PSERS Employer Bulletin

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Inside...

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Update on Shared Risk

The Shared Risk Contribution Rate for Class T-E and Class T-F members will remain the same beginning in fiscal year 2015-2016. The current contribution rate for Class T-E members is 7.5%, while the rate for Class T-F members is 10.3%. The official contribution rates are subject to approval by the PSERS Board at their December 2014 Board meeting.

With a “shared risk” program, Class T-E and Class T-F members benefit when investments of the fund are doing well and share some of the risk when investments underperform. The member contribution rate could increase or decrease every three years dependent on the investment performance of PSERS. This evaluation period was for July 1, 2011 to June 30, 2014. The next evaluation period will be through June 30, 2018.

The member contribution rate will never go below the base rate of 7.50% for Class T-E and 10.30% for Class T-F members, nor above 9.50% for Class T-E and 12.30% for Class T-F members. Because of the better-than-expected performance of PSERS’ investments, no increase in the Shared Risk Contribution Rate will be implemented for the 2015-2016 school year.

Charter Schools Subsidies

During the budgeting process for the 2014-15 fiscal year, the legislature inserted language in the Fiscal Code to eliminate the “Charter School Double Dip.” This occurred because the charter schools received reimbursements through the Retirement Subsidy and also received this funding through the per student cost that each chartering school district must provide to the charter schools. As of July 1, 2014, charter schools will no longer receive Retirement Subsidy Reimbursements from the Commonwealth.

Payments to Charter Schools from the quarterly Retirement Subsidy reimbursement (Act 29) will no longer be made for the quarterly calculation of the COPA share of retirement contributions based on the reported school salaries for monthly work reports and any

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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 a retirement incentive, there are some things to keep in mind when negotiating such incentives.

Retirement Covered Compensation (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 an intent to retire document 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 employees' base wages, and relationships between the union, the employees, and the district may become strained.

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, consistent with its fiduciary obligations, analyze all payments to determine whether such payments qualify as compensation under the Retirement Code. For this reason, PSERS urges all employers to please consider contacting your Employer Service Center Representative in writing for an opinion before entering into any agreement for additional monies, incentives, bonuses, or payouts.

Letters for Payments Made Against Specific Transactions

When PSERS applies a payment to your employer account, a letter is generated if PSERS is unable to post a payment solely in the manner requested. Only one letter is generated per payment. Letters could be generated for the following reasons:

- **Mismatch Payment -** The payment combination of ‘Transaction Type’ and/or ‘Trans # or WR MMYYYY’ did not match an existing transaction. The payment will be applied to open balances from past transactions for the same transaction type within the same fund.

- **Excess Payment -** The payment submitted is at least $100 greater than the amount due for the combination of ‘Transaction Type’ and/or ‘Trans # or WR MMYYYY’ identified. The excess amount will be applied to open balances from past transactions for the same transaction type within the same fund as per your payment instructions.

- **Payment to a Hold or Disputed Transaction -** The payment could not be applied to the requested transaction because it is “On Hold” or “Disputed.” The payment will remain in your account as a credit balance until the transaction is released.

If you have questions regarding the new PNC Bank payment process, make sure you review the online presentations found on the PSERS website by clicking on Employers then Employer News. You may also find the following tips helpful:

- To pay a specific item, enter the exact payment amount, transaction type, and Trans # shown on your most recent statement.

- To pay multiple items with the same transaction type, enter the total amount you want to pay, select the transaction type from the drop down box, and enter 0 (zero) in the Trans # field.

- To make a single payment without regard to the number of items or the transaction type(s), enter the total amount you want to pay, select transaction type “Oldest Open Receivable” from the drop down box, and enter 0 (zero) in the Trans # field. **This is always a good rule of thumb to follow whenever you are not sure what to do.**

Employees Email Addresses

When submitting a new employee’s demographic record or updating an existing employee’s record, please remember to supply PSERS with the employee’s contact email address. PSERS is always exploring more effective ways of communicating with our members. Having email addresses on file will provide even more alternatives for communication. For more information on how to update Member Demographic Information, please refer to *Chapter 3 – Member Demographic Information* of the Employer Reference Manual found on the PSERS website under Employers.

PSERS Website

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.

Charter Schools Subsidies (continued from page 1)

adjustment to Employer accounts. Charter schools will still be required to make their employer contribution payments to PSERS by the required due dates. The due dates for the remainder of calendar year 2014 are September 23rd and December 23rd. Failure to submit payments by these due dates will prompt a request for a deduction against the Basic Education Subsidy received by the schools.

PSERS will no longer have the option of requesting the withholding of funds from the Retirement Subsidy for future charter school payment delinquencies; therefore, all deduction requests will be made against only the Basic Education subsidy to the chartering school district. It will be up to the chartering school district to withhold the appropriate dollars from the reimbursements to the affected Charter Schools.

If there are any questions related to this decision, please contact your Department of Education representative. PSERS is following the requirements of the 2014-15 budget and has no voice in its implementation.

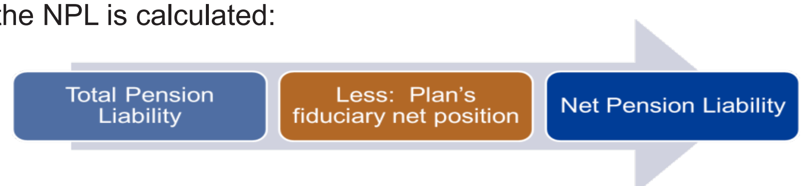
GASB Series – Net Pension Liability

Net Pension Liability

Net Pension Liability (NPL) is a new term introduced in Governmental Accounting Standards Board (GASB) 67. NPL is similar to what is known as the Unfunded Actuarial Accrued Liability (UAAL) in GASB 25 and 27. GASB defined the NPL as “the liability of employers and non-employer contributing entities to plan members for benefits provided though a defined benefit pension plan.”

Measuring the Net Pension Liability

The NPL will be measured yearly as of the measurement date. PSERS’ first measurement date was June 30, 2014. The first component in calculating the NPL is the Total Pension Liability (TPL). The TPL is calculated by an actuarial firm. It represents the projected benefit payments that have been earned as of the measurement date. The second component is the pension plan’s fiduciary net position. This is the value of the fund as of the measurement date. Below, is an illustration of how the NPL is calculated:



How the Net Pension Liability affects employers

GASB 68 directs employers participating in a cost-sharing pension plan to record their proportionate share of the collective net pension liability on their financial statements. PSERS’ employers will have to record their proportionate share of PSERS’ June 30, 2014, NPL on the employers June 30, 2015, financial statements.

Changing Your Security Profile Email Address or Administrative Office Address

If the email address on your Security Profile needs to be updated or if your school district’s administrative office address changes, you must contact your Employer Service Center Representative to report these changes. Currently, these changes cannot be accomplished via the Employer Web.

More information on changing your security profile or employer contact information is found in *Chapter 1 – Accessing the Online System*, of the Employer Reference Manual. The Employer Reference Manual is found on the PSERS website under Employers.