

# **Membership, Qualification, & the T-F Election Process**

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## **Public School Employees' Retirement System**

**June 6 – June 10, 2011**

Thank you for viewing this recorded WebEx session. If you have any questions about the material, please address them to your Employer Service Center Representative.

## Key Terms

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- **Member: A person who has qualified for PSERS membership and maintains one of the following statuses:**
    - Active
    - Inactive
    - Vested
    - Retired
  - **Potential Member: A school employee who has not yet met the minimum service qualifications for membership in PSERS, but has the potential for membership**
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Before we start, I'd like to introduce 2 terms which will be used today and going forward.

For the purposes of implementing Act 120, PSERS has refined the definition of a member and begun using the term potential member. As you can see, a member is a person who has qualified for PSERS membership and whose status is Active, Inactive, Vested, or Retired. Because of the common use of the word member to describe anyone who is enrolled in PSERS, it was necessary to begin using the term Potential Member to identify those school employees who have not yet met the minimum qualifications for membership in PSERS, but has the potential to become a member in the future. Most commonly, Potential Members are your part time hourly and per diem employees who have never qualified for membership.

## **Agenda**

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- Changes to Qualification**
  - Break in Service**
  - Break in Membership**
  - T-E Membership Class**
  - T-F Election Process**
  - Impact to Employers**
  - Notification to Employers**
    - Brief overview; will be covered in detail during the Employer Web session**
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Now that we've covered the 2 groups of individuals enrolled in PSERS, I'd like to review our agenda for this webinar. As you can see, we'll begin by discussing changes to qualification that occurred as a result of Act 120, and go on to talk about how Breaks in Service and Membership affect a Member's Membership Class and Qualification Status. We'll then cover the T-E and T-F Membership Classes as well as the T-F Election Process and the impact this election will have on employers. Lastly, I will briefly go over some of the new tools we are implementing to notify you of changes to a member's PSERS profile.

## **Changes to Qualification: Once Qualified, Always Qualified**

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- ❑ Eliminates the requirement for Part Time Hourly or Per Diem employees to qualify every school year**
  
  - ❑ Should significantly reduce the amount of Non-Qualified Part Time purchases of service**
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Act 120 affected the way PSERS assesses a member's qualification status. The legislation included a Once Qualified, Always Qualified clause, or OQAQ as we call it, which will eliminate the requirement for these part time hourly and part time per diem employees to qualify each school year in which they are employed under one of these employment and wage type combinations.

OQAQ, along with the new time limits to purchase non-qualified part time service, should significantly reduce the amount of these types of purchases. Members who are active and contributing on 7/1/2011 will have 3 years from 7/1/2011, or until 6/30/2014, to apply to purchase any non-qualified part time service for which they have not already received credit. Members who qualified prior to 7/1/2011, but who are not actively contributing on 7/1/2011, will have 1 calendar year, subsequent to returning to active school service and re-qualifying, from the date PSERS notifies them of their qualified status. Those members who qualify for PSERS membership for the first time after 7/1/2011 will only have 1 calendar year from the date PSERS notifies them that they are qualified members. All members will be notified, by PSERS, of their timeframe to make these purchases by PSERS; there is no added burden to the employer to communicate this information.

## **Changes to Qualification: Employment & Wage Type**

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- Qualified from first paid day of service:**
  - **Full Time Salaried**
  - **Full Time Hourly**
  - **Full Time Per Diem**
  - **Part Time Salaried**
- Rules for Part Time Hourly and Per Diem**
  - **Must work 500 hours or 80 days within a single school year once to qualify for membership**
  - **Once qualification is obtained, Member will be qualified forever\***

\*Unless non-vested member has a break in service of 2 full school years or longer.

Under the old qualification rules, a member was required to qualify each school year. In the case of Full Time employees and Part Time Salaried employees, the qualification analysis was and continues to be simple following the OQAQ rule; these members are qualified from the first day of paid, active service in any given school year. It was your part time hourly and part time per diem employees who were impacted significantly under the old rules. They will still be impacted by OQAQ, but because Act 120 eliminated the requirement for these employees to re-qualify each school year, once a part time hourly or part time per diem employee has met the 500 hour or 80 day requirement, respectively, they will be qualified going forward unless they are subject to a Break in Membership, which will be covered shortly. Once you receive notification that these employees are qualified, you should begin to withhold contributions, if you were not already doing so, and reporting these contributions to PSERS.

## Changes to Qualification: Vested Members

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- **Always qualified regardless of employment and wage type**
  - **T-C & T-D members**
    - **Vesting remains at 5 years of service**
    - **Superannuation at 62 with a minimum of 1 year of service, age 60 with a minimum of 30 years of service, or a minimum of 35 years of service at any age.**
  - **T-E & T-F members**
    - **Vesting changes to 10 years\***
    - **Superannuation at age 65 with 3 years of service or a combination of age and service that is equal to 92 with a minimum of 35 years of service**

\*Members will still be eligible for a Disability benefit with 5 years of service.

Another nuance of Act 120 is that now Vested Members fall under the OQAQ guidelines. Previously, qualification was established only by the employment type and wage type of a member or potential member. However, OQAQ simplified the analysis by defining all vested members of PSERS as qualified regardless of employment or wage type.

Vesting is different for members who first qualified on or before 6/30/2011 and those who first qualified on or after 7/1/2011. For current T-C and T-D members who qualified on or before 6/30/2011, vesting is set at 5.00 years of service. For T-E and T-F members who will first qualify on or after 7/1/2011, vesting will be set at 10.00 years of service. In addition to those employees who are vested, those who have reached superannuation and are eligible for a normal retirement benefit are also affected by the OQAQ guidelines. T-C and T-D members can still attain superannuation by having at least 35 years of service at any age, at least 30 years of service at age 60, or at least 1 year of service at age 62. T-E and T-F members will only be able to reach superannuation by having at least 3 years of service at age 65 or at least 35 years of service and being age 57 or older. The latter of which follows the newly implemented Rule of 92 where a member's age and service must total 92 in order to be considered superannuated and receive a full retirement benefit. For example, a member who is 58, but only has 34 years of service will not be considered superannuated because they do not have at least 35 years of service even though the sum of 58 and 34 is equal to 92. In this example, the member would need to wait until he or she attained 35 years of service before terminating, which, assuming a full time employment type, would be at age 59.

I want to conclude this slide with a note that members will continue to be qualified for a disability retirement benefit after attaining 5.00 years of service. Members who first qualify on or after 7/1/2011 will not have to wait until they have 10.00 years of service to be eligible for a disability benefit through PSERS.

## **Changes to Qualification: Returning to Active Service**

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- **Return to Service: Because members must be vested or superannuated to receive a retirement benefit, they are qualified from the date of return regardless of employment and wage type.**
  - **Returning from a Disability Retirement: qualification will be assessed based on all of the qualification rules.**
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Returning to active school service after retirement or a Break in Service, which is different from a Break in Membership, is another layer of OQAQ. Because a member must be vested in order to receive an early or regular retirement benefit, these employees will be qualified from the first day they return to active school service, even if their employment type and wage type are part time hourly or part time per diem. There are a couple exceptions to this rule. The first is when the employee is returning under the emergency or shortage provisions or working in an extracurricular capacity. These employees still should not be reported to PSERS. The second is for those returning from a Disability Retirement. Vested status and qualification over the previous 2 full school years must be reviewed to determine if these employees must re-qualify for PSERS Membership upon their return.

## Break in Membership

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### □ Definition:

- A member terminates and refunds all contributions and interest, or
  - A non-vested member terminates all PSERS employment without refunding his or her contributions and interest AND does not return to service prior to the expiration of Inactive status (a period of two full fiscal years from June 30 of the last FY of the member's last day of paid service), or
  - A non-vested member is not reported on 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.
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Under Act 120 PSERS must clearly establish membership status to administer the once qualified, "always" qualified rule. We are clarifying that a Break in Membership occurs when:

1. A member terminates and refunds all contributions and interest, or
2. A non-vested member terminated all PSERS employment without refunding his or her contributions and interest AND does not return to service prior to the expiration of Inactive status (a period of two full fiscal/school years from June 30 of the last fiscal/school year of the member's last paid day of service), or
3. A non-vested member is not reported on any Work Reports or Work History Adjustments by a PSERS employer for a period of two full fiscal/school years from June 30 of the last fiscal/school year of the member's last day of paid service, unless the member was granted Multiple Service and is active with SERS.



## **Break in Service: Impact to Membership Status & Class**

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- Importance of Contract Record Maintenance
    - Work Status
      - ACTIVE
      - TRMNTN
        - Retirements and other Terminations
      - LEAVEN
        - Furloughs and Layoffs
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Because Member Status, Membership Class, and Qualification Requirements use the Contract Record as a primary source of information, it is important that you keep the record current. If the information is inaccurate or outdated, PSERS will not be able to provide you with correct information.

Some of our letters and the new reports PSERS will be providing to you, use Contract Record information to determine whether or not you should be notified of member account activity.

When PSERS receives an ACTIVE Contract Record, we begin the process of determining a member's Class, Qualification, and Membership status. Once you have begun submitting Work Reports for the member, PSERS will then complete the determination of the member's Class, Qualification, and Membership status. Therefore it is important to notify PSERS when your employee changes Work Status (e.g. goes from actively working to being on leave of absence). It is even more crucial to notify PSERS when an employee has resigned, been terminated, or furloughed/laid off.

With all the furloughs taking place at this time, it is important to notify PSERS of the member's layoff. For any furloughs or layoffs occurring, members should be put on a non-contributing leave Contract Record with a LEAVEN Work Status. This will protect the member's Class, Qualification, and Membership Status for up 2 full

school years. If the employee remains on a non-contributing leave for a period greater than 24 months, PSERS will terminate the Contract Record at the conclusion of the 24<sup>th</sup> month. However, if the furloughed or laid-off member applies for a benefit for the 24<sup>th</sup> month, PSERS will contact the employer to request a TRMNTN Contract Record. When an employee terminates employment or retires from an employer, the TRMNTN Work Status should be used. This will trigger PSERS to update the member's account status and notify them of any benefit eligibility that may be forthcoming.

If / when the employee returns to public school employment, PSERS will determine the appropriate member Class, Qualification, and Membership statuses. This determination is done using the Break in Membership rules recently established.

## **T-E Membership Class: Existing Members & Potential Members**

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- Existing Members: enrolled and qualified prior to 7/1/2011**
    - **Remain T-C/T-D**
    - **No option to elect T-E/T-F**
  - Existing Potential Members: enrolled but did not qualify prior to 7/1/2011**
    - **PSERS will update Membership Class to T-E**
    - **Contribution rate will remain 7.5%**
    - **Will have option to elect T-F once qualified**
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I will now cover the T-E Membership Class and going into detail about of the most frequently asked questions we've gotten in ESC from employers throughout the state.

As a baseline, I'd like to go over who will be in each Membership Class. Existing Members who were enrolled and qualified prior to 7/1/2011 will retain their Membership Class of T-C or T-D. The exception to this of course is a T-C Member with a Break in Service. That member would return as a T-D member. As a clarification, these members will not have the option to elect Class T-E or T-F, nor would it be beneficial to them to do so.

Potential Members, who again have worked for a school prior to 7/1/2011 but never qualified, will be updated by PSERS to be in Membership Class T-E. The only impact this will have to employers is that you will need to update these employees' records in your payroll system. This should not otherwise affect employers because these employees should have previously been enrolled as Class T-D, which currently maintains the same contribution rate as Class T-E, 7.5%. When and if these employees reach qualification, they will be given the option to elect to become Members of Class T-F.

## **T-E Membership Class: New Employees**

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- New employees who are enrolled in PSERS for the first time on or after 7/1/2011**
    - Membership Class T-E**
    - Contribution Rate of 7.5%**
    - Will have option to elect T-F once qualified**
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You should set up all new employees who are hired on or after 7/1/2011 and have never qualified for membership in PSERS as Class T-E, which currently has a Contribution Rate of 7.5%. If for some reason they had previously qualified in PSERS (i.e. they were previously a PSERS' member) but did not inform you of this, you will be notified when you submit their first Contract Record to us. This notification will be covered more in depth during the Employer Web session scheduled for the week of June 20<sup>th</sup>. Again, once these employees qualify for Membership in PSERS, they will be given the option to elect membership in Class T-F.

A link to the presentation being given the week of June 20, 2011 will be posted to this slide once it is available.

## T-F Election Process

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- Once the Member reaches qualification, PSERS will send an Election Form
  - Members will have 45 days from the date of the Election Form to elect Membership Class T-F
    - Reminder letters will be sent if PSERS has not received a response after 30 days
    - Members can only elect T-F through returning the Election Form to PSERS
    - If the Election Form is not returned to PSERS, Member will be permanently locked into the T-E Membership Class
    - Election is permanent; members will never have the ability to change their Membership Class
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Prior to going over the T-F Election Process from start to finish, I'd like to clarify that, beyond including a handout in the employee orientation materials, employers are not responsible for anything during the first part. We know your employees will come to you with questions, so we wanted to share what will occur with you. Let me stress that when employees come to you, we'd prefer that you refer them to the Member Service Center. All Member Service Center staff and Regional Office Counselors have received extensive training on Act 120 and will be able to answer any questions your employees have.

That said, I will now continue with the T-F Election Process. Once an individual who is enrolled under Class T-E qualifies for membership, PSERS will send them a T-F Election form with information about both membership classes. A sample of what the T-F Election form will look like is available on our website. The Member is only required to sign, date, and return the form to PSERS if they want to elect Class T-F Membership. Members will be instructed to return the form to PSERS directly, but if they bring it to you, you should fax it to us immediately. This form **must be received in our offices (main office or a Regional Office)** on or before the due date communicated to the member by PSERS.

If a Member fails to respond within 30 days of the first mailing, they will receive a follow-up letter reminding them of the deadline given in the original letter. Again, if the individual would like to remain a Member of Class T-E, they do nothing. If the election form is not received by PSERS by the deadline, the Member will be locked into Class T-E forever. Similarly, if the Member elects Class T-F, they are locked into that election as well. The **only** exception to this would be if PSERS received a Purchase of Service application for qualified service rendered before 7/1/2011. This would cause the Member to be converted to Membership Class T-D.

## **Impact to Employers**

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### **□ Collecting Retro Contributions**

- **Amount due will appear on Employer Statement of Accounts under Member Contributions**
  - **Total due will be calculated based on the most recently submitted Work Report at the time of the T-F Election**
  - **Employer will be responsible for calculating and withholding for salary that hasn't yet been submitted to PSERS**
  - **Payments can be arranged between Employer and Employee**
  - **Payments will have a due date indicated on the Statement**
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Once a Member elects Class T-F, he or she is agreeing to the higher contribution rate. The difference in the contributions collected and those that would have been owed under Class T-F for all service. The difference that is known to PSERS at the time of the T-F Election will be billed to the Employer with the most reliable payroll stream. Details of this collection process for members with multiple open contract records were provided during the March webinars and has been included below.

### **Class T-F Election for Members with Multiple Employers**

- The money should come from the employer with the current payroll stream
- If the member has multiple current employers:
- If only one employer is full time and the other(s) is part time, it will be the employer with the FT position
- If more than one employer is full time, it will be the full time employer who most recently reported the member. This is defined as the full time employer that most recently submitted a work report for the member
- If all employers are part time, it will be the employer with the
  - hourly Contract Record
  - if none; then the employer with a per diem Contract Record
  - if none, then the employer with a salaried contract record

The additional contributions must be collected this way so that they remain “pre-tax” or “pickup” contributions. The amount due will appear on the Employer Statement of Account with a due date for the money to be remitted to PSERS by the employer and will include the Member’s identifying information. For any payrolls that have been run since the last Work Report was submitted, employers will need to calculate the additional contributions that need to be sent because PSERS will bill for those with the regular Monthly Member Contributions. For example, if a Member elects Class T-F in November, but PSERS only has data reported through the September Work Report, we will calculate the contributions owed based on earnings through September, and you will have to calculate the additional contributions for the October and November payrolls that have already been completed. The difference between 7.5% and 10.3% is only 2.8%, so these amounts should not be very significant. It will be up to the employer to set the timeframe that your employee has to repay you for the additional contributions. Any payment plan between the employer and employee does not affect the due date for the T-F contributions to be submitted to PSERS by the employer.

## **Notification to Employers**

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- **Contract Records will display new data once approved**
    - **Membership Class**
    - **Contribution Rate**
    - **Withholding: Required, Optional, Waived**
  - **CROQ Report will notify of changes monthly in Account Details drop box**
    - **Membership Class**
    - **Contribution Rate**
    - **Obtaining Qualification**
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At this point, you're probably wondering how you will know if an employee has a change to their account. PSERS will be providing employers with new information in various forms, which will be covered in detail during the Employer Web sessions later this month. However, I want to introduce some of our notification methods today.

Contract Records, once approved, will now display the employee's Membership Class, Contribution Rate, and contribution withholding requirements. For the last field, you will see "Required" for those required to contribute, "Optional" for those employees who have not yet qualified for Membership, and "Waived" for those employees whose Work Status is ACTIVW.

We will also be providing you with a CROQ Report monthly. CROQ Reports will include changes to Membership Class, Contribution Rate, and will identify those employees who have Obtained Qualification during the previous month. These reports will be placed in the drop box on the Account Details screen where you currently find your Statements of Account.



## **Notification to Employers**

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- Work Report Validations**
    - Will not be able to report WNC for Qualified Members**
    - Contribution Rate Exceptions**
      - Warning: Contribution Rate is xx.xx%**
      - Warning: Verify T-F Contributions Recoupment**
  - Released Work Reports will contain new data**
  - More details to come in a future session**
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We will also be adding new Work Report Validations. Some of these include not being able to report WNC, or wages without contributions, for qualified members and new Contribution Rate warnings based on the T-F Election Process. As you can see we will be using the standard contribution rate exception message as we always have, but have added an exception to verify the additional T-F contributions.

Released Work Reports, which are available to you the day after you approve the file, will also contain new data related to Act 29 as well as the totals you have been asking for for so long! You will also be able to save them as a .csv file which will be able to be viewed and manipulated in Excel.

Again, we will be going into more detail about these new notifications during the Employer Web sessions later this month.

# Questions?

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Thank you again for viewing this recorded WebEx session. We have placed a document containing all of the Frequently Asked Questions on our website where you found the link to this presentation. After reading through those questions and answers, if you have any questions, please address them to your Employer Service Center Representative. If you are unsure who your regional rep is, please refer to the Employer Service Center Contacts section of our website. The link can be found at the top of the main Employer page.