports will cause the processing of benefits to be delayed, especially for employees who are retiring. Late reporting may also cause delays in the sending of members’ *Statement of Account*. Contact your ESC representative if you are having difficulties when submitting work reports or correcting errors. The sooner we know you are having an issue the sooner it can be corrected.

Test Your Knowledge - Retirement Covered Compensation

Retirement Covered Compensation consist of all compensation received as a PA public school employee **excluding** the following:

1. Reimbursement for expenses incidental to employment.
2. Bonuses.
3. Severance payments.
4. Payments not based on the standard salary schedule.
5. Payments for unused vacation and sick leave.
6. Compensation for attending seminars and conventions.
7. Any other payments that the Board determines is for the purpose of enhancing final average salary.

Only retirement covered compensation is used in calculating final average salary for retirement benefits. The following are some questions to help clarify retirement covered compensation:

Question 1: Is PSERS responsible for determining what payments constitutes retirement covered compensation?

Answer: *Yes. PSERS is under an obligation to prudently administer the plan. As part of that duty, PSERS must determine if compensation fits within the definition of retirement covered compensation as set forth in the Retirement Code.*

Question 2: Employees at Central South School District receive \$500.00 when they reach 5 years of service with the school district, \$1,000.00 when they reach 10 years of service and \$2,500.00 when they reach 25 years of service. Payments are included in employees' base wages. Are these payments considered retirement covered compensation?

Answer: *Yes. Longevity payments qualify as retirement covered compensation if the payment is added to base salary. If the employer chooses not to add the payment to base salary, the payment is not considered retirement covered compensation.*

Question 3: Teachers at North Central School District receive an incentive payment if student test scores are higher than the state average by 5%. Is this payment considered retirement covered compensation?

Answer: *Yes. Incentive payments may qualify as retirement covered compensation if they meet the following criteria:*

- Standards are clearly stated and tied to actual work performance.
- Standards are agreed upon in advance.
- There is an objective method of calculating the payment.
- The employer has no discretion in making the payment if the standards are met.

Question 4: After two years of contract negotiations, teachers at Northmost Corner School District signed a new five year contract with the district. Part of that agreement included retroactive payments of 2% for the two years the teachers were working without a contract. Are those payments considered retirement covered compensation?

Answer: *Yes, if the contract states that all employees in that classification are eligible for a 2% annual increase and it had been agreed to make those payments retroactive.*

Question 5: Far Eastern School District has offered employees a retirement incentive for those employees who have obtained at least 30 years of service with 10 years of service performed at Far Eastern. Employees will receive \$10,000.00 additional wages providing they submit an "intent-to-retain" by January 15, 2013. Is the \$10,000.00 retirement covered compensation?

Answer: *No. The Retirement Code considers the \$10,000.00 payment a severance payment. A severance payment is any payment, other than for professional salary, made as part of an agreement, either explicit or implicit, in which an employee agrees to terminate school service by a certain date.*

Please Note: The Retirement Code does **not** attempt to prohibit what an employer may actually pay to an employee. That is a matter solely between the employer and the employee. PSERS will, however, be consistent with its fiduciary obligations and analyze all payments to determine whether such payments qualify as compensation under the Retirement Code. Employers may consult with PSERS to confirm whether a payment constitutes retirement covered compensation.

Meet Your ESC Representative - Carolina Baez

Carolina has worked in ESC since April of 2011. She began her Commonwealth career at the Department of Welfare in January of 2007. Carolina is a native of the Dominican Republic and moved to the United States in 2000. She has a BA in Business Administration with a concentration in Marketing. Carolina is very involved with her church and has been blessed with her husband, Hector Baez, and two wonderful daughters, Enya and Alexandria. She now lives in Harrisburg and enjoys traveling with her family to warmer places like Florida and the Caribbean.