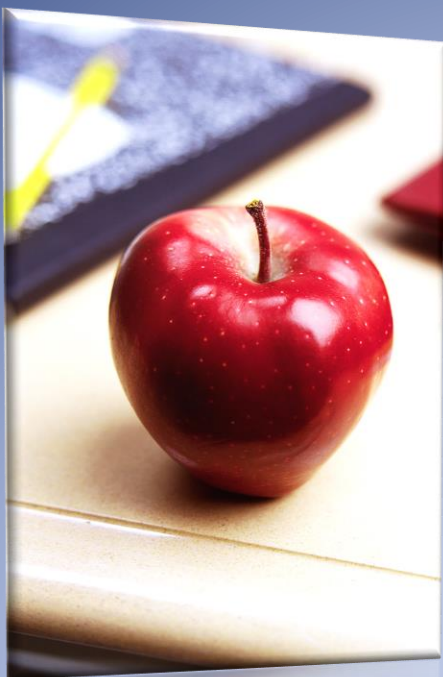


2019



# Employers' Reference Manual – Chapter 7

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*Public School  
Employees'  
Retirement System*

5 N 5th Street  
Harrisburg PA 17101-1905  
Phone 1.866.353.1844  
Fax 717.772.3860  
Email [ContactESC@pa.gov](mailto:ContactESC@pa.gov)  
[www.psers.pa.gov](http://www.psers.pa.gov)



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# Chapter 7

## Reporting – Determining Member Contribution Rates

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### Determining Employee Contribution Rates & Membership Class

The member contribution rate is established by legislation and depends on several factors. Throughout this chapter you will see DB and DC referenced. DB refers to the Defined Benefit (DB) component of each membership class listed. DC refers to the Defined Contribution (DC) component of each membership class listed. The contribution rate determines the amount of Pick-up Contributions that must be deducted from a school employee’s salary/wage. It is your responsibility to remit member (employee) contributions to PSERS on behalf of your school employees. A combination of the following dictates the Rate.

- Membership Class (Class)
- Enrollment date
- Employment work history, including breaks in service

A member will have one of the following contribution rates currently in effect.

Class	Time Period Covered	Rules for Eligibility	Associated Rate(s)
Class DC	July 1, 2019 and forward	The <b>first day of qualifying</b> school service is on or after July 1, 2019, if the member elects DC membership	7.50% to the DC plan
Class T-H	July 1, 2019 and forward	The <b>first day of qualifying</b> school service is on or after July 1, 2019, if the member elects T-H membership.	7.50%: 4.50% to DB Plan with Shared Risk/Shared Gain Provision and 3.00% to DC Plan
Class T-G	July 1, 2019 and forward	The <b>first day of qualifying</b> school service is on or after July 1, 2019, unless the member elected Class T-H or DC membership.	8.25%: 5.50% to DB Plan with Shared Risk/Shared Gain Provision and 2.75% to DC Plan

Class T-F	July 1, 2011 through June 30, 2019	The <b>first day of qualifying</b> school service is on or after July 1, 2011, if the member elected Class T-F membership.	10.30% with Shared Risk/Shared Gain Provision
Class T-E	July 1, 2011 through June 30, 2019	The <b>first day of qualifying</b> school service is on or after July 1, 2011, unless the member elected Class T-F membership.	7.50% with Shared Risk/Shared Gain Provision
Class T-D	July 1, 2001 through June 30, 2011	The <b>first day of qualifying</b> school service is after June 30, 2001 and before July 1, 2011.	7.50%
	Prior to July 1, 2001	The <b>first day of qualifying</b> school service was prior to July 1, 2001, and the member elected Class T-D membership.	6.50%
	July 1, 2001 and forward	A person whose <b>first day of qualifying</b> school service was prior to July 1, 2011, but was not a school employee or a State employee on June 30, 2001, and July 1, 2001, and subsequently returns to service shall not receive Class T-D service credit for school service performed before July 1, 2001, until the person becomes an active member or an active member of the State Employees' Retirement System and a multiple service member and earns three eligibility points by performing credited school service or State service after June 30, 2001.	7.50%
	Note: <i>Within the Membership Class T-D benefit structure, if a member purchased non-school service other than intervening or activated military service, the service must be classified as T-C even though the member has a Membership Class of T-D.</i>		
Class T-C	July 1, 1967 through June 30, 2001	The <b>first day of qualifying</b> school service is after June 30, 1967 and before July 1, 2001, unless the member elected Class T-D membership.	5.25% 6.25%

Prior to July 1, 1967	The <b>first day of qualifying</b> school service is prior to July 1, 1967 and the member elected Class T-C membership.	5.25% 6.25%
July 1, 1967 through June 30, 2001	The <b>first day of qualifying</b> school service is prior to July 1, 1967 and the member leaves and then re-enters and subsequently re-qualifies for membership in PSERS on or after July 1, 1967, and does not elect Class T-D.	5.25% 6.25%
<p><i>Note: If a member has a break in service or a break in membership, then the Class and Rate are reset based on the rehire and subsequent PSERS qualification date. If an employee has had a break in service or other qualifying event, consult the Quick Reference chart displayed later in this chapter to see if the employee's contribution rate has changed</i></p>		

### Membership Class T-G, Class T-H and Class DC

A school employee who first becomes an active member of PSERS on or after July 1, 2019 will be automatically enrolled in the Membership Class of Class T-G, but will have the opportunity to elect Class T-H or DC through the MSS system shortly after the school employee's Initial Qualification Date. The Initial Qualification Date is defined as the first day in which the school employee meets the minimum service requirements to be a member of PSERS. New members will have a one-time opportunity to elect Class T-H or DC. The member must make the election with PSERS through MSS by the due date to change Membership Classes. Once the election is made either by action or inaction, the election is permanent. To remain in Class T-G, no action is needed from the member.

If the member elects to change from Class T-G to Class T-H or Class DC, the employer will ~~want to~~ make the change to the contribution rate in their payroll system effective at the start of the next payroll after being notified on the CROQ report. Only the DB component is retroactive to the first day of school employment. The DC component begins from the notification of qualification from PSERS and is not retroactive. See Chapter 2 for additional information. Once PSERS receives the Work Report where the member contribution rate matches the Class T-H or Class DC rate on file, then PSERS will calculate and send the excess contributions due directly back to the member.

### Shared Risk/Gain Provision

Every three years, with the annual actuarial valuation, PSERS will compare the actual investment rate of return, net of fees, to the actuarial assumed rate of return for the previous ten-year period. You will be notified directly through communications with PSERS when these evaluations are occurring.

**Shared Gain:** If the investment rate of return exceeds the assumed rate of return by 1.00% or more, then the member's contribution rate for Class T-E and Class T-F members will decrease by 0.50%, and for Class T-G and Class T-H members will decrease by 0.75%.

**Shared Risk:** If the investment rate of return is less than the assumed rate of return by 1.00% or more, then the member’s contribution rate for Class T-E and Class T-F members will increase by 0.50%, and for Class T-G and Class T-H members will increase by 0.75%.

There are minimums and maximums to adjustments that can occur. Shared Risk/Shared Gain provisions only apply to the DB component.

Members hip Class	DB Base Rate	Shared Risk/Gain Increment	Min	Max
Class T-E	7.50%	+/- 0.50%	5.50%	9.50%
Class T-F	10.30%	+/-0.50%	8.30%	12.30%
Class T-G	5.50%	+/-0.75%	2.50%	8.50%
Class T-H	4.50%	+/-0.75%	1.50%	7.50%

## Withholding Member Contributions

There are two ways in which to confirm the Rate to be deducted from the member’s salary/wage.

1. Under the Roster Tab after searching for the member’s contracts by Social Security Number, click on Actions then View/Edit Member Contract. The Class and Rate for the member will display.
2. Contact your Employer Service Center Representative.

Using the member’s contribution rate on record with PSERS, PSERS calculates the amount of contributions due automatically for each employee and compares these contributions against the contributions reported in your Work Report. Prior to July 1, 2019, if the contributions did not match, PSERS notified you of the discrepancy by displaying an Exception message (highlighted in Orange) which identified the contribution rate conflict in the work report. ***This contribution rate discrepancy will now be displayed as an error message only.***

*Note: It is possible for an employee’s contribution rate to change under certain circumstances. If the school employee is a member of Class T-E, Class T-F, Class T-G, or Class T-H, the school employee is subject to the Shared Risk/Shared Gain Provision. See Shared Risk/Shared Gain for more details. A qualifying purchase of service, a break in service, a break in membership, member refunds, or returns to service are additional examples of circumstances under which a member’s rate could change.*

## Breaks in Service and How They Affect Contribution Rates

A *Break in Service* is defined as any of the following:

1. A Break in Membership (See *Break in Service vs Break in Membership*, next)



2. A termination of service - when a member terminates service from all public school Employers.
  - a. The following examples will generally be considered a break in service:
    - A member formally terminates employment with a school district and begins subsequent employment with a community college and elects SERS or an alternate retirement plan. ☒
    - A member formally terminates employment with a school district and begins subsequent employment with a charter school and elects an alternate plan. ☒
    - A member formally terminates employment, then subsequently provides service through a bona fide third-party vendor. ☒
    - A member formally terminates employment then, after such termination, enters into a bona fide independent contractor arrangement.
3. A non-contributing leave of absence including furlough that exceeds 24 months.
4. No reporting of salary or service for a period that exceeds 24 months for a non-terminated member who is not on a leave of absence.
5. A part-time employee with two consecutive non-qualifying fiscal years rendered after a qualifying fiscal year, but prior to the enactment of *Once Qualified, Always Qualified* rules (Act 2010-120).

**Example:**

2007-2008 750 hours (Qualified)  
 2008-2009 430 hours (Non-Qualified)  
 2009-2010 378 hours (Non-Qualified) – At the conclusion of this fiscal year, the member is deemed to have a *Break in Service*.

**Note:** A Multiple Service Member who becomes a member of the State Employees’ Retirement System (SERS) cannot avoid the break in service condition even if the first day of membership is within 90 days of the school termination or 24 months of the start of a non-contributing leave.

### **Break in Service vs. Break in Membership**

Once a member qualifies in any fiscal year (using the Initial Qualification and Subsequent Qualification after a Break in Membership rules), the member retains membership status unless one of the following occurs:

1. The member terminates and refunds all contributions and interest.
2. A member is “Non-vested” (see Note 2 below) AND terminates all PSERS employment without refunding his/her contributions and interest AND does not return to service prior to the

expiration of Inactive status (a period of two full fiscal years (FY) from June 30 of the last FY of the member's last day of paid service).

*Note 1:* Inactive membership status is retained if a member was granted Multiple Service and is active with SERS; therefore, a break in membership does not occur while the member is active with SERS unless the member refunds all contributions and interest.

*Note 2:* "Non-vested" in this context means all of the following (see Chapter 2 -NAME- for additional information on Eligibility and Qualification):

- The member does NOT meet the 5-year vesting rules based on the Membership Class T-C and Class T-D.
  - The member does NOT meet the 10-year vesting rules based on the Membership Class T-E, Class T-F, Class T-G, or Class T-H.
  - If the member is Class DC and does not have at least 3 eligibility points
  - If the member is Class T-C or Class T-D, the member does NOT meet the age 62/1-year rule to be eligible for a T-C/T-D retirement benefit
  - If the member is Class T-E or Class T-F, the member does NOT meet the age 65/3-year rule to be eligible for a T-E/T-F retirement benefit
  - If the member is Class T-G or Class T-H, the member does NOT meet the age 67/3-year rule to be eligible for the T-G/T-H retirement benefit
3. A member who is "Non-vested" (see Note 2 above) is not reported in any Work Reports or Work History Adjustments by a PSERS employer for a period of two full fiscal years from June 30 of the last FY of the member's last day of paid service, unless the member was granted Multiple Service and is active with SERS.
4. A non-vested disability annuitant, after the Inactive Member Status expires, whose annuity stops due to:
- return to service
  - disability non-compliance
  - expiration of disability annuity (e.g., short time)

*Note: A Break in Membership results in a Break in Service; however, a Break in Service does not always result in a Break in Membership.*

Once a member qualifies for membership, all service earned after the initial qualification will be considered qualified until their membership is broken. Members who break membership must re-qualify to receive retirement credit for service upon their return. This requirement does not apply to

Class DC members. Once a Class DC member attains three eligibility points, they will not need to requalify upon returning to service.

Quick Reference – When the Contribution Rate Changes for Class T-C or Class T-D Members

Certain situations can cause the contribution rate for an employee to change:

<b>Hired...</b>	<b>And...</b>	<b>Contribution Rates</b>	
prior to July 22, 1983	<p>The employee has a 90-day or longer break in service, or a 2-year non-contributing leave and returned after July 1983.</p> <p>A break in service is defined as a 90-day period during which the employee is not employed.</p> <p>Summer vacation is not considered a break in service.</p>	If class T-C, report at...6.25%	If Class T-D, report at...7.50%
prior to July 22, 1983	The employee refunds, vests or takes a normal, early, or disability retirement and subsequently returns to service on or after July 1, 2001.	N/A (Return to membership will qualify under Class T-D)	If Class T-D, report at...7.50%
prior to July 22, 1983	a part-time member who qualifies for membership each school year	If Class T-C, report at...5.25%	If Class T-D, report at...6.50%
prior to July 22, 1983	The employee is purchasing the period beginning with the effective date of hire to the effective date on which retirement withholding began. Submit a letter to the Member Accounting Section certifying the employee's effective date, that the employee was employed prior to the time purchased, and retirement contributions were deducted after July 22, 1983.	If Class T-C, report at...5.25%	If Class T-D, report at...6.50%
prior to July 22, 1983	An employee who refunds but returns their checks because they decided not to refund is allowed to remain at the rate as long as the employee has returned to service within 90 days of leaving service. The check must be returned to PSERS within 90 days.	If Class T-C, report at...5.25%	If Class T-D, report at...6.50%
after July 22, 1983, but prior to July 1, 2001	a part-time employee who fails to qualify for membership during a school year	N/A (Return to membership will qualify under Class T-D)	If Class T-D, report at...7.50%

## Quick Reference – Act 120 Contribution Rate Changes

Certain situations can cause the contribution rate for an employee to change:

<b>Qualified...</b>	<b>And...</b>	<b>Contribution Rates</b>	
Qualified on or after July 1, 2011	If the employee has never been a member of PSERS and is not actually providing services until after July 1, 2011	Automatically placed in Class T-E, report at 7.50%; will have option to elect Class T-F once qualified	
Qualified on or after July 1, 2011	Election to Class T-F	Rate increased from 7.50% to 10.3%	
Qualified on or after July 1, 2011	Shared Risk/ Shared Gain	If Class T-E, 5.50%- 9.50%	If Class T-F, 8.30% - 12.3%
Qualified on or after July 1, 2011	Break in service longer than 90 days or a 2-year non-contributing leave and returned after July 1, 2011	If Class T-E, report at 7.50%	If Class T-F, report at 10.30%
Qualified on or after July 1, 2011	The employee refunds, vests or takes a normal, early, or disability retirement and subsequently returns to service on or after July 1, 2011.	If Class T-E, report at 7.50%	If Class T-F, report at 10.30%

## Quick Reference-Act 5 Contribution Rate Changes

Certain situations can cause the contribution rate for an employee to change:

<b>Qualified</b>	<b>And...</b>	<b>Contribution Rates</b>	
Qualified on or after July 1, 2019	If the employee has never been a member of PSERS and is not actually providing services until after July 1, 2019	Automatically enrolled in Class T-G, report at 8.25% (5.50% to DB, and 2.75% to DC); will have option to elect T-H or DC once qualified	
Qualified on or after July 1, 2019	Election to Class T-H	Rate decreased from 8.25% to 7.50% (4.50% to DB, and 3.00% to DC)	

Qualified on or after July 1, 2019	Election to Class DC	Rate decreased from 8.25% to 7.5%	
Qualified on or after July 1, 2019	Shared Risk/ Shared Gain (Note: this only affects the DB component of each class. The DC component will not change.)	If Class T-G, 2.50%- 8.50%	If Class T-H, 1.50% - 7.50%
Qualified on or after July 1, 2019	Break in service, or a 2-year non-contributing leave and returned after July 1, 2019	If Class T-G, report at 8.25% (5.50% to DB, 2.75% to DC)	If Class T-H, report at 7.50% (4.50% to DB, 3.00% to DC)
Qualified on or after July 1, 2019	The employee refunds, vests or takes a normal, early, or disability retirement and subsequently returns to service on or after July 1, 2019.	If Class T-G, report at 8.25% (5.50% to DB, 2.75% to DC)	If Class T-H, report at 7.50% (4.50% to DB, 3.00% to DC)