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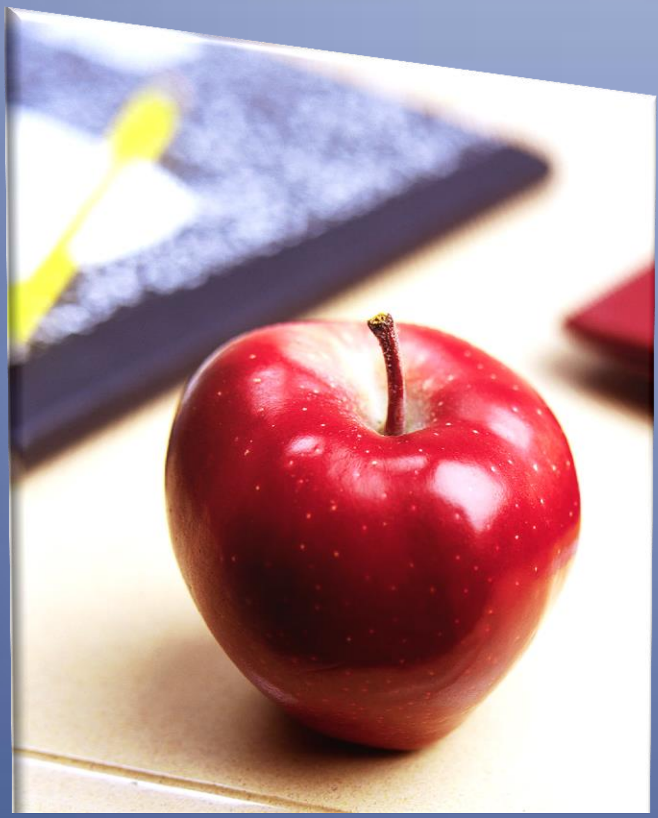

Employers' Reference Manual – Chapter 8

Public School Employees' Retirement System

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Reporting – Retirement-Covered Compensation

The purpose of this chapter is to simplify the Retirement Code language, as stated below, on the salary/wages that qualify as compensation, which are called "retirement-covered compensation." The Retirement Code (*§ 8102) Definitions* defines **compensation** as:

> *"Compensation."* --Pickup contributions plus any remuneration received as a school employee excluding reimbursements for expenses incidental to employment and excluding any bonus, severance payments, any other remuneration or other emolument received by a school employee during his school service which is not based on the standard salary schedule under which he is rendering service, payments for unused sick leave or vacation leave, bonuses or other compensation for attending school seminars and conventions, payments under health and welfare plans based on hours of employment or any other payment or emolument which may be provided for in a collective bargaining agreement which may be determined by the Public School Employees' Retirement Board to be for the purpose of enhancing compensation as a factor in the determination of final average salary, provided, however, that the limitation under *section 401(a)(17) of the Internal Revenue Code of 1986* (Public Law 99-514, *26 U.S.C. § 401*(a)(17)) taken into account for the purpose of member contributions, including regular or joint coverage member contributions, regardless of class of service, shall apply to each member who first became a member of the Public School Employees' Retirement System on or after July 1, 1996, and who by reason of such fact is a non-eligible member subject to the application of the provisions of section 8325.1 (relating to annual compensation limit under *IRC § 401(a)(17)*).

PSERS has the right to ask for and acquire information from an employer to determine if a school employee's wages and/or service time are deemed retirement-covered compensation. Provided below is an excerpt of the Retirement Code that defines the duties of the employer in regards to records and information in Section § 8506 *Duties of Employers*.

> (b) *Records and information*. --At the direction of the board, the employer shall furnish service and compensation records as well as other information requested by the board and shall maintain and preserve such records as the board may require for the expeditious discharge of its duties.

is reported in one of the five fields available on the monthly Work Report:

- Base
- URCC (Unpaid Retirement-Covered Compensation)
- OT (Overtime)

- SUP (Supplemental)
- WNC (Wages No Contributions)

Salary/Wages that exceed the 401(a)(17) earning limitations should be reported in the EXSAL (Excess Salary) field (see *Maximum Earnings Subject to Contributions* later in this chapter for more information). Salary/Wages that do not qualify as compensation are called "non-retirement-covered compensation" and may be reported in the NRCC (Non-Retirement-Covered Compensation) field available on the monthly Work Report. The reporting of NRCC salary/wages is optional.

The information in this chapter provides a guideline for you to use in determining whether or not salary/wages earned are retirement-covered compensation. The determination of whether or not a payment is included as retirement-covered compensation is established in the Retirement Code. Specific language/wording within an employee's contract or in a collective bargaining agreement <u>does not</u> supersede the language or intent of the Retirement Code. If information comes into question, PSERS retains the right to investigate the information, request additional documentation to confirm the reporting, and make the final determination on whether a payment is retirement-covered compensation.

For retirement purposes, all employee earnings (salary/wages, sick pay, pay during leave, bonuses, etc.) are either retirement-covered compensation (qualified earnings) or non-retirement-covered compensation (unqualified earnings). Retirement contributions must be paid by the member and by the employer on qualified earnings and must not be paid on unqualified earnings. Qualified earnings must be reported to PSERS in your monthly Work Reports. Unqualified earnings do not need to be reported, but they may be reported in your monthly Work Reports under NRCC. See Chapter 5: "Monthly Work Report" for instructions.

Full-Time Regardless of Wage Type and Salaried Employees

Full-time employees, regardless of their Wage Type (i.e., Salaried, Per Diem, or Hourly), and salaried employees, regardless of their Employment Type (i.e., Full Time or Part Time), qualify for PSERS membership on the first day of work. Member (Employee) Contributions must be deducted and reported to PSERS on all qualified earnings (retirement-covered compensation). If you are unsure whether or not salary/wages earned are retirement-covered compensation, contact your ESC Regional Representative for additional information.

Part-Time Hourly and Per Diem Employees

Part-time hourly and per diem employees become eligible for PSERS membership on their 500th hour or 80th day of employment in a school year. Once a school employee qualifies for PSERS membership, the member continues to be qualified regardless of the hours or days rendered in subsequent school years, until the employee has a Break in Membership (see Chapter 7: "Determining Member Contribution Rates"). This service time is cumulative among all PSERS employers. You must begin withholding contributions when the cumulative total service of all public school employment reaches 500 hours or

80 days. PSERS will notify you, through a Work Report exception or error message and the Employer Notification of Change in Member Class / Rate or Obtaining Qualification (CROQ) Report, to start withholding contributions.

You have two basic choices for the initial reporting of part-time hourly or per diem employees:

1. Withhold and report contributions to PSERS from the first day of employment. In this case, report the employee's earnings as described in this chapter and stated in Chapter 5: "Monthly Work Report."
2. Wait and start deducting contributions when the employee reaches 500 hours or 80 days. In this case:
    a. Prior to the 500th hour / 80th day, report all earnings that would normally be qualified in the WNC field. Do not use the Base, OT, SUP, URCC, or EXSAL fields.
    b. On or after the 500th hour / 80th day, report all earnings on the Work Report as described in this chapter and stated in Chapter 5: "Monthly Work Report."

You must withhold contributions beginning with the employee's 500th hour or 80th day. At this time, you must also begin paying the employer contributions. Through the Purchase of Service process, the employee and the employer will be billed for the contributions on the wages reported in the WNC field.

PSERS helps you maintain proper reporting of your part-time employees by doing the following:

- If you do not pay employer contributions for an employee who qualifies, PSERS will send you a *Statement of Amount Due* that bills you for the contributions you should have made. PSERS will also bill the employee for the employee's share of the contributions that should have been made. The statutory interest that should have accrued on this money will be added to the cost of the member and employer contributions. Statutory Interest is calculated at 4 percent compounded annually through the application date. The interest is pro-rated for the first school year at a rate of 2 percent since PSERS would not have had the funds for the entire school year.
- If you make employer contributions and deduct member (employee) contributions for an employee and that employee never reaches 500 hours or 80 days of employment in that school year, PSERS will credit the employer contributions to your account after the school year reporting is completed for the fiscal year and the member *Statements of Account* have been generated. The member (employee) contributions will be refunded directly to the school employee at the same time the employer contributions are credited to your account. An *Application for Partial Refund (Non-Qualifying Part-Time Service)* (PSRS-1246) is not required. This process is automatic at the close of the school year after all employers complete the fiscal year reporting. The payment is usually made in February of the next calendar year, but not later than the end of March.

The Retirement Code defines "compensation" generally to mean any remuneration received as a school employee **excluding** the following:

- Reimbursement for expenses incidental to employment
- Bonus
- Severance payment
- Payment not based on the standard salary schedule
- Payment for unused vacation and sick leave
- Compensation for attending seminars and conventions
- Any other payment that the Board determines is for the purpose of enhancing final average salary

The standard salary schedule refers to the schedule, usually established in collective bargaining agreements, whereby the employees are compensated on a fixed scale that varies by seniority, experience, and/or education. With respect to superintendents, or others who are not covered by collective bargaining agreements, this schedule refers to that individual's position with the employer. To clarify, PSERS will use the salary history of the position as the equivalent of the collective bargaining classification.

Retirement contributions must be paid by the member on qualified earnings. It is your responsibility to report the member retirement contributions deducted from the school employee's salary/wage to PSERS on behalf of the member.

Note: In the monthly Work Reports, you must report earnings in the field indicated for each type of payment.

- **Regular Salary/Wages** – Salary/wages based on the standard pay schedule for which the employee is rendering service. Report these earnings in the **Base** field.
- **Overtime** – Wages, paid over and above the regular salary, which represent additional hours worked. Report these earnings in the **OT** field.
- **Extracurricular activities** – Wages paid for additional duties performed after normal working hours should be included in the **SUP** field. Examples of these earnings are wages paid to coaches, department heads, ticket takers, chaperones for school activities, yearbook overseers, etc.
    - If you employ individuals solely for an extracurricular activity and they have qualified employment, then the earnings would be reported in the **Base** field as qualified salary, unless the position meets either of the following conditions:

- Extracurricular Position exception for a retiree (See the *PSERS Return to Service Guidelines and Clarification* pamphlet for more details) ***or***
- School employee waived PSERS membership.

- **Jury duty** – You must withhold and pay retirement contributions on the regular, full salary of employees who are serving jury duty. If you are paying the employee the regular, full salary, report this as usual in the **Base** field. If you are paying the employee the *difference* between the regular, full salary, and the amount the employee is paid for serving on jury duty, report all income in the **Base** field. Because this employee is not technically on an approved leave of absence, but considered to be actively working, the validations in the Work Report will prohibit you from reporting the salary in both the Base and the URCC fields like you would for a school employee who is on an approved leave of absence. Keep the Work Status on the Contract Record as "ACTIVE – Actively Working" for employees on jury duty.

- **Difference payments** – This type of payment applies if you pay a teacher who is on vacation, personal, or sick leave, the ***difference*** between the teacher's regular, full salary and the salary you pay to the substitute teacher who fills in for this teacher. In this case, you and the school employee must pay retirement contributions on the regular, full salary, not the reduced pay. Report all income in the **Base** field. Because this employee is not technically on an approved leave of absence, but considered to be actively working, the validations in the Work Report will prohibit you from reporting the salary in both the Base and the URCC fields like you would for a school employee who is on an approved leave of absence. Retirement contributions must be deducted and reported to PSERS on the salary the member would have earned had he or she not been on vacation, personal, or sick leave.

  Note: If the school employee is called up to active duty and begins a military leave on or after July 1, 2013, you may not report any salary/wages in Base or URCC including differential pay to PSERS while the employee is on military leave; it must be reported in the WNC field on the Work Report. The school employee has the right to purchase the service time upon the return to public school service. This type of military leave is called 'USERRA Leave' (see Chapter 10: "Reporting – Leaves of Absence" for more information).

Incentive Payments

A payment is deemed to be an **incentive**, and **is** retirement-covered compensation, 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.

Example: An employee earns a $1,000 incentive for achieving national teacher certification, and is paid this additional amount annually during the period of certification without being added to base salary.

An incentive payment does not include payments made for attendance or minimal performance of job duties.

If the above criteria are met, report the incentive payment in the **SUP** field and withhold retirement contributions as you would on other pay to this employee. If the employee is part-time hourly or per diem and is not yet having contributions withheld, report the incentive payment in the **WNC** field.

Payments that do not meet these standards are considered a bonus and are non-retirement-covered compensation.

Bonus Payments

A payment is deemed to be a **bonus**, and **not** retirement-covered compensation, if:

- The payment is not tied to actual and objective work performance standards.
- There is no objective method of calculating the amount of the payment.
- The employer retains complete discretion in deciding whether to make the payment even if any such standards are met.

Examples of bonus payments that would not be retirement-covered compensation could include:

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.
3. Payment for an achievement that is unrelated to work performance, such as a monetary award for perfect attendance.
4. Payment for satisfactory performance rating.
5. Payment for selling back unused vacation or sick leave at the end of the school year.

If you want to map all earnings to a Wage field within the Work Report or Work Report Adjustment file, then any bonuses should be reported under the NRCC Field.

Longevity Payments

A **longevity payment** is a payment made by an employer, in either a one-time payment or multiple payments during the fiscal year, to an employee who reaches a certain number of years of service that **may** be retirement-covered compensation.

- Such payment **is** considered retirement-covered compensation (RCC) if the payment(s) is added to a member's base salary for the following school year.

- Such payment **is not** considered retirement-covered compensation if the payment(s) is not added to a member's base salary.

Examples of RCC Longevity Payments:
Employee's contract provides the following:

- 15th through 19th year $500 payment each year
- 20th through 24th year $750 payment each year
- 25th year forward $1,000 payment each year

In these examples, the school employee's standard base salary is increased by the "Longevity Payments" stated above and, therefore, would be considered RCC.

Year	***Base Salary (salary from schedule* plus prior longevity payment)***	***Current Year Longevity Payment***	***RCC***
18	$49,000	$500	$49,500
19	$50,250	$500	$50,750
20	$51,500	$750	$52,250

*The standard schedule includes an annual increase of $750 for each year of employment.

Year	***Base Salary* (salary from schedule* plus prior longevity payment)***	***Current Year Longevity Payment***	***RCC***
18	$49,000	$500	$49,500
19	$50,985	$500	$51,485
20	$53,030	$750	$53,780

*The standard schedule includes an annual increase of 3% of base salary for each year of employment.

Examples of NRCC Longevity Payments:
Employee's contract provides the following:

- 15th through 19th year $500 payment each year
- 20th through 24th year $750 payment each year
- 25th year forward $1,000 payment each year

In these examples, the school employee's standard base salary is **not increased** by the Longevity Payments stated above; therefore, the longevity payment is considered NRCC.

Year	***Base Salary (from schedule only)****	***Longevity Payment***	***RCC***
18	$49,000	$500	$49,000
19	$49,750	$500	$49,750
20	$50,500	$750	$50,500

*The standard schedule includes an annual increase of $750 for each year of employment.

Year	*Base Salary (from schedule only)*	*Longevity Payment*	*RCC*
18	$49,000	$500	$49,000
19	$50,470	$500	$50,470
20	$51,984	$750	$51,984

*The standard schedule includes an annual increase of 3% of base salary for each year of employment.

Step Cash Payments

A "**step cash"** or **"top-of-scale" payment** is a payment made by an employer, in either a one-time payment or multiple payments during the fiscal year, to a member who is restricted from a salary increase due solely to the fact that the employee is at the top of the salary schedule. Such payments shall be considered retirement-covered compensation, even though the amount is **not** added to the base salary, if:

- 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.
- The employer has no discretion in making the payment.

Severance Payments

A **severance payment** is defined in the Retirement Code as:

> Any payments for unused vacation or sick leave and any additional compensation contingent upon retirement including payments in excess of the scheduled or customary salaries provided for members within the same governmental entity with the same educational and experience qualifications who are not terminating service.

Any payment that is paid solely because the member terminates service by a certain date is **not** retirement-covered compensation and will **not** be included in a Final Average Salary calculation.

Examples of severance payments include, but are not limited to:

- A salary increase given to a member who is retiring even though the employer has imposed a pay freeze on its non-retiring staff.
- An offer to extend the instructional year, by assigning duties such as curriculum writing, that are specifically designed so that compensation will be given beyond the normal instructional schedule in exchange for a member's agreement to retire by a specific date.
- An early retirement incentive offered to a member who agrees to leave employment prior to reaching a PSERS milestone.

- A payment agreed to after a notice of termination has been given or after a member has been formally relieved of duties.
- A payment if a member agrees to submit a letter of resignation or retirement by a specific date.
- A salary increase paid in the member's last year of employment in recognition of "years of devoted service" or for a similar reason.
- A large salary increase coupled with an agreement to terminate service.
- Payment of unused vacation and sick leave, in lieu of a salary increase, in connection with an agreement to terminate service.

Tax-Sheltered Annuity

A contribution to a **tax-sheltered annuity** (TSA), typically a 403(b) plan, **is** retirement-covered compensation if it **is paid from the member's base salary** (a "salary reduction") and the amount of the contribution is added to the member's base salary.

A contribution to a TSA **is not** retirement-covered compensation and is considered a fringe benefit if it **is paid in addition to the member's base salary** (a "non-salary reduction") and is not added to the member's base salary.

Example 1 – Salary Reduction:			***Example 2 – Non-Salary Reduction:***	
Base Salary	$130,000		**Base Salary**	$130,000
403(b) deduction *(member paid)*	-5,000		403(b) contribution *(employer paid)*	+5,000
Net Income	$125,000		**Net Income**	$135,000

In both examples, the retirement-covered compensation is $130,000.

Deferred Compensation - 457(b) and 457(f) Plans

Any income that is deferred under an authorized IRC 457(b) Deferred Compensation Plan agreement or an authorized IRC 457(f) ineligible Deferred Compensation Plan shall be included as retirement-covered compensation as defined in section 8102 of the Retirement Code provided the contributions meet the other retirement-covered compensation requirements.

Settlement Agreements (Including Arbitration / Court Awards)

PSERS will grant service credit and recognize payments resulting from a settlement agreement as retirement-covered compensation under the following circumstances:

- In the case of a contested termination, the termination is removed from the personnel record and the member is returned to the employment status that he or she would have held had the service not been interrupted.

  Note: A member's personnel record must be changed to reflect the employment status to which the parties are agreeing. After the fact the employment record must show continuous school service as though the disputed personnel action did not occur.

- A member is not required to continue in employment following the last day of the return to service period.

  Note: The Member may agree to terminate service in the same document in which the employer agreed to void the termination and return the member to service with full back pay and benefits.

- Full back pay and benefits are paid and appropriate contributions submitted by both the employer and the member.

  Note: Member retirement contributions resulting from a settlement award must be paid by the member; the employer cannot agree to make these payments.

- Back pay is credited in the year it is earned, not the year it is received.

- Any order or settlement agreement must specify the time period to which the back pay must be credited.

- Back pay must correspond to the salary the member would have received had they not been terminated. Anything else is merely a damage award or settlement payment.

  Note: The full salary and benefits to be paid must reflect any increase that would have occurred due to longevity or changes in the pay scale. These employer payments may be mitigated by any other income earned during the disputed period; but retirement contributions must be made on the amount of the full salary. PSERS will not recognize either damage award or "settlement" unrelated to the member's contracted position as an attempt to create service credit or retirement-covered compensation when none is due. PSERS will not give service credit, or recognize retirement-covered compensation, for settlement agreements that are disguised severance agreements.

- If a member received any retirement benefits as a lump sum or annuity during the period of reinstated service, these amounts must be repaid to PSERS as a lump sum or by applying an actuarial reduction. In such cases, the PSERS benefit will be recalculated using the new retirement date and factor in the additional service credit and retirement-covered compensation.

  Note: PSERS will allow a member to apply for and receive retirement benefits even though he or she is contesting the termination. If the member is successful, the retirement transaction is undone and the account restored to reflect continuous school service.

Report the total amount that represents only the employee's reinstated full contract salary even though the amount of the award may have included interest or punitive damages. Do not report any other awarded claims such as interest. The salary, contributions, and service reported to PSERS must equal what the member would have earned had the member worked during the period associated with the arbitration / court award.

You must 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, you must still pay contributions on the full award amount.

Note: All settlements or salary from arbitration will be reviewed by PSERS on a case-by-case basis. Send the information in writing to PSERS. Be sure to state what the settlement and salary payment represent in detail. You must provide a copy of the court award or arbitration.

Approved Leave of Absence Salary/Wages

Wages paid to an employee while the employee is on an approved leave of absence may or may not qualify as retirement-covered compensation. The approved leave of absence must meet certain requirements. See Chapter 10: "Reporting – Leaves of Absence" to determine if the wages paid or the wages the member would have earned qualify as retirement-covered compensation.

Employee Dies while in Service

Payment to an employee's beneficiary or estate for time worked prior to the employee's death should be reported. Report this type of pay in the **same Wage** field (i.e., Base or WNC) as you reported the salary/wage prior to the member's death. If applicable, also report the associated contributions in the **Contributions** field. Report service time for this payment in the **Days** or **Hours** field.

Return of Salary, Wages, or Pay Increase

If a member is obligated to return a portion of his or her salary, wages, or a pay increase to the employer, the amount that is required to be returned will not constitute remuneration for services. As such, it is non-retirement-covered compensation; therefore it will not be used for any Final Average Salary calculation. The employer is responsible for returning the associated member contributions to the member.

Expenses

Payments made to members as reimbursement for expenses incidental to their employment are not retirement-covered compensation.

Examples of such expenses could include:

- Car allowance (for lease or purchase of vehicle) ***Note: Car Allowance may also be a fringe benefit if the employer pays the expense directly. Whether considered expenses or a fringe benefit, the income is non-retirement-covered compensation***

- Mileage reimbursement
- Dues
- Conference or seminar fees (including registration, housing, and meals)
- Meal reimbursement
- Cell phone charges

Non-retirement-covered compensation (unqualified earnings) may be reported in the NRCC field provided on your monthly Work Report to PSERS to reduce future questions, but it is not required.

Additional Examples of Unqualified Payments

Payments that are not tied to actual work while an active PSERS member, including but not limited to the following, are ineligible as retirement-covered compensation:

- Fringe benefits – Fringe benefits are excluded from retirement-covered compensation. This includes payments for a life insurance policy, premiums for health and welfare benefits, group life insurance, and union dues.

  Example: The employer provides employer-paid disability coverage. Whether the employer directly pays for this benefit, or gives money directly to the employee, who then pays the disability premium, makes no difference from a retirement-covered compensation standpoint. In either case, the payment would be excluded.

- Payment to an employee in lieu of a benefit the employee is eligible to receive, or any reimbursement received by the employee. (Usually, these payments do not become part of your standard pay schedule.)

  Examples:
  - Payment in lieu of an employer-sponsored vision and dental plan
  - Payment in lieu of an employer supplied cell phone
  - Payment in lieu of health care coverage

- Special payments for health and welfare plans based on the hours employed

- "Signing bonuses" if the amount is not included in the base salary the following year

- Payments for "perfect attendance" or similar behaviors

- Payments to Independent Contractors, or persons compensated on a fee basis

- Compensation for attending seminars and conventions, and salaries paid to employees serving as PIAA officials. (They are considered independent contractors contracted through PIAA.)

- Non-published side agreements for additional compensation

- Any payments (remuneration or a profit derived from one's office) received by a school employee for school service that is not based on the standard pay schedule for which they are rendering service

- Payments or a profit derived from one's office that may be negotiated in a collective bargaining agreement for the express purpose of enhancing the compensation factor for retirement benefits

- Payments due for settlements or an arbitration or court cases when the settlement involves less than full reinstatement, back pay, and benefits. For more information about settlement agreements, refer to the *Settlement Agreements (Including Arbitration / Court Awards)* section earlier in this chapter**.**

- Interest payment included with settlements or arbitration of a court case.

  Note: All settlements or salary from arbitration will be reviewed by PSERS on a case-by-case basis. Send the information in writing to PSERS. Be sure to state what the settlement and salary payments represent in detail. You must provide a copy of the court award or arbitration.

- Work performed as a student is generally not eligible for purchase, because such service is often tied to conditions that make the service not part of a true employer/employee relationship. Examples of such conditions include, but are not limited to, service performed:

  - As part of a financial aid package (e.g., work study, etc.)
  - In exchange for a tuition or housing waiver
  - As part of the student's curriculum
  - In exchange for academic credit
  - As a Graduate or Resident Assistant

  The member has the responsibility to provide proof that these conditions did not exist. Such proof *may* come from the employer, or may be supplied by the member from their collection of employment history documents.

- Salaries paid to substitutes employed through a contracted substitute service are not retirement-covered compensation.

  Example: You contract with "Substitutes for Hire" temp agency to acquire all your substitutes. The temp agency conducts all the interviews and determines qualifications of the applicants. You, directly or indirectly, contact the temp agency when you need a substitute. They provide the substitute. The salary earned by the substitute should not be reported to PSERS, even if you have a policy that states that a substitute earns a wage adjustment after rendering 60 consecutive days in the same position. When, and only when, the person becomes an employee of the district should you start reporting the individual to PSERS.

Conversely, if you hired the substitute, but use a contracted service to simply pay the substitute, the position should be reported to PSERS and the retirement contributions should be deducted based on the qualification rules. See Chapter 2: "Membership – Mandatory, Optional, or Prohibited" for more information.

- Salaries paid to PSERS retirees hired for employment due to an emergency or shortage of personnel. An emergency is characterized as an increase in workload that creates a serious impairment of service to the public or a shortage of appropriate subject-certified teachers or personnel. See the PSERS website for more information on this topic.

- Salaries paid to PSERS retirees hired for an extracurricular activity. This applies only if hired under <u>both</u> of the following conditions:

  - The retiree is hired for an extracurricular position that is conducted **outside of** the regular instructional hours and **is not part of** the school's mandated curriculum.

  - The retiree is employed under a separate written contract with you; and the written contract contains <u>both</u>:

    - ✓ A waiver by the retiree of any potential retirement benefits that could result from the post-retirement employment

    - ✓ A release of both you and PSERS from any liability for benefits related to the post-retirement employment

Maximum Earnings Subject to Contributions

Section 401(a)(17) of the Internal Revenue Code limits the amount of compensation that is subject to retirement contributions for active employees **entering** (enrolled in) PSERS membership **on or after** July 1, 1996.

- For employees who became PSERS members on or after July 1, 1996, the maximum amount of earnings that qualify for retirement contributions may not exceed the limitation. The limit for a PSERS fiscal year is the IRS announced limit for the calendar year in which such fiscal year begins. If an employee earns more in a fiscal year than the limit, all salary that exceeds this limit should be reported in the EXSAL ofield on the employee's Work Report Records for the remainder of that fiscal year. No retirement contributions should be made on this excess salary. See the PSERS website for more information.

  If a determination period consists of fewer than 12 months, the compensation limit for that year will be multiplied by a fraction, the numerator of which is the number of months in the determination period and the denominator of which is 12.

  Example: For an employee who worked for 5 months in 2006, the reportable compensation limit was $91,667 ($220,000 x 5/12).

The annualized salary calculation for any fiscal year that is computed is limited by the cap allowed by IRC 401(a)(17) for the calendar year in which the fiscal year begins.

Any member who was **enrolled prior to** July 1, 1996, regardless of a break in service or membership, is not subject to the compensation limits set forth by the Internal Revenue Service in IRC Section 401(a)(17).

- For employees who became PSERS members before July 1, 1996, there is no maximum earning level. Contributions must be made on all qualifying earnings for these employees, regardless of how much they earn in a calendar year.