PSERS Employer Bulletin

Employer Bulletin - Volume 1 2018 Publication #9238

Inside...

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

Reminder: Please be sure to complete the action items in preparation for the transition to the new Employer Self-Service Portal. The action item list can be found on the Employer Self-Service Bulletin.

Employer Contribution Rate for Fiscal Year 2018-2019

The employer contribution rate for fiscal year 2018-2019 will be 33.43%. The rate applies to salary and wages earned from July 1, 2018 through June 30, 2019.

The rate was determined by PSERS' actuary, and certified by the PSERS Board of Trustees at its meeting on December 8, 2017. The certified employer contribution rate for fiscal year 2018-2019 is less than the previously projected 34.18 percent due in part to positive FY 2017 economic and demographic experience, including investment outperformance.

The employer contribution rate for fiscal year 2018-2019 consists of 32.60% for pension costs and 0.83% for premium assistance payments. Of the 32.60% portion of the employer contribution rate, 25.01% represents payment toward the unfunded liability.

New GASB Standards for Postemployment Benefits Other than Pensions

In June 2015, the Governmental Accounting Standards Board (GASB) issued two new statements that have changed the accounting and financial reporting of state and local government Postemployment Benefit Plans Other Than Pension Plans (OPEB). Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, affects PSERS' financial statements and note disclosures. All financial disclosures made by PSERS are contained in the audited Comprehensive Annual Financial Report (CAFR). Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* affects the financial statements of PSERS' employers.

PSERS administers a defined benefit pension plan and two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. PSERS HOP is funded exclusively by participant premiums paid for the benefit coverage they elect, and as a result, is not impacted by GASB 74 and GASB 75 and is not part of the OPEB liability.

Continued on page 2

Meet Your Representative: Glenda Lopez-Rodriguez

We are pleased to introduce Glenda Lopez-Rodriguez as the new PSERS Employer Service Center Representative for Region 1. Glenda has been a PSERS Regional Retirement Representative working on the member side for five years. She worked with the Department of Labor and Industry and the Department of Human Services before coming to PSERS. In her new position, Glenda looks forward to learning about the employer side of PSERS and working with employers in her region to help them navigate through challenges and changes. Outside of work, she enjoys singing and traveling to areas with more tropical weather.

Her advice to employers: "Have an open mind about changes."

(New GASB Standards...continued from page 1)

PSERS Health Insurance Premium Assistance Program, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Premium Assistance, which is funded by employer contributions, is impacted by GASB 74 and GASB 75 and is included in the OPEB liability. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Since the maximum Premium Assistance annual reimbursement benefit is capped at $1,200, the Net OPEB Liability is significantly lower than the Net Pension Liability.

Statement No. 74 replaces the requirements of the existing Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension* and is effective for fiscal years beginning after June 15, 2016. PSERS included these new requirements in the CAFR for fiscal year ended June 30, 2017. The basis for this statement is to provide employers participating in governmental OPEB plans information necessary to implement Statement No. 75.

Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This reporting requirement applies to PSERS employers and is effective for fiscal years beginning after June 15, 2017. Primarily, Statement No. 75 will require, for purposes of governmental financial reporting, that a proportionate share of PSERS' net OPEB liability (unfunded liability) be shown on the face of each employer's financial statements similar to how GASB 68 required employers to reflect the Net Pension Liability in their financial statements. In addition, these standards will require employers to include additional footnote disclosures about PSERS Premium Assistance Program in their financial statements.

The new Statements relate to accounting and financial reporting issues and how OPEB costs and obligations are measured and reported in audited financial statements and CAFR's. While there has been a close relationship between how governments fund OPEB plans and how they account and report information, the new guidance establishes a decided shift from a funding-based approach to an accounting-based approach. This shift was designed to improve OPEB plan information and increase the transparency, consistency, and comparability of pension information across governments.

Statement No.'s 74 and 75 can be found on the GASB website free of charge at www.gasb.org/home. Once on the site, select "Standards & Guidance" followed by "Pronouncements."

Similar to Statement No. 68, PSERS will be providing employers with audited materials including: a Schedule of Employer Allocations, Schedule of OPEB Amounts by Employer, and Notes to Schedule of Employer Allocations. PSERS anticipates providing Statement No. 75 materials to employers in June 2018.

School Crossing Guards

In accordance with Pennsylvania Township and Borough Codes, school crossing guards are not eligible for PSERS membership. **This means that you should not report school crossing guard service to PSERS earned after June 30, 2007.** Crossing guard service earned before July 1, 2007, should remain in the members' accounts.

If you have questions, please contact your PSERS ESC representative.

Return to Service Requirements for Sabbatical Leave

An active full-time professional member, or member of the supervisory, instructional, or administrative staff, may take a sabbatical leave, if approved by the school board, for professional development, restoration of health, or other purposes. A sabbatical leave may be granted for one full school term (180 days), one half school term (90 days), or two half school terms within a two-year period.

To retain service credit for the period of the sabbatical, a member must return to the employer that granted a sabbatical leave for a period equal to at least one school term immediately following the end of the leave. PSERS defines the school term as 180 days, regardless of the fiscal year or the number of days the member is contracted to work. Ten-month employees who do not ordinarily work over summer months are not expected to return until the start of the next school term.

According to the School Code the member must be allowed to return to the same position, in the same school(s), with the employer that granted the leave.

PSERS will allow the member to retain the full sabbatical credit without returning for one school term for either of these reasons:

1. The member cannot return, or only returns for a portion of one school term, due to illness, disability, or death.
2. The member is prevented from returning by the employer.

As proof of non-return due to illness or disability, the employer may report a Special Sick Leave for the member or the member must be granted and receive a PSERS disability benefit immediately following the Sabbatical Leave. If the member's record with PSERS does not show a Special Sick Leave or a disability benefit, PSERS will request a *Member Sabbatical Leave – Employer Verification* (PSRS-1320) form or other acceptable documentation as proof of an exception. The PSRS-1320 form is found on the PSERS website by clicking on Employers then Employer Forms. Refer to Chapter 10: Reporting – Leave of Absence in the Employer Reference Manual for more information regarding reporting leaves of absence.

Employer Service Center Staff

Kristina Goodling
Regional Office Administrator
krgoodling@pa.gov

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

Region 2 - Crystal Houser
crhouser@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
Temporary Contact:
michappuis@pa.gov; jmalnick@pa.gov; cbaez@pa.gov; or crhouser@pa.gov
Chester, Delaware, and Philadelphia Counties

Reporting Payments Made from Arbitration Awards, Court Orders, or Settlement Agreements

Generally, an employee must actually work and receive compensation to receive service credit in PSERS. Sometimes, an employer may be required to pay or reinstate a terminated employee as a result of a labor dispute. In limited cases, PSERS will allow pension credit and recognize certain payments as retirement-covered compensation.

When would such a payment be considered retirement-covered compensation (RCC)?

The payment awarded to an employee through an arbitration award, court order, or settlement agreement **is RCC** if:

- The payment represents full back pay of the salary the employee would have received.
- Each school year to which the payment is to be credited is clearly identified.
- Both the employee and the employer remits the required contributions to PSERS. The member contributions must be deducted from the amount payable to the member.

The employer is responsible for reporting and withholding contributions from the full amount of the employee's contract salary. *Any additional payments the employee may receive (e.g., court fees, attorney fees, accrued interest) are non-retirement-covered compensation (NRCC).*

Please note: Both member and employer retirement contributions must be made on the full amount of back pay with corresponding service, not the amount the employee actually receives from the employer. The amount the employer actually pays to the employee may be offset to reflect any monies the employee may have received from unemployment, workers' compensation, or other employment.

Contact your ESC representative to confirm how to report instances where there has been some type of arbitration agreement or court award.

Remember the following when reporting:

- PSERS **must** review the court award/order before releasing any credit or debit to your and/or the employee accounts.
- Report the amount that represents the employee's reinstated full contract salary only, even though the amount of the award may include interest or punitive damages.
- Interest payments received as part of the award are NOT subject to retirement deductions. If you report interest payments, use the NRCC field on the employee's Work Report Adjustment Record.
- Make retirement contributions on the gross amount of contract salary awarded, not on the net salary received by the employee. If an award amount is reduced because of other outside income, both the employer and the employee must pay contributions on the full contract salary.
  - **Example**
    - ◊ Member is terminated in January 2009 (90 days into the school year) having been paid $25,000 of a $50,000 FY salary.
    - ◊ Member secures employment at Dan's Auto Body and earns $15,000 during the second half of FY 2009.
    - ◊ Member files a lawsuit.
    - ◊ Settlement is reached in July 2009 and the member is reinstated with full salary and benefits.
    - ◊ To make the member "whole" with PSERS the employer must:
      - Report 90 days of service.
      - Report back pay of $25,000.
      - Pay full contributions on $25,000, even if the employer is only required by the settlement agreement to pay the member $10,000.
- If a member is employed by one or more PSERS employers during the time covered by the back pay, the other employer(s) must report the service and salary the member earns. If the service and salary reported by the other employer(s) are less than the service and back pay due from the original employer, the original employer must report the difference in service and salary and pay full contributions on the difference to make the member's account "whole" with PSERS.
  - **Example:**
    - ◊ Member is terminated in January 2014 (90 days into the school year) having been paid $35,000 of a $70,000 teacher's salary.
    - ◊ Member works as a substitute teacher for three different PSERS employers for a total of 70 days during the remainder of FY 2014 and earns a total of $7,000. The three employers report 70 days of service, salary of $7,000 and pay full contributions on $7,000.
    - ◊ Member files a lawsuit.

Continued on page 5

(Reporting Payments...continued from page 4)

- ◊ Settlement is reached in July 2014 and member is reinstated with full salary and benefits.
- ◊ To make the member "whole" with PSERS the first employer must:
  - Report 20 days of service.
  - Report back pay of $28,000.

- Pay full contributions on $28,000.If the service and salary reported by other employers are greater than or equal to the service and back pay due from the original employer, the original employer is not to report any additional service or salary or pay any additional contributions to PSERS.
  - **Example:**
    - ◊ Member is terminated in January 2013 (90 days into the school year) having been paid $35,000 of a $70,000 administrator's salary.
    - ◊ Member works for another PSERS employer for the remaining 90 days of the school year at an annual administrator's salary of $100,000. The second employer reports 90 days of service, salary of $50,000 and pays full contributions on $50,000.
    - ◊ Member files a lawsuit.
    - ◊ Settlement is reached in July 2013 and member is reinstated with full salary and benefits.
    - ◊ First employer is not to report any additional service or salary or pay additional contributions to make the member "whole" with PSERS for FY 2013 since the member has already received full service and a salary in excess of the first employer's contracted-salary from the second employer.

- Report the total amount of the award, the salary breakdown by year, and the days or hours of service time to be credited in a Work History Adjustment Record using the court award identifier.
  - o If the court award spans multiple fiscal years and/or contribution periods, you must submit a Work History Adjustment Record for ***each*** fiscal year and/or contribution period with the corresponding salary and service reported in each.

Regardless of the Wage Indicator value, the employee and employer contribution rate are based on the fiscal year in the adjustment record.

Special Sick Leave

Special Sick Leave (SSL) is granted to an employee who is ill and unable to work but who can continue to receive credit towards retirement. This type of leave must be approved by your board of directors and is limited to one year per occurrence.

To qualify for the leave, an employee 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 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 Chapter 10: Reporting – Leave of Absence in the Employer Reference Manual for more information regarding reporting leaves of absence.