

# PSERS Employer Bulletin

Volume 6 - 2014

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## **Attention Business Managers: When Offering Retirement Incentives...**

When offering retirement incentives that will affect a large number of your employees, you should inform PSERS in advance as soon as possible. You should also inform PSERS if your school will be contracting out services that will cause some employees to no longer qualify for PSERS membership. Such changes are likely to cause an increase in workload for PSERS and for your employees. By informing PSERS of upcoming changes, we can better prepare to serve our members by increasing Foundations for Your Future meetings and Retirement Exit Counseling sessions in your area. Contact your Employer Service Center (ESC) Representative to report such changes to PSERS. You should also encourage your employees that will be affected by the changes to contact the PSERS Member Service Center for leaving employment assistance.

When negotiating retirement incentives, PSERS urges all employers to please consider contacting your ESC Representative in writing for an opinion before entering into any agreement for additional monies, incentives, bonuses, or payouts. For more information, please reference the article titled Retirement Incentives found in page 2 of *PSERS Employer Bulletin Volume 5 - 2014*.

## **What to do When an Employee Dies**

When an employee and PSERS member who was actively working or on leave (not terminated or retired) dies, you should enter a Contract Record with the Work Status of DECESD. The start date of the deceased contract is the date of death. The end date must be left blank. If there are wages to report in the month following the employee's death, set the BOC and Outstanding Service Flags to "Yes". Set the BOC/Svc Report Date to the month in which the final

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## Misreporting Can Be a Criminal Offense

You may be aware that the Retirement Code does not allow for PSERS retirees to work for a Pennsylvania public school employer and receive a PSERS pension unless he or she qualifies for extracurricular or return to service exceptions. The member's monthly payment will stop and they will be required to pay back any benefit received while working and receiving a monthly pension. But are you also aware that by law the employer is required to report such instances to PSERS and that knowingly not reporting such members is a criminal offense? It is possible for a person to go to jail for purposely ignoring requirements PSERS has set forth that are identified in the Retirement Code. It is also possible for a person to go to jail for purposely misreporting information to PSERS; for example by inflating income to increase final average salary or reporting service never rendered by the employee.

The act of concealing information or intentionally misreporting information could be considered fraud, whether you are asked by a superior to do something or you instruct others to conceal or misreport. The Retirement Code specifically states that any person who shall knowingly make any

false statement or shall falsify or permit to be falsified any record or records of this system in any attempt to defraud the system as a result of such act shall be guilty of a misdemeanor of the second degree. Under the Crimes Code, a conviction for a misdemeanor of the second degree carries with it a maximum sentence of two years. PSERS has in the past and will continue to refer suspected fraud instances to the Attorney General for prosecution.

When a PSERS retiree returns to work for a Pennsylvania public school employer and does not qualify for the return to service exceptions, the employer must report the employment to PSERS by completing and submitting a *PSERS Retirees Returning to Service* (PSRS-1299) form which is located on the PSERS website under Employer, Employer Forms. For more information on return to service exceptions please refer to the PSERS publication *PSERS Return to Service Guidelines and Clarifications* found on our website under Publications. Anyone with knowledge of misreporting or concealment of information can inform PSERS by anonymously calling the Communicating Anonymously Retirement Errors (CARE) Line at 1.888.222.0549.

## CARE Line

The Communicating Anonymously Retirement Errors (CARE) Line is a toll-free number that can be used to call PSERS regarding pension-related issues of which PSERS should be made aware. The CARE Line number is 1.888.222.0549. Anyone can call this line to inform PSERS of retirees who have incorrectly returned to work for a Pennsylvania public school employer or of money inadvertently reported as retirement-covered compensation, etc. When you call the CARE Line, you will reach a voicemail box where you can anonymously leave a message at any time of day or night without fear of retribution. Messages from the CARE Line voicemail box are written down and deleted. The numbers that call are not traced and callers are not required to provide information that identifies who they are. The caller can use the toll-free number from a cell phone, home phone, or pay phone; PSERS will not know from where the call was placed.

PSERS understands that we all play a vital role in ensuring that the rules established by the Pennsylvania State Legislature are followed. With your help, we can ensure the pension laws are administered fairly and equally to all PSERS members.

## What to do When an Employee Dies (continued from page 1)

wages will be paid. Make sure that all remaining salary and service earned prior to his or her death is included on the last Work Report. No death benefits can be issued by PSERS to beneficiaries of the deceased employee until all the necessary information is received from you, the employer. We can all agree that losing a loved one is hard enough without having to unnecessarily wait for benefits due to additional processing time.

If the deceased has terminated employment or retired, there is nothing that you need to do. The family member or estate representative must contact PSERS directly to report the employee's death. The person contacting PSERS must provide the deceased's name, social security number, address, and date of death. PSERS will ask the family member for a copy of the death certificate along with a letter containing the name, address, and phone number of a contact person in case PSERS needs further information or documentation.

## Keep Your Contacts Up to Date

Please remember to keep your Employer Contact information records up to date. Often PSERS sends important time sensitive information via email. If your contacts are not current with PSERS, you may be left out of such information. When updating your contacts, remember to also update the Business Manager and Superintendent contacts. Updating the Employer Newsletter contact will ensure delivery of this publication which contains vital news and reminders to help you with your pension responsibilities. Please take the time to review the Employer Contact information and update these records as necessary.

### PSERS Website

[www.psers.state.pa.us](http://www.psers.state.pa.us)

The goal of our web-based reporting features, news, Bulletin, Employerpedia, employer forms, and Employer Service Center staff, is to provide you with the information and support you need right at your fingertips. From the PSERS homepage, click on **Employers** to access all online resources.

## GASB Series – Proportionate Share

### Cost-sharing multiple-employer pension plan

PSERS administers a cost-sharing multiple-employer pension plan. The Governmental Accounting Standards Board (GASB) 68 explains the relationship among the employers participating in a cost-sharing multiple-employer pension plan stating that they are “pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.”

### Proportionate share

As employers in a cost-sharing multiple-employer pension plan, GASB 68 states that all employers proportionally share in the collective Net Pension Liability (NPL). The employers’ proportionate share “is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined....” To determine the proportionate share, PSERS will identify each employer’s one-year covered employee payroll as a percentage of the total employers’ covered employee payroll reported to PSERS. For example, for the year ended June 30, 2014, the total PSERS covered-employee payroll was \$12.8 billion (rounded). If an employer has a covered-employee payroll of five million dollars, the calculation would be  $\$5,000,000 \div \$12,800,000,000 = 0.0391\%$ . This calculation will be performed annually.

### How the proportionate share affects employers

The employer would take their proportionate share (0.0391% in the above example) and multiply it by PSERS’ collective NPL. PSERS’ NPL, as calculated by Buck Consultants, as of June 30, 2014, was \$39.6 billion. Continuing with the above example, the employer would have a proportionate share of \$15.5 million ( $\$39,600,000,000 \times 0.0391\%$ ). The employer must then place this amount on their Statement of Net Position as a liability. PSERS’ employers will have to record their proportionate share of PSERS’ June 30, 2014 NPL on the employers June 30, 2015 financial statements.

The Financial Statements for Fiscal Year Ended June 30, 2014, are found on the PSERS’ website under Publications. Additionally, there is a slide titled “GASB 67 – What’s changed in the financial statements” on PSERS’ Employerpedia page.

## Pension Plan Disclosure Information

The Government Accounting Standards Board (GASB) requires that state and local governmental employers disclose in their notes to financial statements, certain information about the public employee retirement systems to which they contribute. PSERS is providing the following information in accordance with GASB requirements to assist the employers in the preparation of their annual financial statements.

### *Plan Description*

**Name of plan:** Public School Employees’ Retirement System (the System)

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## Pension Plan Disclosure... (continued from page 4)

**Type of plan:** Governmental cost-sharing multiple-employer defined-benefit plan

**Benefits:** Retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants

**Authority:** The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535)

**Annual Financial Report:** The System issues a *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N 5th Street, Harrisburg PA 17101-1905 or by emailing Beth at [bgirman@pa.gov](mailto:bgirman@pa.gov). The CAFR is also available on the Publications page of the PSERS website, [www.psers.state.pa.us](http://www.psers.state.pa.us).

### **Funding Policy**

**Authority:** The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

#### **Contribution rates:**

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

#### **Employer Contributions:**

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and 0.93% for healthcare insurance premium assistance.

Please be sure that a copy of this *Employer Bulletin* is given to your business manager or appropriate official responsible for the publication of your school's financial statements. If you have questions, please contact Tony Meadows toll-free at 1-888-773-7748, ext. 4695 or at [gmeadows@pa.gov](mailto:gmeadows@pa.gov).

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**Important Information from the  
Commonwealth of Pennsylvania  
Public School Employees' Retirement System**