

Region	Workshop Location	Date	Time	Address	City	ZIP Code
5	Bucks County IU 22	Tuesday, May 01, 2018	10:00 AM	705 N Shady Retreat Rd	Doylestown	18901
2	Carbon-Lehigh IU 21	Monday, May 07, 2018	9:30 AM	4210 Independence Dr	Schnecksville	18078
5	Montgomery County IU 23	Tuesday, May 08, 2018	10:00 AM	2 West Lafayette Street	Norristown	19401
6	Delaware County IU 25	Friday, May 11, 2018	10:00 AM	200 Yale Ave	Morton	19070
2	Northeastern Educational IU 19	Monday, May 14, 2018	9:30 AM	1200 Line St	Archbald	18403
2	BLAST IU 17	Tuesday, May 15, 2018	9:30 AM	33 Springbrook Dr	Canton	17724
2	Colonial IU 20	Wednesday, May 16, 2018	9:30 AM	6 Danforth Dr	Easton	18045
4	Lincoln IU 12	Thursday, May 17, 2018	9:30 AM	65 Billerbeck St	New Oxford	17350
2	Luzerne IU 18	Thursday, May 17, 2018	9:30 AM	368 Tioga Ave	Kingston	18704
5	Chester County IU 24	Thursday, May 17, 2018	10:00 AM	455 Boot Rd	Downingtown	19335
2	Central Susquehanna IU 16	Friday, May 18, 2018	9:30 AM	90 Lawton Ln	Milton	17847
3	Beaver Valley IU 27	Monday, May 21, 2018	9:30 AM	147 Poplar Dr	Monaca	15061
4	Central IU 10	Monday, May 21, 2018	10:00 AM	345 Link Rd	West Decatur	16878
4	Appalachia IU 8 Executive Office	Tuesday, May 22, 2018	9:30 AM	4500 6 th Avenue	Altoona	16602
3	Westmoreland IU 7	Tuesday, May 22, 2018	9:30 AM	102 Equity Dr	Greensburg	15601
5	Berks County IU 14	Tuesday, May 22, 2018	10:00 AM	1111 Commons Blvd	Reading	19605
1	Northwest Tri-County IU 5	Wednesday, May 23, 2018	10:00 AM	252 Waterford St	Edinboro	16412
4	Tuscarora IU 11	Wednesday, May 23, 2018	9:30 AM	2527 US Hwy 522 S	McVeytown	17051
3	Intermediate Unit 1	Wednesday, May 23, 2018	9:30 AM	1 Intermediate Unit Dr	Coal Center	15423
1	Midwestern IU 4	Thursday, May 24, 2018	10:00 AM	453 Maple St	Grove City	16127
3	Allegheny IU 3-Session 1	Thursday, May 24, 2018	9:30 AM	475 E Waterfront Dr	Munhall	15120
3	Allegheny IU 3-Session 2	Thursday, May 24, 2018	1:00 PM	475 E Waterfront Dr	Munhall	15120
1	Riverview IU 6	Friday, May 25, 2018	10:00 AM	270 Mayfield Rd	Clarion	16214
3	ARIN IU 28	Friday, May 25, 2018	9:30 AM	2895 W Pike Rd	Indiana	15701
5	Lancaster-Lebanon IU 13	Friday, June 01, 2018	10:00 AM	1020 New Holland Ave	Lancaster	17601
6	Schuylkill IU 29	Tuesday, June 05, 2018	10:00 AM	15 Maple Ave	Pottsville	17901
4	Capital Area IU 15	Friday, June 08, 2018	9:30 AM	55 Miller St	Summerdale	17093
2	Seneca Highlands IU 9	Friday, June 08, 2018	9:30 AM	119 Mechanic St	Smethport	16749

Retirement-Cover Compensation

The compensation received by a PSERS member for school service has significant impact to the member's retirement benefit because the member's pension is based on a fixed formula that includes the member's final average salary. Although a school board retains full discretion in negotiating the compensation package for its employees, such compensation package may include payments that do not qualify as Retirement-Covered Compensation (RCC) as defined in the Retirement Code, otherwise known as Non-Retirement-Covered Compensation (NRCC).

Why is this Important?

1. Compensation is a primary factor in determining member and employer contributions.
2. Compensation is a primary factor used in calculating a member's final average salary (FAS).
3. For new members hired after July 1, 2019, contributions for both the defined benefit and the defined contribution components are based on the same salary.
4. The Employer Contribution Rate (ECR) is the same per member (defined benefit)/ per participant (defined contribution), regardless of their Membership Class, and it is applied across total payroll.
5. The Commonwealth reimburses the school employers based on the compensation reported to PSERS.
 - a. Reimbursement is for total ECR.
 - b. Auditor General notifies PSERS of any findings issued against a school employer for reporting NRCC to PSERS.
6. The Retirement Code defines "compensation" and identifies certain payments to be excluded.

*Compensation is all regular remuneration for school service rendered **excluding**:*

 - *Reimbursement for expenses incidental to employment*
 - *Bonuses*
 - *Longevity Payments, unless added to base salary for the following year*
 - *Payments for **Unused** Leave, **Unused** Compensatory Time, and **Optional** Days*
 - *Cash payments made in lieu of benefits, i.e. health care*
 - *Severance payments*
 - *Payments not based on the standard salary schedule*
 - *Payments or reimbursements for attending seminars and conventions*
 - *Fringe benefits*
 - *Any payment made to enhance FAS*

RCC is not determined by what an employer or an employment agreement identifies as compensation. To determine what is RCC, PSERS will look at the totality of the circumstances and beyond the characterization of payments in an agreement.

On the following pages are a description of common payments made to employees and an explanation of whether or not they qualify as RCC.

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Employer Service Center Staff

Kristina Goodling
Regional Office Administrator
krgoodling@pa.gov

Region 1 - Glenda Lopez-Rodriguez
gllopez@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

Severance Payments

A severance payment is any payment received that is contingent on the member terminating or retiring and is **not** RCC.

To qualify as RCC, such payment must be in accord with the customary or scheduled salary scale with a particular employer and personnel with similar educational and experience backgrounds, who are not terminating service, must also receive the payment. For example, a salary increase given to employees who are retiring despite a pay freeze for non-retiring staff is a severance payment because it is paid only to employees who are terminating. Additionally, payments for leave that are granted as part of a termination package is a severance agreement and not a payment for used leave.

Examples of Severance Payment

- A payment agreed to after a notice of termination is given. *Hoerner v. PSERB*, 684 A.2d 112 (Pa. 1996).
- A \$16,000 salary increase paid in the employee's last year of employment. Claim that such payment was made to recognize an employee's years of devoted service, as well as to make up for years of underpayment, was rejected. *Laurito v. PSERB*, 606 A.2d 609 (Pa. Cmwlth. 1992).
- A payment for unused vacation and sick leave, in lieu of a salary increase, made in connection with an agreement to terminate service. *Wyland v. PSERB*, 669 A.2d 1098 (Pa. Cmwlth. 1996), *alloc. denied*, 680 A.2d 1165 (Pa. 1996). **Note:** this case was decided in the context of a severance agreement. The payment, however, could also have been rejected on the basis that it was a payment for unused vacation and sick leave .
- Salary increases received by employees who agreed to retire under a revised collective bargaining agreement were severance agreements because employees who did not retire remained subject to the lower salary schedule. *Hartline v. PSERB*, 2015 Pa. Commw. Unpub. LEXIS 77 (Pa. Cmwlth. Jan. 28, 2015), petition denied 125 A.3d 1203 (Pa. 2015).

Step Cash ("Top-of-Scale") Payments

A step cash payment is a payment made by an employer to a member, who is restricted from a salary increase, due solely to the fact that the member is at the top of the salary schedule. The payment **will** be considered RCC, even if **not** added to base salary, provided the:

- Amounts are clearly stated.
- Amounts are agreed upon in advance.
- Amounts are applicable to all school employees in the same position, and years of service, as contracted, on the salary scale.
- Employer has no discretion in making the payment

The payment may be made in either a one-time payment or multiple payments during the fiscal year.

Longevity Payments

A longevity payment is a payment made by an employer to an employee who reaches a certain number of years of service. This type of payment may be either a one-time payment or multiple payments during the fiscal year.

Even if given to an entire class of employees, a longevity payment is excluded from RCC because it is not based on school service rendered or an objective performance standard similar to an incentive payment (see below). Furthermore, payments are restricted to those who are credited with a significant amount of service credit (i.e., those most likely to retire; hence more likely to enhance their FAS).

A longevity payment:

- **Is** considered RCC if the payment(s) is added to a member's base salary for the following school year.
- **Is not** considered RCC if the payment(s) is not added to a member's base salary.

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Incentive and Bonus Payments

A payment is deemed to be an **incentive**, and **is** RCC, if:

1. The payment is tied to actual and objective work performance standards or a specific achievement, agreed upon prior to the start of the performance or attainment of the achievement.
2. There is an objective means of calculating the amount of the payment.
3. The employer is contractually obligated to make the payment (for a single year or multiple years, as defined in advance) if the performance standards or achievement are met.

A payment is a **bonus**, and is **not** RCC, if:

1. One-time payment, in lieu of a salary increase, which is not based on any performance standard and which is not included in base salary the following year.
2. Payment made to a member after services were rendered, where no expectation of payment existed.

Incentive (RCC)	Bonus (not RCC)
<ul style="list-style-type: none"> • An employee is paid \$1,000 for achieving national teacher certification paid annually for rest of employment. • A set percentage is paid for each completed goal that is determined prior to the beginning of the school year. • A payment of \$3,000 for attaining a master's degree paid as a lump sum each year and not added to base salary. • Professional employees can earn credit pay at the rate of \$70 per pre-approved credit, not to exceed 12 credits in any one school year. The professional must earn a grade of "B" or higher. 	<ul style="list-style-type: none"> • Payment for perfect attendance. • Employee is eligible to receive <i>up to 10%</i> based on set goals. • Payment to extend a contract. • Payment for satisfactory performance. • Net Sharing Plan not included in base salary and not contingent on additional employee performance goals. • Employee will be evaluated by the Superintendent at such times as the Superintendent deems appropriate. The Superintendent may, in his sole discretion, grant Employee a merit payment not to exceed \$2,500.

Optional Days and Additional Duties

If an employee performs additional duties beyond their regular work responsibilities and outside their regular work hours, then such payments may be RCC, but the employee might not receive additional service credit.

- Payment for working a “nonwork” day or an extra payment for working an optional day is **not** RCC. *The “nonwork” or optional days are, in effect, a payment for an unused vacation day and, therefore, excluded by definition.*
- As a salaried employee, the base salary covers the period of employment, not the number of days worked. Paying the employee an additional amount to work on a day that the employee would otherwise have off is simply a payment for unused vacation time.
- Payment received for performing additional duties *beyond* regular work responsibilities **is** RCC even if the duties are performed during normal work hours.

More Information

For more information on retirement-covered compensation, refer to Chapters 8 and 10 in the *Employer Reference Manual* and the Retirement-Covered Compensation presentation on PSERS' website at www.psers.pa.gov.

Public school employers may also call the Employer Service Center at 1.866.353.1844 or email ContactESC@pa.gov.

Knowledge Check!

1. *Your superintendent's contract ends on June 30, 2018. The superintendent and the school board have agreed to let the superintendent continue to receive a salary until June 30, 2018 but the last day of actual school service for the superintendent is December 31, 2017. The superintendent is not expected to report to work and the assistant superintendent has taken on all duties of the superintendent. Is the salary paid after December 31, 2017 RCC or NRCC?*
 - a. **NRCC. The superintendent did not render any school service after December 31, 2017. Although the school may agree to pay the superintendent the remainder of the contract term, such payment is not remuneration for service rendered.**
2. *The contract for your high school principal states that his base salary is \$150,000 for the 2017-2018 school year, based upon 250 work days. His contract states that he can work additional days beyond 250, and will be paid for each day worked above 250 at his then current rate of compensation. Is the salary he receives for each of the days worked above 250 RCC or NRCC?*
 - a. **NRCC. The principal is under contract for the entire school year, i.e. July 1-June 30, at a base salary of \$150,000 regardless of the number of days actually worked. The \$150,000 includes the pre-arranged vacation days. Working on one of those days and receiving an additional payment is simply a payment for not using a vacation day.**
3. *Your teacher's contract states that you will reimburse the employee for the college courses that he or she took as long as the teacher receives a passing grade. Is the payment you pay for college courses RCC or NRCC?*
 - a. **NRCC. The payment is a reimbursement incidental to employment and is not tied to actual service rendered.**
4. *Your teacher is on your salary schedule for a Master's degree. The teacher's contract states that for every three credits earned in addition to the Master's degree, the teacher receives \$350. Is the \$350 RCC or NRCC?*
 - a. **RCC. The payment qualifies as an incentive payment because attaining a degree related to services rendered to the employer is a performance tied to objective work performance standards agreed to ahead of time, the amount of the payment is objective, and the employer is contractually obligated to make the payment.**
5. *Your bus drivers' contract gives them the choice to receive health benefits or receive \$1,000 in lieu of the health benefits. If the bus driver takes the payment instead of the benefits, is the \$1,000 RCC or NRCC?*
 - a. **NRCC. The payment is made in lieu of a benefit and, therefore, is a fringe benefit. Had the employee not made the election, the employee would not have been entitled to the payment. The employee also did not perform any additional school service for the payment.**
6. *Your school secretary starts her maternity leave after using her accrued sick, personal, and vacation days. After the usage of her sick, personal, and vacation days, she starts an unpaid leave of absence. Her contract states that at the beginning of each school year, she earns vacation and sick days even though she is on a leave of absence. She chooses to receive pay for those newly earned vacation and sick days to supplement her income while on the leave of absence. Is the vacation pay received while on a leave of absence RCC or NRCC?*
 - a. **NRCC. Payments for sick, vacation, personal leave day(s) or holidays made while a member is in a non-contributing status are NRCC because the member is not required to work during the leave and did not earn the additional leave by rendering service.**

7. Your teacher's union accepts a pay freeze; however, if the teacher submits the letter of retirement, then his standard salary schedule is not frozen. Is the salary paid above the frozen salary schedule RCC or NRCC?

a. **NRCC. The payment is a severance payment because only employees who are retiring are eligible for the payment.**

8. Your high school teacher was hurt on the job and is being paid workers' compensation. Is the workers' compensation RCC or NRCC?

a. **NRCC, unless the member is reported on a Special Sick Leave. A member on workers' compensation is not engaged in work. Under the Board's Special Sick Leave Policy, however, which is a form of an approved leave of absence, a member may receive up to one year of service credit, provided: (1) the employer agrees; (2) the member is receiving at least half pay either by direct payment, workers' compensation payments or a school district paid disability insurance policy; and (3) employer and employee retirement contributions are made based on the full salary of the member.**

9. Your school settles an arbitration with a school employee. The agreement states that the school will pay the employee \$10,000 as back pay for the 2016-2017 school year and in exchange the employee agrees to retire. Is the \$10,000 RCC or NRCC?

a. **It depends. The payment is labeled as back pay and is associated with a payment for a particular school year. What is unclear is what portion of service the payment corresponds to and whether the salary is what the member would have received for that portion of time. For example, the member missed 8 months of work but the parties may only agree to pay \$10,000 for 4 months of pay. PSERS will credit the member with 4 months of service but the agreement must specify the actual time period that the \$10,000 is to apply to.**

Note: The employee's agreement to retire does not make the payment a severance payment.

10. Your school negotiated a new salary schedule. Any employee who is at the maximum step on the schedule will receive \$500 that is not added to base salary. Is the \$500 RCC or NRCC?

a. **RCC. The \$500 is a step-cash payment payable to anyone who reaches the highest step on a standard salary schedule. But for the restriction imposed by the salary schedule, the employees would have otherwise received a normal raise that would have been included in base salary.**