



# EMPLOYER

b u l l e t i n

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## Employer Contribution Rate for 2011-2012

The PSERS Board of Trustees set the employer contribution rate to 8.65 percent for fiscal year 2011-2012. This rate applies to salary and wages earned from July 1, 2011, through June 30, 2012. More information about contribution rates and projected funding issues is found on the PSERS website under **Pension Funding “Rate Spike” Resources**.

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## IRS Compensation Limits

IRS Section 401(a)(17) of the Internal Revenue Code limits the amount of compensation that is subject to retirement contribution withholding. For active members entering membership in PSERS on or after July 1, 1996, the maximum amount of reportable retirement covered compensation for fiscal year 2011-2012 may not exceed \$245,000.

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## Vested Members Qualification Rules

Act 120 requires that public school employees who are vested (have 5 or more years of service) be credited with qualified service if they have worked on or after November 23, 2010.

Specifically, vested part-time hourly or part-time per diem employees that have worked on or after November 23 will have contributions withheld regardless of the total number of hours or days they have worked or may work in 2010-2011. Employers should begin withholding contributions for vested employees who have salary and service submitted as Wages No Contributions (WNC) for the 2010-2011 fiscal year. PSERS will generate a 2010-2011 qualification report once the school year ends to identify and to notify both the employer and the employee of qualified status. We will send *Statements of Amount Due* to both the employer and employee.

In addition, PSERS recently sent employers a year-to-date summary report to assist you in identifying a member's vested status. Please contact your employer service representative should you need further assistance.

## POS and Payment Options

Due to the recently passed legislation, PSERS anticipates an increase in processing of non-qualifying part-time (NQPT) purchase of service applications. The reason for this is Act 120 defines time frames for members wishing to purchase NQPT service. Beginning July 1, 2011, current members of PSERS have three years to purchase NQPT service and new members have one year from the time they enroll into PSERS.

As a reminder, there are three payment methods to choose from when a *Statement of Amount Due* is issued by PSERS:

- Lump-Sum Payment
- Payroll Deductions
- Debt Plan

**Lump-Sum Payment:** The member should mail a copy of the statement with a check or money order payable to “PSERS” at PO Box 125, Harrisburg, PA 17108. If the payment is received within 90 days of the billing date, additional interest will not be charged.

Members may also elect to rollover money to PSERS as a partial or full payment of the purchase. The funds must meet certain requirements to qualify for rollover payment. For more information, members may refer to the PSERS publication *Let’s Talk About Purchasing Credit for Service* (PSRS-9640) located on the PSERS website.

**Payroll Deductions:** The *Statement of Amount Due* provides an estimated payment plan for the member. The member should discuss the amount they would like to have deducted with his or her employer(s). The member may choose any amount withheld each pay period. They may also choose start and stop payments and to increase or decrease payments as needed.

Interest accrues at 4 percent per year beginning 91 days after the billing date and will stop accruing once the debt is paid in full unless the member retires or dies. Interest will accrue until the member’s date of retirement or date of death. If a balance remains, it will be deducted from the member’s retirement or death benefit.

The employer is required to remit the member’s payment to PSERS timely. Purchase of service payments are due the 10<sup>th</sup> of the month for the prior month’s deductions (ex. payments deducted in the month of February are due to PSERS by March 10). Also, the corresponding Work Report, which shows the total monthly deductions withheld in the “POS” (purchase of service) field, should be populated correctly with the total amount deducted for the entire month. Work Reports must be submitted on time so that the member doesn’t accrue additional unnecessary interest charges on the debt. (PSERS cannot apply the payments until the corresponding Work Report is submitted and released through the employer Web.)

**Debt Plan:** If the member does not make a lump-sum payment or setup payroll deductions, the Debt Plan method is used. Interest will begin to accrue at 4 percent per year beginning 91 days after the billing date and will stop accruing at the member’s date of retirement or date of death. The total balance of the debt will then be deducted from the member’s retirement or death benefit.

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## PSERS Comprehensive Annual Report Now Available

The PSERS *Comprehensive Annual Financial Report* (CAFR) for fiscal year ending June 30, 2010, is now available. PSERS has mailed a copy of the CAFR to each employer's business office. If you have not received your copy, the CAFR is found on the Publications page of the PSERS website under **General Information**. You can also e-mail [ContactPSERS@state.pa.us](mailto:ContactPSERS@state.pa.us) or call toll-free at (888) 773-7748 to request a copy.

The CAFR is the signature PSERS financial publication that provides readers with a variety of information concerning the financial, investment, and actuarial aspects of PSERS. The PSERS CAFR is evaluated each year by the Government Finance Officers Association of the United States and Canada (GFOA) in participation of its Excellence in Financial Reporting Program. PSERS has been awarded the GFOA's *Certificate of Achievement for Excellence in Financial Reporting* for 27 consecutive years.

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## Balance of Contract Survey

PSERS wants to thank all those who took the time to answer the balance of contract (BOC) survey sent in mid-February. BOC is the final payment the employee receives after leaving employment. PSERS wanted to know if the balance was normally paid to employees in a lump sum in the employee's final pay or in multiple payments stretched out over one or more months after the last day of service.

We found that 44 percent of employers who participated in the survey paid balance of contracts in one lump-sum payment while 56 percent paid it in multiple payments. We also found that 65 percent of these same employers are not given a choice as to how to pay the balance of contract because BOC payment is stipulated in the employee's negotiated contract. The survey also indicated that 56 percent of those answering the survey prefer to pay the balance in one lump-sum payment.

This information is of great value as we continue to improve processing of benefits for our members. Again, we thank all those who participated in the survey and encourage more participation in future surveys.

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## Regional Field Representative Changes

In an effort to provide employers with the best possible support, PSERS has re-assigned some of the Employer Service Regional Representatives. All the regional representatives and their county assignments are listed on page 1 of this *Employer Bulletin* under **Employer Contact Information**.