

PSERS Employer Bulletin

Volume 2 - 2015

Publication #9228

Inside...

Important Information on
Class T-F Election

Special Sick Leave Paid
by Disability Insurance or
Worker's Compensation

Full-Time and Part-Time
POS Applications

Reporting Balance of
Contract Money and
Service when Employee
Dies or Terminates

& More...

Public School Employees' Retirement System

5 N 5th Street
Harrisburg PA 17101

Toll-Free

866.353.1844

Local

717.787.1755

FAX

717.783.8760

Email

ContactESC@pa.gov

Incorrect Social Security Numbers

The social security number (SSN) is currently used to identify a member's account at PSERS. It is vital that this number be entered correctly. If you enter an incorrect SSN when creating a new Demographic Record for a new employee, contact your Employer Service Center (ESC) Representative before you continue any further processing with this record. It is important that you do not create another record with the correct SSN.

PSERS will request a copy of one of the following documents to verify the new employee's correct SSN:

- Social Security Card (issued by Social Security Administration)
- Medicare Card (issued by Social Security Administration)
- Military Identification Card – DD Form 2 or its equivalent (issued by branch of military service) if the form shows the member's SSN
- Certificate of Release or Discharge from Active Duty – DD Form 214 (available from the National Archives and Records Administration's National Personnel Records Center) if the form shows the member's SSN
- Veteran Administration Identification (issued by the Veteran Administration) if the form shows the member's SSN

Again, please contact your ESC representative as soon as you realize a record was created with an incorrect SSN.

Employer's Right to Appeal

If employers do not agree with a decision made by PSERS, they have the right to request an appeal. Employers have 30 days from the date stated in the document or statement they received to submit the appeal request.

Continued on page 8

Employer Service Center Staff

Patrick Graham
Regional Field Administrator
pgraham@pa.gov

Region 1 - Rose Diehl
rosdiehl@pa.gov
Beaver, Butler, Cameron,
Centre, Clarion, Clearfield,
Clinton, Crawford, Elk, Erie,
Forest, Jefferson, Lawrence,
McKean, Mercer, Potter,
Venango, and Warren
Counties

Region 2 - Vacant
ContactESC@pa.gov
Bradford, Carbon, Columbia,
Lackawanna, Lehigh, Luzerne,
Lycoming, Monroe, Montour,
Northampton, Northumberland,
Pike, Snyder, Sullivan,
Susquehanna, Tioga, Union,
Wayne, and Wyoming
Counties

Region 3 - Jonathan Malnick
jmalnick@pa.gov
Allegheny, Armstrong, Fayette,
Greene, Indiana, Washington,
and Westmoreland Counties

Region 4 - Carolina Baez
cbaez@pa.gov
Adams, Bedford, Blair,
Cambria Cumberland,
Dauphin, Franklin, Fulton,
Huntington, Juniata, Mifflin,
Perry, Somerset, and York
Counties

Region 5 - Michael Chappuis
michappuis@pa.gov
Berks, Bucks, Lancaster,
Lebanon, Montgomery,
and Schuylkill Counties

Region 6 - Vacant
Contact Michael Chappuis at
michappuis@pa.gov
Chester, Delaware, and
Philadelphia Counties

Some Important Information on Class T-F Election

Election Deadline

The Class T-F Election is a one-time election opportunity. If a current or former school employee questions you about the Class T-F Election form, whether the employee is active, on leave, or terminated, the school employee must submit the form to PSERS by the due date stated on the election form. The individual will not receive another election opportunity.

Payroll Deductions

In September 2014, PSERS started to direct bill those members who elected Class T-F for the contribution rate difference. The member will receive a *Class T-F Election Statement of Amount Due* after you start deducting the new Class T-F rate. If in the rare instance that the member receives a statement before you change your payroll system to the Class T-F rate, contact your ESC Representative and a second statement will be generated for the member. If your employee does not want to pay the amount due in a lump sum directly to PSERS, you may divide the cost into weekly deductions amounts and report it to PSERS monthly. Even though the statement does not look like the standard *Statement of Amount Due*, you should treat the payroll deductions just like you would any other purchase of service amount due. The money should be deducted from the employee's paycheck after taxes and must be

reported in the "MemPOS" column on the Work Report.

It is PSERS' suggestion to deduct the amount due across three months of paychecks because the employee's debt starts to accrue interest on the 91st day after the statement generation date. You may, however, use any amount and number of payments. The deduction amount should not be less than \$10.00 per month.

Example: The *Class T-F Statement of Amount Due* states a cost of \$138.00. The employee wants to use the payroll deduction method. The employee receives bi-weekly paychecks. There are 7 pays within the 3-month period. The payroll deduction would be equal to \$19.71 per pay for 7 pays. The money would be reported in the "MemPOS" based on the number of deductions that occur in one month.

You are no longer required to collect the contribution rate difference. If you already made the rate difference deduction, you need to contact your ESC Representative. Your Employer Account and the Member's Account can be adjusted to reflect the extra contributions. Our computer system is programmed to charge you the contribution rate based on the member's salary you reported, not the amount you deducted. If you have any questions, please contact your ESC Representative.

Special Sick Leave Paid by Disability Insurance or Workers' Compensation

A member may negotiate a Special Sick Leave (SSL) unpaid by the school employer but paid by a school-sponsored disability insurance or workers' compensation. This leave is granted to a member who is ill and wishes to receive credit towards retirement. Granting of special sick leave is optional and must be approved by your (the employer's) board of directors. The leave must be limited to one year per occurrence.

To qualify for the leave, the member must receive at least half pay during the leave, through salary, workers' compensation, or other disability insurance paid by the employer. The leave may be either contributing (both the member and the employer must pay retirement contributions based upon the full contract salary) or non-contributing (no contributions are remitted during the period of the leave).

- If the leave is contributing, the employer reports the full amount of the contracted salary and both the employer and member each remit contributions on the amount. If the income is paid through workers' compensation or disability insurance and not partial salary, the member remits contributions as post-tax dollars to the employer who submits payments to PSERS on the member's behalf.
- If the leave is non-contributing, the employer reports the full contracted salary in the Wages No Contributions field on the Work Report, and neither the employer nor the member remits any contributions during the leave of absence period. If the member returns to active school employment immediately following the leave, the member may apply to purchase the unpaid non-contributing leave.

Service should be reported based on the number of days/hours the employee would have worked. Contact your ESC Representative for more information on how to correctly report members on SSL paid by a school-sponsored disability insurance or workers' compensation.

Refer to the Chapter 10: Reporting – Leave of Absence in the Employer Reference Manual for more information regarding reporting leaves of absence.

Foundations for Your Future Announcements

Deciding to retire is one of the most important decisions any of us will make. Members are encouraged to get as much information as possible regarding this opportunity such as going to the educational *Foundations for Your Future* (FFYF) meetings. PSERS has begun to provide you with a template for you to notify your employees of upcoming FFYF meetings in your area. The template contains all the necessary meeting information and is formatted for easy distribution as an email, a paystub notice, or a flyer for distribution. If a meeting is scheduled at a school and that specific school has closed or dismissed early because of inclement weather, the meeting will be cancelled. It is highly recommended for the attendee to check the PSERS website to make sure the date and/or location of the meeting has not changed due to weather conditions or other unforeseen circumstances.

PSERS Website

www.psers.state.pa.us

From the PSERS homepage, click on **Employers** to access all online resources.

Weather-Related Closings and Service Credit

During the winter months, members may experience weather-related school closings that adversely impact working the necessary time to obtain one (1) year of service credit with PSERS. Salaried or per diem employees must work 180 days and hourly employees must work at least 1,100 hours to earn one (1) full year of service. If the member works to make up those days that were cancelled due to inclement weather, the service will be included in the school year (July 1 and June 30) the member actually worked when PSERS' service credit is calculated. For example, any time worked after July 1, 2015, to make up days worked for school year 2014-2015, will be included in school year 2015-2016.

Some employers may petition the Pennsylvania Department of Education (PDE) for a waiver to reduce the number of days that constitute a full school year. PSERS, however, operates under different legislation than PDE and does not consider the waiver when calculating PSERS service credits. If a member does not work the 180 days or 1,100 hours required to obtain one (1) full service credit from July 1 to June 30, he or she will receive partial service credit for that year.

Full-Time and Part-Time Purchase of Service Applications

PSERS has received an increase in the number of *Purchase of Former Full-Time Uncredited Service* (PSRS-27) applications. During our review of these applications, we are finding many instances where the member is not a full-time employee as defined by PSERS.

PSERS defines a full-time employee as:

- Salaried = works at least 5 full days per week
- Hourly = works at least 25 hours per week not including overtime hours
- Per Diem = works at least 5 full days per week and is hired and paid on a daily basis
- Adjunct = works at least 30 credit hours in a fiscal year

Part-time employment is defined as:

- Salaried = works fewer than 5 full days a week
 - Works five (5) or more hours per day, but fewer than five (5) days per week
Example: works 3 days for 36 weeks and worked 5 full days (in service)
 $3 \times 36 = 108 + 5 = 113$ days
 - Works fewer than five (5) hours per day
Example: 3 hours for 180 days and worked an additional 3 full days (in service)
 $3 / 5 = .60 \times 180 = 108 + 3 = 111$ days
- Hourly (hired and paid on an hour-to-hour basis) = works less than 25 hours a week
- Per Diem (hired and paid on a day-to-day basis) = works fewer than 5 days a week. A workday must include a minimum of 5 hours to be considered a full day.
- Adjunct = work fewer than 30 credit hours in a fiscal year

Note: PSERS defines a full day as 5 hours worked in a day, even if an employer defines a full day differently. Employees must be reported to PSERS according to PSERS definition of full-time and part-time, which may not match the employer's definition.

Continued on page 7

How to Report Balance of Contract Money and Service on the Contract Record when Employee Dies or Terminates Employment

The way to communicate to PSERS when your employee terminates employment or dies while still employed by you is by submitting the information on the Contract Record. The Contract Record for such instances should include the following information:

If the employee terminates all positions, then your Contract Record should state:

- Work Status = Termination
- Start Date = The last day of work or leave
- Balance of Contract information:
 - BOC Flag
 - If the employee receives all salary/wages in the same month of termination, then the flag should equal “N.”
 - If the employee receives any salary/wages after the month of termination, then the flag should equal “Y.”
 - Outstanding SVC Flag
 - If you are going to report all service rendered by the employee in same month as termination, then the flag should equal “N.”
 - If you are going to report any service rendered by the employee after the month of termination, then the flag should equal “Y.”
 - BOC End Date = The Work Report month that the last information about the Balance of Contract salary/wages or service will be reported to PSERS.

If the employee dies while still employed by you, then your Contract Record should state:

- Work Status = Deceased
- Start Date = date of death
- Balance of Contract information:
 - BOC Flag
 - If the employee receives all salary/wages in the same month of death, then the flag should equal “N”
 - If the employee receives any salary/wages after the month of death, then the flag should equal “Y”
 - Outstanding SVC Flag
 - If you are going to report all service rendered by the employee in same month as death, then the flag should equal “N”
 - If you are going to report any service rendered by the employee after the month of death, then the flag should equal “Y”
 - BOC End Date = The Work Report month that the last information about the Balance of Contract salary/wages or service will be reported to PSERS.

If you have any questions about the proper way to report Balance of Contract information, please do not hesitate to contact your Employer Service Center Representative.

GASB Series – Note Disclosures and Required Supplementary Information

Beginning with the June 30, 2014 *Comprehensive Annual Financial Report* (CAFR), PSERS will have additional note disclosures and Required Supplementary Information (RSI) in order to comply with GASB 67. One of the main purposes for GASB 67 was to provide guidance for how pension plans relay information to employers participating in the plan in order to implement GASB 68. The primary method is for pension plans to include information in its notes to the financial statements (note disclosures) and RSI. Below is a summary of the items that can be found in the Financial Section of PSERS' CAFR, beginning with the June 30, 2014 edition.

Note Disclosures

The four components of PSERS' *Note 6 Net Pension Liability of Participating Employers*, includes the Net Pension Liability, Actuarial Assumptions, Investments, Discount Rate, and Sensitivity of the Net Pension Liability.

Net Pension Liability

The Net Pension Liability portion of Note 6 illustrates the components of the Net Pension Liability (NPL). Total Pension Liability (TPL) minus Fiduciary Net Position equals NPL, and the percentage of Plan fiduciary net position as a percentage of the TPL.

Actuarial Assumptions

The Actuarial Assumptions presented in the Note are in accordance with GASB 67. These assumptions directly impact the TPL portion of the NPL calculation above.

Investments

The investment portion of Note 6 discusses the asset money-weighted investment rate of return and the asset allocation. The asset allocation gives the targeted allocation and long-term expected real rate of return by asset class.

Discount Rate

This section states the discount rate used by the pension plan to measure the TPL. Beginning with the June 30, 2014 fiscal year end, pension plan actuaries must calculate if the plan's fiduciary net position is projected to be sufficient to cover the projected future benefit payments to current members. Should the fiduciary net position not be sufficient, the plan must incorporate the yield of a 20-year or higher rated municipal bond for the shortfall. Combined, these two rates become a blended rate. For the June 30, 2014 year end, PSERS was projected to have sufficient fiduciary net position to cover the projected payments and did not have to incorporate the 20-year municipal bond rate. Therefore the discount rate presented is the long-term expected rate of return assumption of 7.50 percent.

Sensitivity of the Net Pension Liability

The final section of Note 6 is the sensitivity of the net pension liability. In this section, the actuaries calculate the effect on the NPL by changing one assumption – the discount rate. For the June 30, 2014 measurement date, the effect of decreasing the discount rate by 1.00 percent for PSERS increases its NPL by \$9.8 billion while increasing the discount rate 1.00 percent decreases its NPL by \$8.4 billion.

Continued on page 7

Required Supplementary Information

There are four Required Supplementary Information (RSI) schedules associated with GASB 67. Each provides additional information that each participating employer will have to include in its financial statements. Each schedule will build up to ten-year's worth of data.

Schedule of Changes in the Employer Net Pension Liability & Schedule of Employer Net Pension Liability

The *Schedule of Changes in the Employer Net Pension Liability* details the components of the TPL and the fiduciary net position. With the exception of benefit payments, the TPL portion contains the components that are provided by the actuary. The fiduciary net position portion is a summary of the items reflected in greater detail on PSERS' *Statement of Changes in Net Position*.

The *Schedule of Employer Net Pension Liability* provides additional data regarding the NPL, specifically the covered-employee payroll and the NPL as a percentage of covered-employee payroll.

Schedule of Employer Contributions

This schedule illustrates the actuarially determined contribution (ADC) amount, as calculated for funding purposes, and the contractually required contribution amount. For PSERS, the contractual amount follows the payment schedule as set forth by Act 120 of 2010.

Schedule of Investment Returns

This schedule provides the one-year money-weighted rate of return for the Plan, net of investment expense.

Full-Time and Part-Time Purchase of Service Applications

(continued from page 4)

It is important that the correct purchase of service application is completed by you and your school employee. A part-time employee should complete a *Purchase of Former Part-Time Uncredited Service* (PSRS-100); whereas a full-time employee should complete a *Purchase of Former Full-Time Uncredited Service* (PSRS-27). The information associated with full-time or part-time service, when not initially reported to PSERS, needs to be evaluated by PSERS. You should not determine whether or not the service is eligible for purchase.

Full-time service purchases are not optional and are considered a correction of record (i.e., administrative error). As you know, PSERS membership is mandatory for full-time school employees. If the part-time service was rendered on or after July 1, 1976, PSERS membership was mandatory for qualifying part-time school employees unless waived. The salary and service must be reported to PSERS and the respective retirement contributions paid. If the part-time service was rendered before July 1, 1976, the request to purchase the service is optional. In all cases, PSERS will make the determination. Please complete the appropriate application listing all salary and service rendered by the school employee but not originally reported to PSERS.

Employer's Right to Appeal

(continued from page 1)

The request for appeal must be submitted via a written letter to PSERS Executive Staff Review Committee at 5 N 5th Street, Harrisburg PA 17101-1905. Please include the following information with your request for an appeal:

1. Employer name, employer identification number, address, telephone number, and the name of a contact person.
2. A statement of facts that are the basis of your appeal. These should be in separate, numbered sentences.
3. A statement of the relief you are requesting (in other words, what you want the Executive Staff Review Committee to do).
4. A complete statement of why the Executive Staff Review Committee should grant your request.

Before considering an appeal request, you should first contact your ESC Representative to discuss the statement or document in question. Your representative will review your concerns and try to clarify and/or update any information being disputed.